MILES & STOCKBRIDGE P.C.

Peter P. Parvis
410-823-8165
pparvis@milesstockbridge.com

June 9, 2016

VIA Email & Federal Express

Ms. Ruby Potter
Health Facilities Coordination Office
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215-2299

Re: Northampton Manor Care Health Center
Addition of 66 CCF beds to an existing 196 bed Comprehensive Care Facility
Matter No. 16-10-2377

Dear Ms. Potter:

Northampton Manor Nursing and Rehabilitation Center, LLC, a Maryland limited liability company, (the "Company"), an affiliate of MAHC Holdings, LLC, filed a letter of intent on March 4, 2016 and its Certificate of Need Application ("Application") on May 5, 2016 for Certificate of Need ("CON") approval for the construction of a 40,357 sq. ft. addition to add 66 CCF beds to an existing CCF with 196 beds and renovate (21,630 sq. ft.) two of the four existing nursing units at a cost of $10,195,736. Commission staff notified the Company by email on May 26, 2016 that it had reviewed and found the application incomplete and requested that the Company respond to the completeness questions and requests for additional information contained in that email. The responses are below.

PROJECT IDENTIFICATION AND GENERAL INFORMATION

1. The response to question 8 does not clearly identify which of the legal entities identified in response to question 2 is the legal owner of the right to sell the licensed beds. Please clarify.

Northampton Manor Nursing and Rehabilitation Center, LLC is the legal owner of the facility and has the right to sell the bed rights. The Company is owned by MAHC Holdings, LLC, a Maryland limited liability company, which is in turn owned by Scott Rifkin, Scott Potter,

MILES & STOCKBRIDGE P.C.

Howard Friner, and Alaris USA, Inc. Ownership interests are shown on Exhibit A to the Application.

2. Please provide a more detailed description of the renovations described on page 16 as largely cosmetic.

   The renovation detailed on page 16 would consist of enhancing the finishes and furnishings in the highlighted areas of the building to match those in RNH (as defined in the application). Specifically, it would consist of the following:

• Flooring	$ 240,000
• Paint	65,000
• Restroom Tile	24,000
• Nurses Station – Millwork	26,000
• Hallway Railing	30,000
• Sand & Finish Doors	10,000
• Acoustical Ceiling Repair	20,000
• Miscellaneous	50,000
• Light Sconces – Allowance	38,000
• Furnishing	114,000
• TV's and Brackets	30,400
• Draperies	15,200
• Total	$ 662,600

3. The response to question 14B is inadequate. Please specify the local and State approvals required before the initiation of construction and provide a timetable for obtaining such local approvals. Timeframes may be expressed in months from today and/or from CON approval. If the process for obtaining any of these approvals has already commenced, specify the current status as requested.

We have appended as **Appendix 1** the approvals required and the anticipated schedule following approval of the CON for each. We are also amending the Project Schedule Table-Phase 1, (Table J-1) to reflect additional time anticipated for governmental approvals. The amended Table is given below. The initial timetable had assumed that prior approvals obtained by the

MILES & STOCKBRIDGE P.C.

former owner were still valid, but prior approvals appear to have lapsed requiring going through the entire process, which is reflected in the Appendix.

Project Schedule Table – Phase I (New Construction)
Table J-1

	Proposed Project Timeline	
Obligation of 51% of capital expenditure from approval date	8	Months **
Initiation of Construction within 4 months of the effective date of a binding construction contract	1	Months **
Time to Completion of Construction from date of capital obligation	18	Months **

***** Assumes Grant of CON by November, 2016***

4. With respect to the response to question 15, specify whether the proposed project would be constructed under one construction contract or two (will the renovations be performed under a separate contract or under the same contract as the building addition)?

The Project will be done under two contracts, with the Renovation contract being executed depending on the completion of the new construction contract.

PROJECT BUDGET

5. Please provide a breakdown of the legal fees and non-legal consultant fees directly related to the preparation and review of this CON application.

All of the consultant fees are directly related to the preparation and review of this CON application. The legal fees directly related to the preparation and review of the Application are estimated to be $50,000, with the remainder pertaining to local approvals and financing.

APPLICANT HISTORY

6. Please clarify when Mid-Atlantic bought and/or started managing Villa Rosa and Mid-Atlantic of Delmar in relationship to the disciplinary actions cited on page 19 through 21. In the case of Mid-Atlantic of Delmar specify the date it was sold and Mid-Atlantic's involvement in its operation ceased.

MILES & STOCKBRIDGE P.C.

MAHC acquired Mid-Atlantic Delmar 2/1/06 and sold and ceased its involvement on 6/1/15. MAHC managed Villa Rosa from 1/1/09 to 2/28/13. MAHC then assumed the operations 3/1/13 and continues to own the operations currently.

STATE HEALTH PLAN

7. With respect to standard A(2)(c), how many admissions have there been to the facility in 2016 to date and how many have had Medicaid as a primary payer?

Year-to-date as of April 2016, Northampton has had 109 admissions. Seven of those admissions have been for Medicaid as the primary payer.

	Jan	Feb	Mar	Apr	Total
Medicare Part A	28	23	17	18	86
Managed Care	3	3	3	6	15
Medicaid	3	1	1	2	7
Other	-	-	1	-	1
Total	34	27	22	26	109

8. Standard A(9) requests that the Applicant demonstrate that it has established collaborative relationships with other types of long-term care providers. Please describe the nature and form of relationship that Mid-Atlantic has with each of the HHA and Hospice organizations listed.

Northampton works collaboratively with other types of long term care providers to ensure a smooth care transition for each resident upon discharge to a more cost effective setting or to the home. This is an important piece of managing down hospital readmissions. In many cases, MAHC will utilize Nurse Navigators to work with discharged residents and other providers to make sure they are following their discharge plans and receiving the care they require. In cases where MAHC has bundled payment reimbursement mechanisms, such as Philadelphia, MAHC even will develop gain sharing arrangements to further align other providers with MAHC and State's goals to improve quality and lower costs.

Below is a listing of the current types of relationships Northampton maintains with the providers mentioned in the application.

MILES & STOCKBRIDGE P.C.

Home Health	Relationship
Spritrust Lutheran Home Care & Hospice	Resident chose agency post discharge
FMH Home Health	Resident chose agency post discharge
Visiting Angels	Resident chose agency post discharge
Home Instead	Resident chose agency post discharge
Home Call	Resident chose agency post discharge
Bayada	Resident chose agency post discharge
Amada HHC	Resident chose agency post discharge

Hospice	Relationship
Hospice of Frederick County	Maintain contract for services
Carroll County Hospice	Maintain contract for services

Assisted Living	Relationship
Tranquility at Fredericktowne	Resident chose ALF post discharge
Country Meadows	Resident chose ALF post discharge
Somerford	Resident chose ALF post discharge
Heartfields Assisted Living of Frederick	Resident chose ALF post discharge
Edenton	Resident chose ALF post discharge

9. Regarding standard B (5), Quality, please submit a copy of Northampton Manor's Quality Assurance and Performance Improvement program.

As part of the integration process, MAHC is implementing its corporate Quality Assurance and Performance Improvement program at Northampton. An overview of the program is attached as **Appendix 2**.

10. The response to standard C (3) states that the renovations will create a new café-style, neighborhood concept that is currently in use in the other wing of the facility. Please explain how this neighborhood concept is currently provided in the other wing and the nature of the renovations that will create this environment.

Before the previous owner renovated Northampton in 2009 – 2010, all food service was prepared in the kitchen and delivered directly to the residents via trays to their rooms, just as it is currently done in the wing targeted for the renovations. As part of the renovation, the previous owners added a dining room on each floor of the facility located at the end of the hallway that

MILES & STOCKBRIDGE P.C.

sits on the eastern most tip of the facility. In these cafes, the food is prepared in the kitchen and delivered to the café where it is placed in "buffet style" serving areas. Residents can choose which and how much of each item of food they would like to eat. Additionally, residents have the option of eating in the café or having it brought back to their room. This style of food preparation and delivery promotes greater social interaction among the residents and provides a more "home-like or hotel-like" experience by allowing each resident to have greater control over the type and amount of food. At the same time, it enhances the quality of the food by eliminating the time food may sit on a cart and get cold. MAHC utilizes this concept in our Restore Health facility in Waldorf, Maryland and has received very favorable feedback from our residents.

11. With respect to the Need criterion, as instructed on the table, please state the assumptions that were the basis of the projected facility utilization as presented in Tables D and E with respect to admissions and expected length of stay and explain why these assumptions are reasonable.

To develop the projections in Tables D and E, MAHC analyzed the average length of stay already experienced at Northampton and projected that forward.

Medicaid	365 days
Medicare	28 days
Private, Managed Care	90 days

MAHC used the same length of stay already experienced for all payors except Medicare which it lowered to an average length of stay of 28 days versus the 40 currently experienced at the facility. This is due to an expected increase in shorter stay rehab stays resulting from opening of RNH.

12. The MVS comparison includes an addition for elevators. Please explain how this addition was calculated. Specify the type of elevators that will be installed (passenger, freight, etc.).

The Northampton project includes one passenger elevator in the newly constructed addition. Northampton utilized the "lump sum cost per elevator" for Good quality construction identified in the MVS manual in Section 15, page 36, as shown below.

MILES & STOCKBRIDGE P.C.

ELEVATORS

Lump sum cost per elevator plus the cost per stop or landing including the ground level. Use the cost per stop for basement and mezzanine stops. See Section 58 for more detailed costs, for observation elevators and for moving-walk costs.

TYPE	Low	Average	Good	Excellent
Passenger, Base Cost, 2 - 3 story	$ 45,300	$ 53,500	$ 63,000	$ 74,250
4- to 7 story	78,250	89,750	103,000	118,000
8 story and over	120,000	152,000	192,000	242,000
add, cost per stop	6,250	7,200	8,300	9,600

Northampton used the following calculation to calculate the $1.56 per square foot cost, as reflected on page 52 of the application.

	Elevators
Lump Sum	$63,000
Sq. Feet	40,357
Cost/SF	$1.56

Northampton now realizes that it should have added the cost of two stops. However, the difference is not material.

	Elevators
Lump Sum	$63,000
2 stops	$16,600
Total	$79,600
Sq. Feet	40,357
Cost/SF	$1.97

The result of this correction is that the MVS benchmark should be $189.66, rather than the $189.25 that is shown on pages 49 and 51 of the application.

13. With respect to the Viability criterion, please respond to the following:

A. Please submit Tables F, G, and H as excel spreadsheets.

These will be provided electronically.

B. Regarding Tables F and G please specify the basis for the projections for each line and specify each assumption. Explain why the assumptions are reasonable. For

MILES & STOCKBRIDGE P.C.

revenue actual charges by payer should be specified and detailed revenue calculations should be submitted.

See Appendix 4

C. Given the large increase in private rooms and the programmatic targeting of high acuity patients requiring short stays, explain the relatively small increase in Medicare payer mix and no increase in the percentage of patient stays to be paid for by commercial insurance.

As seen in the table below, Northampton already maintains a proportion of its residents that are Medicare residents. Upon the opening of the new wing, Northampton will move these Medicare short stay residents to the new wing. At the time of opening, that average daily census is estimated to be 38 (in line with past operating history). We have projected a net ADC increase of 23 Medicare residents and utilized a similar composition among the other payor classes as seen in the current census. Should there be a larger increase in managed care census, the applicant anticipates a modest reduction of Medicaid census. At our model Restore facility, Restore Health - Waldorf, we currently run a census of 60 residents comprised of 70% Medicare and 10% managed care plus private. This compares to total payor mix below of 12.4% at maturity for Northampton which we believe is therefore reasonable.

Payor	2016	2017	2018	2019	2020	2021	2022
Medicaid	120	120	123	144	150	150	150
Medicare Part A	34	38	41	58	61	61	61
Private	17	16	16	19	20	20	20
Managed Care	8	8	8	10	10	10	10
Hospice	2	2	2	3	3	3	3
Total	**180**	**184**	**191**	**234**	**244**	**244**	**244**

% Mix	2016	2017	2018	2019	2020	2021	2022
Medicaid	66.2%	65.2%	64.5%	61.8%	61.6%	61.6%	61.6%
Medicare Part A	18.7%	20.6%	21.4%	24.8%	25.0%	25.0%	25.0%
Private	9.6%	8.7%	8.6%	8.2%	8.2%	8.2%	8.2%
Managed Care	4.2%	4.4%	4.3%	4.2%	4.2%	4.2%	4.2%
Hospice	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

MILES & STOCKBRIDGE P.C.

D. Regarding the proposed financing of the project, which includes over 70% debt financing provide significantly more detail than that provided on page 55 regarding Mid-Atlantic's experience obtaining financing for the acquisition, construction, and capital improvement of other nursing homes. Specify the source of the debt financing, the amounts, and terms of such debt over the last three to five years.

MAHC has been financing capital over the past five years for nine acquisitions or construction projects comprising 17 facilities. MAHC's financing documents include confidentiality provisions that do not allow it to disclose the specific terms associated, but **Appendix 5** provides a list of financings with source of the debt over the last five years.

As requested, we hereby submit six copies of these responses to completeness questions and the additional information requested in this letter within ten working days of receipt. An electronic copy is also being submitted, in both Word and PDF format, to Ruby Potter. (ruby.potter@maryland.gov).

We have also attached the required signed affidavits from Andy Solberg and George Watson on the facts set forth in the supplementary information.

Should you have any questions regarding this matter, feel free to contact me at (410)823-8165.

Sincerely,

Peter Parvis
Counsel to Northampton Manor Nursing and Rehabilitation Center, LLC

cc: Kevin McDonald, Chief, Certificate of Need
Joel Riklin, Program Manager
Barbara Brookmyer, M.D., Health Officer, Frederick County
George Watson (gwatson@mid-atlanticltc.com)
Michael Mahon (mmahon@mid-atlanticltc.com)
Andrew Solberg (asolberg@earthlink.net)

MILES & STOCKBRIDGE P.C.

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

6/3/16
Date

MILES & STOCKBRIDGE P.C.

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.

George E. Watson
Date: June 7, 2016

MILES & STOCKBRIDGE P.C.

LIST OF APPENDICES

Appendix 1	City of Frederick approvals required
Appendix 2	Corporate Quality Assurance and Performance Improvement program
Appendix 3	Tables F and G -- basis for projections
Appendix 4	List of financings with source of the debt

NOTE: Excel spreadsheets are being sent electronically as requested

Appendix 1

Estimated Approval Timeline for City of Frederick, Maryland

(*estimated time frames stated below are based on best case scenarios assuming November grant of CON)

1. **CON Approval 11/17/2016; Sketch Plan Submission**

Assuming engagement of engineer and their preparation of a sketch plan of the proposed site improvement prior to issuance of CON, upon approval of CON, applicant will submit the sketch plan to the City Planning Department for project initiation, initial City Staff review and pre-application conference. The pre-application conference does not follow an established schedule but typically occurs within 30 days of the initial submittal to the City.

2. **Preparation and Submission of Site Plan: 1/23/2017**

[*Assuming the City pre-application conference occurs in less than 30 days from the sketch plan submission*]. This +/- 42-day period is the typical time frame for an engineering firm to prepare, produce and finalize the site development plan to be submitted to the City. Note that a Forest Conservation Plan may also be required to accompany the site plan, if the total proposed disturbance exceeds 40,000 square feet.

Once the site plan is prepared, applicant submits it to the City for review and processing and ultimate approval by the Planning Commission at a public hearing. The submission schedule and benchmark dates typically follow pre-set timelines (see attached) of approximately 100-115 days (such that Planning Commission workshops and public hearings fall on Mondays).

Assuming a site development plan prepared in time for a January 23, 2017 submission, the applicable Planning Commission timeline (ending at a May 8, 2017 public hearing) sets a Development Review Conference (DRC) with City Staff on February 27, 2017. Assuming comments received at that meeting can be addressed to meet the March 27, 2017 resubmission deadline, the Planning Commission will have a workshop on the site plan on April 17, 2017. Assuming comments received at that meeting can be addressed to meet the April 24, 2017 resubmission deadline, the Planning Commission will have its public hearing on the site plan on May 8, 2017, at which time the Planning Commission may grant *Conditional Approval of the Site Plan*. (N.B., the dates in this paragraph are approximate, as the Planning Commission has not yet approved their 2017-2018 Deadline Schedule).

3. **Conditional Approval by Planning Commission: 5/8/2017**

After the April 17, 2017 Planning Commission workshop, the applicant will typically be in a position to ascertain with reasonable certainty that they will be in a position to begin preparing Improvement Plans. The engineering firm may start that work, parallel to the Planning Commission finishing the site plan review and approval process; this will put the applicant in a position to submit the Improvement Plans to the City for review and approval shortly after receiving Planning Commission conditional approval of the site plan. The applicant may

typically submit Building Permit applications simultaneous with the Improvement Plan submissions, such that they can run parallel.

It is then an approximately 110-day process from submission of Improvement Plans through review, comment and revisions, *Improvement Plan approval*, *Guarantee Estimate approvals* and preparation of any necessary *letters of credit*. These are all approved at City Staff level.

4. **Issuance of Building Permit: 8/27/2017**

Assuming a submission of Improvement Plans and Building Permit applications three days after conditional approval from Planning Commission, *Building Permit* should issue approximately in late August.

Attachment (as stated)

Planning Commission
2016-2017 DEADLINE SCHEDULE

Public Copy

Applicable to Annexations, Master Plans, Area Plans, Preliminary Subdivision Plats, Final Site Plans, Final Subdivision Plats, Forest Conservation Plans, Zoning Map Amendments, and Text Amendments

Initial Submittal (1)	DRC Meeting (2)	First Resubmittal Deadline (3)	PC Workshop (4)	Second Resubmittal Deadline (5)	PC Field Trip (6)	PC Hearing (7)
01-25-2016	02-22-2016	03-28-2016	04-18-2016	04-25-2016	05-06-2016	05-09-2016
02-22-2016	03-28-2016	04-25-2016	05-16-2016	05-23-2016	06-10-2016	06-13-2016
03-28-2016	04-25-2016	05-23-2016	06-20-2016	06-27-2016	07-08-2016	07-11-2016
04-25-2016	05-23-2016	06-27-2016	07-18-2016	07-25-2016	08-05-2016	08-08-2016
05-23-2016	06-27-2016	07-25-2016	08-15-2016	08-22-2016	09-09-2016	09-12-2016
06-27-2016	07-25-2016	08-22-2016	09-19-2016	09-26-2016	10-07-2016	10-10-2016
07-25-2016	08-22-2016	09-26-2016	10-17-2016	10-24-2016	11-10-2016	11-14-2016
08-22-2016	09-26-2016	10-24-2016	11-21-2016	11-282016	12-09-2016	12-12-2016
09-26-2016	10-24-2016	11-28-2016	12-19-2016	12-27-2016	01-06-2017	01-09-2017
10-24-2016	11-28-2016	12-27-2016	01-17-2017	01-23-2017	02-10-2017	02-13-2017
11-28-2016	12-27-2016	01-23-2017	02-21-2017	02-27-2017	03-10-2017	03-13-2017
12-27-2016	01-23-2017	02-27-2017	03-20-2017	03-27-2017	04-07-2017	04-10-2017

Important Information

1) **Initial Submittal:** Applications shall be submitted to the Planning Department on the first floor of the Municipal Office Annex located at 140 West Patrick Street by the close of business on the deadline date specified on this schedule. Applications submitted earlier than the date specified will be held until the submittal deadline on the calendar.

2) **Development Review Conference (DRC) Meeting:** Meeting with staff to discuss the outstanding issues associated with the plan. DRC meetings are held at the Municipal Office Annex Building at 140 W Patrick Street beginning at 8:00am unless otherwise noted on monthly agenda.

3) **First Resubmittal Deadline:** Deadline date for submitting revised plans addressing staff DRC comments.

4) **Planning Commission Workshop:** Pending the completion and resolution of all DRC comments, the application will be scheduled for a workshop with the Planning Commission. Workshops are held at the Municipal Office Annex building at 140 W. Patrick Street beginning at 2:00pm unless otherwise noted on the monthly agenda.

5) **Second Resubmittal Deadline:** Deadline date for submitting revised plans after PC Workshop meeting for presentation at the PC hearing.

6) **PC Field Trip:** The Friday before the public hearing, a field trip meeting will be held at the Municipal Office Annex Building at 140 W Patrick Street beginning at 3:00pm.

7) **PC Hearing:** All Planning Commission hearings are held at City Hall located at 101 N Court Street, beginning at 6:00pm. Please note that some application types require two public hearings. In the event that two public hearings are required, it will be scheduled for the subsequent month unless otherwise noted.

PUBLIC NOTICE: All applications are subject to the public notice requirements provided in Section 301, Tables 301-1 of the Land Management Code.

All meeting agendas are published one week in advance of the meeting and can be found on the City's website at http://www.cityoffrederick.com/index.aspx?NID=348

Appendix 2

Mid-Atlantic Health Care Quality Assurance and Performance Improvement Program Overview

MAHC is committed to providing services to our Residents that optimize physical and psychosocial functioning in a supportive and caring environment. All care and service must meet and preferably exceed all local state and federal requirements and standards for licensure and certification.

Our Quality Assurance plan is designed to objectively and systemically monitor and evaluate the quality of all aspects of performance and service, compliance with standards and regulations, resolution of identified problems, and identification of opportunities for improvement.

MAHC is in the process of implementing its standard QA program to Northampton just as it has at each of tis other facilities. The Quality Assurance Plan serves to accomplish the follow objectives:

- Assure that care and services are provided in compliance with standards and regulations
- Identify and solve problems using a team-centered approach that includes input from all departments and stakeholders (patients, families, physicians, ombudsman, and others) involved
- Enhance communication
- Continuously improve patient outcomes

The Northampton Administrator, with assistance from MAHC, oversees the design, development and implementation of the Quality Assurance Program. All Quality Assurance activities and reports are kept confidential including patient specific information and monthly Quality Assurance Committee minutes and reports.

Northampton has a Quality Assurance Committee which, at a minimum, is composed of the Administrator, Director of Nursing, Medical Director, Dietician, Geriatric Nursing Assistant/Certified Nursing Assistant, and Social Worker. Additional members may be selected from other departments.

The QA Committee meets at least monthly to plan a systematic, coordinated and ongoing quality assessment and improvement process to assess the overall center performance. The committee evaluates routine and focused data collection and designs a plan of action to address problems or improve performance as necessary. Sub committees or and/or ad hoc committees are developed under the umbrella of the Quality Assurance Committee.

Departments will present a report at the Quality Assurance Meeting monthly. The report will include ongoing or completed studies, results of monitoring tools, and any new or ongoing problems.

The Quality Assurance committee will direct the development and implementation of plans of action to improve negative outcomes identified through various monitoring activities. Plans of

action may include, but are not limited to, the formation of a short term subcommittee for focused data collection and process redesign. The sub-committee will meet weekly to analyze data, make recommendations for policy and procedure revision, make recommendations for service enhancements or changes, and assist with the development of educational programs.

When a plan of action is not effective, new actions will be planned. Once a plan of action is known to be effective, it may be incorporated in a standard policy and procedure and all pertinent staff will be trained, educated, and/or made aware of the improvements. The process will continue to be monitored and assessed to verify that improvement is maintained.

The Quality Assurance Plan is submitted to OHCQ at the time of licensure or at the time of license renewal. Any change in the Quality Assurance Plan will be submitted with 30 days of the change.

QUALITY ASSSURANCE AND PERFORMANCE IMPROVEMENT (QAPI)

CMS recently released QAPI which is the merger of two complementary approaches to quality: namely, Quality Assurance (QA) and Performance Improvement (PI). Both involve seeking and using information, but they differ in key ways:

QA is a process of meeting quality standards and assuring that care reaches an acceptable level. Nursing homes typically set QA thresholds to comply with regulations. They may also create standards that go beyond regulations. QA is a reactive, retrospective effort to examine why a facility failed to meet certain standards. QA activities do improve quality but efforts frequently end once the standard is met.

PI (also called Quality Improvement - QI) is a pro-active and continuous study of processes with the intent to prevent or decrease the likelihood of problems by identifying areas of opportunity and testing new approaches to fix underlying causes of persistent/systemic problems. PI in nursing homes aims to improve processes involved in health care delivery and resident quality of life. PI can make good quality even better.

QAPI is a data-driven, proactive approach to improving the quality of life, care, and services in nursing homes. The activities of QAPI involve members at all levels of the organization to identify opportunities for improvement;, address gaps in systems or processes, develop and implement an improvement or corrective plan, and continuously monitor effectiveness of interventions.

MAHC currently meets the five essential elements of QAPI below. Northampton will do likewise.

Element 1: Design and Scope

A QAPI program must be ongoing and comprehensive, dealing with the full range of services offered by the facility, including the full range of departments. When fully implemented, the QAPI program should address all systems of care and management practices, and should always include clinical care, quality of life, and Resident choice. It aims for safety and high quality with all clinical interventions while emphasizing autonomy and choice in daily life for Residents (or Resident's agents). It utilizes the best available evidence to define and measure

goals. Nursing homes will have in place a written QAPI plan adhering to these principles.

The current monthly system audits address every area within the center to identify systemic breaks that afford opportunity for improvement. Audit tools include objective observation; patient, family staff interviews and identify required system elements.

Element 2: Governance and Leadership

The administration of the nursing home develops a culture that involves leadership seeking input from facility staff, Residents, and their families and/or representatives. The Administrator assures adequate resources exist to conduct QAPI efforts. This includes designating one or more persons to be accountable for QAPI; developing leadership and facility-wide training on QAPI; and ensuring staff time, equipment, and technical training as needed.

The center has staff devoted to the management of the QA process in the center. QA is trained during orientation and ongoing as indicated. All levels of staff are involved through membership on the QA Committee or ad hoc project committees.

Element 3: Feedback, Data Systems and Monitoring

The facility puts systems in place to monitor care and services, drawing data from multiple sources. Feedback systems actively incorporate input from staff, Residents, families, and others as appropriate. This element includes using Performance Indicators to monitor a wide range of care processes and outcomes, and reviewing findings against benchmarks and/or targets the facility has established for performance. It also includes tracking, investigating, and monitoring Adverse Events that must be investigated every time they occur, and action plans implemented to prevent recurrences.

The monthly Threshold report provides performance indicators that monitor outcomes and identify opportunities for improvement. The Kryterium Room allows for real time risk identification and resolution; a system of monitoring care processes and ensures complete investigation and follow up of adverse events. (see Appendix A)

Element 4: Performance Improvement Projects (PIPs)

A Performance Improvement Project (PIP) is a concentrated effort on a particular problem in one area of the facility or facility wide; it involves gathering information systematically to clarify issues or problems, and intervening for improvements. The facility conducts PIPs to examine and improve care or services in areas that the facility identifies as needing attention. Areas that need attention will vary depending on the type of facility and the unique scope of services they provide.

Regardless of the source of the opportunity for improvement, PIPs are utilized to investigate and identify interventions leading to improvement. PIPs involve staff from all disciplines within the center.

Element 5: Systematic Analysis and Systemic Action

The facility uses a systematic approach to determine when in-depth analysis is needed to fully understand the problem, its causes, and implications of a change. The facility uses a thorough and highly organized/ structured approach to determine whether and how identified problems may be caused or exacerbated by the way care and services are organized or delivered. Additionally, facilities will be expected to develop policies and procedures and demonstrate proficiency in the use of Root Cause Analysis. Systemic Actions look comprehensively across all involved systems to prevent future events and promote sustained improvement. This element includes a focus on continual learning and continuous improvement.

The QA planning meeting is a formal opportunity for the IDT team to review and analyze outcomes to determine opportunities for improvement. The Kryterium process is reviewed monthly to identify trends for investigation. Root cause analysis tools are utilized to identify the real issue for intervention to prevent re-occurrence. When systemic issues are identified, system audit tools help focus efforts on the particular break in the system. Scheduled audits provide ongoing monitoring of systems to promote sustained improvement.

QUALITY ASSURANCE COORDINATOR

A Quality Assurance Coordinator is appointed by the Administrator who serves as the chair person for the committee meetings. The QA Coordinator responsibilities include;

- scheduling the QA Agenda planning meetings
- scheduling the QA Committee Meetings
- arranging for the recording and maintenance of meeting minutes
- maintaining yearly calendar of department or system audits
- assisting individual departments in developing and completing audit tools and data analysis
- assisting in developing the center quality assurance plan.

COMPONENTS OF QUALITY ASSURANCE AND ASSESSMENT

Quality Assurance and Assessment is a three pronged process.

1. Monitoring of the Kryterium Room to identify system deficits for further investigation
2. Monitoring of patient outcomes through identifying areas that do not meet set thresholds on the Monthly Outcomes report
3. Monitoring outcomes of scheduled department and systems audits

Data is collected on an ongoing basis in order to monitor existing services and processes; identify opportunities for improvements and to help sustain improvements.

KRYTERION ROOM

The Kryterium Room plays an important role in the center's quality program. This is an ongoing, interdisciplinary, care and service quality management system used to identify and resolve areas of

immediate risk. The attendees serve as a subcommittee of the Quality Assessment and Assurance Committee. Its purpose is to triage patient needs by implementing the following steps:

- Identify patient risk
- Determine priorities and needs
- Evaluate action steps required
- Assign staff responsibility
- Substantiate task completion

Kryterium Room meets twice daily Monday through Friday. The morning meeting is for risk identification and the afternoon meeting is to review risk resolution and identify areas requiring further investigation. Please see Appendix A for more information about the Kryterium Room Process.

QA THRESHOLD AND TRENDS REPORT

The QA Committee will make recommendations to the appropriate departments based on its analysis of the Monthly Threshold and Trends Report. Identified issues will be documented and will be monitored for effectiveness through tracking subsequent Quality Indicator Reports.

- The Threshold and Trends Report is completed monthly and reviewed at the agenda meeting to identify areas needing further investigation and follow-up.
- Any area not meeting the established threshold is investigated for system failure
- The Threshold and Trends Report is also forwarded to the Corporate Medical Director for review and input. Any trends identified by the Corporate Medical Director review are forwarded to the QA Committee for follow-up.

DEPARTMENT/SYSTEM AUDITS

Each department head is responsible for collecting data according to the center established QA Audit Calendar. The department head will then coordinate the analysis of the data for identification of problems or areas of concern within the department and the development of a plan of action. The results of the audit, analysis of the data and any developed action plans are submitted to the QA Committee for review.

Department heads are encouraged to use line staff or even members of another department within the center to complete audit/observation tools that result in objective findings.

In addition to the tools used in conjunction with the QA Audit Calendar, a variety of tools are used to measure and monitor the key quality processes and determine if they are functioning at the designated threshold. The frequency of data collection may be dependent on the availability of data. Sources of data collection include:

- Quality Measures and Quality Indicators
- 5 Star status
- Departmental Audits
- Monitoring tools
- Observations and reports
- Kryterium Room findings
- Accident and Injury Reports
- Patient or family complaints
- Staff complaints
- Abuse or Neglect Allegations
- Customer Satisfaction Surveys
- Patient council
- Family council
- Federal or state surveys

The objective, scope, organization and effectiveness of the QA Plan is evaluated at least annually and revised as necessary.

Appendix 3

Assumptions for Table F & G

Revenues:

Patient service revenues were calculated by payor based on number of patient days for each payor. Rates were based on actual results at Northampton or based on projected changes based on MAHC's experience operating two other facilities in Western Maryland or on projected acuity changes. Detailed projections follow:

Table F: Entire Facility Revenue Assumptions

Payor	2016	2017	2018	2019	2020	2021	2022
Medicaid							
Days	43,753	43,800	44,869	52,696	55,036	54,886	54,886
Rate	224.47	235.42	235.42	235.42	235.42	235.42	235.42
Revenue	9,821,188	10,311,396	10,563,100	12,405,712	12,956,600	12,921,199	12,921,199
Medicare							
Part A							
Days	12,378	13,870	14,927	21,137	22,326	22,265	22,265
Rate	446.11	460.00	460.00	460.00	460.00	460.00	460.00
Revenue	5,521,953	6,380,200	6,866,190	9,722,790	10,269,960	10,241,900	10,241,900
Part B (measured against entire census)							
Days	66,053	67,229	69,588	85,333	89,373	89,129	89,129
Rate	4.59	4.59	4.59	4.59	4.59	4.59	4.59
Revenue	303,339	308,738	319,572	391,878	410,432	409,311	409,311
Total Medicare	5,825,292	6,688,938	7,185,762	10,114,668	10,680,392	10,651,211	10,651,211
Comm'l Ins.							
Room & Board							
Days	2,749	2,952	3,024	3,552	3,709	3,699	3,699
Rate	336.99	345.48	345.48	345.48	345.48	345.48	345.48
Revenue	926,324	1,019,897	1,044,793	1,227,045	1,281,533	1,278,031	1,278,031
Ancillary (rate used against entire census)							
Days	66,053	67,229	69,588	85,333	89,373	89,129	89,129
Rate	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Revenue	251,009	255,476	264,441	324,274	339,627	338,699	338,699
Total Comm'l Ins.	1,177,333	1,275,373	1,309,234	1,551,318	1,621,160	1,616,730	1,616,730
Private							
Days	6,356	5,840	5,983	7,026	7,338	7,318	7,318
Rate	302.08	305.00	305.00	305.00	305.00	305.00	305.00
Revenue	1,920,048	1,781,217	1,824,697	2,142,995	2,238,157	2,232,041	2,232,041
Hospice							
Days	816	767	785	922	963	961	961
Rate	224.74	224.51	224.51	224.51	224.51	224.51	224.51
Revenue	183,486	172,090	176,291	207,043	216,237	215,646	215,646
Total Revenue	**$ 18,927,346**	**$ 20,229,015**	**$ 21,059,084**	**$ 26,421,737**	**$ 27,712,545**	**$ 27,636,828**	**$ 27,636,828**

Table G: New Facility Revenue Assumptions

Payor	2018	2019	2020	2021	2022
Medicaid					
Days	1,069	8,896	11,116	11,086	11,086
Rate	235.42	235.42	235.42	235.42	235.42
Revenue	251,704	2,094,316	2,616,953	2,609,803	2,609,803
Medicare					
Part A					
Days	1,057	7,267	8,418	8,395	8,395
Rate	460.00	460.00	460.00	460.00	460.00
Revenue	485,990	3,342,590	3,872,280	3,861,700	3,861,700
Part B (measured against entire census)					
Days	2,359	18,104	21,960	21,900	21,900
Rate	4.59	4.59	4.59	4.59	4.59
Revenue	10,833	83,140	100,848	100,573	100,573
Total Medicare	496,823	3,425,730	3,973,128	3,962,273	3,962,273
Comm'l Ins.					
Room & Board					
Days	72	600	749	747	747
Rate	345.48	345.48	345.48	345.48	345.48
Revenue	24,896	207,148	258,842	258,135	258,135
Ancillary (rate used against entire census)					
Days	2,359	18,104	21,960	21,900	21,900
Rate	3.80	3.80	3.80	3.80	3.80
Revenue	8,964	68,797	83,451	83,223	83,223
Total Comm'l Ins.	33,860	275,945	342,292	341,357	341,357
Private					
Days	143	1,186	1,482	1,478	1,478
Rate	305.00	305.00	305.00	305.00	305.00
Revenue	43,480	361,778	452,059	450,824	450,824
Hospice					
Days	19	156	195	194	194
Rate	224.51	224.51	224.51	224.51	224.51
Revenue	4,201	34,953	43,675	43,556	43,556
Total Revenue	**$ 830,069**	**$ 6,192,722**	**$ 7,428,108**	**$ 7,407,813**	**$ 7,407,813**

Expense Assumptions:

2 (a) - Salaries & Wages

Salaries & wage assumptions are based on actual staffing patterns in the case of the existing service area of the facility and through the development of projected staffing for the new wing. These assumptions are detailed on Table H.

2 (b) – Contractual Services

Contractual services is comprised of certain outsourced services including, medical director, therapy, pharmacy and lab and radiology. For sakes of the projection, MAHC utilized the same cost per

patient day already experienced at Northampton and increased those costs on similar basis for new census.

2 (c) & (d) – Interest

MAHC assumed the interest rate to be constant when applied against the current debt facility. The interest on the new debt is assumed using a 4% interest rate against the total debt amount.

2 (e) – (h) – Depreciation & Amortization

Current depreciation and amortization is exactly what is being recorded at Northampton today. The projected amounts are based on a 35-year amortization schedule.

2 (i) - Supplies

Supplies were projected based on Northampton's current cost per patient day. The new wing's supply costs are based on these same metrics when applied to the census.

2 (j) – Other expenses

This category includes all other expenses including a 5% management fee. These expenses were projected at the current levels as experienced at Northampton. These expenses include, but are not limited to, administrative and other fixed and variable expenses such as utilities, telecommunications, maintenance, office costs, etc. For the projected period, the new wing projections include other fixed and variable costs based on the same PPD costs as already seen at Northampton.

Appendix 4
MAHC Financing Activity

Facility	Description	Date	Source/Type	Lender	Loan to Value
Care Pavilion Nursing and Rehabilitation Center York Nursing Home Cliveden Nursing and Rehabilitation Center Maplewood Nursing and Rehab Center Tucker House Nursing and Rehabilitation Center	Acquired five facilities in the City of Philadelphia	Jul-11	REIT Financing	Northstar Realty Finance	100%
Villa Rosa Nursing and Rehabilitation	Assumed operations and leased facility from previous owner	Mar-13	Bank - Working Capital Facility	Susquehanna Bank	NA
Milton Nursing and Rehabilitation Center Watsontown Nursing and Rehabilitation Center	Acquired two facilities in Central Pennsylvania	May-13	REIT Financing	Northstar Realty Finance	100%
Falling Spring Nursing and Rehab	Acquired facility in Central Pennsylvania	Jan-14	REIT Financing	BB&T Bank	100%
Parkhouse Nursing and Rehabilitation Center	Acquired facility in Montgomery County, Pennsylvania	Mar-14	REIT Financing	Northstar Realty Finance	100%
Forest Haven Nursing	Acquired facility in Baltmore County, Maryland	Feb-15	Bank - Term Loan & Working Capital Facility	Susquehanna Bank	80%
Restore Health Rehabilitation Center	Construction loan to build facility in Charles County, MD	Feb-15	Bank - Construction Loan & Working Capital Facility	Susquehanna Bank	80%
Northampton Manor Julia Manor Devlin Manor Moran Manor	Acquired 4 facilities in Western Maryland	Dec-15	Bank - Term Loan & Working Capital Facility	Oxford Finance + CapSource	90% 90% 90% 90%
Restore Health - Baltmore City (pending)	Construction loan to build facility in Baltmore City, Maryland	pending	Bank - Construction Loan & Working Capital Facility	SunTrust Bank	90%