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August 7, 2017

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

> Re: Broadmead Project to Renovate and Expand the Skilled Nursing Areas that House its 70 Beds Matter #17-03-2394

Response to Mr. Parker's Medicaid Proposal

Dear Mr. McDonald:

Thank you and Mr. Parker for meeting with Ms. Somers and me on Monday, July 31, 2017 to discuss the Medicaid requirement for Broadmead's seventy (70) public beds. Broadmead reviewed the financial impact of Mr. Parker's proposal to require 30% - 35% of all patient days be set aside for Medicaid participants. Unfortunately, after reviewing the financial impact of this proposal, it renders Broadmead's project to upgrade it skilled nursing beds not viable, and adds significant cost to moving forward.

Therefore, although Broadmead wished to maintain the flexibility of continuing to have seventy (70) public beds, we are now proposing to reconfigure the designation of the beds and restrict forty-eight (48) of the beds for continuing care residents, thus removing those beds from public availability in 2022 when the project is completed. This reconfiguration would leave twenty-two (22) beds for use by the public, and will allow the project to move forward and work within the financials that were submitted to the Commission. Broadmead commits that the twenty-two (22) public beds will serve a population of Medicaid patient days at least equal to 42.5%, as required by State Health Plan Standard COMAR 10.24.08.05A(2). Enclosed we are submitting an updated Table D and a Table G showing the payor mix for the 22 public beds. (If accepted, enclosed Table D would be substituted for the current Tab 12.D and enclosed Table G would be substituted for the current Tab 14.)

Kevin McDonald, Chief, Certificate of Need Broadmead Matter #17-03-2394 Counter Proposal August 7, 2017 Page 2

Please inform us if this proposal would be acceptable to the Commission, since it allows the project to move forward.

Very truly yours,

Rose M. Matricciani

Rose M. Matricciani /lsl

RMM:mrm

Enclosure:

4 copies of updated Table D

4 copies of updated Table G

cc: Paul Parker, Director, Center for Health Care Facilities Planning and Development Maryland Health Care Commission

Ruby Potter, Administrator, Center for Health Care Facilities Planning and Development Maryland Health Care Commission

Robin Somers, Chief Operating Officer Broadmead, Inc.

John Palkovitz, Chief Financial Officer Broadmead, Inc.

Frank R. Muraca, President & Senior Planner ARCH Consultants Ltd.

Andrew L. Solberg, Consultant A.L.S. Healthcare Consultant Services

REVISED TABLE D

TABLE D. UTILIZATION PROJECTIONS - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility. including the proposed project. Account for all inpatient and outpatient volume that produce or will produce revenue. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 3 & 4, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. See additional instruction in the column to the right of the table.

Indicate CY or FY = FY	Two Most Red (Actu		Current Year Projected	Projected Years - ending with full utilization and financial stability (3 to 5 years post project completion) Add columns if needed.											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024					
1. ADMISSIONS															
a. Comprehensive Care (public)	68	63	57	57	57	38	59	69	69	- 6					
b. Comprehensive Care (CCRC Restricted)	60	45	45	45	40	35	51	54	54	5					
Total Comprehensive Care	128	108	102	102	97	73	110	123	123	12					
c. Assisted Living	11	8	8	8	8	9	12	11	12	1					
d. Other Independent Living	37	28	24	24	24	23	23	22	22	2					
TOTAL ADMISSIONS	176	144	134	134	129	105	145	156	157	15					
2. PATIENT DAYS															
a. Comprehensive Care (public)	2,734	4,162	6,315	6,315	6,242	4,198	6,461	7,592	7,629	7,41					
b. Comprehensive Care (CCRC Restricted)	16,122	15,564	13,396	13,396	12,009	10,403	15,440	16,133	16,097	16,31					
Total Comprehensive Care	18,856	19,652	19,710	19,710	18,250	14,600	21,900	23,725	23,725	23,72					
c. Assisted Living	9,302	9,494	9,490	9,490	9,490	10,950	14,600	13,578	14,235	14,23					
d. Other - Independent Living	87,235	85,472	88,148	86 104	86,250	88 768	102,054	104,025	104,025	104,02					
TOTAL PATIENT DAYS	115,393	114,618	117,348	115,304	113,990	114,318	138,554	141,328	141,985	141,98					
3. NUMBER OF BEDS															
a. Comprehensive Care (public)	70	70	70	70	70	70	70	22	22						
b. Comprehensive Care (CCRC Restricted)	0	0	0	0	0	0	0	48	48						
Total Comprehensive Care Beds	70	70	70	70	70	70	70	70	70						
c. Assisted Living	30	30	30	30	34	44	44	44	44						
d. Other - Independent Living	265	265	249	249	249	301	301	301	301	30					
TOTAL BEDS	365	365	349	349	353	415	415	415	415	41					
4. OCCUPANCY PERCENTAGE *IMPORTANT NO	E: Leap year fo	rmulas should	be changed by	applicant to ref	ect 366 days pe	er year.									
a. Comprehensive Care (public)	10.7%	16.2%		24.7%	24.4%	16.4%	25.3%	94.5%	95.0%	92.3					
b. Comprehensive Care (CCRC Restricted)	63.1%	60.7%	52.4%	52.4%	47.0%	40.7%	60.4%	92.1%	91.9%	93.1					
Total Comprehensive Care Beds	73.8%	76.9%	77.1%	77.1%	71.4%	57.1%	85.7%	92.9%	92.9%	92.9					
c. Assisted Living	84.9%	86.7%	86.7%	86.7%	76.5%	68.2%	90.9%	84.5%	88.6%	88.6					
d. Other (Specify/add rows of needed)	90.2%	88.4%	97.0%	94.7%	94 9%	80 8%	92.9%	94 7%	94 7%	94.7					
TOTAL OCCUPANCY %	86.6%	86.0%	92.1%	90.5%	88.5%	75.5%	91.5%	93.3%	93.7%	93.7					
5. OUTPATIENT (specify units used for charging and recording revenues)															
a. Adult Day Care															
b. Other (Specify/add rows of needed)															
TOTAL OUTPATIENT VISITS	0	0	0	0	0	0	0	0	0						

REVISED TABLE G

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). This table should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the utilization projections in Table E and with the Workforce costs identified in Table H. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Revenue should be projected based on actual charges with detailed calculation by payer in the attachment. The contractual allowance should not be reported if it is a positive adjustment to gross revenue. Specify the sources of non-operating income. See additional instructions in the column to right of the table.

	1		Dr	nineted Ves	0 /	anding five v	-	a after compl	ofic	a) Add action		a f naadad	_	
Indicate CY or FY = FY		2019	-	2020	5 (6	2021	ear	s after compl 2022	elic	2023	THE	2024		2025
1. REVENUE		2019		2020		2021	!	2022	_	2023		2024		2025
a. Inpatient Services	\$	8,584,000	\$	8,638,000	\$	10,010,000	\$	11,006,000	\$	11,051,000	\$	11,120,000	\$	11,120,000
b. Outpatient Services											Ė			
Gross Patient Service Revenues	\$	8,584,000	\$	8,638,000	\$	10,010,000	\$	11,006,000	\$	11,051,000	\$	11,120,000	\$	11,120,000
c. Allowance For Bad Debt	1			_		204.000		520,000	Φ.	500,000	_	500.000	•	500.000
d. Contractual Allowance e. Charity Care	┼—		-		\$	394,000	\$	532,000	\$	532,000	\$	532,000	\$	532,000
Net Patient Services Revenue	\$	8,584,000	\$	8,638,000	\$	9,616,000	S	10,474,000	\$	10,519,000	\$	10,588,000	S	10,588,000
f. Other Operating Revenues (Specify)									Ċ		_		_	
Amortization of entrance fees	\$	846,000	\$	1,047,000	\$	1,225,000	\$	1,251,000	\$	1,278,000	\$	1,306,000	\$	1,306,000
Investment income	\$	176,000	\$	213,000	\$	227,000	\$	217,000	\$	218,000	\$	220,000	\$	220,000
Other DEPARTMENT DEVENUE	\$	0.606.000	S	0.000.000	S	11.068.000	\$	44 042 000	S	40'045 000		42 444 000	•	40 444 000
NET OPERATING REVENUE 2. EXPENSES	1.9	9,606,000	Þ	9,898,000	1.0	71,000,000	•	11,942,000	.	12,015,000	\$	12,114,000	\$	12,114,000
a. Salaries & Wages (including benefits)	\$	3,994,000	\$	3,994,000	\$	4,689,000	\$	5,268,000	\$	5,268,000	\$	5,268,000	\$	5,268,000
b. Contractual Services														
c. Interest on Current Debt		10,000		13,000		47,000		45,000		44,000		43,000		43,000
d. Interest on Project Debt				208,000		738,000		706,000		695,000		684,000		673,000
e. Current Depreciation	\top	847,000		847,000		805,000		951,000		991,000		1,032,000		1,072,000
f. Project Depreciation	1	- 11,000		191,000		408,000	Г	434,000		434,000		434,000		434,000
g. Current Amortization				70.1000		,		,				10 1,000		10 1,000
h. Project Amortization	T								_					
i. Supplies	+	791,000	_	740,000		767,000	_	780,000		780,000		780,000	_	780,000
	+	191,000		740,000	\vdash	707,000		780,000		700,000	_	760,000	\vdash	760,000
j. Other Expenses (Specify)	+	204.000	_	200.000	-	224 222	\vdash	070 000	-	070.000		070.000	_	070.000
Dining Services	-	661,000	_	662,000		661,000		670,000		670,000	_	670,000		670,000
General and Administrative	┼	1,048,000	_	1,064,000	_	1,089,000	-	1,122,000	-	1,125,000	_	1,128,000	_	1,128,000
Plant Operations	┼	382,000	_	382,000	_	375,000	H	376,000	_	376,000		376,000	_	376,000
Housekeeping	+-	145,000		160,000	_	206,000		218,000		219,000		220,000	_	220,000
Utilities	-	165,000	-	165,000	_	189,000	_	218,000	-	220,000		222,000	_	222,000
TOTAL OPERATING EXPENSES	\$	8,043,000	\$	8,426,000	\$	9,974,000	\$	10,788,000	\$	10,822,000	\$	10,857,000	\$	10,886,000
3. INCOME					_									
a. Income From Operation	\$	1,563,000	\$	1,472,000	\$	1,094,000	\$	1,154,000	\$	1,193,000	\$	1,257,000	\$	1,228,000
b. Non-Operating Income						_								
SUBTOTAL	\$	1,563,000	\$	1,472,000	\$	1,094,000	\$	1,154,000	\$	1,193,000	\$	1,257,000	\$	1,228,000
c. Income Taxes														
NET INCOME (LOSS)	\$	1,563,000	\$	1,472,000	\$	1,094,000	\$	1,154,000	\$	1,193,000	\$	1,257,000	\$	1,228,000
4. PATIENT MIX														
a. Percent of Total Revenue												_		
1) Medicare		15.0%		17.0%		19.0%		15.0%		23.0%		23.0%		23.0%
2) Medicaid		0.0%		0.0%		0.0%		12.0%		15.0%		16.0%		16.0%
3) Blue Cross		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
4) Commercial Insurance	1	0.0%		0.0%	_	0.0%		0.0%		0.0%		0.0%		0.0%
5) Self-pay		85.0%		83.0%		81.0%	-	73.0%		62.0%		61.0%		61.0%
6) Other	1	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
TOTAL		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%
b. Percent of Inpatient Days		100.070		100.070	_	100.070		100.078	_	100.078	_	100.078		100.070
	Г	44.00		44.001	_	44.007	Γ	00.001	_	00.007		00.004		00.00
1) Medicare	+-	14.8%		14.8%		14.2%	\vdash	22.8%		22.8%		22.8%		22.8%
2) Medicaid	+	0.0%		0.0%		12.3%		15.4%		15.4%		15.4%		15.4%
3) Blue Cross	-	0.0%		0.0%		0.0%	-	0.0%		0.0%		0.0%		0.0%
4) Commercial Insurance	-	0.0%		0.0%		0.0%	_	0.0%		0.0%		0.0%		0.0%
5) Self-pay	-	85.2%		85.2%		73.5%	_	61.8%		61.8%		61.8%		61.8%
6) Other		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
TOTAL		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%