

STATE OF NEW YORK
PUBLIC HEALTH AND HEALTH PLANNING COUNCIL

SPECIAL ESTABLISHMENT AND PROJECT REVIEW COMMITTEE

AGENDA

April 6, 2017

*Immediately following the Committee on Codes, Regulations and Legislation
(scheduled to begin at 10:00 a.m.)*

- *Empire State Plaza, Concourse Level, Meeting Room 6, Albany*

- *New York State Department of Health Offices at 584 Delaware Avenue, 3rd Floor Video Conference Room, Buffalo, NY 14202*

I. COMMITTEE ON ESTABLISHMENT AND PROJECT REVIEW

Peter Robinson, Chair

A. Applications for Establishment and Construction of Health Care Facilities/Agencies

Residential Health Care Facilities - Establish/Construct

<u>Number</u>	<u>Applicant/Facility</u>
1. 161323 E	Sapphire HC LLC d/b/a Briarcliff Manor Center for Rehabilitation and Nursing Care (Westchester County)



Project # 161323-E
Sapphire HC LLC d/b/a Briarcliff Manor Center for Rehabilitation and Nursing Care

Program: Residential Health Care Facility
Purpose: Establishment

County: Westchester
Acknowledged: May 10, 2016

Executive Summary

Description

Sapphire HC LLC, a New York limited liability company, requests approval to be established as the new operator of Briarcliff Manor Center for Rehabilitation and Nursing Care (Briarcliff Manor), a 131-bed, voluntary not-for-profit, Article 28 residential health care facility (RHCF) located at 620 Sleepy Hollow Road, Briarcliff Manor (Westchester County). As part of this application, Briarcliff Manor is also requesting to decertify 11 RHCF beds, and certify two Respite beds, bringing the total certified bed count to 120 RHCF plus two Respite. A separate entity, Sapphire HC Realty LLC, will acquire the real property. There will be no change in services provided.

On February 1, 2013, Elant at Brandywine, Inc., the current operator of the RHCF, entered into an Asset Purchase Agreement (APA) with Sapphire HC LLC for the sale and acquisition of the RHCF's operating interest and certain other assets for a purchase price of \$500,000 plus the assumption by Sapphire HC LLC of certain liabilities identified in the APA. Concurrently, Elant at Brandywine, Inc., the current realty owner, entered into a Contract of Sale (COS) with Sapphire HC Realty LLC for the purchase of the real estate associated with Briarcliff Manor for \$10,500,000. The APA and COS will close at the same time upon approval by the Public Health and Health Planning Council (PHHPC). There is a relationship between Sapphire HC Realty LLC and Sapphire HC LLC in that there is common ownership between the entities. Sapphire HC Realty LLC will lease the premises to Sapphire HC LLC for a term of 30 years.

Ownership of the operations after the requested change is as follows:

Table with 2 columns: Members, % for Sapphire HC LLC. Includes Richard Platschek (25.0%), Joel Leifer (25.0%), Joel Zupnick (37.5%), Chesky Berkowitz (12.5%).

Ownership of the Real Property after the requested change is as follows:

Table with 2 columns: Members, % for Sapphire Realty HC LLC. Includes Richard Platschek (25.0%), Judy Landa (5.0%), Joel Leifer (25.0%), Joel Zupnick (12.5%), Chesky Berkowitz (12.5%), Benjamin Landa (20.0%).

BFA Attachment B presents an Organization Chart of the facility and property after the requested change.

Richard Platschek received final PHHPC approval to purchase four other Elant RHCF operations: Elant at Fishkill (CON 151307), Elant at Goshen (CON 151327), Elant at Wappingers Falls (CON 151321), and Elant at Meadow Hill (CON 152005).

OPCHSM Recommendation
Contingent Approval

Need Summary

Utilization, as of December 21, 2016 was 89.3%, with 14 vacant beds. The applicant has agreed to reduce the number of certified beds to 120. This will assist the facility in reaching optimum operating capacity.

Program Summary

No negative information has been received concerning the character and competence of the above applicants. The proposed operators intend to enter into a contract for accounting services with Sapphire HC Management Care, LLC, which is a related party.

Financial Summary

There are no project costs associated with this proposal. The purchase price for the operations is \$500,000 and will be met with \$100,000 equity from the proposed members of Sapphire HC LLC and a bank loan for \$400,000 at 6% interest for a five-year term with a five-year extension period and 25-year amortization, and the assumption by Sapphire HC LLC of certain liabilities amounting to \$2,000,000. The purchase price for the realty is \$10,500,000 and will be met with \$2,100,000 equity from the proposed members of Sapphire Realty LLC and a bank loan for \$8,400,000 at 6% for a five-year term with a five-year extension period and 25-year amortization. The projected budget is as follows:

Revenues	\$12,483,443
Expenses	<u>11,977,663</u>
Gain	\$505,780

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

Approval contingent upon:

1. Submission of an executed working capital loan agreement, acceptable to the Department of Health. [BFA]
2. Submission of an executed loan commitment for the purchase of the operations, acceptable to the Department of Health. [BFA]
3. Submission of an executed loan commitment for the purchase of the realty, acceptable to the Department of Health. [BFA]
4. Submission of a commitment signed by the applicant which indicates that, within two years from the date of the council approval, the percentage of all admissions who are Medicaid and Medicare/Medicaid eligible at the time of admission will be at least 75 percent of the planning area average of all Medicaid and Medicare/Medicaid admissions, subject to possible adjustment based on factors such as the number of Medicaid patient days, the facility's case mix, the length of time before private paying patients became Medicaid eligible, and the financial impact on the facility due to an increase in Medicaid admissions. [RNR]
5. Submission of a plan to continue to enhance access to Medicaid residents. At a minimum, the plan should include, but not necessarily be limited to, ways in which the facility will:
 - a. Reach out to hospital discharge planners to make them aware of the facility's Medicaid Access Program;
 - b. Communicate with local hospital discharge planners on a regular basis regarding bed availability at the nursing facility; and
 - c. Identify community resources that serve the low-income and frail elderly population who may eventually use the nursing facility, and inform them about the facility's Medicaid Access policy. [RNR]
6. Submission of a commitment, signed by the applicant, to submit annual reports to the DOH, for at least two years, demonstrating substantial progress with the implementation of the plan. These reports should include, but not be limited to:
 - a. Describing how the applicant reached out to hospital discharge planners to make them aware of the facility's Medicaid Access Program;
 - b. Indicating that the applicant communicated with local hospital discharge planners on a regular basis regarding bed availability at the nursing facility;
 - c. Identifying the community resources that serve the low-income and frail elderly population that have used, or may eventually use, the nursing facility, and confirming they were informed about the facility's Medicaid Access policy.
 - d. Documentation pertaining to the number of referrals and the number of Medicaid admissions; and
 - e. Other factors as determined by the applicant to be pertinent. [RNR]
7. Submission and approval of floor plans showing the beds to be decertified and associated nursing units, and the respite rooms. [LTC]
8. Submission of a photocopy of signed and executed Articles of Organization of Sapphire HC LLC. [CSL]
9. Submission of a photocopy the applicant's fully executed and amended Operating Agreement, acceptable to the Department. [CSL]
10. Submission of a photocopy the executed and dated Asset Purchase Agreement, acceptable to the Department. [CSL]

Approval conditional upon:

1. The project must be completed within one year from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Within two years from the date of council approval, the percentage of all admissions who are Medicaid and Medicare/Medicaid eligible at the time of admission will be at least 75 percent of the planning area average as prescribed by the related contingency. Once the Medicaid patient admissions standard is reached, the facility shall not reduce its proportion of Medicaid patient admissions below the 75 percent standard unless and until the applicant, in writing, requests the approval of the Department to adjust the 75 percent standard and the Department's written approval is obtained. [RNR]
3. Submission of annual reports to the Department for at least two years demonstrating substantial progress with the implementation of the facility's Medicaid Access Plan as prescribed by the related contingency. Reports will be due within 30 days of the conclusion of each year of operation as identified by the Effective Date on the Operating Certificate issued at project completion. For example, if the Operating Certificate Effective Date is June 15, 2017, the first report is due to the Department no later than July 15, 2018. The Department reserves the right to require continued reporting beyond the two-year period. [RNR]

Council Action Date

April 6, 2017

Need Analysis

Project Description

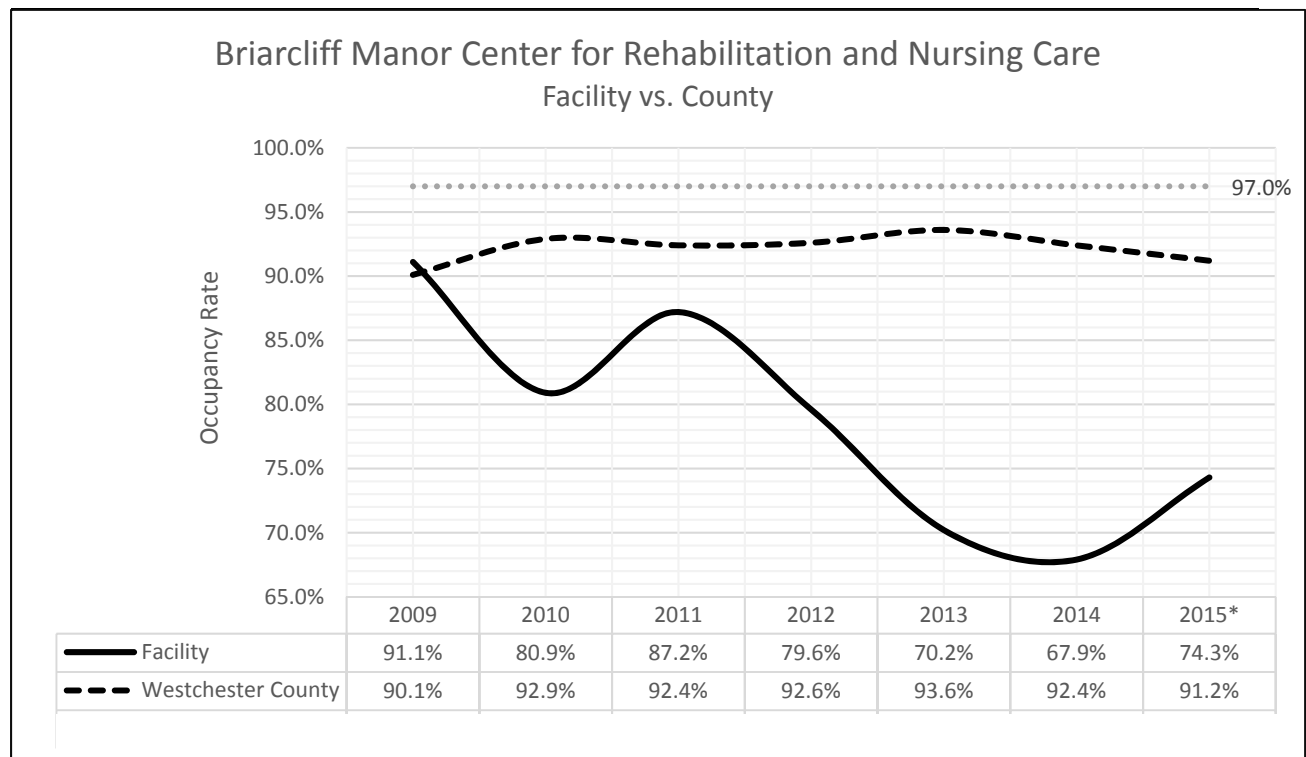
The applicant proposes to decertify 11 of the facility's existing RHCFC beds and add respite services. As a result of this project revision, the facility will have a total of 120 RHCFC beds. There will be no rooms in the RHCFC with more than two beds.

Analysis

There is currently a calculated need for 426 beds in Westchester County.

RHCFC Need – Westchester County

2016 Projected Need	6,716
Current Beds	6,066
Beds Under Construction	224
Total Resources	6,290
Unmet Need	426



The overall occupancy for Westchester County was 92.4% for 2014. Briarcliff Manor Center for Rehabilitation and Nursing Care's (Briarcliff Manor) utilization was 70.2% in 2013, 67.9% in 2014, and 74.3% in 2015. In 2016, the facility's overall utilization is 72.7%, but as of December 21, 2016 was 89.3%.

Population

In 2015, Westchester County's overall population was 954,189 and is expected to grow to 961,026 by 2020. In 2015, the 65 and older population made up 15.3% of the county's population while the 85 and older population made up 2.4%. The 65 and older population is expected to increase from 145,603 to 154,879 by 2020. The 85 and older population is expected to decline from 23,365 to 22,296 by 2020. This cohort is at most risk for requiring skilled nursing care services. This decline is expected to continue until 2030.

Reason for Low Occupancy and Plans to Increase

According to the applicant, the historically low utilization is what precipitated the sale of the nursing home. The facility required significant repairs, including an update/refurbishment of most resident rooms, which were not attractive to prospective residents and the work did not begin until 2015. Throughout 2014-2015, the current operator was in negotiations with the applicant to sell the facility and was more focused on ceasing operations than on enhancing utilization.

The applicant noted the following plan to increase utilization:

- The facility recently improved its level of staff expertise to include complex care patients by adding a full-time Nurse Practitioner and a new physician. This will increase the facility's capacity to accept more challenging cases with better outcomes from Westchester Medical Center and all surrounding area hospitals;
- The facility has established a relationship with the Director of Orthopedics at Westchester Medical Center, who has indicated interest in sending single-joint replacement patients to the facility instead of using area acute care centers;
- A new Medical Director will be hired to oversee the introduction of new programs to the facility, including the establishment of a new cardiovascular rehabilitation program. The Medical Director has extensive ties with area hospitals and will be an excellent source of new referrals to the facility;
- The facility will focus on efforts to becoming an effective hospital partner, which includes identifying ways to reduce the length of hospital stays and to reduce and/or eliminate avoidable re-hospitalizations;
- The applicant plans to invest further in this facility by performing additional substantive renovations. This extensive, multi-million-dollar project will be the subject of a separate CON. The physical plant improvements will make the facility a very attractive option for individuals requiring skilled nursing services;
- A community outreach program will be put in place to market the facility to key stakeholders in the county;
- The facility will have a robust advertising and marketing campaign to include television commercials, radio ads, and social media;
- The applicant plans to add programs and services to allow the facility to serve more medically complex individuals with COPD, vascular insufficiencies, dementia (vascular and behavioral), and psycho-geriatric conditions;
- The applicant plans to work closely with local health care and social services providers, including hospitals, adult care facilities, assisted living programs, senior citizen centers, religious organizations, community centers and the Westchester County Department of Social Services in an effort to publicize the new ownership of the facility.

Access

Regulations indicate that the Medicaid patient admissions standard shall be 75% of the annual percentage of all Medicaid admissions for the long term care planning area in which the applicant facility is located. Such planning area percentage shall not include residential health care facilities that have an average length of stay 30 days or fewer. If there are four or fewer residential health care facilities in the planning area, the applicable standard for a planning area shall be 75% of the planning area percentage of Medicaid admissions, or of the Health Systems Agency area Medicaid admissions percentage, whichever is less. In calculating such percentages, the Department will use the most current data which have been received and analyzed by the Department.

An applicant will be required to make appropriate adjustments in its admission policies and practices so that the proportion of its own annual Medicaid patient's admissions is at least 75% of the planning area percentage or the Health Systems Agency percentage, whichever is applicable.

Briarcliff Manor's Medicaid admissions of 53.8% in 2013 and 82.9% in 2014 exceeded Westchester County's 75% rates in 2013 and 2014 of 21.5% and 18.8%, respectively.

Recommendation

From a need perspective, contingent approval is recommended.

Program Analysis

Facility Information

	Existing	Proposed
Facility Name	Briarcliff Manor Center for Rehabilitation and Nursing Center	Briarcliff Manor Center for Rehabilitation and Nursing Care
Address	620 Sleepy Hollow Road Briarcliff Manor , NY 10510	Same
RHCF Capacity	131	120
ADHC Program Capacity	None	Same
Type of Operator	Corporation	Limited Liability Company
Class of Operator	Not for Profit (Voluntary)	Proprietary
Operator	Elant at Brandywine, Inc. Elant, Inc. (Co-Operator)	Sapphire HC LLC <u>Members</u> *Joel Leifer 25% Richard Platschek 25% Joel Zupnick 37.5% Cheskel Berkowitz 12.5% *Managing Member

Character and Competence - Background

Facilities Reviewed

Nursing Homes

Safire Rehabilitation of Southtowns (formerly Ridge View Manor)	10/2012 to present
Seagate Rehabilitation and Health Care Center	12/2014 to present
North Watchester Restorative Therapy & Nursing Center	12/2010 to 09/2011
Cypress Garden Center for Nursing and Rehabilitation	01/2015 to present
Sapphire Center for Rehabilitation & Nursing of Central Queens	12/2014 to present
The Pavillion of Queens for Rehabilitation & Nursing	11/2014 to present
Safire Rehab of Northtowns (formerly Sheridan Manor)	10/2012 to present
South Shore Rehabilitation and Nursing Center	04/2014 to present
Williamsville Suburban LLC	10/2012 to present
Ross Center for Nursing and Rehabilitation	06/2016 to present
Cold Spring Hills Nursing and Rehabilitation Center	06/2016 to present
Lakeview Rehabilitation & Care Center (NJ)	09/2015 to present

Home Care Agency

Pella Care LLC	01/2005 to present
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Pharmaceutical Company

Specialty RX, Inc.	06/2014 to present
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Individual Background Review

Richard (Aryeh) Platschek lists his occupation as sales at Stat Portable X-ray, a portable x-ray service located in Oakland Gardens, New York, since January 2007. Previously, Mr. Platschek was employed at Treetops Rehabilitation Care Center as a purchasing agent. Richard (Aryeh) Platschek discloses the following ownership interests in health facilities:

Williamsville Suburban LLC (4.5% Managing Member)	10/2012 to present
Safire Rehabilitation of Southtowns (32% Managing Member)	10/2012 to present
Safire Rehabilitation of Northtowns (32% Managing Member)	10/2012 to present
South Shore Rehabilitation and Nursing Center (5%)	04/2014 to present
The Pavillion at Queens for Rehabilitation & Nursing (25%)	11/2014 to present
Sapphire Center for Rehabilitation&Nursing of Central Queens (35%)	12/2014 to present

Mr. Platschek has received Public Health and Health Planning Council approval to become the operator of the following nursing homes, which are not yet finalized:

152005 Elant at Meadow Hill
151327 Elant at Goshen
151321 Elant at Wappinger Falls
151307 Elant at Fishkill

Joel Leifer lists his current employment as Administrative Director for Atrium Center for Rehabilitation, since 2010, and Staten Island Care Center, since 2002. Mr. Leifer discloses the following ownership interests in health facilities:

Cold Spring Nursing & Rehabilitation Center (25%)	6/2016 to present
Ross Center for Health & Rehabilitation (55%)	6/2016 to present
Lakeview Rehabilitation and Care Center (NJ) (75%)	9/2015 to present

Joel Zupnick is employed as the vice president of both HHCNY, Inc. and EMPRO, Inc., which are healthcare staffing agencies, and as the vice president of Specialty Rx, Inc., a pharmaceutical company. Mr. Zupnick also serves as the Chief Financial Officer for Pella Care, LLC, a licensed home care services agency. He discloses the following ownership interests in health facilities:

North Westchester Restorative Therapy and Nursing Center (15%)	12/2010 to 09/2011
Seagate Rehabilitation and Nursing Center (25%)	12/2014 to present
Pella Care, LLC (50%)	01/2005 to present
Specialty RX (50%)	06/2004 to present

Cheskel Berkowitz is the president of HHCNY, Inc., a healthcare staffing company located in Brooklyn NY, he also is the Vice President of Speciality RX, Inc. which is a long term care pharmacy. Mr. Berkowitz discloses the following ownership interests in health facilities:

North Westchester Restorative Therapy & Nursing Center (15%)	12/2010 to 04/2011
Cypress Garden Center for Nursing and Rehabilitation (23.3%)	01/2015 to present
Pella Care, LLC (50%)	01/2005 to present
Specialty RX (50% shareholder)	06/2004 to present

Character and Competence – Analysis

No negative information has been received concerning the character and competence of the above applicants.

A review of Safire Rehabilitation of Southtowns for the period identified above reveals the following:

- The facility was fined \$ 6,000 pursuant to a Stipulation and Order # 17-004 issued January 3, 2017 for surveillance findings on May 19, 2016. Deficiencies were found under 10 NYCRR 415.19(b)(2) Infection Control Facility Must Establishment an Infection Control Program, 415.26 Administration and 415.27(a-c) Administration Quality and Assessment and Assurance.

A review of Safire Rehabilitation of Northtowns for the period identified above reveals the following:

- The facility was fined \$12,000 pursuant to Stipulation and Order # 17-008 issued on December 19, 2016 for surveillance findings on September 15, 2016. Deficiencies were found under 10 NYCRR 415.12 Quality of Care: Highest Practicable Potential and 415.12(m)(2) Quality of Care: Free From Significant Medication Errors.

A review of operations for Seagate Rehabilitation and Health Care Center, North Westchester Restorative Therapy & Nursing Center, Cypress Garden Center for Nursing and Rehabilitation, Sapphire Center for Rehabilitation & Nursing of Central Queens, The Pavillion of Queens for Rehabilitation and Nursing, South Shore Rehabilitation and Nursing Center, Williamsville Suburban, LLC, Ross Center for Nursing and Rehabilitation and Cold Spring Hills Center for Nursing and Rehabilitation reveals there were no enforcements. A review of Pella Care, LLC reveals there are no enforcements. A review of Specialty RX shows they have an active license in good standing.

Quality Review

Provider Name	Overall	Health Inspection	Quality Measures	NYS Quintile
NY				
Safire Rehabilitation of Southtown, LLC	*	*	***	5
Seagate Rehabilitation and Nursing Center	****	****	*****	4
North Westchester Restorative Therapy & N C	*****	*****	****	2
Cypress Garden Center for Nursing & Rehabilitation	****	****	****	3
Sapphire Ctr for Rehab & Nursing of Central Queens	*****	*****	****	1
The Pavilion at Queens for Rehabilitation & Nrsing	***	***	***	4
Safire Rehabilitation of Northtowns, L L C	*	*	**	5
South Shore Rehabilitation and Nursing Center	****	***	*****	2
Williamsville Suburban L L C	*	*	**	4
Ross Center for Nursing and Rehabilitation	***	***	*****	3
Cold Springs Hills Ctr for Nursing and Rehab	**	*	*****	2

NJ

Lakeview Rehabilitation and Care Center	***	**	****
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Star Ratings: 1=much below average; 5=much above average

NYS Quintiles: 1=top-performing; 5=lowest-performing

Project Review

The proposed operators intend to enter into a contract for accounting services with Sapphire HC Management Care, LLC, which is a related party. Sapphire HC Management Care, LLC is owned by Richard (Aryeh) Platschek and his wife Golda Platschek. No other administrative services or consulting agreements are proposed in this application.

Conclusion

No negative information has been received concerning the character and competence of the proposed applicants. The character and competence review indicates the applicants have met the standard to provide a substantially consistent high level of care as set forth in Public Health Law §2801-a (3).

Recommendation

From a programmatic perspective, contingent approval is recommended.

Financial Analysis

Asset Purchase Agreement

The applicant has submitted an executed APA for the operating interests of the RHCF. The agreement will become effectuated upon PHHPC approval of this CON. The terms are summarized below:

Date:	February 1, 2013
Purchaser:	Sapphire HC LLC
Seller:	Elant at Brandywine, Inc.
Purchased Assets:	All assets used in the operation of the facility. Facilities; equipment; supplies and inventory; prepaid expenses; documents and records; assignable leases, contracts, licenses and permits; telephone numbers, fax numbers and all logos; resident trust funds; deposits; accounts and notes receivable; cash, deposits and cash equivalents.
Excluded Assets:	Any security, vendor, utility or other deposits with any Governmental Entity; any refunds, debtor claims, third-party retroactive adjustments and related documents prior to closing, and personal property of residents and the name Elant.
Assumed Liabilities:	Any liability arising on or after the effective date of this agreement.
Purchase Price:	\$500,000 and assumption of contracts, liabilities and working capital loans made to the seller under the working capital loan agreement. Assumed liabilities will be \$2,000,000.
Payment of Purchase Price:	\$100,000 paid and held in escrow; and \$400,000 cash at closing.

M&T Bank has provided a loan letter of interest to finance \$400,000 of the purchase price of the operations at 6.0% for five years with a five-year extension period and a 25-year amortization.

The applicant has submitted an original affidavit, which is acceptable to the Department, in which the applicant agrees, notwithstanding any agreement, arrangement or understanding between the applicant and the transferor to the contrary, to be liable and responsible for any Medicaid overpayments made to the facility and/or surcharges, assessments or fees due from the transferor pursuant to Article 28 of the Public Health Law with respect to the period of time prior to the applicant acquiring its interest, without releasing the transferor of its liability and responsibility. Currently, there are no outstanding Medicaid overpayment liabilities.

Working Capital Loan Agreement

The applicant has submitted a draft working capital loan agreement as part of the APA. The terms of the agreement are summarized below:

Date:	February 1, 2013
Borrower:	Elant at Brandywine, Inc.
Lender:	Sapphire HC LLC
Condition to APA:	As part of the consideration for the sale, Lender must make available to borrower a revolving credit facility of up to \$2,000,000 and a guarantee by Benjamin Landa.
Terms:	Any advances will be at 6% interest payable within 3 years (36 months).

The working capital loan agreement is a line of credit that was extended to Elant at Brandywine, Inc. to meet their existing financial obligations while the sale was being finalized. At closing, if there are any outstanding amounts loaned to the applicant, Elant at Brandywine, Inc., that amount will become additional members' equity in Sapphire HC LLC.

Contract of Sale

The applicant has submitted an executed COS for the real estate purchase related to the RHCF's real property. The agreement closes concurrent with the APA upon PHHPC approval of this CON. The terms are summarized below:

Date:	February 1, 2013
Seller:	Elant at Brandywine, Inc.
Buyer:	Sapphire HC Realty LLC
Purchase Price:	\$10,500,000
Property Purchased:	Premises located at 620 Sleepy Hollow Road, Briarcliff Manor, New York

M&T Bank has provided a loan letter of interest to finance \$8,400,000 of the purchase price of the realty at 6.0% for five years with a five-year extension period and 25-year amortization. Proposed realty member, Benjamin Landa, has submitted an affidavit to contribute personal resources disproportionate to his membership interest if such equity is needed. BFA Attachment B is the net worth statement of Benjamin Landa showing sufficient equity.

Lease Agreement

Facility occupancy is subject to an executed lease agreement, the terms of which are summarized as follows:

Date:	May 1, 2016
Premises:	A 131-bed RHCF located at 620 Sleepy Hollow Road, Briarcliff Manor, New York 10510
Landlord:	Sapphire Realty LLC
Tenant:	Sapphire HC LLC
Terms:	12 years from closing.
Rental:	\$1,000,000 first year base rent; \$1,900,000 for second and third years; and \$2,400,000 for years four through year twelve.
Provisions:	Tenant responsible for real estate taxes, general liability insurance, utilities & maintenance.

The lease arrangement is a non-arm's length agreement. The applicant has submitted an affidavit attesting to the relationship between the landlord and the operating entity.

Operating Budget

The applicant has provided the current year (2015 results and the first and third year operating budgets subsequent to the change of ownership, in 2017 dollars, summarized below:

	Current Year		Year One		Year Three	
	Per Diem	131 beds	Per Diem	120 beds	Per Diem	120 beds
<u>Revenues</u>						
Medicaid	\$232.93	\$7,314,880	\$220.26	\$6,796,666	\$220.25	\$7,018,366
Medicare	\$576.59	1,515,285	\$576.59	2,639,640	\$576.63	2,725,743
Private Pay	\$732.39	856,901	\$533.76	2,652,804	\$533.77	2,739,334
Bad Debts		<u>(749,994)</u>		<u>0</u>		<u>0</u>
Total Revenues		\$8,937,072		\$12,089,110		\$12,483,443
<u>Expenses</u>						
Operating	\$262.42	\$9,339,713	\$259.44	\$10,483,168	\$243.63	\$10,165,207
Capital	29.79	1,060,348	29.18	1,179,204	43.43	1,812,456
Total Expenses	\$292.21	\$10,400,061	\$288.62	\$11,662,372	\$287.06	\$11,977,663
Net Income(Loss)		<u>(\$1,462,989)</u>		<u>\$426,738</u>		<u>\$505,780</u>
Total Patient Days		35,590		40,406		41,724

The following is noted with respect to the submitted budget:

- For budget Years One and Three, Medicaid revenues are projected based on the current operating and capital components of the facility's 2016 Medicaid FFS rate.
- All current year rates, including Medicare, reflect the actual rates identified in the facility's 2015 Cost Report. The Private Pay rates in Years One and Three represent an overall average of the actual rates experienced by the facility in 2016 from these payer sources.
- Historical utilization for 2015 was 74.43%. After the decrease of 11 beds per this application request, the overall utilization is projected at 92.25% for year one and 95.26% for year three.
- Utilization by payor source is as follows:

	<u>Year One</u> <u>and Three</u>
Medicaid	76.37%
Medicare	11.33%
Private/Other	12.30%

- Breakeven utilization is 89.0% and 91.4% for the first and third years, respectively.

Capability and Feasibility

There are no project costs associated with this proposal. The purchase price for the operations is \$500,000 and will be met with \$100,000 equity from the proposed members of Sapphire HC LLC and a bank loan for \$400,000 at 6% for five years with a five-year extension period and 25-year amortization, and the assumption by Sapphire HC LLC of certain liabilities amounting to \$2,000,000. The purchase price for the realty is \$10,500,000 and will be met with \$2,100,000 equity from the proposed members of Sapphire Realty LLC and a bank loan for \$8,400,000 at 6% for five years with a five-year extension period and 25-year amortization.

The working capital requirement of \$1,943,729, based on two months of the first year's expenses, will be from proposed members' equity. BFA Attachment A, net worth of the proposed members of Sapphire HC LLC, reveals sufficient resources exist for stated levels of equity. BFA Attachment F is the pro-forma balance sheet as of the first day of operation, which indicates a positive members' equity of \$1,908,053 for the operation.

The submitted budget indicates that net income of \$426,738 and \$505,780 will be generated for the first year and third years, respectively. BFA Attachment G is the budget sensitivity analysis based on the current utilization of 85.03% as of December 31, 2016, and with 120 certified RHCf beds, which shows the budgeted revenues would decrease by \$946,576 resulting in a net operating loss of \$519,838 in year one. BFA Attachment H is the budget sensitivity analysis based on the January 31, 2017 utilization, which is 95.48% based on 120 beds. If occupancy remains constant at the January 31, 2017 utilization level going forward, first year budgeted revenues will increase by \$423,128 resulting in a net operating income of \$849,866 in Year One. As previously note, the applicant has planned initiatives to increase utilization and help maintain occupancy going forward. The budget appears reasonable.

A transition of nursing home (NH) residents to Medicaid managed care is currently being implemented statewide. Under the managed care construct, Managed Care Organizations (MCOs) will negotiate payment rates directly with NH providers. A Department policy paper provided guidance requiring MCOs pay the benchmark Medicaid FFS rate, or a negotiated rate acceptable to both plans and NH, for three years after a county has been deemed mandatory for NH population enrollment. As a result, the benchmark FFS rate remains a viable basis for assessing NH revenues through the transition period.

BFA Attachment D, financial summary of Elant at Brandywine, Inc., indicates that the facility experienced negative working capital, negative net asset position and generated an average annual net loss of \$2,082,962 for the 2014-2015 period shown, and a net operating loss of \$571,577 as of November 30, 2016. The negative balance sheet and operating loss is due to the facility incurring large account payable and notes payable balances. The sale of the RHCf will allow Elant at Brandywine, Inc. to pay off \$11,000,000 in debt. Also, the purchasers will be assuming \$2,000,000 in payroll liabilities, payroll tax liabilities and accrued benefits.

BFA Attachments E, financial summary of the proposed members affiliated RHCfs, shows the facilities have maintained positive net income from operations for the periods shown with the exception of the following:

- Williamsville Suburban shows Operating Net Losses for certain years due to servicing of a high debt level. The facility is in the process of being sold. (Williamsville Suburban is currently under Department review.) The debt will be satisfied upon transfer of ownership.
- South Shore Rehabilitation shows Operating Net Losses due to a lower than expected census and higher accounts payables.

Based on the preceding and subject to noted contingencies, the applicant has demonstrated the capability to proceed in a financially feasible manner.

Recommendation

From a financial perspective, contingent approval is recommended.

Attachments

BFA Attachment A	Sapphire HC LLC, Proposed Members Net Worth
BFA Attachment B	Sapphire Realty LLC, Proposed Members Net Worth
BFA Attachment C	Organizational Chart
BFA Attachment D	Financial Summary, Elant at Brandywine, Inc.
BFA Attachment E	Affiliated Residential Health Care Facilities
BFA Attachment F	Pro Forma Balance Sheet
BFA Attachment G	Budget Sensitivity Analysis based on 2016 census
BFA Attachment H	Budget Sensitivity Analysis based on January 2017 census

Sapphire HC LLC
Doing Business As
Briarcliff Manor Center for Rehabilitation and Nursing Care

ORGANIZATIONAL CHART

<u>Sapphire HC LLC</u>	
Members:	
Richard Platschek	25.0%
Joel Leifer (Manager)	25.0%
Joel Zupnick	37.5%
Chesky Berkowitz	12.5%
Total	100.0%

Doing Business As
Briarcliff Manor Center for Rehabilitation and Nursing Care

RHCF Administrator
 Director of Nursing
 Direct Care Staff
 Support Staff
 Clerical Staff

Lease

<u>Sapphire HC Realty LLC</u>	
(RHCF Real Estate)	
Member:	
Richard Platschek	25.0%
Joel Leifer	25.0%
Chesky Berkowitz	12.5%
Joel Zupnick	12.5%
Benjamin Landa	20.0%
Judy Landa	5.0%
Total	100.0%

CON# 161323
Financial Summary- Elant at Brandywine Inc.

	FISCAL PERIOD ENDED		
	<u>12/31/14</u>	<u>12/31/15</u>	<u>Draft</u> <u>11/30/16</u>
ASSETS - CURRENT	\$2,015,549	\$2,538,213	\$3,133,375
ASSETS - FIXED AND OTHER	9,738,086	9,066,235	9,960,071
LIABILITIES - CURRENT	15,843,393	17,176,663	13,001,781
LIABILITIES - LONG-TERM	<u>44,821</u>	<u>371,106</u>	<u>6,630,911</u>
NET ASSETS	(\$4,134,579)	(\$5,943,321)	(\$6,539,246)
<hr/>			
INCOME	\$7,950,906	\$8,937,072	\$9,556,487
EXPENSE	<u>10,653,840</u>	<u>10,400,061</u>	<u>10,128,064</u>
NET INCOME	(\$2,702,934)	(\$1,462,989)	(\$571,577)
<hr/>			
NUMBER OF BEDS	131	131	131
PERCENT OF OCCUPANCY (DAYS)	69.71%	74.43%	76.67%
<hr/>			
Medicaid	88.30%	86.07%	76.37%
Medicare	6.10%	6.98%	11.33%
Private Pay/Other	5.60%	6.95%	12.30%

Seagate Rehabilitation**360 beds (Kings County)**

	<u>12/31/2015</u>	<u>draft</u> <u>10/31/2016</u>
Current Assets	\$7,962,607	\$12,298,994
Fixed Assets	<u>19,709,990</u>	<u>20,943,324</u>
Total Assets	\$27,672,597	\$33,242,318
Current Liabilities	6,823,101	10,668,118
Long Term Liabilities	<u>18,530,753</u>	<u>18,103,917</u>
Total Liabilities	\$25,353,854	\$28,772,035
Net Assets	\$2,318,743	\$4,470,283
Working Capital Position	\$1,139,506	\$1,630,876
Operating Revenues	\$47,188,849	\$43,015,988
Operating Expenses	<u>43,897,075</u>	<u>38,233,447</u>
Operating Net Income	\$3,291,774	\$4,782,541

Joel Zupnick-25% membership interest

Sapphire Center for Rehab**227 beds (Queens County)**

	<u>12/31/2015</u>	<u>Draft</u> <u>11/30/2016</u>
Current Assets	\$3,701,950	\$5,821,208
Fixed Assets	<u>10,140,462</u>	<u>9,675,398</u>
Total Assets	\$13,842,412	\$15,496,606
Current Liabilities	2,207,794	12,492,901
Long Term Liabilities	<u>10,335,882</u>	<u>61,621</u>
Total Liabilities	\$12,543,676	\$12,554,522
Net Assets	\$1,298,736	\$2,942,084
Working Capital Position	\$1,494,156	(\$6,671,693)
Operating Revenues	\$24,980,733	\$24,092,075
Operating Expenses	<u>23,304,743</u>	<u>22,069,085</u>
Operating Net Income	\$1,675,990	\$2,022,990

Richaed Platschek-35% membership interest

The Pavilion at Queens**302 beds (Queens County)**

	<u>12/31/2015</u>	<u>Draft</u> <u>11/30/2016</u>
Current Assets	\$7,947,091	\$13,452,073
Fixed Assets	<u>12,295,004</u>	<u>13,040,426</u>
Total Assets	\$20,242,095	\$26,492,499
Current Liabilities	3,130,536	4,801,080
Long Term Liabilities	<u>12,280,075</u>	<u>12,257,102</u>
Total Liabilities	\$15,410,611	\$17,058,182
Net Assets	\$4,831,484	\$9,434,317
Working Capital Position	\$4,816,555	\$8,650,993
Operating Revenues	\$42,707,246	\$43,369,404
Operating Expenses	<u>36,101,487</u>	<u>36,566,570</u>
Operating Net Income	\$6,605,759	\$6,802,834

Richaed Platschek-25% membership interest

Seagate Rehabilitation**360 beds (Kings County)**

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Joel Zupnick-25% membership interestSapphire Center for Rehab**227 beds (Queens County)**

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Fixed Assets	<u>10,140,462</u>	<u>9,675,398</u>
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Operating Net Income	\$1,675,990	\$2,022,990

Richard Platschek-35% membership interestThe Pavilion at Queens**302 beds (Queens County)**

	<u>12/31/2015</u>	<u>Draft</u> <u>11/30/2016</u>
Current Assets	\$7,947,091	\$13,452,073
Fixed Assets	<u>12,295,004</u>	<u>13,040,426</u>
Total Assets	\$20,242,095	\$26,492,499
Current Liabilities	3,130,536	4,801,080
Long Term Liabilities	<u>12,280,075</u>	<u>12,257,102</u>
Total Liabilities	\$15,410,611	\$17,058,182
Net Assets	\$4,831,484	\$9,434,317
Working Capital Position	\$4,816,555	\$8,650,993
Operating Revenues	\$42,707,246	\$43,369,404
Operating Expenses	<u>36,101,487</u>	<u>36,566,570</u>
Operating Net Income	\$6,605,759	\$6,802,834

Richard Platschek-25% membership interest

Pro Forma Balance Sheet (AS OF APPROVAL DATE)

	<u>Operating Co.</u>
Cash and Cash Equivalents	\$ 1,908,053
Prepaid Expenses and Other	346,578
Accounts Receivable (Net of Allowances)	2,605,539
Property, Plant & Equipment	-
Inventory	17,746
TOTAL CURRENT ASSETS:	<u>\$ 4,877,916</u>
TOTAL ASSETS:	<u>\$ 4,877,916</u>
Accrued Payroll	\$ 69,863
Accounts Payable	2,500,000
TOTAL CURRENT LIABILITIES:	<u>\$ 2,569,863</u>
Acquisition Financing	\$ 400,000
TOTAL LONG TERM LIABILITIES:	<u>\$ 400,000</u>
TOTAL LIABILITIES	<u>\$ 2,969,863</u>
MEMBERS' EQUITY	1,908,053
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 4,877,916</u>

Briarcliff Manor

Budget Sensitivity

<u>Payor</u>	<u>Payor Mix as of 11/30/16</u>	<u>Revised Budgeted Days</u>	<u>Per Diem</u>	<u>Revised Revenues</u>
Medicaid	0.76370	28,442	\$220.26	\$6,264,572
Medicare	0.11330	4,220	\$576.59	2,432,932
Commercial	0.12300	4,581	\$533.76	2,445,030
	1.00000	37,242		

Total Revenues based on current utilization \$11,142,534

Total Inpatient Revenues as budgeted for first year 12,089,110

Decrease in Budgeted Revenues (\$946,576)

Note: Medicaid rate is based on 2016 initial rate plus assessments.

131 beds x 366 days= 47,946 x .77675= 37,242 (as of 12/31/16 census)

Bed reduction to 120 beds x 366 days= 43,920. Therefore, 37,242/43,920= 84.795%
 120 beds x 365 days=43,800 therefore, 37,242/43,800=85.03%

Briarcliff Manor

Budget Sensitivity

<u>Payor</u>	<u>Payor Mix as of 11/30/16</u>	<u>Revised Budgeted Days</u>	<u>Per Diem</u>	<u>Revised Revenues</u>
Medicaid	0.76370	31,938	\$220.26	\$7,034,649
Medicare	0.11330	4,738	\$576.59	2,732,002
Commercial	0.12300	5,144	\$533.76	2,745,587
	1.00000	41,820		

Total Revenues based on current utilization \$12,512,238

Total Inpatient Revenues as budgeted for first year 12,089,110

Decrease in Budgeted Revenues \$423,128

Note: Medicaid rate is based on 2016 initial rate plus assessments.

131 beds x 366 days= 47,946 x .77675= 37,242 (as of 12/31/16 census)

Bed reduction to 120 beds x 366 days= 43,920. Therefore, 37,242/43,920= 84.795%
120 beds x 365 days=43,800 therefore, 95.48% X 43,800=41,820 inpatient days.