



Department
of Health

Public Health and Health Planning Council

Project # 151321-E

Sapphire Nursing at Wappingers, LLC

Program: Residential Health Care Facility
Purpose: Establishment

County: Dutchess
Acknowledged: June 29, 2015

Executive Summary

Description

Sapphire Nursing at Wappingers, LLC (previously known as Dutchess Center for Rehabilitation and Nursing, LLC), a New York limited liability company, requests approval to be established as the new operator of Elant at Wappingers Falls, a 62-bed Article 28 residential health care facility (RHCF) located at 37 Mesier Avenue, Wappingers Falls (Dutchess County). A separate entity, 37 Mesier Avenue Real Estate, LLC, will acquire the real property. There will be no change in services.

On December 1, 2014, Elant at Fishkill, Inc., the current operator of Elant at Wappingers Falls, entered into an Asset Purchase Agreement (APA) with Yertle Operations, LLC, whereby Yertle Operations, LLC agreed to purchase the operations of Elant at Fishkill and Elant at Wappingers Falls upon approval by the Public Health and Health Planning Council (PHHPC). Elant at Fishkill is a 160-bed Article 28 RHCF located at 22 Robert R. Kasin Way, Beacon (Dutchess County), New York. The APA provides that the purchase price for the assets is one dollar (\$1) plus the assumption of certain liabilities by Yertle Operations, LLC. Yertle Operations, LLC and the applicant will enter into an Assignment and Assumption Agreement whereby Yertle Operations, LLC will assign its rights and obligations relating to the Wappingers Falls facility to the applicant.

Concurrently, Elant at Fishkill, Inc., the real property owner of the two nursing facilities, and 22 Robert Kasin Way Real Estate, LLC entered into a Contract of Sale for the purchase of the

real estate associated with the two facilities for \$1. Upon PHHPC approval, 22 Robert Kasin Way Real Estate, LLC will enter into an Assignment and Assumption Agreement with 37 Mesier Avenue Real Estate, LLC, whereby 22 Robert Kasin Way Real Estate, LLC will assign its rights and obligations relating to the Wappingers Falls facility to 37 Mesier Avenue Real Estate, LLC. Upon PHHPC approval, 37 Mesier Avenue Real Estate, LLC will lease the premises to the applicant for a term of 30 years. There is a relationship between 37 Mesier Avenue Real Estate, LLC and Sapphire Nursing at Wappingers, LLC in that the entities have common ownership.

Ownership of the operations before and after the requested change is as follows:

<u>Current Operator</u>	
Elant at Fishkill, Inc. d/b/a Elant at Wappingers Falls	
<u>Member/Active Parent</u>	
Elant, Inc.	100%

<u>Proposed Operator</u>	
Sapphire Nursing at Wappingers, LLC	
<u>Members</u>	
Richard Platschek (Manager)	33.34%
Esther Farkovits	33.33%
Machla Abramczyk	20.00%
Robert Schuck	13.33%

BFA Attachment C presents an Organization Chart of the facility and the real property ownership after the requested change.

Concurrently under review are CON 151327 (Elant at Goshen), CON 151307 (Elant at Fishkill) and CON 152005 (Elant at Meadow Hill), in which the same proposed members are seeking approval to purchase three other Elant RHC facilities.

OPCHSM Recommendation

Contingent Approval

Need Summary

There will be no changes to the certified bed capacity as a result of this project. Elant at Wappingers Falls' occupancy was 92.7% in 2011, 91.2% in 2012, and 93.1% in 2013. Current occupancy, as of December 23, 2015 is 91.9%, with 5 vacant beds.

Program Summary

No changes in the program or physical environment are proposed in this application. The proposed operators intend to enter into a contract for accounting services with a related party entity, Sapphire HC Management Care, LLC. No other administrative services or consulting agreements are proposed in this application. No negative information has been

received concerning the character and competence of the proposed applicants. All related health care facilities are in substantial compliance with all rules and regulations. The character and competence review indicates the applicants have met the standard to provide a substantially consistent high level of care as set forth in Public Health Law §2801-a (3).

Financial Summary

There are no project costs associated with this proposal. The purchase price for the assets is \$1 plus the assumption by Yertle Operations, LLC of certain liabilities from December 1, 2014 to pre-closing, amounting to \$754,047. The operating budget is as follows:

Revenues	\$6,281,766
Expenses	<u>6,271,009</u>
Net Income	\$ 10,757

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

Approval contingent upon:

1. Submission of an executed lease agreement, acceptable to the Department of Health. [BFA]
2. Submission of an executed assignment and assumption agreement for the operations, acceptable to the Department of Health. [BFA]
3. Submission of an executed assignment and assumption agreement for the realty, acceptable to the Department of Health. [BFA]
4. Submission of an executed administrative services agreement, acceptable to the Department of Health. [BFA]
5. Submission of a commitment signed by the applicant which indicates that, within two years from the date of the council approval, the percentage of all admissions who are Medicaid and Medicare/Medicaid eligible at the time of admission will be at least 75 percent of the planning area average of all Medicaid and Medicare/Medicaid admissions, subject to possible adjustment based on factors such as the number of Medicaid patient days, the facility's case mix, the length of time before private paying patients became Medicaid eligible, and the financial impact on the facility due to an increase in Medicaid admissions. [RNR]
6. Submission of a plan to continue to enhance access to Medicaid residents. At a minimum, the plan should include, but not necessarily be limited to, ways in which the facility will:
 - a. Reach out to hospital discharge planners to make them aware of the facility's Medicaid Access Program;
 - b. Communicate with local hospital discharge planners on a regular basis regarding bed availability at the nursing facility; and
 - c. Identify community resources that serve the low-income and frail elderly population who may eventually use the nursing facility, and inform them about the facility's Medicaid Access policy. [RNR]
7. Submission of a commitment, signed by the applicant, to submit annual reports to the DOH, for at least two years, demonstrating substantial progress with the implementation of the plan. These reports should include, but not be limited to:
 - a. Describing how the applicant reached out to hospital discharge planners to make them aware of the facility's Medicaid Access Program;
 - b. Indicating that the applicant communicated with local hospital discharge planners on a regular basis regarding bed availability at the nursing facility;
 - c. Identifying the community resources that serve the low-income and frail elderly population that have used, or may eventually use, the nursing facility, and confirming they were informed about the facility's Medicaid Access policy.
 - d. Documentation pertaining to the number of referrals and the number of Medicaid admissions; and
 - e. Other factors as determined by the applicant to be pertinent.The DOH reserves the right to require continued reporting beyond the two year period. [RNR]
8. Submission of the proposed contract with Sapphire HC Management Care, LLC for accounting services. [LTC]
9. Submission of a photocopy of a sample Unit Certificate (See Schedule 14B, Section IV). [CSL]
10. Submission of a revised Schedule 14 that provides in Section IV that there are membership certificates. [CSL]
11. Submission of a photocopy of the Lease Agreement that is fully signed by all the parties thereto (See Schedule 3A, General Instructions). [CSL]
12. Submission of a photocopy of the Assignment and Assumption Agreement Yertle Operations to Applicant signed by all of the parties thereto (See Schedule 3A, General Instructions). [CSL]

13. Submission of a photocopy of the Assignment and Assumption Agreement 22 Robert Kasin Way Real Estate, LLC to 37 Mesier Avenue Real Estate, LLC signed by all of the parties thereto (See Schedule 3A, General Instructions). [CSL]
14. Submission of a photocopy of the applicant's amended Operating Agreement, acceptable to the Department. [CSL]
15. Submission of a photocopy of the applicant's amended Articles of Organization, acceptable to the Department. [CSL]

Approval conditional upon:

1. The project must be completed within three years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]

Council Action Date**February 11, 2016**

Need Analysis

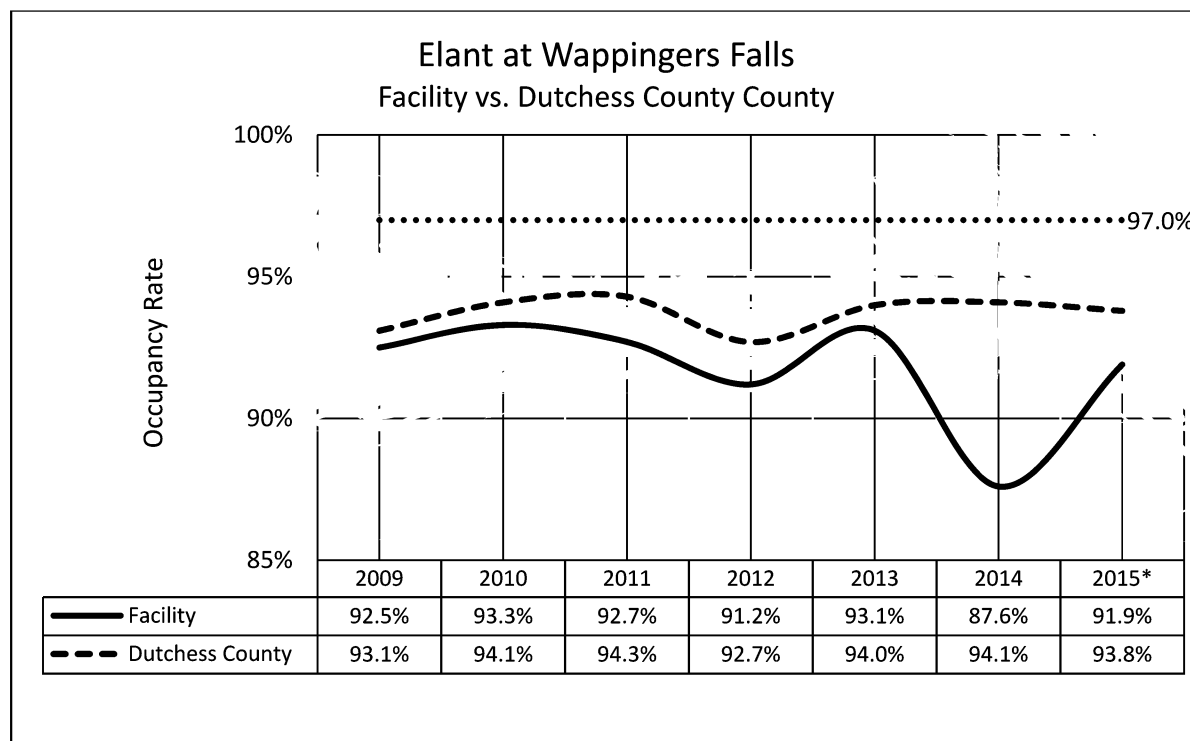
Analysis

There is currently a surplus of 23 beds in Dutchess County as indicated in the following table:

RHCF Need – Dutchess County

2016 Projected Need	1,903
Current Beds	1,926
Beds Under Construction	0
Total Resources	1,926
Unmet Need	-23

The overall occupancy for Dutchess County is 94.0% for 2013 as indicated in the following chart:



*unaudited; facility reported data

Elant at Wappingers Falls' occupancy was 92.7% in 2011, 91.2% in 2012, 93.1% in 2013 and 87.6% in 2014. The decline in occupancy between 2013 and 2014 is attributed to room renovations which required one or more resident rooms to be closed for a period of time.

According to the applicant, the existing facility is in need of interior renovation and reconfiguration which will be addressed upon approval of this application. The applicant also plans to add programs and services which would allow the facility to serve more medically complex individuals with chronic obstructive pulmonary disease (COPD), vascular insufficiencies, dementia, and psycho-geriatric conditions. It is anticipated that implementation of these programs and services, along with the renovations to the facility, will increase occupancy to 96.8% in the first year and 97.5% by the third year.

Access

Regulations indicate that the Medicaid patient admissions standard shall be 75% of the annual percentage of all Medicaid admissions for the long term care planning area in which the applicant facility is located. Such planning area percentage shall not include residential health care facilities that have an

average length of stay 30 days or fewer. If there are four or fewer residential health care facilities in the planning area, the applicable standard for a planning area shall be 75% of the planning area percentage of Medicaid admissions, or of the Health Systems Agency area Medicaid admissions percentage, whichever is less. In calculating such percentages, the Department will use the most current data which have been received and analyzed by the Department.

An applicant will be required to make appropriate adjustments in its admission policies and practices so that the proportion of its own annual Medicaid patient's admissions is at least 75% of the planning area percentage or the Health Systems Agency percentage, whichever is applicable.

Elant at Wappingers Falls' Medicaid admissions of 53.7% in 2012 and 46.6% in 2013 exceeded the Dutchess County 75% rates of 18.9% in 2012 and 19.5% in 2013.

Conclusion

Approval of this application will result in maintaining a necessary resource for the Medicaid population.

Recommendation

From a need perspective, contingent approval is recommended.

Program Analysis

Facility Information

	Existing	Proposed
Facility Name	Elant at Wappingers Falls	Sapphire Nursing at Wappingers
Address	37 Mesier Avenue Wappingers Falls, New York 12590	Same
RHCF Capacity	62	Same
ADHC Program Capacity	None	Same
Type of Operator	Corporation	Limited Liability Company
Class of Operator	Not for Profit	Proprietary
Operator	Elant at Fishkill, Inc	Sapphire Nursing at Wappingers, LLC
	<u>Active Parent/Co-operator:</u> Elant, Inc	Richard Platschek* 33.34% Esther Farkovits 33.33% Machla Abramczyk 20.00% Robert Schuck 13.33%
		*Managing Member

Character and Competence - Background

Facilities Reviewed

Nursing Homes

Little Neck Nursing Home	04/2011 to present
Nassau Extended Care Facility	07/2004 to present
Park Avenue Extended Care Facility	07/2004 to present
Park Gardens Rehabilitation and Nursing Center LLC	12/2005 to present
Ridge View Manor LLC	10/2012 to present
Seagate Rehabilitation and Health Care Center	12/2014 to present
Sheridan Manor LLC	10/2012 to present
South Shore Rehabilitation and Nursing Center	04/2014 to present
The Citadel Rehab and Nursing Center at Kingsbridge (formerly Kingsbridge Heights Rehabilitation and Care Center)	11/2015 to present
Throgs Neck Extended Care Facility	07/2004 to present
Townhouse Extended Care Facility	07/2004 to present

Williamsville Suburban LLC	10/2012 to present
White Plains Center for Nursing	07/2011 to present
<u>Home Care Agencies</u>	
Floral Home Care LLC	01/2012 to present

Individual Background Review

Current ownership shares are noted in brackets.

Richard (Aryeh) Platschek lists his occupation as sales at Stat Portable X-ray, a portable x-ray service located in Oakland Gardens, New York. He has been employed there since January 2007. Previously, Mr. Platschek was employed at Treetops Rehabilitation Care Center as a purchasing agent. Richard (Aryeh) Platschek discloses the following ownership interests in health facilities:

Williamsville Suburban LLC [4.5%]	10/2012 to present
Ridge View Manor LLC [4.5%]	10/2012 to present
Sheridan Manor LLC [4.5%]	10/2012 to present
South Shore Rehabilitation and Nursing Center [5%]	04/2014 to present

Esther Farkovitz is currently unemployed and lives out of the country. She was previously a yoga instructor at the Lucille Roberts gym from February 2005 to October 2006. Ms. Farkovitz discloses the following ownership interests in health facilities:

Little Neck Care Center [50%]	04/2011 to present
South Shore Rehabilitation and Nursing Center [45%]	04/2014 to present
Nassau Extended Care Facility [7%]	07/2004 to present
Park Avenue Extended Care Facility [7%]	07/2004 to present
The Citadel Rehab and Nursing Center at Kingsbridge [25%]	11/2015 to present
Throgs Neck Extended Care Facility [7%]	07/2004 to present
Townhouse Extended Care Center [7%]	07/2004 to present
Seagate Rehabilitation and Health Care Center [10%]	12/2014 to present
White Plains Center for Nursing [12%]	07/2011 to present

Machla Abramczyk lists her employment as Floral Home Care, LLC where she has been employed as a Quality Assurance Manager since January 2012. Ms. Abramczyk discloses the following ownership interests in health facilities:

Park Gardens Rehabilitation and Nursing Center LLC [63%]	01/2002 to present
Floral Home Care LLC [1%]	01/2012 to present

Robert Schuck is a non-registered certified public accountant. He has been employed at Hempstead Park Nursing Home as the Chief Financial Officer for the last ten years. Mr. Schuck discloses the following ownership interest in health care facilities:

South Shore Rehabilitation and Nursing Center [25%]	04/2014 to present
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Character and Competence - Analysis

No negative information has been received concerning the character and competence of the above applicants identified as new members.

A review of operations for Little Neck Nursing Home, Park Avenue Extended Care Facility, Park Gardens Rehabilitation and Nursing Center LLC, Ridge View Manor LLC, Seagate Rehabilitation and Health Care Center, Sheridan Manor LLC, South Shore Rehabilitation and Nursing Center, Throgs Neck Extended Care Facility, Townhouse Extended Care Facility, Williamsville Suburban LLC, White Plains Center for Nursing, The Citadel Rehab and Nursing Center at Kingsbridge, and Floral Home Care, LLC results in a conclusion of substantially consistent high level of care since there were no enforcements.

A review of Nassau Extended Care Facility for the period identified above revealed the following:

- The facility was fined \$6,000 pursuant to a Stipulation and Order issued September 19, 2014 for surveillance findings on August 24, 2011. Deficiencies were found under 10 NYCRR

415.4(b) Prohibit abuse/Neglect/Mistreatment, 10 NYCRR 415.5 (a) Dignity, and 10 NYCRR 415.26 Administration.

- The facility was fined \$2,000 pursuant to a Stipulation and Order issued January 5, 2016 for surveillance findings on October 15, 2012. Deficiencies were found under 10 NYCRR 415.12(c)(1) Pressure Sores.

A review of surveillance activity for Nassau Extended Care Facility for the period identified above meets the requirements for approval as set forth in Public Health Law §2801-1(3).

Project Review

This application is proposing to establish Sapphire Nursing at Wappingers, LLC (originally named Dutchess Center for Rehabilitation and Nursing, LLC) as the new operator of Elant at Wappingers Falls. Sapphire Nursing at Wappingers, LLC is comprised of Richard Platschek (33.34%); Esther Farkovits (33.33%); Machla Abramczyk (20.00%); and Robert Schuck (13.33%). Richard Platschek will be the managing member of the facility. The current operator, Elant at Fishkill, entered into an asset purchase agreement with Yertle Operations, LLC. Yertle Operations, LLC will enter into an Assignment and Assumption Agreement whereby Yertle Operations, LLC will assign its rights and obligations relating to Elant at Wappingers Falls to the applicant. It should be noted that Yertle Operations, LLC and Sapphire Nursing at Wappingers, LLC have identical membership.

The applicant acknowledges a relationship with the proposed purchaser of the real property 22 Robert Kasin Way Real Estate, LLC. It should be noted that while one of the members of 22 Robert Kasin Way Real Estate, LLC is CEO of Sentosa Care, LLC, the applicant has asserted that the operating group will not enter into a contractual relationship with Sentosa Care, LLC for the provision of services to the facility.

The applicant has proposed to make no significant changes to staffing levels for RHCf operations and will attempt to retain key positions at the facility such as the Administrator of Record, Director of Nursing, Assistant Director of Nursing, Medical Director, Staff Physician, Nurse Practitioner, and Corporate Director of Rehabilitation. During the initial transition period the ownership group will designate a member to provide specific attention and oversight to the facility to ensure that the level and quality of care is maintained.

No changes in the program or physical environment are proposed in this application. The proposed operators intend to enter into a contract for accounting services with Sapphire HC Management Care, LLC, which is a related party. Sapphire HC Management Care, LLC is owned by Richard (Aryeh) Platschek and his wife Golda Platschek. No other administrative services or consulting agreements are proposed in this application.

Conclusion

The character and competence review indicates the applicants have met the standard to provide a substantially consistent high level of care as set forth in Public Health Law §2801-a (3).

Recommendation

From a programmatic perspective, contingent approval is recommended.

Financial Analysis

Asset Purchase Agreement

The applicant has submitted an executed Asset Purchase Agreement for the operating interests of the RHCF. The agreement will become effectuated upon PHHPC approval of this CON. The terms of the agreement are summarized below:

Date:	December 1, 2014
Seller:	Elant At Fishkill, Inc.
Purchaser:	Yertle Operations, LLC
Acquired Assets:	All rights, title to and interest in all of the assets used in operation of the facility. All assets including furniture, fixtures equipment; vehicles; art works; computer hardware; machinery; tools; supplies and inventory; prepaid expenses; all intellectual property; documents and records; assignable leases, contracts, licenses and permits; telephone numbers, fax numbers and all logos; resident trust funds; deposits; accounts and notes receivable; cash, deposits and cash equivalents.
Excluded Assets:	All contracts other than assumed contracts, all nontransferable licenses, tax returns and records; all assets or seller's interest in the following entities: Glen Arden, Inc., Lifestyles Concepts, LLC, Elant Choice, Inc., Fishkill Foster Families, Fishkill Long Term Home Healthcare, Elant Foundation, Goshen Long Term Home Healthcare Program.
Assumption of Liabilities:	All liabilities of the seller incurred or arising and unpaid during pre-closing period.
Excluded Liabilities:	All non-assumable liabilities, All accounting and legal fees and all other costs and expenses incurred by seller in connection with the negotiation and execution of this contract, any liabilities arising from the ownership or use of the excluded assets, liability of seller that is not an assumed liability, all taxes prior to closing date, any liability of seller in excess of 500,000 in connections with any base year rate audit or any MDS audit, any liabilities of the seller not known at closing date.
Purchase Price:	\$1 and the assumption of certain liabilities associated with RHCF, which will be offset by the assumed assets prior to pre-closing. As of September 30, 2015, the current assets are 1,856,713 and liabilities are \$754,047.
Payment of Purchase Price:	Cash at Closing

The applicant has submitted an original affidavit, which is acceptable to the Department, in which the applicant agrees, notwithstanding any agreement, arrangement or understanding between the applicant and the transferor to the contrary, to be liable and responsible for any Medicaid overpayments made to the facility and/or surcharges, assessments or fees due from the transferor pursuant to Article 28 of the Public Health Law with respect to the period of time prior to the applicant acquiring its interest, without releasing the transferor of its liability and responsibility. The facility has no current outstanding Medicaid liabilities.

Purchase and Sale Agreement for the Real Property

The applicant has submitted an executed real estate Purchase and Sale Agreement (PSA) related to the purchase of the RHCF's real property. The agreement closes concurrent with the APA upon PHHPC approval of this CON. The terms are summarized below:

Date:	December 1, 2014
Seller:	Elant at Fishkill, Inc.
Buyer:	22 Robert Kasin Way Real Estate, LLC
Purchase Price:	\$1 and the refinancing of the bonds payable of \$1,859,495 as of September 30, 2015.
Assets Purchased:	Premises located at 37 Mesier Avenue, Wappingers Falls, NY (Dutchess Co. Tax Id# 135601-6158-18-359123-0000).

Under the APA, the purchaser agreed to assume the liabilities pursuant to section 3.1 and set forth on schedule 3.1. The assumed liabilities between the operation and the realty are indicated on BFA Attachment F. Under the PSA, in relation to the sale of the real property and pursuant to section 2.1, the transaction is conditioned upon the assumption of the assumed liabilities as set forth in the APA, which include the assumption of any mortgages and any other liabilities associate with the PSA transaction.

A loan letter of interest has been submitted by the applicant from Greystone to refinance the mortgage up to \$2,500,000 at 5.5% over 30 years. Also, proposed member of the realty, Benjamin Landa, has submitted an affidavit to contribute personal resources disproportionate to his membership interest if such equity is needed. BFA Attachment B is the net worth statement of Benjamin Landa showing sufficient equity.

Assignment and Assumption Agreements

The applicant submitted draft Assignment and Assumption Agreements for the operations and realty related to the Wappingers Falls facility, as summarized below:

Operations

Assignor:	Yertle Operations, LLC
Assignee:	Dutchess Center for Rehabilitation and Nursing, LLC (now known as Sapphire Nursing at Wappingers, LLC per NYS Department of State filing 6/16/15)
Rights Assigned:	All rights assigned under the Asset Purchase Agreement for the Wappingers Falls facility.

Yertle Operations, LLC will enter into an Assignment and Assumption Agreement whereby Yertle Operations, LLC will assign its rights and obligations relating to the Wappingers Falls facility to the applicant.

Realty

Assignor:	22 Robert Kasin Way Real Estate, LLC
Assignee:	37 Mesier Ave Real Estate, LLC
Rights Assigned:	All rights assigned under the Contract of Sale for the Wappingers Falls property.

22 Robert Kasin Way Real Estate, LLC, the Fishkill realty entity, will purchase both the Fishkill and Wappinger properties, and will assign the Wappinger property to 37 Mesier Avenue Real Estate, LLC, the Wappinger realty entity.

Lease Agreement

Facility occupancy is subject to a draft Lease Agreement, the terms of which are summarized below:

Premises:	A 62-bed RHCF located at 37 Mesier Avenue, Wappingers Falls, NY 12590
Landlord:	37 Mesier Avenue Real Estate, LLC
Tenant:	Dutchess Center for Rehabilitation and Nursing, LLC
Terms:	30 years commencing on execution of the lease with a 10-year option to renew
Rental:	\$131,525 annual base rent (\$10,960.42/month) with a 3% increase per year thereafter.
Provisions:	Tenant is responsible for taxes, utilities, maintenance, insurance, alterations

The long-term liability is \$1,859,495 as of September 30, 2015, and represents tax-exempt bonds which cannot be assumed by a proprietary entity. Therefore, they will be paid off and financed through the realty entity. Proposed member of the realty, Benjamin Landa, has submitted an affidavit attesting to his willingness to contribute personal resources disproportionate to his ownership interest. The amortized bonds are factored into the lease payments.

The lease arrangement is a non-arm's length agreement. The applicant has submitted an affidavit attesting to the relationship between the landlord and the operating entity.

Administrative Service Agreement

The applicant has provided a draft agreement for administrative services, which is summarized below:

Service Provider:	Sapphire HC Management Care, LLC
Service Purchaser:	Sapphire Nursing at Wappingers, LLC
Services Provided:	The billing, collection and management of Accounts Receivable; no less than weekly Medicaid billing; no less than monthly Commercial and Medicare billing; Payroll and Accounts Payable processing; providing data for financial reporting and any internal or external auditing; and cooperation with Federal and State reporting and regulatory requirements.
Exclusions:	The service purchaser will retain control of books and records, day-to-day operations, responsibility for regulatory compliance and the disposition of assets; the service provider will incur no liability on behalf of the facility, will not hire or fire employees and will not enforce policy regarding the operation of the facility.
Term:	One year with unlimited one year renewals, unless notice of termination is provided at least 30 days prior to the end of any renewal term.
Compensation:	\$50,918 per year or \$2.25 per bed per day (\$4,326 per month)

Richard Platschek, one of the members of Yertle Operations, LLC, and his wife Golda Platschek own Sapphire HC Management Care, LLC. The entity will provide the above noted accounting services. Facility staff will perform all other administrative services. Sapphire HC Management Care, LLC will also provided accounting services to the other RHCfs being concurrently reviewed under CON 151327 (Elant at Goshen), CON 151307 (Elant at Fishkill) and CON 152005 (Elant at Meadow Hill).

Operating Budget

The applicant has provided an operating budget, in 2015 dollars, for the first and third years subsequent to the change of ownership. The budget is summarized below:

	<u>Current Year</u>					
	<u>Per Diem</u>	<u>(2014)</u>	<u>Per Diem</u>	<u>Year One</u>	<u>Per Diem</u>	<u>Year Three</u>
Revenue						
Medicaid FFS	\$207.50	\$3,111,018	\$207.85	\$3,364,294	\$215.98	\$3,492,419
Medicare FFS	\$613.15	\$1,843,745	\$633.67	\$2,121,528	\$662.37	\$2,283,836
Commercial FFS	\$434.74	\$289,100	\$473.50	\$332,400	\$468.99	\$339,081
Private Pay	\$566.12	\$651,601	\$336.65	\$563,544	\$333.26	\$574,871
All Other		\$27,990		(\$100,000)		(\$75,000)
Total Revenues		\$5,923,454		\$6,281,766		\$6,615,207
Expenses						
Operating	\$316.44	\$6,270,658	\$280.10	\$6,137,082	\$280.27	\$6,184,398
Capital	\$13.59	\$269,365	\$6.11	\$133,927	\$6.07	\$133,975
Total Expenses	\$330.04	\$6,540,023	\$289.55	\$6,271,009	\$289.55	\$6,318,373
Net Income		(\$616,569)		\$10,757		\$296,834
Patient Days		19,816		21,910		22,066

The following is noted with respect to the submitted budget:

- The current year reflects the current operator's 2014 RHCf-4 cost report information.
- For budget Years One and Three, Medicaid revenues are projected based on the current operating and capital components of the facility's 2015 Medicaid FFS rate.
- The Current Year Medicare rate is the actual daily rate experienced by the facility during 2014 and the forecasted Year One Medicare rates represent the actual Medicare rates experienced by the facility during 2015.
- The Current Year commercial and private pay rates represent the average actual rates experienced by the facility for these payors during 2015. The Private Pay per diem rate is expected to be lower than the current year rate due to expected bad debt write-offs.

- Expenses will be reduced in Year One due to salary and benefit reductions related to reduced managerial staff. The reductions are held constant for Year Three. An increase in rent expense will be offset by an interest expense reduction.
- The current occupancy rate was 86.3% as of October 25, 2015, while utilization for 2014 was 88%. The decline is attributed to renovations that required one or more rooms to be closed for a period. The applicant expects to increase occupancy by upgrading and reconfiguring the physical plant and by adding programs and services to serve more medically complex individuals. The applicant also plans to work closely with local health care and social providers in an effort to publicize the new ownership of the facility. By implementing these programs and services, along with the renovations to the facility, it is anticipated that occupancy will increase to 97% by Year One.
- Utilization by payor for the first and third years after the change in ownership is summarized below:

	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid-FFS	75.66%	73.87%	73.28%
Medicare-FFS	15.17%	15.28%	15.63%
Commercial-MC	3.36%	3.20%	3.28%
Private Pay	<u>5.81%</u>	<u>7.64%</u>	<u>7.81%</u>
Total	100.00%	100.00%	100.00%

- Breakeven utilization is projected at 96.6% for the first year.

Capability and Feasibility

There are no project costs associated with this application. The purchase price for the assets is \$1 and the assumption by Sapphire Nursing at Wappingers, LLC of certain liabilities from December 1, 2014 to pre-closing, amounting to \$754,047.

The working capital requirement of \$1,045,168, based on two months of the first year's expenses plus current account payables and accrued expenses of \$762,966, will be met from \$1,209,296 in assumed account receivables, \$184,594 in assumed cash along with \$414,244 in members' equity. It is noted that liquid resources may not be available in proportion to the proposed ownership interest. Machla Abramczyk has provided an affidavit stating that she will contribute personal resources disproportionate to her membership interest. BFA Attachment A, proposed members' net worth, and BFA Attachment D, financial summary of Elant at Wappingers, reveal sufficient resources exist for stated levels of equity. BFA Attachment F is the Pro Forma Balance Sheet for the first day of operation, which shows the operation will start off with the members' equity of \$414,244.

The submitted budget indicates a net income of \$10,757 and \$296,834 during the first and third years, respectively. BFA Attachment G presents the budget sensitivity analysis based on current utilization as of October 30, 2015, which shows that budgeted revenues would increase by \$3,048, resulting in a net profit in Year One of \$13,805. Projected utilization by payor conforms to historical experience. The budget appears reasonable.

A transition of nursing home (NH) residents to Medicaid managed care is currently being implemented statewide. Under the managed care construct, Managed Care Organizations (MCOs) will negotiate payment rates directly with NH providers. A department policy, as described in the "Transition of Nursing Home Benefit and Population into Managed Care Policy Paper," provided guidance requiring MCOs to pay the benchmark Medicaid FFS rate, or a negotiated rate acceptable to both plans and NH, for three years after a county has been deemed mandatory for NH population enrollment. As a result, the benchmark FFS rate remains a viable basis for assessing NH revenues through the transition period. BFA Attachment D is the financial summary of Elant at Wappingers Falls. As shown, the facility has maintained negative working capital, negative equity position and generated an average annual operating loss of \$394,908 for the period and a net operating income of \$64,286 as of September 30, 2015. The applicant indicated the reason for the negative performance was due to a large amount of accounts receivable written off during this period. The management has implemented revised admission policy since 2013 to correct their admission practices by obtaining secondary insurance coverage on long-term residents to reduce uncollectible accounts.

BFA Attachments E, financial summary of the proposed members' affiliated RHCs, shows the facilities have maintained positive net assets position, positive working capital position and positive income from operations for the periods shown with the exception of the following;

- Nassau Extended Care and Park Gardens Rehabilitation have Operating Net Losses due to lower utilization levels, which have since increased. Currently, the facilities are generating operating income in 2015.
- Throg's Neck Extended is showing an Operating Net Loss as of July 31, 2015, due to a Medicaid retroactive rate adjustment.
- Williamsville Suburban, Ridgeview Manor and Sheridan Manor all show negative net assets position, negative working capital position and negative income from operation for the year 2013 and 2014 due to servicing of a high debt level. The facilities are in the process of being sold. Ridgeview Manor and Sheridan Manor have been approved through PHHPC and should be finalized shortly with the bankruptcy attorney. Williamsville Suburban is currently under review. The debt will be satisfied upon transfer of ownership.
- South Shore Healthcare is showing Operating Net Losses in 2013 and 2014 due to low utilization, which has since increased. The facility is currently showing a 2015 operating net income.

The applicant has demonstrated the capability to proceed in a financially feasible manner.

Recommendation

From a financial perspective, contingent approval is recommended.

Attachments

BFA Attachment A	Proposed Members' Net Worth Summary
BFA Attachment B	Net Worth Statement for Benjamin Landa
BFA Attachment C	Organizational Chart and Pre and Post Ownership of Realty
BFA Attachment D	Financial Summary of Elant at Wappingers Falls & 2014 Certified Financial of Elant at Fishkill, Inc.
BFA Attachment E	Affiliated Residential Health Care Facilities and their Financial Summary
BFA Attachment F	Pro Forma Balance Sheet
BFA Attachment G	Budget Sensitivity Analysis
LTC Attachment A	Quality Measures and Inspection Report