

MEMORANDUM

TO: Marcia L. Boyle, Commissioner/Reviewer, MHCC
Wynee Hawk, Chief, CON, MHCC
Eric Baker, Program Manager, CON, MHCC

FROM: Katie Wunderlich, Executive Director, HSCRC
Jerry Schmith, Director, Revenue & Regulation Compliance, HSCRC
Bob Gallion, Associate Director III, Revenue & Regulation Compliance, HSCRC

DATE: September 9, 2021

RE: Hope Health Systems, Inc. (HHS)
Special Psychiatric Hospital – 16-bed Child & Adolescent Facility
Docket No. 20-03-2444

This memo is in response to your request dated September 7, 2021, regarding our review of additional materials submitted by the applicant on August 19, 2021 (and following the materials previously submitted and reviewed as documented in our response to you dated August 9, 2021), and any impact such subsequent review has had on our opinion on the financial feasibility of the project.

BACKGROUND

Consistent with your initial request dated February 3, 2021, HSCRC staff (staff) compiled and shared with you our review questions and observations, which were forwarded to the applicant on March 24, 2021. Included in that communication, staff specifically requested projected P&Ls and balance sheets for HHS through at least 2 years following project completion and full occupancy or longer as required to reflect a positive operating margin. Note the applicant has been submitting materials through 2028, the 7th year of planned operations. Additionally, staff specifically requested proposed systems and resources designed to achieve 80% occupancy in 2022, the 1st year of planned operations. Note also the applicant has represented that all subsequent periods would maintain 85% occupancy. Finally, staff requested audited financials with full footnote disclosures. In addition to these requests, the reasons for such requests were clearly delineated to the applicant, so that staff may have such materials to reference as aid in reaching an opinion.

HSCRC STAFF REVIEW, DISCUSSION, and OPINION

Staff has reviewed the subsequent Completeness Response dated August 19, 2021 and its attached exhibits. Upon review of these materials, staff was not satisfied that its requests had been fulfilled by the applicant. Additionally, reference to the audited financials led to more concerns regarding apparent related party transactions as well as other transactions surrounding building and debt that were not fully disclosed in the footnotes. Staff is currently not able to judge the reasonableness of projected volume assumptions, and staff is not able to judge the projected financial health of HHS through 2028 (or later as a positive operating margin has yet to be projected). At this time, based upon a review of all the submitted materials, and with no expectation of further response from the applicant, we are not in a position to reach an opinion on the financial feasibility of the project. Our conclusion, therefore, remains unchanged.

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