



State Hospital Review and Planning Council

Project # 062439-E
Montgomery Operating Company, LLC
d/b/a Montgomery Nursing Home

County: Orange (Montgomery)
Purpose: Establishment

Program: Residential Health Care Facility
Submitted: December 29, 2006

Executive Summary

Description

Montgomery Operating Co., LLC, d/b/a Montgomery Nursing Home, a to-be-formed limited liability company, proposes a change in ownership of the operation associated with the Montgomery Nursing Home, a 100 bed proprietary residential healthcare facility (RHCF), located in Montgomery, Orange County. The majority of the proposed members are children of the partner of the current operator of the facility.

The land and building will continue to be owned by Bram Property Corp., Inc.. The owners of this corporation are the same individuals that currently operate the nursing home.

There are no project costs associated with this application.

DOH Recommendation
 Contingent approval.

Need Summary

Montgomery Nursing Home's utilization decreased minimally from 90.6% in 2006 to 90.5% in 2007. Occupancy at the facility is almost seven percentage points below the 97% occupancy rate deemed optimal. Orange County is also significantly below that rate at 88.3% in 2006 and 87.9% in 2007.

<i>RHCF Need – Orange County</i>	
2007 Projected Need	2,006
Current Beds	1,618
Beds under Construction	0
Beds Decertified	0
Total Resource	1,618
Unmet Need	388

Based on the 2007 Bed Need, Orange County has an unmet need for 388 beds.

Program Summary

No changes in program or physical environment are being proposed in the application. The applicant does not propose a consulting or administrative agreement with any outside entity. Ownership of the operation, currently and after the requested change, is as follows:

<u>Current</u>		<u>Proposed</u>	
Jeremy Mack, MD	(49.0%)	Benjamin J. Mack	(41.50%)
Alan Fisher	(25.5%)	Alexander Cornfeld	(21.75%)
Arthur Cornfeld	(25.5%)	Isabelle Fisher-Krishana	(4.25%)
		Meredith Fisher	(13.25%)
		Zachary Fisher	(4.25%)
		Barry Hochdorf	(15.00%)

Financial Summary

The total purchase price of \$2,500,000 will be met via a promissory note. The budget for Montgomery Nursing Home for the first year subsequent to the change in operator is as follows:

Year 1 Budget:	<i>Revenues:</i>	\$ 8,463,000
	<i>Expenses:</i>	\$ 7,644,900
	<i>Gain/(Loss):</i>	\$ 818,100

Subject to the noted contingencies, it appears that the applicant has demonstrated the capability to proceed in a financially feasible manner; and approval is recommended.

Architectural Summary

This project is for Establishment action only; therefore, no Architectural recommendation is required.

Recommendations

Health Systems Agency

There will be no HSA review of this application.

Office of Health Systems Management

Approval contingent upon:

1. The 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 patients in the area awaiting placement, the facility's total 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]
2. Submission of an executed asset purchase agreement that is acceptable to the Department of Health. [BFA]
3. Submission of an executed promissory note that is acceptable to the Department of Health. [BFA]
4. Submission of a personal loan commitment that is acceptable to the Department of Health. [BFA]
5. Submission of an executed lease assignment that is acceptable to the Department of Health. [BFA]

Approval conditional upon:

1. Dr. Barry Hochdorf remaining as the managing member of the facility for a period of three years. [LTC]
2. Submission of a copy of the operating agreement containing a provision that Dr. Barry Hochdorf cannot be removed as managing member during the 3-year period without the approval of the Department of Health. [LTC]
3. Upon the expiration of the 3-year period Dr. Barry Hochdorf will cease to be managing member and will be replaced by Alexander Cornfield and Benjamin Mack as managing members. [LTC]

State Council Recommendation

August 6, 2009.