

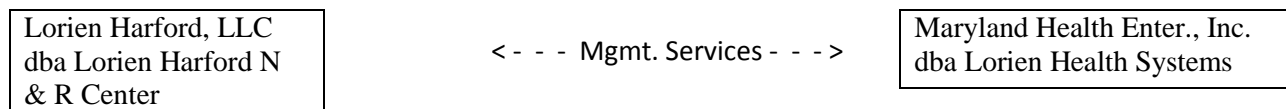
**LORIEN HARFORD NURSING & REHABILITATION CENTER (LORIEN HARFORD III, LLC) MATTER NO. 15 – 12 – 2359
RESPONSES TO COMPLETENESS QUESTIONS**

1. *What is the relationship of Lorien Health Systems to Lorien Harford, Inc.?(sic) Please provide an organizational chart showing the relationship of Lorien Harford, Inc. and Lorien Health Systems to all parents, subsidiaries and affiliates (CCFs with 50% or more in common ownership).*

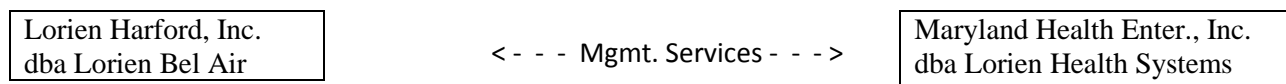
Response: This question is substantially the same as Question 5 previously addressed in the Application in the Supplemental Information provided at p. 66. ‘Lorien Health Systems’ is the ‘doing business name’ of Maryland Health Enterprises, Inc. a provider of certain management services to facilities owned by the 10 adult offspring of founder Nicholas B. Mangione, as previously iterated (Louis Mangione, John Mangione, Rosemary (Mangione) Juras, Linda (Mangione) Licata, Nicholas Mangione, Jr., Joanne (Mangione) Hock, Peter Mangione, Frances (Mangione) O’Keefe, Samuel Mangione, Esq., and Michele Mangione Collison). Those facilities include Lorien Harford, Inc. doing business as Lorien Bel Air (and will also include the new 70 bed CCF being proposed by Applicant Lorien Harford III, LLC in this review).

Each facility owned by members of the Mangione Family is a separate legal entity. These separate entities are not owned by a corporate “parent”. Likewise they are not “subsidiaries” or legal “affiliates”. Each facility operates with its own Administrator and Administrative Staff. Each facility receives management support services from Lorien Health Systems. Thus, there is no organizational chart since the facilities are not vertically integrated.

The Applicant has previously explained this to Staff. The CON Application has provided a diagram at p. 66 showing what the relationship between Lorien Health Systems and Lorien Harford Nursing & Rehabilitation Center, for example, will be:



Likewise, Lorien Bel Air’s relationship will be the same and can be expressed as:



The same relationship (and corresponding chart) exists between the other CCFs owned by the above-referenced shareholders (Lorien Elkridge, Encore at Turf Valley, Lorien Mays Chapel, Lorien Riverside, Lorien Mt. Airy, Lorien Taneytown, and Lorien Bulle Rock, as well as the separately licensed non CON-regulated ALFs Harmony Hall ALF, Lorien Mt. Airy ALF,

Lorien Taneytown ALF, Lorien Bel Air ALF, Encore at Turf Valley ALF).

Mrs. Mary C. Mangione, the mother of the ten adult shareholders of the previously listed facilities owns 100% of the stock of Lorien Columbia, a CCF located in Columbia, Maryland; and also 100% of the stock of Maryland Health Enterprises, Inc. dba Lorien Health Systems.

2. *Regarding site control and the response to question 11C, please submit a copy of the Letter of Intent between the land owner and Commercial Contractors, Inc.*

Response: A copy of the referenced Letter of Intent may be found on the following three pages.

CCI Management, Inc.

Suite 1015, PNC Bank - Towson Building
409 Washington Avenue, Towson, Maryland 21204
Office: (410) 583-9600 Fax: (410) 583-8985

January 30, 2015

Collier International
100 North Charles Street
Suite 1710
Baltimore, MD 21201
Attn: Stephen C. Weiss
Senior Vice President/Baltimore Region
Investment Sales & Capital Markets

Re: 2000 Rock Spring Road - ± 5.38 (Revised LOI)

Dear Mr. Weiss:

On behalf my client, Commercial Contractors, Inc., I am pleased to present the following offer to purchase the above referenced property.

Purchaser: Commercial Contractors, Inc., and/or a related entity.
Seller(s): 2000 Rock Springs Road, LLC
Purchase Price: A.) 371,747.21/ac (\$2,000,000.00) paid in immediately available funds at closing.
Deposit: \$100,000.00 - refundable deposit paid along with Purchaser's execution of a contract of sale. Deposit shall be held in an interest bearing account with accumulated interest to be applied towards the Purchase Price at Closing. Deposit shall become non refundable after one hundred twenty (120) days. **Notwithstanding the above 50% (\$50,000.00) shall become "non-refundable" after ninety (90) days.**
Site Conditions: Purchaser assumes site shall be delivered with direct access to all utilities (water, sewer, gas and electric).
Settlement Costs: Recordation and transfer taxes on the conveyance shall be shared equally between Purchaser and Seller. With respect to all other expenses, each party shall bear its own expenses
Due Diligence: Sale is contingent upon the Purchaser's completion of its due diligence and satisfactory evaluation of the site described. Purchaser shall have one hundred twenty (120) days from full execution of a contract of sale to complete its due diligence period.

Stephen C. Weiss
January 30, 2015
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EMK

- Closing: If Purchaser does not terminate the contract before the end of the due diligence period, then closing shall occur no later than ~~December 31, 2015.~~ ^{OCTOBER 1,}
- Title: The condition of the Title to the property must be acceptable to the Purchaser in all respects. Seller shall convey fee simple title to the Purchaser at closing, subject to those exceptions which are acceptable to Purchaser. Purchaser must object to any unsatisfactory title matters during the due diligence/contingency period. Seller shall not be obligated to cure any unsatisfactory matters. If Seller elects not to cure such matters, Purchaser's options shall be to waive the objections and proceed to closing or terminate to contract and receive a refund of the Deposit. Any exceptions to which Purchaser does not object during the due diligence period shall be deemed to be ~~acceptable~~ ^{acceptable by purchaser.}
- Signed Contract: Within fifteen (15) days after Seller's acceptance of these terms and conditions set forth in this letter, Purchaser shall prepare and submit to Seller a contract which shall set forth the terms of this letter and other terms and conditions normally contained in contracts for the sale of real estate in the Baltimore metropolitan area. If the parties are unable to come to agreement on the final form and terms of a contract, then either party shall have the right to terminate negotiations and withdraw from this letter of intent.
- Commission: Seller agrees to pay CCI Management, Inc. a real estate sales commission equal to three (3%) percent of the Purchase Price to be paid at closing.
- Special Conditions: Seller shall provide all available construction, building and site plans, surveys, engineering and environmental reports in Seller's possession for the subject property for Purchaser's review during the due diligence period. This information shall be provided with five (5) business days following a fully executed contract of sale.
- 1031 Exchange: If either Seller or Purchaser wish to enter into a "like-kind exchange" (either simultaneously with Closing or deferred) under Section 1031 of the Internal Revenue Code ("Exchange"), the other party shall cooperate in all reasonable respects to effectuate the Exchange, including execution of documents; provided, however, cooperating party shall incur no liability or expense related to the Exchange.

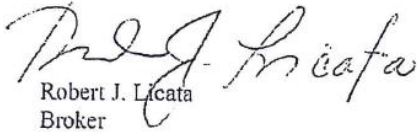
Stephen C. Weiss
January 30, 2015
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Exclusivity: Upon execution of this letter, seller agrees not to negotiate the sale of the Property described herein with any other party.

This proposal is not intended to be binding upon either party in any way, nor is the conditional offer set forth herein binding except to the extent that it reflects the intent to negotiate in good faith a definitive written agreement in a form satisfactory to both parties with respect to the purchase by Purchaser of the above-described property upon the terms and conditions as set forth in this proposal. This proposal shall expire February 3, 2015.

If I can answer any questions regarding this proposal, please do not hesitate to call me at 410-583-8905. I look forward to working with you and the Seller on this transaction.

Sincerely,


Robert J. Licata
Broker

cc: LM
LG

Agreed and Accepted:

Seller: 2000 Rock Spring Road, LLC Date: 2/1/15

Name: Des. M. Galodrea

Title: Sole Member

Purchaser: 

Date: 1/30/15

Name: Louis Mangione

Title: President

3. *Regarding the response to question 15, the drawings submitted are not completely legible. Please submit completely legible 1/16" scale drawings and specify the date such drawings were prepared. Any revised drawings submitted during the review must clearly identify the date such drawings are prepared.*

Response: Applicant notes that the Drawings submitted in the electronic Application filing are very clear and can also be enlarged. However, replacement sets of the dated paper Drawings have been submitted to the MHCC Health Facilities Coordination Office with these Responses.

4. *The submitted drawings show a kitchen area on the first level and a food service area on the ground floor. Please explain the functions of each of these areas.*

Response: The 'kitchen area' shown on the 1st Level is not the facility's Kitchen, which is located in the space labeled 'Food Service' on the Ground Level drawing. The facility Kitchen performs food preparation and cooking activities normally associated with a CCF or large residential facility. However, as the 1st Level drawing shows, the kitchen area graphic is located within the larger area in which Physical Therapy, Speech Therapy and Occupational Therapy is provided per the labels on the drawings. The small 'therapy kitchen' consists of a microwave, toaster and oven, etc., and is utilized in Occupational Therapy activities designed to rehabilitate fine motor skills and enhance ADLs.

5. *The response to question 16B states that additional nursing beds may be added by converting single occupancy patient rooms into double occupancy rooms. How many of the single occupancy rooms could be converted given the planned size of such rooms(which range from 191 to 276 sq. ft.) and plans to construct double occupancy rooms of larger dimensions (from 311 to 345 sq. ft.)?*

Response: All of the Single Occupancy Resident Rooms could *theoretically* be converted to Double Occupancy Rooms since they are of sufficient size per licensing requirements. However, there are no current plans to do so and the Applicant would certainly undertake consideration of operational efficiencies and the needs of the future resident mix in determining whether to convert any such rooms. The Applicant's answer to Question 16B reflected its understanding that Staff wanted to know theoretical bed capacity and whether shell space for future beds is included in the project. As stated, there is no shell space included.

6. *What is the basis for an estimated annual rate of future inflation of 3%?*

Response: The 3% annual inflation rate is a projected estimate based upon historical inflation data, rounded upward so as to be conservative. The United States of America, Bureau of Labor Statistics "CPI Detailed Report Data for December 2014" reports the

annual increase in overall CPI (Consumer Price Index) to be 0.8% and the “Housing - Shelter” component to be 2.9% which Applicant rounded to 3%.

7. *Regarding COMAR 10.24.08.05A(3)(a), please provide copies of the information and materials that are provided to prospective residents of other Lorien facilities concerning alternative community-based services.*

Response: Copies of the DHMH-provided informational materials were submitted as Apx. 6 to the October 2013 Completeness Response submitted by Applicant in connection with its CON Application seeking approval of 21 Beds. The same hand-out will continue to be given to all prospective residents and those who ask. Another copy may be found on the following 3 pages.

This documentation was found to establish Lorien Bel Air’s consistency with this standard in the February 20, 2014 MHCC Decision approving Lorien Bel Air’s 21 Bed Application (see Docket No. 13-12-2345); and should therefore establish Lorien Harford’s consistency in the pending review of its CON Application.

If you want to go home,
there may be a way!



Get long term care services in the community!



If Medical Assistance pays for any part of your nursing home care, you may be able to get care and services in your own community home instead of in a nursing home.

In the last few years, hundreds of people have moved out of nursing homes to receive services in the community. There are several programs that provide services in the community. We can help you decide which one may be right for you and help you apply. Just let us know.

If you would like to learn more about services that may help you move back to the community, ask a social worker at your nursing home, or contact one of the places listed on the back of this page.

This document is produced by the Maryland Department of Health and Mental Hygiene. By law, nursing homes must give this information to every nursing home resident who indicates a preference to return to the community.

State Government	
Maryland Department of Disabilities	800-637-4113
Department of Health and Mental Hygiene (Ask about the Living at Home Waiver)	877-463-3464 or 410-767-7479
Maryland Department on Aging (Ask about the Waiver for Older Adults)	800-AGE-DIAL (1-800-243-3425)
Adult Evaluation and Review Services (AERS)	877-463-3664 or 410-767-6767
Developmental Disabilities Administration	Central MD 410-902-4509 Western MD 301-791-4670 Southern MD 301-362-5100 Eastern Shore 410-334-6920

Advocacy	
Making Choices for Independent Living (Central MD)	410-444-1400
Independence Now (PG & Montgomery Counties)	301-227-2839
Eastern Shore Center for Independent Living	800-705-7944
Southern MD Center for L.I.F.E.	301-884-4498
Freedom Center (Frederick & Carroll Counties)	301-846-7811
Resources for Independence (Western Maryland)	800-371-1986
Cross Disability Rights Coalition (CDRC)	888-272-3449
Brain Injury Association of Maryland	800-221-6443
Statewide Independent Living Council	877-543-3344
Mental Health Association of Maryland	800-572-6426

Legal Resources	
Legal Aid Bureau Nursing Home Program 1-800-367-7563 www.mdlab.org	Maryland Disability Law Center (MDLC) 1-800-233-7205, TDD: 410-727-6387 www.mdlcbalto.org
The Nursing Home Program provides legal assistance to financially eligible nursing home residents anywhere in Maryland.	MDLC is a non-profit legal service established by federal and state law to advocate for the rights of persons with disabilities in Maryland.

This document is produced by the Maryland Department of Health and Mental Hygiene. By law, nursing homes must give this information to every nursing home resident who indicates a preference to return to the community.



Lorien Mays Chapel

Long Term Care Services in the Community

Please sign on the line below to certify that you have received the one page information sheet on long term care services in the community.

Signature

Date

Print Name

(This form must be kept in the resident's medical record).

8. *In response to standard A(6), Public Water, please identify the entity that will provide water to Lorien Hartford (sic) Nursing & Rehabilitation Center.*

Response: Public water & sewer will be provided to Lorien Harford by the Harford County Government.

9. *Regarding the response to standard .05A(7), explain why you expect the mix of residents to be approximately 60% short term (40 beds) and 40% long term (30 beds).*

Response: The 40 bed unit is anticipated to primarily serve patients expected to have “short term” stays. The initial mix is based on Lorien’s expectation that there will be increasing demand for short term rehabilitation as a result of an increasing hospital focus on discharges to post acute facilities with an appropriate focus on rehabilitation. There will be occasions where the length of stay of some patients on the 40 bed unit may extend beyond a short term period of time. Therefore, Lorien will adjust utilization based on the needs of its changing resident population during on-going operations.

10. *In response to .05B(1) and (3), Bed Need and Jurisdictional Occupancy, reference is made to the fill up and occupancy of Lorien Bulle Rock. Please specify the average daily census for Lorien Bulle Rock for each month of 2014.*

Response: Lorien Bulle Rock’s total patient days for year 2014 were 23,690, detailed as follows:

Lorien Bulle Rock- 2014 Patient Days and Average Census, By Month					
Month	Patient Days	Avg Census	Month	Patient Days	Avg Census
January	1,841	59.39	July	2,005	64.68
February	1,714	61.21	August	2,090	67.42
March	1,957	63.13	September	1,983	66.10
April	1,884	62.80	October	2,085	67.26
May	2,099	67.71	November	2,015	67.17
June	2,000	66.67	December	2,017	65.06
			Annual Total	23,690	
			Available Days	28,470	83.21%

11. *The statistical projections provided in Table F show an unusually high number of admissions for a 70 bed facility in its second year. Please explain the basis for projecting this level of admissions. Delineate the assumed numbers of short term and long term patients, and specify the assumed average length of stay for each.*

Response: The projected admissions in the second year are consistent with Lorien's experience for a small facility that will have a 40 bed short term rehabilitation unit. The projected average length of stay ("ALOS") is 270 days for patients in the long term unit and 26 days for patients in the short term unit. The projected blended ALOS for both units is 42.4 days. For comparison purposes, the 69 - bed Lorien Bel Air FY 2014 actual ALOS was 42.3 days. The projected admissions are therefore reasonable.

12. *Explain why a new 70 bed facility is being proposed instead of adding more beds to Lorien Bel Air or adding beds to one of the other Lorien nursing homes in Harford County (Lorien Bulle Rock or Lorien Riverside Nursing Center). Also, compare the cost effectiveness of the proposal to add 27 beds to Lorien Bel Air and construct this new 70 bed facility with the alternative of building a new 97 bed facility.*

Response: Alternatives were considered and it was decided that the proposed project was the best method of moving forward to meet the needs of the population. First it should be noted that Lorien Bulle Rock is ineligible for expansion since it is a recently opened facility which is just ending its fill – up phase and is in the stabilization phase. In this regard, it has not experienced two years of occupancy at 90% as required by the applicable facility occupancy standard at COMAR 10.24.08.05.B(2).

Further, the existing 129-bed Lorien Riverside is unable to expand because of its existing site constraints which do not permit expansion.

Adding all 97 new beds to Lorien Bel Air was rejected since it would result in a very large 187 – bed CCF atop a very large Assisted Living Facility, since it, too would have to be expanded. Neither of these alternatives is intended by Lorien's model. Further, such an alternative would cause density issues on the site while impacting future development of ancillary or health related projects.

It should also be noted that none of the other existing facilities in Harford County has demonstrated any interest in coming forward to meet the identified bed need.

Another alternative considered was to forego the 27 – bed further expansion of Lorien Bel Air and instead to meet all the Harford County bed need with a new 97 bed CCF as opposed to the proposed new 70 bed facility. However, Lorien Bel Air determined that as a result of increasing demand for admissions at Lorien Bel Air’s CCF, the anticipated increase in admissions resulting from hospital discharges, the already planned expansion of the CCF, a further incremental increase in its bed complement was warranted. Further, the popularity of Lorien Bel Air’s Assisted Living Facility necessitates an expansion of units on the 1st and 2nd Levels. Thus, the addition of the proposed 27 beds would add only incremental costs to the facility.

Further, a new 70-bed facility, as proposed in this Application, will be consistent with the smaller scale facilities favored by Lorien’s model of care and would lead to a more rapid fill – up and stabilization necessary to enable further related development on the site.

For all of the above reasons as well as the desire to expand access to a new facility and contribute to the further development of Harford County’s health care infrastructure, the Applicant determined that both proposed projects were cost effective methods of meeting the identified needs.

13. *Regarding Table H, please specify the source of the other operating revenue.*

Response: Other operating revenue projected in Tables H is comprised of the following:

Description	Other Revenues				
	20X1	20X2-X3			
Barber & Beauty	\$ 16,000	\$ 27,000			
Meals Revenue, Guests	7,000	12,000			
Cable TV Fees	4,000	6,000			
Equipment Rental	2,000	2,000			
Total	\$ 29,000	\$ 47,000			

14. *Regarding the patient services revenue assumptions, explain how the rates were estimated for each payer including the base year used, any inflation factors applied, and any assumptions regarding patient acuity that affected the estimated rate. For the estimated Medicaid rates provide a more detailed explanation of how the use of the*

regulations associated with the new prospective reimbursement system led to an estimated rate of \$254.01 in 20X2 and 20X3. Explain why the estimated Medicaid rate is less in 20X1 (\$255.86) than in 20X2 and 20X3.

Response: Please note the following explanations:

Private Pay Rate Assumption - Assumed rate of \$350.00 PPD based upon estimated rate to be established at opening. No inflation adjustments applied to the rate.

Commercial Insurance Rate Assumption - Estimated rate of \$400.00 PPD based upon Lorien's existing experience. No inflation adjustments applied to this estimated rate.

Medicare Rate Assumption - Assumed rate of \$506.71 PPD is based upon estimated Medicare days for each of the Medicare rate "RUGS" categories, net of Medicare sequestration reduction of 2%. The assumed Medicare rate is consistent with the range of Medicare rates of other Lorien facilities in Harford County.

Medicaid Rate Assumption - Medicaid rate has been calculated based upon the newly implemented reimbursement system (effective January 1, 2015). The new system provides for a rate based upon the following components:

- Nursing - Rate calculated based upon case mix index ("CMI") score, subject to a "floor" adjustment in instances of Nursing costs being below 93% of the calculated Nursing rate. For new Providers, the CMI score is based upon the statewide average, with no potential of "floor" adjustment until actual cost reports are submitted. For purposes of this application, the statewide average CMI score has been used throughout Years 20X1-20X3 and the projected Nursing costs do not result in an "floor" adjustment.
- Other Patient Care - Medicaid Program established fixed price for this component of the reimbursement rate.
- Routine and Administrative Services- Medicaid Program established fixed price for this component of the reimbursement rate.
- Capital - Three components establish the Capital component of the rate:
 - Net Capital Value ("NCV")- Medicaid reimbursement of property costs based upon a Medicaid Appraisal Valuation Report, subject to a ceiling of \$110,000 per bed. Given the project's budgeted construction costs, it has been estimated that the Net Capital Value will be based upon the \$110,000 per bed ceiling. The calculation of this component is subject to a minimum occupancy standard (currently 91%).

- Real Estate Taxes- Medicaid reimbursement of real estate taxes based upon actual taxes divided by patient days, subject to a minimum occupancy standard.
- Quality Assessment Tax (“QA Tax”)- Medicaid reimbursement of QA Tax is based upon the QA Tax Expense, subject to minimum occupancy standard.
- The Real Estate Taxes and QA Taxes components of the Capital reimbursement rate are eligible for an occupancy waiver for the first twelve months of operation. The estimated Medicaid rate for Year 20X1 assumes that the Department of Health and Mental Hygiene will approve the waiver request which will be filed upon opening of the facility. Thus, the Medicaid rate in year 20X1 is forecast to be slightly higher than in Years 20X2 and 20X3.

The calculated Medicaid rate based upon the Medicaid reimbursement system summarized above is as follows:

Medicaid Rate, by component:				
<u>Cost Center</u>		<u>Method</u>	<u>20X1</u>	<u>20X2-X3</u>
Nursing Services		CMI Based	\$ 116.07	\$ 116.07
Other Patient Care		Price Based	18.64	18.64
Routine & Admin.		Price Based	75.38	75.38
Capital:	NCV	Appraisal	25.71	25.71
	RE Taxes	Cost Based	4.64	2.78
	QA Taxes	Cost Based	15.42	15.43
Total Medicaid Rate			\$ 255.86	\$ 254.01

15. *Please explain the basis for assuming an interest rate of 3.25% on the mortgage debt and 6% on the equipment loan?*

Response: The interest rate on the mortgage debt of 3.25% is based upon a obtaining a variable rate loan based upon approximately 225 to 300 basis points above the 30 day LIBOR (London Interbank Offer Rate), which is currently 0.26%. This calculated rate of 2.61% to 3.26% has been estimated at 3.25%.

The interest rate on the equipment loan of 6% is a conservative estimate based upon current borrowing conditions experienced by Lorien. Recent equipment loan borrowings and current negotiations of equipment loan financing are at a rate of approximately 5%.

16. *Regarding the expense assumptions, please explain the basis of the estimated supply cost and the basis for estimating other expenses. If the basis for the assumptions that went into estimating the other expenses differed for some categories, specify the differences.*

Response: Please note the following:

Supply Costs - Supply costs have been estimated based upon an estimated amount per patient day. Most supply costs are calculated based upon the estimated cost PPD multiplied by the total number of patient days (nursing, over the counter drugs, raw food, activities, dietary, housekeeping, laundry, maintenance, and office supplies) while certain other supply costs are calculated based upon an estimated cost PPD multiplied by only Medicare and Commercial Insurance days (prescription drugs). This is because prescription drugs for Medicaid patients are billed directly by the pharmacy to the Medicaid's Pharmacy Program.

Other Costs - The largest item of other expenses is Medicaid Provider Taxes which is a PPD tax charged to all patient days except for Medicare. The material balance of the remaining items in other costs are fixed monthly estimates, of which some are based upon an annual billing (such as real estate taxes, and insurance premiums).

17. *What is the basis for the assumed payer mix (Medicare 34.6%, Medicaid 50%, commercial 3.1%, and self-pay 12.3%)?*

Response: The assumed payer mix estimates are based upon the judgment of the management services team, and the payer mix estimates are similar to the payer mix of experienced by the Lorien Bulle Rock facility in Havre de Grace, and Lorien Bel Air.

18. *[Please identify any Lorien project since 1995 that did not meet a term or condition within the initial time frame set forth in MHCC's regulations or set forth in the CON approval. For each such situation, summarize the reason for the deviation or delay and the outcome.]* This Question has been withdrawn by Staff.

Response: This Question has been withdrawn by Staff per March 4, 2015 telephone call to Lorien's counsel by CON Director Kevin McDonald.

19. *The response to the impact criteria states that the proposed facility will ultimately become another example of Lorien's care model of combining CCF services with an on-site Assisted Living Facility ("ALF"). Since the ALF is not a part of the proposed project but is planned for a later date (phase 2), please identify the Lorien facilities that have initiated ALF services in a similar sequence. For each facility report the time between the licensure of the first CCF bed and initiation of construction of the ALF.*

Response: Staff's question should be answered in context, as follows:

The Applicant's response to 10.24.01.08G(3)(f) (Impact on Existing Providers) cites several factors in explaining why the proposed project will not have an adverse impact on existing providers and will have a positive impact upon the health care system. Such factors included the consistently high occupancies of the stabilized existing CCFs, the SHP's identified need for 97 additional beds, the minor incremental increase in the bed inventory, the increased access to services, and the strong support of University of Maryland Upper Chesapeake Health. The Applicant submits that these factors alone are sufficient to demonstrate compliance with the Criterion.

In addition, the Applicant explained that it also planned for the future construction of a separately licensed Assisted Living Facility ("ALF") consistent with the combined model discussed in other CON applications for CCFs in which Applicant's owners also have ownership interests. Such further development is, of course, determined independently and in reaction to local conditions or national factors such as Maryland and many states experienced .

Based on business considerations, and such factors, the owners have determined that 3 such facilities, Lorien Taneytown, Lorien Elkridge and Lorien Bulle Rock should be planned to include non-CON regulated ALFs as future phases to be developed after the CCFs have been opened and stabilized and as warranted by current conditions.

Thus, the 63-bed Lorien Taneytown building plans were designed to accommodate the Phase 2 construction of an ALF, and the CCF building was located on the site so as to provide space for the future connected addition. Also, certain building infrastructure was put in place when the CCF was constructed. The CCF opened in October, 2004. However, construction of the Taneytown ALF was delayed and, as the MHCC and its Staff were aware, was negatively impacted by certain factors including the dramatic slowing of the housing market¹; uncertainties caused by the recent adverse economic conditions; and the City of Taneytown's water allocation issues with the Maryland Department of the Environment.

Although constructed later than originally anticipated, the ALF received its building permit in late August 2012 and initiated construction activities soon thereafter. As the MHCC and Staff are already aware, the ALF was completed in November, 2013.

¹ Since utilization of assisted living often depends upon the sale of existing residences, the ALF component, and therefore the combined facility including the CCF, was placed at unanticipated financial risk due to circumstances completely beyond the project's control.

A second facility, Lorien Elkridge, was originally approved to house a 64-bed CCF on the top floor of a multi-story building which included an ALF on the floors beneath it. However, great concerns developed as a result of unanticipated adverse conditions in the housing market². The Executive Director and the MHCC recognized the legitimacy of this issue and the challenges posed by the economic problems following the 2008 collapse. Thus an extension of performance requirement was granted to afford time to re-design the project to its present form and with the ALF deferred to Phase 2. The CCF opened in 2012 and is in its stabilization phase.

Lorien Bulle Rock's CCF was also modified to change the design so that its ALF would be constructed later as Phase 2. This change was also undertaken as a response to housing concerns as well as the realization that it is more desirable to construct the ALFs after construction, fill – up and stabilization of the CCF component. The CCF opened in 2013 is entering its stabilization phase. The ALF has not yet been constructed.

The Applicant notes that to its knowledge the MHCC has never questioned the phasing of such ALFs in Lorien's combined facility models in its decisions approving project modifications. In addition, it should also be noted that the MHCC approved another project based on Lorien's model which also made the business decision to phase in the development of the ALF (see Waldorf Nursing & Rehabilitation Center, now known as Restore Health Rehabilitation Center, DN 11-08-2325).

Finally, Lorien points out that its prior projects, Lorien Mt. Airy, Lorien Bel Air, and Encore at Turf Valley incorporated simultaneously constructed ALFs within single buildings. These facilities are all stabilized. However, based on the owners' experience and prevailing conditions, the decision was made to pursue the more conservative course of phasing the newer projects. The MHCC approved such decisions in the case of both the three Lorien facilities and the new Waldorf facility cited above.

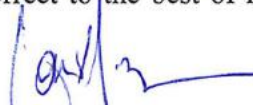
[END]

² The Howard County housing market was impacted by the major economic recession in terms of home sales and valuations. The MHCC approved original design place the CCF on the top floor of a building containing the ALF. Since utilization of assisted living often depends upon the sale of existing residences, the ALF component, and therefore the CCF, was placed at unanticipated financial risk due to circumstances completely the project's control.

AFFIRMATION

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

Date: Effective March 9, 2015



LOUIS MANGIONE, President
Lorien Harford, Inc.
dba Lorien Nursing & Rehabilitation
Center Bel Air

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in this application (or completeness review responses) and its attachments are true and correct to the best of my knowledge, information and belief.

Date: March 9, 2015

A handwritten signature in blue ink that reads "Louis Grimmel Sr." The signature is written in a cursive style and is positioned above a horizontal line.

Name: Louis G. Grimmel, Sr.
Title: CEO, Lorien Health Systems

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in this application (Completeness Review) and its attachments are true and correct to the best of my knowledge, information and belief.

Date: March 9, 2015

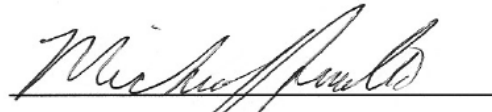


Norman E. Snowberger
Chief Financial Officer
Lorien Health Systems

Affirmation re: Budget, Operating Projections,
and Response to MHCC Inquiry dated February 24, 2015

I HEREBY DECLARE AND AFFIRM under the penalties of perjury that the facts stated in this application and its attachment(s) are true and correct to the best of my knowledge, information and belief.

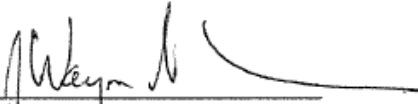
Dated: March 9, 2015


MICHAEL J. SNARSKI, CPA

AFFIRMATION

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

Date: March 10, 2015


Name: Wayne Brannock
Title: Chief Operating Officer

Attachment – Drawings (separately submitted)