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February 1, 2016

<u>VIA EMAIL, U.S. MAIL AND/OR HAND DELIVERY</u>

Angela Clark, MPA
Health Policy Analyst Advanced
Certificate of Need Division
4160 Paterson Avenue
Baltimore, Maryland 21215

Re: Prince George's Post-Acute, LLC
Docket No. 13-16-2347
<u>Additional Information: Project Change</u>

Dear Ms. Clark:

Thank you for your review of the pending project changes submitted with respect to the certificate of need issued to Prince George's Post-Acute, LLC ("PGPA," or "the Applicant). Following are the responses to the January 22, 2016 requests for additional information. We are providing six copies as well as a version in each of PDF and Word, along with the applicable affirmations:

Project Budget

1. With regard to the 174% increase (from $772,655 to $2,114,706) in site costs:

    a. Provide an itemized cost breakdown identifying the increase in rough grading, cut and fill, retaining walls, site deforestation, parking, storm drains and SWM, sidewalks, curbs, and gutter, and landscaping.

    Response:

Item	Revised Cost
Rough Grading/Unsuitable Soils	$350,000
Cut and Fill	$192,000
Retaining Walls	$20,000
Site Deforestation	$58,000
Parking	$235,000

Item	Revised Cost
Storm Drains & SWM	$250,000
Sidewalks	$90,000
Curbs and Gutter	$66,000
Landscaping	$96,030

Please note that the original $772,655 was provided as a lump sum and was not itemized, so a line by line comparison is infeasible. Also, the items requested and included in the table above comprise only a portion of the total $2,114,706 in reported site costs. Examples of other itemized site costs not shown above include surveying, sanitary sewer, duct banks, sediment and erosion control, and water mains. Also, the itemized costs are presented as direct costs of construction and do not include the General Contractor's general conditions, fee, P&P bond costs, builder's risk insurance, or HUD increases (all of which are included in the Building and Site Preparation totals).

b. Explain why the significant cost of deforestation, rough grading, cut and backfill and need for retaining walls was not recognized at the time the original budget was prepared.

   Response: The original site cost estimate was based on a conceptual site drawing, but no schematic site or grading drawings were available at that time. In addition, existing site conditions were not available to the cost estimator. The scale and scope of the project increased significantly through the schematic design and design development phases, so site costs increased commensurate with building and site scope changes.

2. Please explain the following elements of the cost increase:

   a. An additional $100,000 for permits

      Response: As additional information regarding permit fees and plan review became available, it was clear that permit costs would exceed the original estimate due to increases in building and site construction costs (permit fees are a function of hard construction costs) and the need for 3rd party plan review to maintain current schedules. Also, it was determined that utility hook-up fees may exceed the original cost estimate included in that line item, so that allowance was increased accordingly.

b. Why weren't the Real Estate Taxes, etc. listed under Other Capital Costs as "other" included in the initial estimate?

Response: At the time of the initial estimate, the land was not yet purchased and the amount of the annual taxes was unknown. An estimate was included in the operating projections, but it was omitted from the capital budget. The Applicant has since learned the amount of the taxes, which were paid at settlement on September 30, 2014 (prorated for 9 months) and the subsequent annual payment made in September 2015.

c. What inflation formula and timeframe did the applicant use to come up with the modified inflation cost of $539,056? Why wouldn't the estimate for future inflation decrease, since the time frame of possible future inflation should be much shorter than when the CON application budget was originally prepared?

Response: PGPA utilized the MHCC index to calculate inflation from the approximate date that the modification request costs were developed to the anticipated midpoint of construction.

Modification	12/2015				
Midpoint	1/2017				
Step 1	2016.4	%MOVAVG	1.6	1.016	*A*
Step 3	2016.4	CIS Proxy	1.153		*B*
	2017.1	CIS Proxy	1.159		*C*
	C/B			1.005204	*D*
	*A*D*			**1.021287**	

This inflation rate was applied as follows.

Total Current Capital Costs	$25,734,685
Inflation Rate	0.02128708
Inflation	$547,816.22

Please note that the inflation had been calculated prior to a small change in the proposed project costs, and the change was not reflected in the inflation amount, which accounts for the difference between the $539,056 in the modification request and the $547,816 calculated above.

d. Why does the modified estimate for Loan Placement Fees more than double (from $503,830 to $1,108,355) when debt financing is estimated to increase by approximately just 31%?

Response: There are two reasons for the increase in Loan Placement Fees. First, the amount of the mortgage increased. Second, PGPA included all of the Loan Placement Fees that would be associated with HUD financing, including the HUD Mortgage Insurance Premium of $171,864, HUD Exam Fee of $66,960, HUD Inspection Fee of $102,228, GNMA Placement Fee of $5,000, Third Party Reports of $30,000 and a Cost Certification Audit fee of $20,000. Additionally the lender financing/initiation fee is 1% or $223,200 and is greater than what is typical on a conventional loan, due to the amount of work involved with the HUD application and approval process. Please note, however, that the long-term benefits to the project substantially outweigh the additional fees associated with placement of a HUD loan.

e. What is included in Legal fees (Other) and why was that cost not included in the initial application?

Response: Amounts included in Legal fees (Other) are primarily legal work relating to zoning and other County related issues for the property. The Applicant did not know the extent of this work at the time of the initial application.

f. The initial application did not include Working Capital Start-up Costs; why does it appear now?

Response: PGPA omitted this figure in error in the original CON application. PGPA did provide the following explanation as part of original completeness review but did not update the applicable table.

> **d. Explain why there are no cash requirements for working capital startup costs included in the budget or revise the project budget accordingly.**
>
> Working capital start-up costs are expected to be approximately $200,000. They will be reflected on the books of the operating entity and will be funded as part of the general working capital loan for the facility.

In this project change, PGPA has adjusted its estimate of this figure from $200,000 to $270,000.

3. Please provide letter of attestation that the funds proposed for the equity contribution for this project are available.

   Response: Please see Exhibit 1, which provides the requested attestation from Gorfine Schiller Gardyn.

4. With regard to continuing feasibility in the face of this significant cost escalation, please present a Table 3, Revenue and Expenses, using the same assumptions for admissions, patient days, occupancy, Medicare as % of patient days and Medicaid % of patient days as the original application did. Staff DOES realize that the point of many of these changes is to accommodate what you now project to be a shifting patient mix, but wishes to see such a projection as a way for us to gauge a "worst case scenario."

Excerpted below for your convenience is Table 6 from the Recommended Decision; it lays out the assumptions made in the initial application.

Table 6: Projected Performance
Prince George's Post-Acute

	Year 1	Year 2	Year 3
Licensed Beds	93*	150	150
Admissions	387	542	518
Patient Days	21,803	49,105	50,005
Occupancy Percentage	64.4%	89.7%	91.3%
Medicare as Percent of PD	39.1%	29.7%	29.2%
Medicaid as Percent of PD	48.9%	63.6%	64.2%
Commercial Insurance as Percent of PD	4.9%	3.0%	2.9%
Self-Pay as Percent of PD	5.9%	3.0%	2.9%
Hospice as Percent of PD	1.3%	0.7%	0.7%
Gross Revenue/Pt. Day	$377.41	$331.09	$330.06
Net Revenue/Pt. Day	$372.50	$327.78	$326.75
Expense/Pt. Day	$434.91	$318.16	$315.86
Operating Margin/Pt. Day	($62.40)	$9.62	$10.88

Response: See attached Table 3 with all three years presented (Exhibit 2). As requested PGPA used the original patient days and payor mix parameters. Since some of the information in the table presented with the question came from Table 2, an updated Table 2 is presented as well as part of the same Exhibit. As you will note, the project continues to be viable in this "worst case scenario," with the original assumptions.

Bed Distribution

5. Please fill out the table below and reflect the modified distribution of patient beds:

INSTRUCTION: Identify the location of each nursing unit (add or delete rows if necessary) and specify the room and bed count before and after the project.

Approved Project						Modified Project					Additional Instruction
		Based on Physical Capacity				Based on Physical Capacity					
		Room Count					Room Count				
Service Location (Floor/Wing)	Current Licensed Beds	Private	Semi-Private	Total Rooms	Physical Bed Capacity	Service Location (Floor/Wing)	Private	Semi-Private	Total Rooms	Physical Bed Capacity	
Short Term Units						**Short Term Units**					
1st Floor						*1st Floor*					
2nd Floor		44		44	44	*2nd Floor*					
Long Term Units						**Long Term Units**					
1st Floor		19	17	36	53	*1st Floor*					
Second Floor		17	18	35	53	*2nd Floor*					
TOTAL	150	80	35	115	150	**TOTAL**	0	0	0	0	*Calculate the sum of all rows*

Response:

Approved Project						Modified Project					
		Based on Physical Capacity						Based on Physical Capacity			
		Room Count						Room Count			
Service Location (Floor/Wing)	Current Licensed Beds	Private	Semi-Private	Total Rooms	Physical Bed Capacity	Service Location (Floor/Wing)	Current Licensed Beds	Private	Semi-Private	Total Rooms	Physical Bed Capacity
Short Term Care Units						Short Term Care Units					
Lower Level (1st Floor)		0	0	0	0	*Lower Level (1st Floor)*		0	0	0	0
Upper Level (2nd Floor)		44	0	44	44	*Upper Level (2nd Floor)*		70	5	75	80
Long Term Care Units						Long Term Care Units					
Lower Level (1st Floor)		19	17	36	53	*Lower Level (1st Floor)*		8	19	27	46
Upper Level (2nd Floor)		17	18	35	53	*Upper Level (2nd Floor)*		0	0	0	0
Respiratory (Vent) Units						Respiratory (Vent) Units					
Lower Level (1st Floor)		0	0	0	0	*Lower Level (1st Floor)*		4	10	14	24
Upper Level (2nd Floor)		0	0	0	0	*Upper Level (2nd Floor)*		0	0	0	0
Total	150	80	35	115	150	Total	150	82	34	116	150

Space Modifications

6. The applicant has listed a number of modifications to the living, treatment, and support spaces at PGPA. Please fill in table below with the current and modified square footage for the spaces listed below. This information will provide a clearer picture of the space differences in the modified plan.

Unit	Approved Project Sq. Ft.	Modified Project Sq. Ft.
Total Facility		
Living Spaces		
Short Term Unit		
Long Term Unit		
Nursing Units		
Treatment Spaces		
Rehabilitation Services		
Physical Therapy Suite		
Respiratory Unit		
Medical Practitioner Office		
Dialysis Center		
Activity Spaces		
Dining Spaces		
Front Area Lobby		
Library/Media Area		
Courtyard		
Support Spaces		
Administration Offices		
Conference Room		

Response: Below is the table as requested:

AREAS	Approved Project Area (SF)	Modified Project Area (SF)	Notes
A Total Facility			
Lower Level (First Floor)	34,730	47,296	
Upper Level (Second Floor)	52,970	46,189	
Total	**87,700**	**93,485**	
B Living Spaces			
Short Term Care Unit - 01 (Skilled Unit)	20,630	19,412	
Short Term Care Unit - 02 (Skilled Unit)	0	17,989	
Long Term Care Unit - 01	20,888	15,134	
Long Term Care Unit - 02	20,287	0	
Respiratory Unit (Vent Unit)	0	8,607	
Total	**61,805**	**61,142**	
Living Spaces - Breakdown			
Short Term Care Unit - 01 (Skilled Unit)			
Resident Rooms (includes Bathroom)	11,214	10,323	
Nursing Stations & Charting Areas	556	447	
Dining & Activity Spaces	1,851	1,194	
Short Term Care Unit - 02 (Skilled Unit)			
Resident Rooms (includes Bathroom)	0	9,999	
Nursing Stations & Charting Areas	0	449	
Dining & Activity Spaces	0	1,620	
Long Term Care Unit - 01			
Resident Rooms (includes Bathroom)	10,536	8,172	
Nursing Stations & Charting Areas	552	418	
Dining & Activity Spaces	2,018	1,359	
Long Term Care Unit - 02			
Resident Rooms (includes Bathroom)	10,160	0	
Nursing Stations & Charting Areas	585	0	
Dining & Activity Spaces	2,107	0	
Respiratory Unit (Vent Unit)			
Resident Rooms (includes Bathroom)	0	4,517	
Nursing Stations & Charting Areas	0	404	
Dining & Activity Spaces	0	860	

MVS

7. Please answer the following questions regarding the modified MVS submitted:

   a. Explain how the HUD union labor requirement relates to architect and engineering fees.

      Response: HUD union labor requirements do not directly relate to increases in architectural and engineering fees. However, HUD construction specifications and documentation requirements necessitated drawing revisions and updates requiring additional fees. The additional A&E fees identified in the Modification Request also cover program changes identified elsewhere in the project description and narrative.

   b. How was the extraordinary cost of $78,000 for canopies calculated?

      Response: The canopy costs were calculated based on the cost estimator's detailed drawing take-off for all canopies and sub-contractor pricing utilizing 100% Design Development phase drawings. PGPA added as extraordinary costs the associated A&E fees ($3,771) and Capitalized Construction Interest ($7,119).

   c. According to the MVS, the Elevator add-on for a class D good facility is $1.35 as opposed to the $5.46 base cost included in the applicant's MVS analysis. Please explain the difference.

      Response: The elevators are large, hospital-type 4500 lb elevators (not the minimum 3500 lb elevator required by Code). Also, the elevator at the Lobby is 2-sided (which adds to the cost), so that visitors who enter from the Lower Level parking lot can go straight up to the main Lobby at the Upper Level without entering the Long Term Care area at the Lower Level. Please note that the cost of the elevators is the same as in the initial approval of this project.

   d. What utility costs are excluded and how was that cost estimated? Why was this cost excluded from the comparison for the MVS benchmark?

      Response: PGPA learned that it needs to hire expediters both for Prince George's County and Maryland National Capitol Park and Planning Commission to obtain utility permits and get through the process of having utilities to which can tie into more quickly. The $100,000 reflects the cost of hiring these expeditors and other costs related to the tap-in to the utilities. MVS states on Section 1, Page 3 (in the section entitled "What They Do Not Contain") that "Off-site costs including roads, utilities, park fees, jurisdictional hookup, tap-in, impact or entitlement fees and assessments, etc." are not included in the benchmark.

8. A statement on page 10 says that no payer will be affected by the increase in capital costs. With that in mind, please respond to following questions to demonstrate that the project is still financially viable.

   a. Explain why gross patient services revenues in the second year are projected to be approximately 33% higher than projected in the approved application.

   Response: As noted below, PGPA's rates will not increase at all as a result of the additional capital costs. The increase in revenue of approximately $5 million is driven by four factors and reflects FutureCare's experience at other facilities:

      i. Increase of 11 Medicare Part A skilled residents. The addition of 7 Medicare residents not counted under i. above, and 4 residents reimbursed under managed care. This accounts for approximately $1 million of the increase.
      ii. The revenues and expenses reflect the current rates that would be paid under the Maryland Medicaid reimbursement system for nursing facilities, which is based on prospective payment. This accounts for approximately $860,000 of the increase.
      iii. The updated project contemplates 24 beds being equipped to provide services to residents requiring ventilator services. Assuming 20 residents receiving ventilator services (15 Medicaid, 5 Medicare) at per diem rates of $746 for Medicaid and $706 for Medicare, this accounts for more than $2.8 million of the revenue increase in Year 2.
      iv. Miscellaneous Items- Increase in Part B therapy revenue based on more recent experience, plus Pay for Performance income mistakenly omitted from the original filing, account for the remaining increase in revenue.

   b. Provide a supporting revenue schedule showing rate assumptions by payer and explain why these assumptions are reasonable.

   Response: See Exhibit 3.

c. Explain the 29% increase in second year operating expenses by explaining the increase in each line item and demonstrating why the current estimates are reasonable.

Response: See Exhibit 4.

9. This statement is made on p. 10: *No payor will be affected by these capital cost increases. The owners are contributing an additional $3.5 million in the project. Medicare and Medicaid reimbursement, by far the largest payers for CCF services, are set using rates that are not based on these increased project costs. The same is true for other payers, including private payers and managed care.*

a. Please document and verify the statement that Medicare and Medicaid payment rates will be unaffected by an increase in project costs by providing either a letter from those agencies or citations from regulation, or both.

Response: As indicated, PGPA's rates will not increase whatsoever as a result of the additional capital costs. Medicare rates use a resource utilization group ("RUGS")-based system which is set nationally with only regional variances to account for wage differences. It is a "prospective system" which does not adjust to facility-specific capital costs in order to determine payment. 42 CFR 413.335 provides that Medicare skilled nursing facilities receive per diem payments for inpatient services based on a methodology described in 42 CFR 413.337. Section 413.335 further provides at subsection (b) that the payment rates represent payment in full for all costs, including capital costs, associated with furnishing the services. Under 413.337(b), the per diem rates are calculated using cost data in fiscal year 1995 and, after making certain adjustments, set a rate for the period beginning July 1, 1998 through September 30, 1999. Under section 413.337, that rate is subject to certain adjustments for things such as the wage index and the facility's case mix, but these adjustments do not include changes in capital costs. The rate is also subject to update factors, again which are not affected by a facility's changes in capital costs.

Maryland Medicaid reimbursement of nursing facilities is also a "prospective system" which does not base its rate on individual facility operating costs. It does however base the capital portion of the rate (called "Fair Rental Value" or "FRV") on the facility appraisal which is influenced by cost. However, the PGPA project will experience no increased capital reimbursement as a result of this project change. The Medicaid reimbursement system has set a maximum appraisal limit that the State will use to calculate an individual facility's FRV of

$110,000 per bed. See, COMAR 10.09.10.10-1B(1)(g). In the case of PGPA, the cost and appraisal were already in excess of the maximum in the original CON and the increased capital costs in this filing will not increase Medicaid reimbursement.

b. Why is this true for other payers? Does this statement mean that patients covered by private insurers or who are private pay will not see a rate impact related to the cost increase?

Response: FutureCare is very experienced in the negotiation of rates and the establishment of private pay rates. Both Private rates and Private Insurer rates are set independently from the capital costs of a facility. Private pay rates are set solely at the discretion of the Facility and are based on many factors like the rates charged by competitors, items included in the rate, and other differences in amenities between this facility and its competitors. The increased capital costs in this filing cannot simply be passed through to private pay rates.

Private insurer rates are set generally one of two ways. Some rates are based on RUGs just as are Medicare and Medicaid rates and the capital cost of project has no impact on these rates. In other situations, payer rates are based on negotiated levels of payment. These levels (generally level 1, level 2, level 3, and vent) are based on the care needs/characteristics/diagnosis of the residents. Again these rates have no relation to the capital costs of a facility.

10. When will the decision be made on whether to have the project financed through HUD programs? Please address your ability to meet the obligation performance requirement, if the decision is made to proceed with financing through HUD. In addition, provide assurance that if this modification is approved, PGPA will be able to:

a. Obligate 51% of the approved capital cost by April 17, 2016,
b. Commence construction four months from obligation, and
c. Complete construction 18 months from obligation.

Response: PGPA is working diligently with its HUD processor, Capital Funding Group on meeting all of the requirements of a HUD project and the application process, with a current target of making a decision on proceeding with HUD financing prior to the April 17th construction contract date. At the same time, other conventional lenders have expressed interest and PGPA is keeping those options available as well.

Please address your ability to meet the obligation performance requirement, if the decision is made to proceed with financing through HUD. In addition, provide assurance that if this modification is approved, PGPA will be able to:

- Obligate 51% of the approved capital cost by April 17, 2016,
- Commence construction four months from obligation, and
- Complete construction 18 months from obligation.

PGPA assures that its plans at this time to meet all of the above stated performance obligations and would add that its ability to meet the performance obligations is independent of which financing method it chooses. The team assembled is highly qualified and very experienced in comparable projects in Prince George's County. Please see Exhibit 5 which includes a letter from its construction manager, Fran Anderson of Real Estate and Construction Management Partners, LLC in support of PGPA's timeframe to meet the performance requirements. As a clarification, the question presented asks about commencing construction 4 months after obligation of capital expenditures. PGPA anticipates this refers to Regulation .12B(2) referring to the initiation of construction (defined under Regulation .01B(19) within that four month time frame. Its intention is to meet these deadlines.

PGPA is currently bidding the project with qualified General Contractors and anticipates executing a contract with the selected firm by the April obligation requirement. PGPA is also working with Prince George's County to secure Grading and Foundation permits by May 2016 and June 2016, respectively. In doing so, PGPA can align HUD applications and approvals with the jurisdictional Grading and Foundation permit approvals that will enable the Contractor to commence site work and have foundations installed within four months of the obligation date.

PGPA has received an estimated construction schedule from a qualified General Contractor indicating a 14 month construction duration, which has been reviewed by both PGPA's A&E team and Owner's Representative. It is the project team's consensus that the project can be completed within 14-16 months, including adequate time contingencies for weather and other normal construction schedule delays. PGPA has included in its bid documents and will stipulate in its Construction Contract, a completion date within the 18 month requirement.

Thanks very much for your review of this information.

Sincerely,

Howard L. Sollins by JJE

Howard L. Sollins

cc: Kevin McDonald
Ruby Potter
Andrew Solberg
Gary Attman, President, FutureCare Health & Management
Les Goldschmidt, FutureCare Health & Management
Pamela Brown-Creekmur, Health Officer, Prince George's County Health Officer
John J. Eller, Esq.

EXHIBITS

1. Attestation regarding availability of funds
2. Revised Tables 2 and 3
3. Revenue Schedule with rate assumptions
4. Schedule explaining increase in operating expenses
5. Construction manager letter regarding meeting performance requirements
6. Affirmations

EXHIBIT 1

ATTESTATION REGARDING AVAILABILITY OF FUNDS

GSG Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

January 28, 2016

Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, MD 21215

Dear Sir or Madam:

This is to advise that our firm has prepared and submitted the tax filings the past 5 years for the Owners and Principals of ***Prince George's Post Acute, LLC*** and ***Prince George's Post Acute Real Estate, LLC*** and can affirmatively attest that the Owners and Principals have the funds available for the proposed equity contribution of $5,529,096 for this project.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,

GORFINE, SCHILLER & GARDYN, P.A.

Simpson H. Gardyn

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EXHIBIT 2

REVISED TABLES 2 AND 3

Prince George's Post Acute, LLC

Revised TABLE 2: STATISTICAL PROJECTIONS - PROPOSED BUDGET

1/28/2016

01/28/16 - MODIFIED TO ORIGINAL CENSUS

	Projected Years (ending with first full year at full utilization) 1 CY 20X1	2 CY 20X2	3 CY 20X3	1a CY 20X1	2a CY 20X2	3a CY 20X3
1. **Admissions**						
a. ECF						
b. Comprehensive	468	842	840	387	542	518
c. Assisted Living						
d. Respite Care *						
e. Adult Day Care						
f. Other (Specify)						
g. TOTAL	468	842	840	387	542	518
2. **Patient Days**						
a. ECF						
b. Comprehensive	21,834	49,105	50,005	21,834	49,105	50,005
c. Assisted Living						
d. Respite Care *						
e. Adult Day Care						
f. Other (Specify)						
g. TOTAL	21,834	49,105	50,005	21,834	49,105	50,005
3. **Occupancy Percentage**						
a. ECF						
b. Comprehensive	72.75%	89.69%	91.33%	72.75%	89.69%	91.33%
c. Assisted Living						
d. Respite Care *						
e. Adult Day Care						
f. Other (Specify)						
g. TOTAL	72.75%	89.69%	91.33%	72.75%	89.69%	91.33%
4. **Number of Licensed Beds**						
a. ECF						
b. Comprehensive	82.22	150	150	82.22	150	150
c. Assisted Living						
d. Respite Care *						
e. Adult Day Care						
f. Other (Specify)						
g. TOTAL	82.22	150	150	82.22	150	150

	Licensed Beds:	Licensed Beds:
January - April	40	40
May - August	80	80
September - December	126	126
	Available Days	Available Days
January - April	4,800	4,800
May - August	9,840	9,840
September - December	15,372	15,372
	30,012	30,012
Average number licensed beds	82.22	82.22

* Respite care admissions, patient days, and number of beds should not be reported under "comprehensive" or "assisted living" categories.

Prince George's Post Acute, LLC

TABLE 2: STATISTICAL PROJECTIONS - PROPOSED BUDGET

1/28/2016

01/28/16 - MODIFIED TO ORIGINAL CENSUS

Supplemental Information:

	1	2	3	1a	2a	3a
Admissions Details	CY 20X1	CY 20X2	CY 20X3	CY 20X1	CY 20X2	CY 20X3
Private	6	2	2	6	2	2
Medicare	340	667	676	261	420	420
Medicaid - MD	69	47	33	75	60	36
Managed Care	29	99	102	24	36	36
Hospice	9	12	12	9	12	12
CIGNA/Healthspring	15	15	15	12	12	12
Totals	468	842	840	387	542	518

Prince George's Post Acute, LLC
Revised Table 3: REVENUES AND EXPENSES - ENTIRE FACILITY
01/29/16 - MODIFIED TO ORIGINAL CENSUS

	Two Most Actual Ended Recent Years		Current Year Projected	1	2	3	Question #4 1a	Question #4 2a	Question #4 3a
CY or FY (Circle)	PY 20XX	PY 20XX	CY 20XX	CY 20X1	CY 20X2	CY 20X3	CY 20X1	CY 20X2	CY 20X3
1. Revenue									
a. Inpatient Services				9,025,320	21,718,390	22,639,797	8,758,456	18,137,978	18,391,427
b. Outpatient Services				-	-	-	-	-	-
c. Gross Patient Services Revenues	-	-	-	9,025,320	21,718,390	22,639,797	8,758,456	18,137,978	18,391,427
d. Allowance for Bad Debt				(168,511)	(404,056)	(421,129)	(163,594)	(337,939)	(342,662)
e. Contractual Allowance & Adjustments									
f. Charity Care									
g. Net Patient Services Revenue	-	-	-	8,856,809	21,314,334	22,218,668	8,594,862	17,800,039	18,048,765
Other Operating Revenues									
Miscellaneous Revenue				83,536	122,522	123,854	84,544	129,182	130,922
h. Total Other Operating Revenue	-	-	-	83,536	122,522	123,854	84,544	129,182	130,922
i. Net Operating Revenues	-	-	-	8,940,345	21,436,856	22,342,522	8,679,406	17,929,221	18,179,687
Expenses									
Salaries, Wages and Professional Fees a. (inc. benefits)				5,062,899	9,983,024	10,366,732	5,062,899	8,552,481	8,638,219
b. Contractual Services				1,408,809	2,722,116	2,738,332	1,317,585	2,023,045	2,023,406
c. Interest on Current Debt				-	-	-	-	-	-
d. Interest on Project Debt				-	-	-	-	-	-
e. Current Depreciation				-	-	-	-	-	-
f. Project Depreciation				-	-	-	-	-	-
g. Current Amortization				-	-	-	-	-	-
h. Project Amortization				-	-	-	-	-	-
i. Supplies				311,571	747,084	775,383	311,571	695,332	707,881
j. Other Expenses				-	-	-	-	-	-
Pharmacy				547,196	1,173,391	1,191,478	506,866	885,517	886,147
Management Fee				480,000	1,528,800	1,593,000	444,000	1,095,600	1,111,200
Other Administration				343,571	479,917	483,463	343,571	479,917	483,463
Food				156,987	353,066	359,537	156,987	353,066	359,537
Utilities				151,140	267,628	272,535	151,140	267,628	272,535
Taxes/Property/Insurance				530,996	960,687	976,505	550,901	1,060,164	1,081,800
Rental of Facility				1,513,382	1,511,812	1,510,160	1,513,382	1,511,812	1,510,160
Equipment Rental/Repairs & Maint				106,826	281,055	304,236	106,826	210,729	213,960
Lab, Xray, Ambulance Services				140,512	288,393	291,729	129,093	231,337	231,337
j. Total Other Expenses	-	-	-	3,970,610	6,844,749	6,982,643	3,902,766	6,095,770	6,150,139
k. Total Operating Expenses	-	-	-	10,753,889	20,296,973	20,863,090	10,594,821	17,366,628	17,519,645

Prince George's Post Acute, LLC
Revised Table 3: REVENUES AND EXPENSES - ENTIRE FACILITY
01/29/16 - MODIFIED TO ORIGINAL CENSUS

3. **Income (Loss)**						
a. Income from Operation	(1,813,543)	1,139,884	1,479,433	(1,915,415)	562,593	660,042
b. Non-Operating Income						
c. Subtotal	(1,813,543)	1,139,884	1,479,433	(1,915,415)	562,593	660,042
d. Income Taxes						
e. Net Income (Loss)	(1,813,543)	1,139,884	1,479,433	(1,915,415)	562,593	660,042
4. **Patient Mix**						
A. Percent of Net Patient Revenue						
1) Medicare	55.30%	46.64%	45.32%	51.95%	42.60%	42.02%
2) Medicaid	31.23%	42.71%	44.28%	34.16%	48.22%	48.92%
3) Commercial Insurance	5.87%	5.89%	5.82%	6.05%	3.89%	3.84%
4) Self-Pay	4.48%	2.13%	2.04%	4.61%	2.54%	2.51%
5) Part B therapy, Other Patient Revenues	3.13%	2.64%	2.54%	3.23%	2.75%	2.72%
6) Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
B. Percent of Patient Days by Payer Source						
1) Medicare	42.78%	38.16%	37.96%	38.99%	29.73%	29.20%
2) Medicaid	45.07%	52.36%	52.55%	48.86%	63.58%	64.23%
3) Commercial Insurance	5.02%	5.76%	5.84%	5.02%	2.97%	2.92%
4) Self-Pay	5.86%	2.97%	2.92%	5.86%	2.97%	2.92%
5) Hospice	1.26%	0.74%	0.73%	1.26%	0.74%	0.73%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<u>**From Table 4:**</u>						
c. Medicaid Analysis	Patient Days	Patient Days	Patient Days	Patient Days	Patient Days	Patient Days
a. Light						
b. Moderate						
c. Heavy						
d. Heavy Special - ALL MEDICAID DAYS	9,841	25,712	26,280	10,669	31,220	32,120
e. Total	9,841	25,712	26,280	10,669	31,220	32,120
c. Medicaid Analysis	Daily Rate	Daily Rate	Daily Rate	Daily Rate	Daily Rate	Daily Rate
a. Light						
b. Moderate						
c. Heavy						
d. Heavy Special - ALL MEDICAID DAYS	287.41	362.15	382.99	281.61	281.61	281.61
e. Additional Services	1.62	0.62	0.61	1.49	0.51	0.50

Please note: Classification of Medicaid Days has changed.

EXHIBIT 3

REVENUE SCHEDULE WITH RATE ASSUMPTIONS

Prince George's Post-Acute, LLC Modification						
Response to questions						
Question 8b						
	Yr 2 Original	Yr 2 Modification	Difference	% increase	Explanation of Increase	Explanation of Reasonableness
Payor	Rate Assumption	Rate Assumption				
Private Pay	$ 298	$ 318	$ 20	7%	FutureCare generally increases Private rates by $10 each year...at mid year. The filings reflect that difference	Based on FutureCare's experience running 13 other buildings
Medicare	$ 516	$ 544	$ 28	5%	Increase primarily driven by the addition of 5 Medicare patients on ventilators that have a RUG score of ES3 or $706/day. This increases the average rate	Based on FutureCare's experience running 3 other buildings with Ventilator Units
Medicaid	$ 255	$ 363	$ 108	42%	Increase mainly driven by the addition of 15 Medicaid residents on Ventilator with a rate of $746.17 per day. Additionally, the filing is based on the updated Maryland Medicaid reimbursement system for nursing facilities	Based on FutureCare's experience running 3 other buildings with Ventilator Units
Managed Care	$ 351	$ 420	$ 69	20%	will have some Ventilator managed care which will pay at a higher rate, which is the cause for the increase in the rate assumption	Based on FutureCare's experience running 3 other buildings with Ventilator Units
Hospice	$ 246	$ 264	$ 18	7%	Hospice rate follows the Maryland Medicaid Rate which is the reason for the increase	Based on FutureCare's experience running 13 other buildings
Bravo/Cigna/Healthspring	$ 415	$ 424	$ 9	2%	minor increase- inflation	Based on FutureCare's experience running 13 other buildings

EXHIBIT 4

SCHEDULE EXPLAINING INCREASE IN OPERATING EXPENSES

Prince George's Post-Acute, LLC Modification						
Response to questions						
Question 8c						
	Yr 2 Original	Yr 2 Modification	Difference	% increase	Explanation of Increase	Explanation of Reasonableness
Expenses						
Salaries	$ 7,828,701	$ 9,983,024	$ 2,154,323	28%	Added Respiratory therapy labor of $923,000 to service 20 patients on ventilators, added 13 nursing positions, 3.5 non nursing positions to handle increased acuity and volume. Also increased wages to more current levels	Based on FutureCare's experience running 3 other buildings with Ventilator Units
Contract Services	$ 1,848,002	$ 2,722,116	$ 874,114	47%	added $606,000 rehab labor to account for 16 additional skilled residents, added $105,000 Nurse Practitioner, added $61,000 of respiratory services contract, $56,000 increase in administrator contract, increase in PICC line contractors $44,000	Based on FutureCare's experience running 13 other buildings and providing rehab services to those buildings based on volume
Supplies	$ 515,714	$ 747,084	$ 231,370	45%	added ventilator and trach equipment supplies plus higher general medical supply costs for patients with ventilator and trach needs	Based on FutureCare's experience running 3 other buildings with Ventilator Units
Other Expenses						
Pharmacy	$ 748,492	$ 1,173,391	$ 424,899	57%	higher drug and IV costs for residents receiving ventilator services and skilled care days	Based on FutureCare's experience running 3 other buildings with Ventilator Units
Mgmt Fees	$ 1,020,000	$ 1,528,800	$ 508,800	50%	increased the fee from 6% to 7% of revenue plus $5 million more revenue	7% management fee is the amount FutureCare charges 13 other buildings
Other admin	$ 471,414	$ 479,917	$ 8,503	2%	driven by increases in data processing, bank charges and advertising help wanted	Based on FutureCare's experience running 13 other buildings
Food	$ 326,551	$ 353,066	$ 26,515	8%	increase PPD from $5.60 to $6.09 based on more recent experience	Based on FutureCare's experience running 13 other buildings

Prince George's Post-Acute, LLC Modification						
Response to questions						
Question 8c						
	Yr 2 Original	Yr 2 Modification	Difference	% increase	Explanation of Increase	Explanation of Reasonableness
Expenses						
Utilities	$ 308,383	$ 267,628	$ (40,755)	-13%	removed propane cost mistakenly included in original filing	No Propane will be used at this facility
Taxes Prop Insur	$ 1,019,173	$ 960,687	$ (58,486)	-6%	lower provider assessment due to higher Medicare days (Medicare Days are not assessed)	Based on current provider assessment rate. Types of days that are included or excluded from assessment is set by regulation from the State
Rental of Facility	$ 1,088,120	$ 1,511,812	$ 423,692	39%	$5.5 million increase in mortgage balance and increase of interest rate from 4% to 5%	Both the Mortgage balance and the interest rate are reasonable based on work done with Capital Funding, an expert HUD originator
Equip Rental R&M	$ 232,883	$ 281,055	$ 48,172	21%	Increase driven by ventilator equipment rental offset by other minor reductions	Based on FutureCare's experience running 13 other buildings
Lab Xray Ambulance	$ 215,857	$ 288,393	$ 72,536	34%	These are ancillary costs associated with higher Medicare and Managed care days	Based on FutureCare's experience running 13 other buildings
Total Operating Expenses	$ 15,623,290	$ 20,296,973	$ 4,673,683	30%		

EXHIBIT 5

CONSTRUCTION MANAGER LETTER REGARDING MEETING PERFORMANCE REQUIREMENTS

RECMP
REAL ESTATE & CONSTRUCTION MANAGEMENT
10640 Iron Bridge Road
Suite 2B
Jessup, MD 20794
410.375.2053
www.recmp.com

January 29, 2016

Angela Clark, MPA
Health Policy Analyst Advanced
Certificate of Need Division

Dear Ms. Clark:

Real Estate and Construction Management Partners, LLC (RECMP) has been contracted by Future Care Health and Management Corporation to provide professional owner's representation and project management services on the PGPA development project located at 1051 Brightseat Road in Landover, MD. RECMP is headquartered in Jessup, MD and has been providing commercial real estate and construction consulting services to clients in the health care, senior living, education, retail, hospitality, and commercial office markets since 2004. As RECMP's project executive, I will act as the owner's lead representative to the construction team. For your convenience, I have attached my personal qualifications and experience statement to this letter, along with a sample list of clients and projects.

In the coming months, RECMP will be working with PGPA to contract for General Contracting services, secure all jurisdictional permits and approvals, commence site construction, and manage all aspects of site construction through project completion. Based on our current and future involvement in the project, I am confident that PGPA will meet the performance requirements and construction dates identified in your January 22nd letter and listed below:

a. Obligate 51% of the approved capital cost by April 17, 2016,
b. Commence construction four months from obligation, and
c. Complete construction 18 months from obligation.

Thank you for your time and consideration in this matter. Please feel free to reach out to me with any further questions or concerns through PGPA's designated representative.

Sincerely,

Francis D. Anderson

Francis D. Anderson
President
RECMP, LLC

FDA/mp

Francis D. Anderson- Founder and President

Fran Anderson founded RECMP in 2004 and has over 20 years of real estate and construction management experience directing real estate, design and construction teams for developers, corporations, and non-profit organizations. Mr. Anderson is the primary architect of RECMP's real estate and construction management processes and his diverse professional experiences include developing projects in the corporate, health care, senior living, multi-family, education, retail and entertainment industries. Prior to founding RECMP, Mr. Anderson was the Director of Construction for Laureate Education, Inc. and Sylvan Learning Systems, Inc. in Baltimore, MD.

Mr. Anderson is also a member of the Board of Directors of IncentOne (www.incentone.com), the leading provider of incentive solutions to the healthcare industry, a member of the Baltimore County Design Review panel, and a past President of the Board of Governors of the RRLRAIA.

Mr. Anderson is a graduate of Bucknell University and holds a Master of Science degree in Real Estate from Johns Hopkins University.

RECMP Selected Projects

Health Care for the Homeless, Inc. (www.hchmd.org)

Baltimore, MD

Project Description: New 56,000sf, LEED Gold Certified headquarters and clinic building in downtown Baltimore serving over 100 employees and 50,000 patient visits per year.

Project Architect: Kann Partners

Scope of Services:

- Development management and owner's representation services for all phases of property acquisition and development.
- Managed all aspects of building design and construction process.
- Managed all aspects of FF&E specification, procurement and installation.
- Provided relocation management services for move to new building.
- Budget: $12,000,000

KESWICK
Right Care. Right Time. Right Place.

Keswick Multi-Care Center, Inc
Baltimore, MD

Project Description: Comprehensive Facilities Assessment and Master Planning for 10 acre Baltimore City campus.

Project Architect: JSR Associates and HGA, Inc.

Scope of Services:

- Conduct comprehensive Facilities Assessment and Needs Analysis resulting in both immediate action Capital Projects and a 20 year capital budget and asset management plan.
- Manage Master Planning and Feasibility Study process to guide and inform Keswick's strategic planning and campus repositioning initiatives. Project scope included full programming and conceptual design phase services, budget creation and cost estimation for multiple plan options, full plan cost and phasing analysis, and multiple Board presentations for review and approval.

BROADMEAD
A Dynamic Lifestyle Community

Project Description: New Comprehensive Care Building

Project Architect: BCT

Scope of Services:

- Development management and owner's representation for all phases of redevelopment project.
- Project placed on hold after Schematic Design phase.
- Budget: $35,000,000

Project Description: Campus Master Planning and Redevelopment

Project Architects: RLPS

Scope of Services:

- Development management and owner's representation services for all phases of Master Planning and multi-Phase construction program for campus repositioning, including all rezoning and entitlement requirements.
- Phase 1 Owner's Representation services for following projects:
    - Two new Independent Living apartment buildings (23 units each).
    - New community entrance and parking facilities.
    - New 12,000sf building addition to historical Holly House for offices and environmental services department.
    - Comprehensive Care building additions and renovations for 70 bed SNF and 45 bed AL facility. Converting all skilled units to "Household" model.

- o Expansion and renovation of Wellness and Therapy facilities including addition of therapy pool and replacement of existing lap pool.
  - o Major dining renovations and additions.
  - o Major renovations to resident activity areas and services in Community Center building.
- Phase 1 Budget: $45,000,000

Project Description: 2014-2015 Capital Projects

Project Architects: RLPS and BCT

Scope of Services:

- Construction management and owner's representation services for all phases of various capital projects, including:
  - o New Independent Living Prototype Cottages. Developed and constructed 5 new IL prototype cottages for repositioning of IL units.
  - o Wellness and Therapy renovation and expansion.
  - o Renovation of Skilled Nursing common areas.
  - o Procurement and Installation of new health monitoring system (Status Solutions), emergency call system, and wander management.
  - o Renovation of Pool Locker Room facilities
- Budget: $1,200,000

It's deeper here.™

YMCA of Central MD, Inc. (www.ymaryland.org)

Multiple Locations

Dancel Family Center *Howard County, MD*

Project Description: 60,000sf health and wellness facility completed in two phases; phase one included a 35,000sf building addition , while phase two consisted of a 25,000sf renovation and expansion of the existing facility.

Project Architect: Gaudreau, Inc

Scope of Services:

- Owner's representation and construction management.
- Managed all phases of building design and construction process.
- Budget: $10,000,000

THE JUNIOR LEAGUE OF BALTIMORE, INC.

The Junior League of Baltimore, Inc. (www.jlbalt.org)

Baltimore, MD

Project Description: Redevelopment of existing JLB/Wise Penny building to provide renovated and expanded retail clothing store and new JLB headquarters.

Project Architect: Penza Bailey Architects and Thornhill Design Studio

Scope of Services:

- Development management and owner's representation for all phases of redevelopment project.
- Managed all aspects of building design and construction process.
- Managed all aspects of FF&E specification, procurement and installation.
- Budget: $2,500,000

Hanger, Inc. (www.hanger.com)

Austin, TX

Project Description: New 75,000sf corporate headquarters completed in three phases in Austin, TX.

Project Architect: Gensler, Bommarito Group

EXHIBIT 6

AFFIRMATIONS

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

Leslie D. Goldschmidt
Signature

1/28/16
Date

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

Signature ______________________ Date 1/28/16

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

Signature

Date 1/28/16

I hereby declare and affirm under the penalties of perjury that the facts stated in #5 (Bed Distribution) and #6 (Space Modifications) of this Additional Information response are true and correct to the best of my knowledge, information, and belief.

Signature

Date 1/28/16

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

Signature	1/28/16
Date