



Public Health and Health Planning Council

Project # 112344-C Coler-Goldwater Specialty Hospital and Nursing Facility – Goldwater Nursing Facility Site

County: New York (New York)
Purpose: Construction

Program: Residential Health Care Facility
Submitted: December 16, 2011

Executive Summary

Description

Coler-Goldwater Specialty Hospital and Nursing Facility, a 574-bed public residential health care facility (RHCF) located at 1 Main Street, Roosevelt Island (Goldwater site), is seeking approval to reduce the number of beds for its proposed replacement RHCF, approved via CON #102253-C, to 164 beds. In addition, as part of that total bed count, this amendment requests permission to certify 20 ventilator-dependent (vent) beds and an additional 12 ventilator-capable (vent-capable) beds for future expansion.

Under CON #102253-C, the applicant had received approval for the construction of a 266-bed replacement facility at 1879 Madison Avenue, New York, a location previously used as a parking lot by North General Hospital. This project was part of a larger project, which also includes the renovation of the former North General Hospital building to accommodate 281 beds relocated from the Goldwater site, which was submitted under CON #102252-C. Both projects were contingently approved by the former Public Health Council on November 19, 2010. CON #102252-C was superseded by CON #112120-C, which reduced the number of beds for the North General building to 201 and which was contingently approved by the PHHPC on December 8, 2011.

The new facility is essential due to the fact that the current facility is not compliant with current Life Safety Code and is not fully-sprinklered. As this project is scheduled to take until October 1, 2013 to complete, the facility will be requesting a CMS waiver to continue operations at the current site after the August, 2013 CMS deadline for sprinkler installation.

Total project costs are estimated at \$136,364,897.

DOH Recommendation

Contingent approval

Need Summary

This proposal will accommodate patients transferred from the Goldwater site, which will decertify 410 RHCF beds, keeping

the remaining 144 RHCF beds and 20 vent beds at the new facility. The alternative housing options will allow a large majority of patients needing RHCF care to be absorbed through supported housing, potentially preventing patients needing to be transferred out of New York County.

Program Summary

The plans as submitted portray a modern and more home-like setting, which can continue to adapt to the evolving care needs of the residents. However, the significantly reduced bed capacity, and the current lack of suitable care providers, may delay the fast track process for constructing and occupying the new building, and for demolishing the existing Goldwater structure.

Financial Summary

Project costs will be met with cash equity of \$6,363,067, a HEAL-19 Grant of \$9,840,000, and \$120,161,830 in NYC Bonds (30 yrs. @ 5.5%).

Budget:	<i>Revenues:</i>	\$ 9,744,923
	<i>Expenses:</i>	38,715,963
	<i>Gain/(Loss):</i>	(\$28,971,040)

The applicant has indicated that the loss will be covered by supplemental Medicaid Disproportionate Share Hospital and Upper Payment Limit Funds, which is \$1,544,750,374 for fiscal year 2012.

Subject to the noted contingency including grants and other subsidies, it appears that the applicant has demonstrated the capability to proceed in a financially feasible manner.

Architectural Summary

The project entails the construction of a 6-story, 133,855 SF building, comprised of 132 RHCF beds, 20 vent beds and 12 vent-capable beds. The beds will be placed on floors 2 - 6 and will be allocated as such: 2nd Floor, 32 beds with 6 private rooms, and 13 semi-private rooms; 3rd Floor, 32 beds, of which 20 are vent beds and 12 beds are vent-capable.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this application.

Office of Health Systems Management

Approval contingent upon:

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. 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 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]
3. Coler-Goldwater campus will retain an approximate 20% "charity care" patient community for a minimum of 5 years, at which time the Department will reevaluate this provision. [RNR]
4. Coler-Goldwater will provide the Department with monthly reports of the resident discharge plan, including the patient displacement status permanent transition plan, until the patient community reaches 144 patients (excluding 20 vent bed patients.) [RNR]
5. Prior to completion of construction, Coler-Goldwater will provide monthly reports identifying activities with community area alternative housing providers and partnered facilities. [RNR]
6. The submission and programmatic approval of a resident-specific plan detailing the ongoing discharge of the Goldwater population that ensures the participation of every resident in his/her discharge plan. [LTC]
7. Submission of and programmatic review and approval of the final floor plans, which incorporate the conditions noted below. [LTC]
8. Receipt of a waiver from the Centers for Medicare and Medicaid Services permitting the continued operation of the existing Goldwater building beyond the August 2013 date mandating the installation of sprinklers in all nursing home buildings. [LTC]
9. Submission of the executed HEAL NY-Phase 19 grant contract. [BFA]

Approval conditional upon:

1. Coler-Goldwater must have comparable or appropriate alternative housing for all patients being discharged from the existing facility. [RNR]
2. Dresser/wardrobe combination will be of sufficient size for resident's belongings with wardrobe portion of minimum clear inside dimensions of three feet long by one foot ten inches deep. [LTC]
3. Bathing rooms shall be located in an area which does not impede circulation within nursing floors and fosters privacy and dignity for residents. [LTC]
4. Bathing rooms will include one tub per floor to allow for resident preference. [LTC]
5. The applicant providing assistance to DOH for its ongoing monitoring of the discharge of residents from Coler-Goldwater. [LTC]
6. The submission of State Hospital Code (SHC) Drawings for review and approval, as described in BAEFP Drawing Submission Guidelines DSG-01. [AER]
7. The submission of Final Construction Documents, as described in BAEFP Drawing Submission Guidelines DSG-01, prior to start of construction. [AER]
8. The applicant shall complete construction by October 1, 2015. In accordance with 10 NYCRR Part 710.2(b)(5) and 710.10(a), if construction is not completed on or before that date, this may constitute abandonment of the approval and this approval shall be deemed cancelled, withdrawn and annulled without further action by the Commissioner. [AER]

Council Action Date

February 2, 2012.

Need Analysis

Background

As proposed, the completion of the project will result in a significantly downsized nursing home, with a total of 410 nursing home beds to be decertified. In addition, the applicant proposes to certify 20 ventilator dependent beds as part of the overall bed complement, and construct an additional 12 bedrooms as ventilator capable beds.

HHC has secured several sites where it plans to build new apartment style housing for the physical A and B patients that may not need on-going RHCF care. In addition the operator has assured DOH this will be completed prior to project completion; or that other suitable housing will be provided to discharged residents.

Utilization has decreased from 99.13% in 2008 to 98.6% in 2010.

<u>RHCF Bed Need</u>	<u>New York City</u>
2016 Projected Need	51,071
Current Beds	43,454
Beds Under Construction	635
Total Resources	44,089
Unmet Need	6,982

<u>RHCF Bed Complements</u>	<u>Current Beds</u>	<u>Bed Change</u>	<u>New Bed Number</u>
Goldwater site	574	-410	144
New Facility RHCF	144	144	144
New Facility Vent	20	20	20
<i>Total</i>	<i>164</i>	<i>164</i>	<i>164</i>

The Goldwater site will decertify 410 RHCF beds, keeping the remaining 144 RHCF beds and 20 Vent beds at the new facility.

The Goldwater site and the Coler site have a combined physical A and Physical B patient number of 400+ patients. The alternative housing options will allow a large majority of patients needing RHCF care to be absorbed through supported housing, potentially preventing patients needing to be transferred out of New York County. The facility has demonstrated that its Average Length of Stay equates to 365 days.

The new facility is essential because the current facility is not compliant with current Life Safety Code and is not fully-sprinklered.

Analysis

The Goldwater site, an existing Article 28 RHCF, has utilization above that of New York County for all years in question, as shown in the table below:

<u>RHCF Utilization</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Coler-Goldwater Specialty Hospital and Nursing Facility	99.13%	98.58%	98.60%
New York City	97.21%	96.81%	96.48%

Transition Plan

Coler-Goldwater (CG) will complete its bed reduction by December of 2013. A number of patients will be discharged through attrition, others will require alternative housing.

The Coler/Goldwater site has 400 residents with a "Physical A and B" status. Ten percent of these residents have already been displaced to other community options prior to January 1, 2012; 371 residents remain and need to be assessed. Multiple initiatives are in the works to provide alternative placements for current residents, including:

- Resident evaluations are being conducted in collaboration with staff from the NYS Department of Health, Division of Long Term Care Services and the Visiting Nurses Association of Staten Island, the Regional Resource Development Center, Coler-Goldwater staff to determine eligibility for participation in the Nursing Home Transition and Diversion Waiver program (NHTD) of SNF.
- HHC is developing, in collaboration with New York City's Housing Preservation Development Corporation, and an experienced housing developer, 171 apartments (one-bedrooms and studios) on a parcel of land on Metropolitan Hospital's campus (99th Street and 2nd Avenue, Manhattan). These 171 apartments will be exclusively for residents discharged from Coler-Goldwater and designed to accommodate individuals who use wheelchairs or other assistive mobility devices. These apartments will be ready for occupancy by December 2013.
- HHC is also working with other housing providers in NYC to commit apartments or supportive housing units to additional Coler-Goldwater residents. Access to rental assistance slots is being addressed at the highest levels of City government and with HUD.
- HHC is also identifying placement opportunities for Coler-Goldwater residents who have behavioral health diagnoses and who are eligible for OASAS and OMH supported housing.
- HHC is also working with the Veterans Administration to secure housing subsidies for the 10-15 HCBS-eligible veterans at Coler-Goldwater.

Vent Bed Capacity

The applicant proposes to certify 20 ventilator dependent beds as part of the overall bed complement, and to construct an additional 12 rooms as ventilator-capable beds. The additional ventilator capacity will accommodate some of the patients in the 111 ventilator-capable med/surg beds at Goldwater Specialty Hospital. Placing persons into the most integrated setting based on the appropriate level of clinical care will promote quality as well as cost-effective care. In addition, Coler-Goldwater has extensive experience in the care of ventilator-dependent patients, including a successful weaning program recognized by JCAHO as a "Leading Practice".

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, 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 patients admissions is at least 75% of the planning area percentage of health Systems Agency percentage, whichever is applicable.

Medicaid admissions at the Goldwater site were above the 75 percent planning average for both 2008 and 2009. The facility reported Medicaid admissions of 49.03 percent and 30.3 percent in 2008 and 2009 respectively. The 75 percent planning averages for New York County for said years were 21.9 percent (2008) and 11.73 percent (2009). The facility was above the Medicaid Access Standard for both years in question.

Recommendation

From a need perspective, contingent approval is recommended.

Programmatic Analysis

Facility Information

	<i>Existing</i>	<i>Proposed</i>
<i>Facility Name</i>	Coler-Goldwater Specialty Hospital & Nursing Facility Goldwater Nursing Facility Site	Goldwater North-Skilled Nursing Facility
<i>Address</i>	1 Main Street Roosevelt Island, NY 10044	1879 Madison Avenue New York, NY 10035
<i>RHCF Capacity</i>	574	164
<i>ADHCP Capacity</i>	N/A	N/A
<i>Type Of Operator</i>	Corporation	Same
<i>Class Of Operator</i>	Public Benefit Corporation	Same
<i>Operator</i>	New York City Health and Hospitals Corporation/Coler-Goldwater Specialty Hospital and Skilled Nursing Facility	Same

Program Review

Goldwater Specialty Hospital and Nursing Facility (Goldwater) is a 991-bed facility on the southern end of Roosevelt Island consisting of 417 long term acute care and a 574 nursing home beds. Goldwater is part of the Coler-Goldwater Specialty Hospital and Skilled Nursing Facility which also includes Coler Specialty Hospital and Nursing Facility, a 1,025-bed facility consisting of 201 acute care and 815 nursing home beds located on the opposite end of Roosevelt Island. As part of an initiative undertaken by Mayor Bloomberg of the City of New York, Goldwater will be emptied and the building razed to become the site of a new School of Engineering sponsored by Cornell University, with an opening anticipated in the Fall of 2014. A new Goldwater nursing home will be constructed across the river on the former site of the North General Hospital in East Harlem. A companion project to renovate the existing North General building to house 201 long term acute care beds relocated from Goldwater hospital has been approved under CON #112120-C. The subject application will complete the total replacement of the Goldwater facility.

As proposed, the completion of the project will result in a significantly downsized nursing home, with a total of 410 nursing home beds to be decertified. In addition, the applicant proposes to certify 20 ventilator dependent beds as part of the overall bed complement, and construct an additional 12 bedrooms as ventilator capable beds. The additional ventilator capacity will accommodate some of the patients in the 111 ventilator-capable med/surg beds at Goldwater Specialty Hospital. Coler-Goldwater has extensive experience in the care of ventilator-dependent patients, including a successful weaning program which has been recognized by JCAHO as a "Leading Practice".

As a part of the program review for this project, DOH must also analyze the plan for deactivating the existing Goldwater building. The main component of this review is centered on the decertification of 410 beds serving a very needy population, and the relocation of residents into new and existing nursing home space, or the discharge of these individuals into suitable and appropriate alternate housing. The current resident population of Goldwater is unique, with many residents having no home, having resided at the nursing home for many years. The high occupancy of existing nursing home and adult care facilities, particularly in Manhattan, poses additional challenges for the relocation of the Goldwater residents. Further complicating the discharge process is the status of Goldwater residents, with nearly 315 residents who are undocumented or uninsured. However current State and Federal policy requires that a nursing home resident can only be discharged to another suitable care provider, or to home.

As a contingency of approval, DOH will require the submission of a resident specific plan detailing the ongoing discharge of the Goldwater population, which ensures the participation of every resident in his/her discharge plan. DOH will undertake periodic monitoring of the implementation of the plan during the interim period prior to the opening of the new nursing home building. In addition, the full decertification of beds and the closure of the Roosevelt Island building will not be allowed until the successful discharge of all residents into a suitable living environment that meets their care needs.

Physical Environment

The new Goldwater will encompass 112,500 square feet in a u-shaped building rising six stories with a mechanical basement. The building will be constructed in the current North General parking lot between East 121st and 122nd Streets, facing the Metro-North railroad viaduct, and will be adjacent to and connected with the Long Term Acute Care Hospital (LTACH) located in the existing North General building.

The building design features three 32 bed nursing units on floors 1-3, and two 34 bed nursing units on floors 5 and 6, arrayed in the shape of a "u". Each floor contains a bariatric bed room, specifically designed to meet the needs of bariatric residents, including an appropriately sized toilet room with shower, for a total of 5 rooms. Resident floors include ample dining space in the southwest corner of the floor, with a nourishment station adjacent to the living space at the eastern end. Living space offers recreational resources including a large flat screen television and a pool table. A "porch", or balcony adjoins the living areas next to the central nursing station offering residents the opportunity for outdoor interaction. An electric fireplace with seating area is on the opposite side of the central staff area, overlooking the elevators providing public access to the floor. A central bathing area with two showers and training toilet is located next to the elevators. The location of the bathing area next to the elevators is a design concern, potentially creating congestion in the unit, and inhibiting resident privacy. The bathing areas also lack a tub, which is required to enable resident choice.

Floors 2 and 4 consist of 13 double occupancy and 6 single occupancy rooms, for a total of 32 beds. Offices occupy the northern end of the "u", in space adjacent to the external oxygen farm located between the new nursing home building and the existing North General building. Bedrooms are generously sized, with the semi-private rooms constructed as "enhanced doubles", with the two beds separated by a curtain wall, sharing a toilet room. The third floor will be similarly arrayed, with 13 doubles and 6 singles, with all of the bedrooms equipped with piped-in oxygen and suction. The floor will contain 20 certified ventilator dependent beds, and 12 ventilator capable beds. Ample space for equipment storage is also available on the floor. Floors 5 and 6 consist of 34 beds, similarly arrayed, with an additional double in the north end.

Entry to the nursing home will be into a lobby on the northeast corner of the first floor, towards Park Avenue and 122nd Street. The first floor will contain administrative offices and conference rooms for the use of staff and families. The entrance area continues into a main corridor, which serves as a focal point for activities and amenities to be made available for the residents. On both sides of the corridor special areas are located, including a beauty salon, music/movement room, art/culinary room, movie theatre and chapel, with additional amenities made available to residents in the LTACH.

The main corridor will continue as a connector into the LTACH, functioning as a "Main Street" running through the center of both buildings. A library with computers will be part of the connector, and on the LTACH side a temple and mosque will be available for nursing home residents. The main corridor continues through the LTACH ending in a garden which overplants the previous hospital turn-around. A "garden room" leading out to the garden, provides sitting space with tables and includes a café available to the public and residents of the hospital and nursing home. A rehab gym off the main corridor will serve both nursing home residents and hospital patients.

Mechanical and material processing functions will be located in the basement, with access directly into the LTACH basement through the lower level of the connector. Most service functions will be located in the LTACH, including the central kitchen which will prepare all meals for the LTACH and the nursing home. Supplies and materials will move from the LTACH through the basement connector to two service elevators accessing all the resident floors.

While the applicant has committed to a fast track process, leading to a projected opening of the new nursing home building in November, 2013, existing CMS regulations require all nursing homes nationwide to be fully sprinklered by August, 2013. Since the applicant does not want to expend the significant capital necessary for the installation of a sprinkler system for the existing Goldwater building, a waiver will need to be obtained from CMS to permit the continued operation of the Goldwater building, until all residents can be discharged into suitable care arrangements.

Compliance

Coler-Goldwater Specialty Hospital and Nursing Home is currently in substantial compliance with all applicable codes, rules and regulations.

Recommendation

From a programmatic perspective, contingent approval is recommended.

Financial Analysis

Background

A Memorandum of Understanding (MOU) was executed in September 2010, between the Dormitory Authority of the State of New York (DASNY), North General Hospital (NGH), the New York City Health and Hospitals Corporation (HHC), the City of New York, and the New York State Department of Health, that establishes a plan of action for the use and disposition of NGH properties. The MOU identifies that the main hospital building, located at 1879 Madison Avenue, will be leased to HHC for the use of a federally certified long-term Acute Care Hospital Program (LTACH), which has been filed under a separate CON 102252 and has been superseded by CON 112120. It also states that a former parking lot parcel at the same address will be sold to HHC for the construction of a residential health care facility (RHCF). Development of these facilities will restore significant health care resources to the residents of New York City and specifically to the Harlem community and will be available to residents regardless of income and insurance. Once the renovations to the former North General Hospital building and the RHCF construction is complete, the Goldwater building at One Main Street on Roosevelt Island will be vacated and returned to New York City.

The creation of the replacement facility will be accomplished through the construction of a new 133,855 square foot, 6-story skilled nursing facility, located at the east end of the existing North General Hospital site in East Harlem, Manhattan, New York City. The new 164-bed facility will be comprised of a combination of both single and double rooms, with community space on each residential floor to support the cultural change mission, a community support floor at the first floor with a chapel, public restrooms, meeting/training room, conference room, 4 administrative offices, pantry, salon, art/culinary room, general store, auditorium, library/computer room, music room, family visiting suite, resident property office, community pre-function room and community meeting hall. This floor will also be connected to the building via a patient connection corridor in order to access medical clinics, PT/OT, radiology and procedure rooms. The facility is also proposing a basement tunnel corridor between the two facilities as well in order to provide direct access from the support service departments to the new SNF building. These services include food service, environmental services, materials management, central stores, and laundry and storages areas currently located in the basement of the existing North General Building.

This project is also being proposed because of the 2013 regulation for automatic sprinkler systems to be in all Long Term Care Facilities. The Coler-Goldwater facility on Roosevelt Island currently does not have an automatic sprinkler system and would need to retrofit one into the current facility. The facility has priced the project out and it is estimated to cost approximately \$40 million to properly retrofit the building.

With the building being over 70 years old, it did not seem financially prudent to do this project; that is why the facility has deemed to construct the new facility and close down Roosevelt Island.

Total Project Cost and Financing

Total project cost for Construction, Land Acquisition and the acquisition of movable equipment is estimated at \$136,364,897, itemized as follows:

New Construction	\$87,149,172
Design Contingency	8,714,917
Construction Contingency	4,357,459
Fixed Equipment	930,589
Architect/Engineering Fees	8,056,560
Construction Manager Fees	1,356,474
Other Management Fees	6,923,516
Movable Equipment	5,400,000
IT Equipment	4,026,250
Financing Fees	2,341,000
Interim Interest Expense	6,631,067
CON Application Fee	2,000

CON Processing Fee	<u>745,893</u>
Total Project Cost	<u>\$136,364,897</u>

Project cost is based on a February 15, 2012 start date and 20 month construction period.

Based on the mid-point of construction in 2012, the Bureau of Architectural and Engineering Facility Planning has determined that the respective cost per bed exceeds the appropriate bed cost caps by \$361,976 per bed. As a result, the allowable project cost will be limited to \$77,000,777 for reimbursement.

\$458,000 per bed cap x 132 beds	\$60,456,000
\$458,000 X1.10 vent per bed cap X 32	16,121,600
CON Application Fee	\$2,000
CON Processing Fee	<u>\$421,177</u>
Total Reimbursable Project Cost	\$77,000,777

Total project financing is as follows:

Equity	\$6,363,067
Heal 19 Grant	\$9,840,000
New York City Bond 5.5% 30 years	\$120,161,830

As the project is over the RHCf bed caps, reimbursement of interest expense will be limited to that attributed to \$65,450,661 of borrowing.

Operating Budget

The applicant has provided an operating budget, in 2011 dollars, for the first year subsequent to facility replacement. The budget is summarized as follows:

	<u>Per Diem</u>	<u>Total</u>
Revenue:		
Medicaid	204.20	\$8,962,358
Medicare	613.91	545,155
Commercial	598.50	28,728
Other/Charity Care	15.08	<u>208,682</u>
Total		\$9,744,923
Expenses:		
Operating		24,487,070
Capital		14,228,893
Total		38,715,963
Excess Revenues/(Expense)		<u>(\$28,971,040)</u>

In reviewing the current facility rates for Coler- Goldwater, it appears that the current Medicaid rate is significantly higher than the projected rate. Due to this, the Bureau has deemed it necessary to sensitize the budget projections for the first year of operations.

	<u>Per Diem</u>	<u>Total</u>
Revenue:		
Medicaid	\$371.35	\$16,298,552
Medicare	613.91	545,155
Commercial	598.50	28,728
Other/Charity Care	15.08	<u>208,682</u>
Total		\$17,081,117

Expenses:	
Operating	\$24,487,070
Capital	<u>14,228,893</u>
Total	\$38,715,963
Excess Revenues/(Expense)	<u>(\$21,634,846)</u>

The following is noted with respect to the operating budget:

- Medicare, private pay and other revenues assume current rates of payment.
- Occupancy is projected at 98% for the first year and third years of occupancy which is consistent with historical experience.
- Utilization by payor source is projected as follows:

Commercial	.09%
Medicaid	74.81%
Medicare	1.51%
Charity Care/Private Pay/Other	23.59%

Capability and Feasibility

The issue of capability centers on the applicant's ability to satisfy project cost and working capital requirements. The facility will provide equity of \$6,363,067 from existing resources to fund a portion of project cost. A HEAL 19 grant in the amount of \$9,840,000, and the remainder of the funding, \$120,161,830, will come from New York City bonds with a term of 5.5% at 30 years.

Working capital requirements are estimated at \$6,452,661. Review of BFA Attachment A, financial summary of New York City Health and Hospitals Corporation, reveals an average positive working capital position for the facility. The issue of feasibility centers on the applicant's ability to offset expenses with revenues. The submitted budget indicates that excess expenses of \$28,971,040 would be generated in the first year following replacement. Upon sensitizing the budget, the excess expenses are reduced to \$21,634,846.

The applicant's financial projections indicate losses during the period. HHC will offset these losses from operations, as has been the historical practice with respect to the Coler-Goldwater operation. These losses are a reflection of the mission of HHC and the Coler-Goldwater facility, which is to serve the poor and medically indigent of New York.

HHC relies on supplemental Medicaid Disproportionate Share Hospital and Upper Payment Limit funds to support its operations, which are estimated at \$1,544,750,374 for fiscal year 2012. As shown on BFA Attachment A, HHC has experienced net deficit positions and maintained positive working capital during the period shown. HHC has also experienced negative income from operations and, as part of their "The Road Ahead" restructuring initiative, is implementing the following management initiatives as of May 2010 to increase income from operations:

- Phase I- \$300 million in benefit reduction resulting in a hiring freeze, a reduction in supply costs, improved utilization management, and enhanced collection through improved documentation and coding.
- Phase II- \$300 million in savings through a restructuring program and the implementation of future initiatives to be in place by 2014. These initiatives include this application.

Recommendation

From a financial perspective, contingent approval is recommended.

Architectural Analysis

Review Summary

The decreased project scope will include the construction of a new 133,855 SF, 6-story residential health care facility building which will include ventilator and ventilator-capable beds on the third floor and one resident room per floor structurally capable of supporting bariatric residents. The RHCF will now include three floors (2 through 4) consisting of six private rooms and thirteen semi-private suites (32 beds per floor) and two floors (5 and 6) consisting of six private rooms and fourteen semi-private suites (34 beds per floor). Additionally, the new design allows for culture change principles to be incorporated into the building. Although the initial operation at the site will include dining on one side of the building and living and recreation space on the other side, the building will be designed to allow for the operation of two households on each residential floor.

The location where the new skilled nursing facility will link to the renovated North General will include essential service connections on the lowest level of each building at both the connecting cellar and at the first floor. The entrance for the skilled nursing facility will have its lobby facing the northeast corner of the site towards Park Avenue and 122nd Street. The other public lobby of the campus including the adjacent Long Term Acute Care Hospital in the renovated former North General Hospital building will remain along Madison Avenue to the west.

This project will consist of 133,855 SF of new construction and will include the following:

- Basement (10,882 SF)

The basement will house the tunnel connection to the LTCH, building mechanical spaces, clean linen storage, soiled linen collection, storage room, electrical room, fire pump room, IT services room, elevator machine room and service elevators.

- First Floor (24,561 SF)

The first floor will house the main lobby, chapel, public restrooms, meeting/training room, conference room, 4 administrative offices, pantry, salon, art/culinary room, general store, auditorium, library/ computer room, music room, family visiting suite, resident property office, community pre-function room and community meeting hall. The first floor will also include recreation storage, loading area, receiving room and oxygen storage.

- Second Floor (17,574 SF)

The second floor will consist of 32 beds including 4 private rooms with toilets, 1 private room with shower for isolation, 1 bariatric private room with toilet and ceiling hoist and 13 semi-private rooms. The second floor will also include a living room, dining room, pantry, activity room, central staff station, central bathing, med room, clean linen room, clean workroom, soiled utility room, 2 housekeeping closets and 2 equipment rooms.

- Third Floor (17,574 SF)

The third floor will consist of 32 beds including 20 ventilator dependent beds and 12 beds ventilator capable with medical gases for future expansion. The 20 ventilator bed unit will include 4 private rooms with toilets, 1 private room with shower for isolation, 1 bariatric private room with toilet and ceiling hoist and 7 semi-private rooms. The 12 ventilator capable beds will consist of 6 semi-private rooms. The third floor will also include an activity room for vent, activity room, dining room, pantry, activity room, central staff station, central bathing, med room, clean linen room, clean workroom, soiled utility room, 2 housekeeping closets and 2 equipment rooms.

- Fourth Floor (17,574 SF)

The fourth floor will consist of 32 beds including 4 private rooms with toilets, 1 private room with shower for isolation, 1 bariatric private room with toilet and ceiling hoist and 13 semi-private rooms. The fourth floor will also include a living room, dining room, pantry, activity room, central staff station, central bathing, med room, clean linen room, clean workroom, soiled utility room, 2 housekeeping closets and 2 equipment rooms.

- Fifth Floor (17,574 SF)

The fifth floor will consist of 34 beds including 4 private rooms with toilets, 1 private room with shower for isolation, 1 bariatric private room with toilet and ceiling hoist and 14 semi-private rooms. The fifth floor will also include a living room, dining room, pantry, recreation room, central staff station, central bathing, med room, clean linen room, clean workroom, soiled utility room, 2 housekeeping closets and 2 equipment rooms.

- Sixth Floor (17,574 SF)

The sixth floor will consist of 34 beds including 4 private rooms with toilets, 1 private room with shower for isolation, 1 bariatric private room with toilet and ceiling hoist and 14 semi-private rooms. The sixth floor will also include a living room, dining room, pantry, recreation room, central staff station, central bathing, med room, clean linen room, clean workroom, soiled utility room, 2 housekeeping closets and 2 equipment rooms.

- Penthouse (10,541 SF)

The penthouse will consist of HVAC support, cooling towers, chillers and emergency generator.

Environmental Review

The Department has deemed this project to be a TYPE I Action and the lead agency shall be the county of New York or the authority having jurisdiction.

Recommendation

From an architectural perspective, approval is recommended.

Attachments

BFA Attachment A

Financial Summary New York City Health and Hospitals Corporation

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Balance Sheets

June 30, 2010 and 2009

(In thousands)

Assets	2010	2009
Current assets:		
Cash and cash equivalents		
U.S. government Securities and other investments	\$ 543,114	345,255
Patient accounts receivable, net	98,932	86,133
Premiums receivable	486,465	472,442
Estimated third-party payor settlements, net	110,815	76,749
Estimated pools receivable, net	1,193,550	1,219,750
Grants receivable	—	205,300
Supplies	60,877	97,733
Assets restricted as to use and required for current liabilities	30,423	31,868
Other current assets	55,405	53,110
	<u>27,362</u>	<u>21,119</u>
Total current assets	2,606,943	2,609,459
Assets restricted as to use, net of current portion		
U.S. government Securities and other investments	178,717	205,751
Capital assets, net	13,990	25,993
Deferred financing costs, net	2,810,720	2,667,792
Loan receivable from affiliates, net	14,744	17,174
	<u>—</u>	<u>700</u>
	<u>\$ 5,625,114</u>	<u>5,526,869</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Current installments of long-term debt		
Accrued salaries, fringe benefits, and payroll taxes	\$ 61,607	65,690
Accounts payable and accrued expenses	656,306	591,936
Estimated pools payable, net	400,231	420,546
Due to City of New York	191,500	—
Current portion of postemployment benefits obligation, other than pension	161,857	281,973
	<u>93,000</u>	<u>81,000</u>
Total current liabilities	1,564,501	1,441,145
Long-term debt, net of current installments	901,352	952,885
Postemployment benefits obligation, other than pension, net of current portion	3,688,635	3,182,574
Total liabilities	<u>6,154,488</u>	<u>5,576,604</u>
Commitments and contingencies		
Net assets (deficit):		
Invested in capital assets, net of related debt		
Restricted:	1,871,925	1,704,747
For debt service		
Expendable for specific operating activities	146,430	147,162
Nonexpendable permanent endowments	9,765	10,513
For statutory reserve requirements	928	928
Unrestricted	52,835	44,728
	<u>(2,611,257)</u>	<u>(1,957,813)</u>
Total net assets (deficit)	<u>(529,374)</u>	<u>(49,735)</u>
	<u>\$ 5,625,114</u>	<u>5,526,869</u>

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Statements of Revenues, Expenses, and Changes in Net Assets (Deficit)

Years ended June 30, 2010 and 2009

(In thousands)

	2010	2009
Operating revenues:		
Net patient service revenue	\$ 4,778,845	4,730,872
Appropriations from City of New York, net (287,048	82,460
Premium revenue	1,107,197	946,872
Grants revenue	220,152	240,194
Other revenue	47,323	36,530
Total operating revenues	6,440,565	6,036,928
Operating expenses:		
Personal services	2,611,423	2,515,451
Other than personal services	1,837,224	1,746,420
Fringe benefits and employer payroll taxes	960,706	954,860
Postemployment benefits, other than pension	602,623	332,933
Affiliation contracted services	825,375	771,958
Depreciation	253,419	240,834
Total operating expenses	7,090,770	6,562,456
Operating loss	(650,205)	(525,528)
Nonoperating revenues (expenses):		
Investment income	5,593	13,814
Interest expense	(97,573)	(105,480)
Contributions restricted for specific operating activities	58	173
Total nonoperating expenses, net	(91,922)	(91,493)
Loss before other changes in net assets	(742,127)	(617,021)
Other changes in net assets:		
Capital contributions funded by City of New York	258,507	210,453
Capital contributions funded by grantor and donors	3,981	398
Total other changes in net assets	262,488	210,851
Decrease in net assets	(479,639)	(406,170)
Net assets (deficit) at beginning of year, as previously reported	(49,735)	366,650
Effect of adoption of accounting principle)	---	(10,215)
Net assets (deficit) at beginning of year, as restated	(49,735)	356,435
Net assets (deficit) at end of year	\$ (529,374)	(49,735)

See accompanying notes to financial statements.