OBER KALER
Attorneys at Law

Ober, Kaler, Grimes & Shriver
A Professional Corporation

100 Light Street
Baltimore, MD 21202
410.685.1120 Main
410.547.0699 Fax
www.ober.com

Howard L. Sollins
hlsollins@ober.com
410.347.7369 / Fax: 443.263.7569

Offices In
Maryland
Washington, D.C.
Virginia

January 16, 2014

Via Email and Hand Delivery
Kevin McDonald, Chief
Certificate of Need Division
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

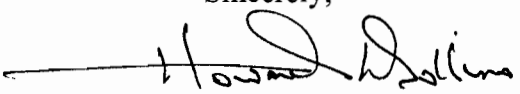
Re: Prince George's Post Acute, LLC
Matter No. 13-16-2347
Response to Second Set of Completeness Questions

Dear Kevin:

With this letter we are submitting the required ten (10) copies of our responses to the second set of Completeness Questions regarding the above-referenced project.

I hereby certify that a copy of this response has also been forwarded to the appropriate local health planning agency, as noted below.

Sincerely,



Howard L. Sollins

JJE/tjr
Enclosures
cc: Mr. Joel Riklin, Maryland Health Care Commission
Pamela Brown-Creekmur, Health Officer, Prince George's County
Ms. Ruby Potter, Maryland Health Care Commission
Gary L. Attman, President, FutureCare Health and Management
Les Goldschmidt, FutureCare Health and Management
Mr. Andrew L. Solberg
John J. Eller, Esquire

Responses to 2nd Completeness Questions Received on 12/13/13
PGPA
Docket Number 13-16-2347

1. Regarding the response to Question #4b, identify what is VCE (or BBT).

"VCE" was a typographical error. It should be VCT, or vinyl composition tile. BBT is an acronym for bio-based tile, which is a "greener," more resilient tile than VCT.

2. Regarding the response to Question #15, please respond to the following:

a. **Confirm that the numbers on p. 16-17 are for population age 65 years and older.**

The population estimates and projections on pages 16-17 are for population age 65 years and older. The source of the data is a Claritas Age by Sex report using a ten mile radius from the site. Claritas appears to include Zip Codes, any part of which falls within the ten mile radius.

b. **Is the 2014 Estimated Average Household Income for all residents in that zip code, or the income for the population age 65 years and older? What is the source for the 2014 Estimated Average Household Income information?**

The Estimated Average Household Income data for 2014 are for all residents in that Zip Code. The source of the data is a Claritas Quick Demographic report for the Zip Codes, any part of which falls with the ten mile radius. Claritas did not provide estimated Average Household Income for households in which the householder is age 65+ in the Quick Demographic report. Nor was it provided in the Claritas Executive Summary report.

c. **PGPA states that "the majority of patients ... will come from a dense population radius within 10 miles of the new facility." Please identify which of the 54 zip codes are expected to provide 80 of the admissions to PGPA.**

The reference to the dense population radius within 10 miles was intended to

mean that, unlike in a rural county in which the service area would be the whole county, FutureCare expects that most of PGPA's residents will come from a more local area within a ten mile radius. Therefore, the service area (80% of the admissions) will likely include all of the 54 Zip Codes that are within, or partly within the ten mile radius.

3. Regarding the response to Question #16, please respond to the following:

a. **Reconcile the number of admissions on p. 18 with Table 1 in the CON application.**

Admissions

	YEAR 1	YEAR 2	YEAR 3
PRIVATE	6	2	2
MEDICARE	261	420	420
MEDICAID-MD	75	59	35
MANAGED CARE	24	36	36
HOSPICE	9	12	12
BRAVO	11	12	12
TOTAL	386	542	518

b. **Provide a breakdown on the number of patient days by payer source.**

b. Patient Days by Payer Source

1) Medicare	8,513	14,600	14,600
2) Medicaid	10,669	31,220	32,120
3) Commercial Insurance	1,066	1,460	1,460
4) Self-Pay	1,280	1,460	1,460
5) Hospice	275	365	365
6) Total	21,803	49,105	50,005

c. **Regarding Admissions, Medicaid admissions is about 20.2 of total admissions in Year 1, but drops to around 6.8 by Year 3. Please explain the dramatic decrease in Medicaid admissions from Year I to Year 3. Does the applicant expect to meet and comply with COMAR 10.24.08.05A(2) by meeting the level of participation with the Medical Assistance Program for St. Mary's County? (sic)**

PGPA expects to meet and comply with COMAR 10.24.08.05A(2). After the fill up period the facility is projected to run at approximately 64% Medical Assistance.

In all three years, the vast majority of admissions are from hospitals after a 3 day inpatient stay, and, therefore, patients qualify for Medicare coverage and are counted as Medicare admissions. The admission data do not reflect the conversions to Medicaid. (Since the patients are already admitted, they are not counted again as an admission when they convert to Medicaid, in order to avoid double counting.) After the facility completes the fill up period, the open beds become fewer and are filled with mostly Medicare admissions (many of which will also have Medical Assistance as the secondary payor), and, due to the long length of stay of the long term Medical Assistance population already in the facility, there are fewer opportunities to admit direct long term Medical Assistance residents.

d. **Provide the assumptions used in projecting admissions and average length of stay by payer source.**

Our projections reflect the typical ranges for lengths of stays consistent with industry norms.

Medicare Stays from 1-100 days with an average of 35 days

Medical Assistance average approximately 1.5 years which accounts for direct admits and a 5-10% conversion factor from Medicare.

Managed care and Hospice approximately 30 days

Private Pay approximately 4-6 months which accounts for direct admits and a 1-3% conversion factor from Medicare

4. Regarding the response to Question #18 and Exhibit 6, please:

a. **Identify Mr. Bruce D. McLean's position and professional qualifications with Susquehanna Bank.**

Bruce D. McLean has been the Vice President at Susquehanna Bank since March 2010. He is responsible for soliciting, managing, maintaining & leading team efforts as it pertains to bank customer relationships; including but not limited to credit, loan products, depository products, cash management, capital markets, investments as well as coordinating participations with other financial institutions.

Prior to that, Mr. McLean was Senior Vice President at Mercantile Safe Deposit & Trust Company involved in Corporate Banking. Although active lending in all major industries, he has had extensive experience in non-profits & healthcare (primarily nursing homes, assisted living and continuing care retirement communities). He was responsible for soliciting, managing, maintaining & leading team efforts as it pertains to bank customer relationships (including but not limited to credit, loan products, depository products, cash management, capital markets, investments as well as coordinating participations with other financial institutions).

b. **Describe the nature and length of Mr. McLean's relationship with FutureCare Health and Management Company and the Attmans' (i.e., Gary, Leonard, and family) personal finances.**

Mr. McLean's relationship with FutureCare and the Attmans began in the mid 1990's and has continued for most of the years through to the present time. During that

time, as required by various loan agreements, Mr. McLean received the personal financial statements of Leonard and Gary Attman including the most up to date and current personal financial statement.

5. Regarding the response to Question #19, please respond to the following:

a. **Under subpart b, is the percentage of bad debt based on your experience operating a CCF in Clinton, or from operating the twelve facilities? What are the changes in Medicare copayments mentioned in your response?**

The percentage of bad debt is based on our experience from operating twelve facilities here in Maryland. As part of the Jobs Creation Act of 2012 CMS reduced the reimbursement for allowable Medicare co-pay bad debt for dually eligible beneficiaries by 35% over a three year period. By FFY (Federal Fiscal Year) 2015 the percent of reimbursement will be 65%. We used the fully phased in 65% level in calculating the bad debt percentage that we used in our projections.

b. **Under subpart c, provide the revised Table 4.**

Please see Exhibit 1.

c. Under Exhibit 7, please discuss whether the Hospice rate of $246.00 per day is for general inpatient care or inpatient respite care. If the latter, will PGPA accept the Medicare Inpatient Respite Care rate of $158.72 for FY2014, as reported under MLN Matters No. MM8416, which became effective as of October 1, 2013. Please revise your Revenue and Expense projections to take into account the Medicare rate for Inpatient Respite Care.

The Hospice rate of $246 per day is for general inpatient care.

d. **Exhibit 9 reports in the revised Table 6 that the Administrator is a Management Employee. Please show the Administrator is now a contractual employee.**

Please See Exhibit 2.

6. Regarding the response to Question #25, Exhibit 14 does not address discrepancies with the average salary rates and the number of FTEs. Neither Table 6 in your CON application nor the revised Table 6 in Exhibit 9 indicate either an ADON or an RN Unit Manager and the combined cost of $223,766. Please provide a response clarifying the discrepancy in total salary, wage, contract costs, and employee benefits.

The table that the MHCC Staff attached to its Completeness letter of October 25, 2013 as part of its Completeness question 25 included an ADON and RN Unit Manager. However, PGPA did not include these positions on Table 6 or in the financial projections in either its CON application or in its Completeness Submission. PGPA believes that MHCC inadvertently added these two positions and their salaries in the table or they were remnants of a previous analysis that MHCC performed on some another project. However, they are not, and never have been, part of the PGPA project staffing. If the two positions are not included, the total salary in Table 3 is reconciled with the total salary in Table 6.

Administration Employees per staff analysis	587,074	
Remove contracted management employee	(149,356)	
	437,718	
Direct Care Employees per staff analysis	4,608,909	
Remove ADON not in submitted CON	(78,000)	*** Refer to note above
Remove RN unit manager not in submitted CON	(145,766)	*** Refer to note above
	4,385,143	
Support Employees per staff analysis	1,272,205	
Adjusted Employees from staff analysis	6,095,066	
Employees per staffing Table 6	6,094,847	
Variance	(219)	

Employee Benefits were improperly stated in the filed CON. The correct Employee Benefits are 28.8%

A revised Table 6 is attached showing the Employee Benefits % calculation

Exhibits

1. Revised Table 4
2. Revised Table 6
3. Affirmations

Exhibit 1
Revised Table 4

Prince George's Post Acute, LLC

TABLE 4: REVENUES AND EXPENSES - PROPOSED PROJECT

12/27/2013

2nd COMPLETENESS REVIEW

Revised Table 4 for question 5b

		1	2	3
	CY or FY (circle)	CY 20X1	CY 20X2	CY 20X3
Revenue				
a.	Inpatient Services	8,228,648	16,258,236	16,504,851
b.	Outpatient Services	-	-	-
c.	Gross Patient Services Revenues	8,228,648	16,258,236	16,504,851
d.	Allowance for Bad Debt	(132,060)	(260,905)	(264,860)
e.	Contractual Allowance & Adjustments			
f.	Charity Care			
g.	Net Patient Services Revenue	8,096,588	15,997,331	16,239,991
h.	Other Operating Revenues			
	Miscellaneous Revenue	25,104	98,300	98,912
	Total Other Operating Revenue	25,104	98,300	98,912
i.	Net Operating Revenues	8,121,692	16,095,631	16,338,903
Expenses				
a.	Salaries, Wages and Professional Fees (inc. benefits)	4,632,001	7,828,701	7,850,520
b.	Contractual Services	1,178,349	1,848,002	1,848,334
c.	Interest on Current Debt	-	-	-
d.	Interest on Project Debt	-	-	-
e.	Current Depreciation			

		-	-	-
f.	Project Depreciation	-	-	-
g.	Current Amortization	-	-	-
h.	Project Amortization	-	-	-
i.	Supplies	231,391	515,714	524,967
j.	Other Expenses	-	-	-
	Pharmacy	441,809	748,492	749,104
	Management Fee	480,000	1,020,000	1,128,000
	Other Administration	336,832	471,414	467,209
	Food	144,992	326,551	332,538
	Utilities	169,178	308,383	314,037
	Taxes/Property/Insurance	532,501	1,019,173	1,039,819
	Rental of Facility	986,780	986,780	986,780
	Equipment Rental/Repairs & Maint	127,010	232,883	236,114
	Lab, Xray, Ambulance Services	120,069	215,857	215,857
j.	Total Other Expenses	3,339,171	5,329,533	5,469,458
k.	Total Operating Expenses	9,380,911	15,521,950	15,693,279
Income				
a.	Income from Operation	(1,259,219)	573,682	645,624
b.	Non-Operating Income			
c.	Income	(1,259,219)	573,682	645,624
d.	Income Taxes			
e.	Net Income (Loss)	(1,259,219)	573,682	645,624
Patient Mix				
A.	Percent of Net Patient Revenue			
	1) Medicare	53.21%	46.05%	45.37%
	2) Medicaid	35.03%	45.77%	46.55%

3)	Commercial Insurance	5.61%	3.82%	3.77%
4)	Self-Pay	4.63%	2.66%	2.62%
5)	Part B therapy, Other Patient Revenues	1.51%	1.70%	1.69%
6)	Total	100.00%	100.00%	100.00%

B.	Percent of Patient Days by Payer Source			
1)	Medicare	39.05%	29.73%	29.20%
2)	Medicaid	48.93%	63.58%	64.23%
3)	Commercial Insurance	4.89%	2.97%	2.92%
4)	Self-Pay	5.87%	2.97%	2.92%
5)	Hospice	1.26%	0.74%	0.73%
6)	Total	100.00%	100.00%	100.00%

From Table 5:

C.	Medicaid Analysis	Patient Days	Patient Days	Patient Days
a.	Light	854	2,496	2,567
b.	Moderate	4,267	12,488	12,847
c.	Heavy	5,015	14,673	15,096
d.	Heavy Special	533	1,563	1,610
e.	Total	10,669	31,220	32,120

C.	Medicaid Analysis	Daily Rate	Daily Rate	Daily Rate
a.	Light	239.47	209.90	210.95
b.	Moderate	262.07	232.26	233.29
c.	Heavy	266.18	236.38	237.39
d.	Heavy Special	296.55	266.28	267.12
e.	Additional Services	7.09	5.67	5.51

Exhibit 2
Revised Table 6

2nd COMPLETENESS REVIEW -
Question 5d

	Position	Current No FTEs	Change in FTEs (+/-)	Average Salary	Employee/ Contractual	Total Cost
Administration						
	Administrator				contractual	149,356
	Admissions		0.92	31.60	employee	60,552
	Clerical		0.92	18.60	employee	35,641
	Quality Assurance		0.92	41.84	employee	80,169
	Reception		2.21	12.21	employee	56,184
	Business Office		2.76	23.95	employee	137,655
	Medical Records		0.92	16.84	employee	32,263
	Inservice Training		0.46	37.36	employee	35,713
Direct Care						
	DON		0.92	57.79	employee	110,725
	RN		7.04	34.91	employee	510,879
	LPN		22.12	30.53	employee	1,404,618
	CNA		47.85	16.14	employee	1,606,332
	Restorative Aide		1.81	16.42	employee	61,810
	Unit Manager		2.76	33.19	employee	190,617
	Shift Supervisor		3.22	39.53	employee	264,404
	Unit Secretaries		2.76	16.83	employee	96,681
	MDS Coordinator		1.93	34.52	employee	138,579
	Pharmacy				contractual	10,032
	Agency				contractual	20,040
	Physical Therapy				contractual	692,359
	Occupational Therapy				contractual	545,047
	Speech Therapy				contractual	235,700
Support						

	Activities	3.06	16.62	employee	105,779
	Dietary	14.24	17.12	employee	507,285
	Laundry	3.70	13.68	employee	105,165
	Housekeeping	9.60	12.27	employee	245,183
	Maintenance	2.62	18.25	employee	99,291
	Social Service	3.76	26.80	employee	209,322
	Social Service			contractual	3,000
	Nurse Practitioner			contractual	114,000
	Medical Director			contractual	48,000
	Psychogeriatric			contractual	2,700
	Dentist			contractual	9,600
	Barber and Beauty			contractual	18,500
TOTAL		136.51			7,943,181

Total Salaries and Employee Benefits	7,850,520	Employee Benefits	1,755,673
Total Contractual	1,848,334		
	9,698,854	Total	9,698,854

Total Employee Benefits	1,755,673
Total Salaries	6,094,847
	28.8%

Exhibit 3
Affirmations

I hereby declare and affirm under the penalties of perjury that the facts stated in this Completeness and Additional Information response are true and correct to the best of my knowledge, information, and belief.

Signature _____ Date 1/13/14

I hereby declare and affirm under the penalties of perjury that the facts stated in this Completeness and Additional Information response are true and correct to the best of my knowledge, information, and belief.

Teska D. Goldschmidt
Signature

1/13/14
Date

I hereby declare and affirm under the penalties of perjury that the facts stated in this Completeness and Additional Information response are true and correct to the best of my knowledge, information, and belief.

Signature

1/13/14
Date