



Public Health and Health Planning Council

Project # 121248-C Elderserve Long Term Health Care

County: Westchester (Yonkers)
Purpose: Construction

Program: Certified Home Health Agency
Submitted: April 18, 2012

Executive Summary

Description

The Hebrew Home for the Aged at Riverdale, Inc., a not-for-profit corporation, requests approval to convert its long-term home health care program (LTHHCP), ElderServe Long Term Home Health Care, to a certified home health agency (CHHA). The CHHA would serve a more extensive geographical area, which would operate in all five boroughs of New York City as well as Nassau, Suffolk, and Westchester Counties. The CHHA will provide the following services: Nursing, physical therapy, speech pathology, occupational therapy, medical social services, nutrition and home health aides.

On December 8, 2011, the Public Health and Health Planning Council adopted an amendment to Section 760.5 of Title 10 NYCRR. This emergency regulation authorized the Commissioner of Health to issue a request for applications (RFA) to establish new certified home health agencies, or expand the approved geographic service areas and/or approved population of existing CHHAs. Hebrew Home for the Aged at Riverdale submitted an application in response to the competitive RFA, and was awarded RFA approval. This CON application is in response to the RFA approval.

Effective May 1, 2012, a new Episodic Payment System (EPS) reimbursement methodology to reimburse CHHA providers for services provided to Medicaid patients receiving home care services took effect. The EPS is based on a price for 60-day episodes of care which will be adjusted by patient acuity and regional wage differences. The EPS was recommended by the Medicaid Redesign Team (MRT proposal #5) and authorized in the 2011-2012 enacted budget. The EPS is designed to address the issue of rapid growth in Medicaid costs per patient by better

aligning payments with needed services and is part to a broad effort to promote the development of care management arrangements for Medicaid recipients.

DOH Recommendation
Approval.

Need Summary

The applicant identified neighborhoods that are medically underserved and lack adequate access to home and community-based services or which have high numbers of uninsured and inadequate access to primary care. There are also high rates of asthma, obesity, diabetes, tobacco and alcohol use and hypertension in these neighborhoods. The applicant elaborated on diseases that are most prevalent in the Medicare and dual-eligible populations and described quality of health indicators which demonstrate a high proportion of at risk populations.

Program Summary

The Hebrew Home for the Aged at Riverdale is currently in compliance with all applicable codes, rules and regulations.

Financial Summary

There are no project costs associated with this application.

| | | |
|---------|---------------------|-------------------|
| Budget: | <i>Revenues:</i> | \$ 22,101,803 |
| | <i>Expenses:</i> | <u>21,775,842</u> |
| | <i>Gain/(Loss):</i> | \$ 325,961 |

It appears that the applicant has demonstrated the capability to proceed in a financially feasible manner; and approval is recommended.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this application.

Office of Health Systems Management

Approval conditional upon:

1. Pursuant to 10 NYCRR 762.2(l), the applicant shall implement the project that is the subject of this application within 90 days of receipt of the Commissioner's approval of the application, and be providing services in the entire geographic area approved within one year of the Council's recommendation for approval. Failure to implement an approved application within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the Commissioner's approval. [CHA]

Council Action Date

December 6, 2012.

Need Analysis

Background

On December 8, 2011 the Public Health and Health Planning Council adopted an amendment to Section 750.5 of Title 10, NYCRR authorizing the Commissioner of Health to issue a request for applications (RFA) to establish new certified home health agencies (CHHAs) or expand existing CHHAs. Public need was based on established criteria in section 709.1(a) of Title 10 and that approval of the application will facilitate implementation of Medicaid Redesign Initiatives to shift Medicaid beneficiaries from traditional fee-for-service programs to managed care, managed long term care systems, integrated health systems or similar care coordination models or that approval will ensure access to CHHA services in counties with less than 2 existing CHHAs.

Solicitation

The RFA for the establishment of new or expansion of existing CHHAs was released on January 25, 2012 with RFA applications due on March 9, 2012 and CON applications due on April 20, 2012. Applicants were permitted to submit questions to the Department to seek additional clarification regarding this process. The Department's answers were provided to all applicants prior to the submission deadline, to ensure consistent information was shared regarding the process.

Applicants that were not presented to the Public Health and Health Planning Council with a recommendation for approval at either the August 2012 or October 2012 meetings were considered deferred. The department notified RFA applicants that we are exercising our authority under the RFA Section VII.D.5 to seek clarifications and revisions of applications from those applicants whose applications have been deferred. Letters dated September 17th and 27th were sent to these applicants through NYSECON and included information related to the review and evaluation criteria and characteristics of approved applicants.

Additionally, the opportunity to arrange a meeting or phone conference with the Division of Home and Community Based Services to discuss the RFA criteria that was used to evaluate each application was made available to each applicant

Competitive Review

The applications, including any additional information submitted, are being reviewed by the Department and recommendations are being presented to the Public Health and Health Planning Council.

The CON determination of need was based on the applicant's response to the RFA which includes any additional information submitted by the applicant in response to the aforementioned September 17th and 27th letters. The applications were reviewed on criteria that included, but were not limited to:

- Organizational capacity to successfully implement the MRT initiatives and potential of the proposal to support the goals of the Department in advancing MRT initiatives;
- Knowledge and experience in the provision of home health services;
- Demonstration of public need based on 709.1(a) as well as a description of community need and the health needs of the community supported by data;
- Potential of the approved application to produce efficiencies in the delivery of home care services to the home care population;
- Description of a comprehensive and effective quality assurance plan which described how the agency will use data to implement an ongoing quality assessment and performance improvement program that leads to measurable and sustained improvement in performance.

The Hebrew Home for the Aged at Riverdale is part of a long term health care system which includes nursing homes, a Long Term Home Health Care Program, social adult day care, senior housing, a LHCSA and a managed long term care plan (MLTCP)

The applicant showed that they have the ability to facilitate the mandatory enrollment in MLTCPs. If approved, the service area of their CHHA will be the same as the service area of their approved MLTCP, ElderServe Health, Inc.

Their emphasis will be to avoid over utilization of hospital emergency room services and unnecessary initial patient hospitalization and readmissions. They intend to coordinate patient care with primary care physicians, clinics, nursing homes, hospitals, MLTCPs and others in the immediate community with the goal of an efficient and cost effective delivery of measurable, quality services based on assessed need and outcome analysis.

The Hebrew Home for the Aged at Riverdale described their established relationships with over 500 different community care and service providers as well as multiple local and state governmental agencies. They have participated in efforts to build more integrated health provider information networks, such as the Bronx Regional Health Information Organization (RHIO).

The applicant provided data for each county requested, including age/gender distribution and socio-economic status by county and discussed the disparities and poorer health correlations along with preventable hospitalizations. The proposed Elderserve CHHA intends to extend the culturally sensitive outreach practices for serving the diverse immigrant populations that are currently offered through their other programs to ensure access to these underserved populations.

The applicant identified neighborhoods that are medically underserved and which lack adequate access to home and community-based services or have high numbers of uninsured and inadequate access to primary care. There are also high rates of asthma, obesity, diabetes, tobacco and alcohol use and hypertension in these neighborhoods. The applicant elaborated on diseases that are most prevalent in the Medicare and dual-eligible populations and described quality of health indicators which demonstrate a high proportion of at risk populations. The applicant provided a breakdown of these health status indicators by county that included an analysis of solutions through education, healthcare monitoring, nutritional programs, medication monitoring, home safety modifications, and other prevention strategies they will implement through their programs.

Recommendation

From a need perspective, approval is recommended.

Programmatic Analysis

Background

The Hebrew Home for the Aged at Riverdale is an existing not-for-profit nursing home located at 5901 Palisades Avenue, Riverdale, New York 10471 (Bronx County), which currently operates ElderServe Long Term Home Health Care Program (LTHHCP), just recently relocated from 6 Executive Plaza, Yonkers, New York 10701 (Westchester County), to 890 Garrison Avenue, Second Floor, Bronx, New York 10474 (Bronx County). The LTHHCP is currently approved to serve Bronx, New York, and Westchester Counties. Pursuant to the recent Request for Applications (RFA) for the establishment of new CHHAs or the expansion of existing CHHAs into additional counties, the applicant seeks approval to convert their LTHHCP into a CHHA, and to add Kings, Queens, Richmond, Nassau, and Suffolk Counties to their approved geographic service area. The new CHHA will ultimately replace the existing LTHHCP, will be named The Hebrew Home for the Aged at Riverdale, d/b/a ElderServe Certified Home Health Care Agency, and will be located at the LTHHCP's current location of 890 Garrison Avenue, Second Floor, Bronx, New York 10474 (Bronx County). The applicant is also seeking approval to establish three new additional practice locations / branch offices for the proposed CHHA, to be located at 1484 First Avenue, New York, New York 10075 (New York County), 2555 Ocean Avenue, Brooklyn, New York 11229 (Kings County), and 8002 Kew Gardens Road, Kew Gardens, New York 11415 (Queens County).

The Hebrew Home for the Aged at Riverdale, d/b/a ElderServe Certified Home Health Care Agency will provide the following home health care services: home health aide; medical social services; medical supplies, equipment, and appliances; nursing; nutritional services; occupational therapy, personal care; physical therapy, and speech language pathology.

The Hebrew Home for the Aged at Riverdale, d/b/a ElderServe Long Term Home Health Care Program, is currently in compliance with all applicable codes, rules and regulations.

Recommendation

From a programmatic perspective, approval is recommended.

| |
|---------------------------|
| Financial Analysis |
|---------------------------|

Operating Budget

The applicant has submitted an operating budget for the CHHA, in 2012 dollars, for the first and third years of the CHHA, summarized as follows:

CHHA

| | | |
|----------------------------------|------------------|-------------------|
| | <u>Year One</u> | <u>Year Three</u> |
| Revenues | \$7,165,971 | \$22,101,803 |
| Expenses | <u>7,265,031</u> | <u>21,775,842</u> |
| Excess of Revenues over Expenses | (\$99,060) | \$325,961 |

Expenses during the first year are itemized as follows:

| | <u>Total Cost</u> | <u>Visit/Hours</u> | <u>Cost Per Visit/Hour</u> |
|-------------------------|--------------------|--------------------|--------------------------------|
| Nursing | \$965,197 | 9,246 | \$104.39 |
| Physical Therapy | 408,614 | 4,568 | \$89.45 |
| Occupational Therapy | 83,996 | 939 | \$89.45 |
| Speech Pathology | 21,736 | 243 | \$89.45 |
| Medical Social Services | 230,726 | 2,042 | \$112.99 |
| Nutrition | 15,902 | 136 | \$116.93 |
| Home Health Aide* | <u>5,538,860</u> | 260,982 | \$21.22 |
| Total | <u>\$7,265,031</u> | | |
| <i>*Hours</i> | | | |

Expenses during the third year are itemized as follows:

| | <u>Total Cost</u> | <u>Visit/Hours</u> | <u>Cost Per Visit/Hour</u> |
|-------------------------|---------------------|--------------------|--------------------------------|
| Nursing | \$2,887,382 | 28,572 | \$101.06 |
| Physical Therapy | 1,224,783 | 14,112 | \$86.79 |
| Occupational Therapy | 252,038 | 2,904 | \$86.79 |
| Speech Pathology | 65,614 | 756 | \$86.79 |
| Medical Social Services | 691,865 | 6,312 | \$109.61 |
| Nutrition | 47,655 | 420 | \$113.46 |
| Home Health Aide* | <u>16,606,505</u> | 806,400 | \$20.59 |
| Total | <u>\$21,775,842</u> | | |
| <i>*Hours</i> | | | |

Utilization, itemized by payor source during the first and third years is as follows:

| | | |
|--------------------------|-----------------|-------------------|
| | <u>Year One</u> | <u>Year Three</u> |
| Medicaid Fee-For-Service | 44.18% | 18.83% |
| Medicaid Managed Care | 44.17% | 70.00% |
| Medicare Fee-For-Service | 7.80% | 7.82% |
| Medicare Managed Care | 1.27% | 1.25% |
| Charity Care | 2.58% | 2.10% |

The applicant used a case mix index of 1.00 in their reimbursement rate assumptions.

Expense and utilization assumptions are based on other facilities in the geographical area. Revenues are reflective of current payment rates as well as the recent implementation of the Medicaid Episodic Payment System.

Capability and Feasibility

There are no project costs associated with this application.

Working capital requirements, estimated at \$3,629,307, appear reasonable based on two months of third year expenses. The applicant has indicated that they will provide equity to be derived from operations to meet the working capital requirements. Presented as BFA Attachment A are the 2010 certified financial statements and the 2011 internal financial statements of Hebrew Home for the Aged at Riverdale, which indicates the availability of sufficient funds to meet the working capital equity contribution.

The submitted budget indicates that the applicant will achieve an excess of revenues over expenses of (\$99,060) and \$325,961 during the first and third years of operation, respectively. Revenues are based on current payment rates for Certified Home Health Agencies. The Medicaid Episodic Payment reimbursement rate for labor is projected at \$4,322. The submitted budget appears reasonable.

As shown on Attachment A, the entity had an average positive working capital position and an average positive net asset position during 2010 through 2011. Also, the applicant achieved an average positive change in net assets of \$3,634,530 during 2010 through 2011. The applicant has indicated that they have had a history of being successful in receiving contributions and grants, which average \$4,019,880 during 2010 and 2011.

Based on the preceding, it appears that the applicant has demonstrated the financial capability to proceed in a financially feasible manner; and contingent approval is recommended.

Recommendation

From a financial perspective, approval is recommended.

Attachments

| | |
|------------------|------------------------------------------------------------------------------------------------------------------------|
| BFA Attachment A | 2010 certified financial statement and 2011 internal financial statement of The Hebrew Home For The Aged at Riverdale. |
|------------------|------------------------------------------------------------------------------------------------------------------------|

INTERNAL FINANCIALS
UNAUDITED

THE HEBREW HOME FOR THE AGED AT RIVERDALE

BALANCE SHEET

DECEMBER 31, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|----------------------------------------|-----------------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 4,258,644 | \$ 814,248 |
| Cash - resident funds | 516,637 | 546,143 |
| Investments | 5,107,257 | 5,083,984 |
| Accounts receivable - net | 16,588,438 | 16,070,506 |
| Contributions receivable - current | 134,391 | 589,891 |
| Due from third parties | 7,352 | 1,587,349 |
| Due from related parties | 3,551,755 | 1,992,470 |
| Other current assets | <u>3,080,527</u> | <u>4,105,434</u> |
| Total current assets | <u>33,245,001</u> | <u>30,790,025</u> |
| Assets limited as to use | | |
| Retirement plan investments | 298,645 | |
| Reserve funds | | |
| Replacement reserve fund | 5,774,928 | 5,087,303 |
| Sinking funds | <u>6,801,457</u> | <u>6,064,595</u> |
| Total assets limited as to use | <u>12,875,030</u> | <u>11,151,898</u> |
| Noncurrent assets | | |
| Fixed assets - net | 62,691,255 | 62,684,766 |
| Capitalized museum and art collections | 7,584,717 | 7,531,067 |
| Investments | 2,774,998 | 2,391,223 |
| Due from related parties | 3,190,348 | 2,377,387 |
| Contributions receivable - long term | <u>1,396,002</u> | <u>1,955,794</u> |
| Total noncurrent assets | <u>77,637,320</u> | <u>76,940,237</u> |
| Total assets | <u>\$ 123,757,351</u> | <u>\$ 118,882,160</u> |

INTERNAL FINANCIALS
UNAUDITED

THE HEBREW HOME FOR THE AGED AT RIVERDALE

BALANCE SHEET

DECEMBER 31, 2011 AND 2010

| | 2011 | 2010 |
|----------------------------------------------------------------|-----------------------|-----------------------|
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 21,802,577 | \$ 23,985,272 |
| Accrued pension cost | 1,400,000 | 1,200,000 |
| Resident funds | 516,637 | 546,143 |
| Current portion of annuity obligations | 31,729 | 30,709 |
| Current portion of loans payable and capital lease obligations | 2,794,239 | 2,791,248 |
| Current portion of due to related parties | | 824,854 |
| Current portion of estimated due to third parties | 2,210,387 | 2,297,351 |
| Current portion of mortgages payable | 1,585,177 | 1,495,138 |
| Current portion of retirement benefits payable | 45,763 | 43,416 |
| Total current liabilities | <u>30,386,509</u> | <u>30,222,131</u> |
| Long-term liabilities | | |
| Accounts payable - non current | 220,851 | |
| Annuity obligations | 273,925 | 275,567 |
| Loans payable and capital lease obligations | 3,879,751 | 1,977,605 |
| Due to related parties | 866,244 | 3,091,763 |
| Accrued pension cost | 11,097,598 | 8,917,773 |
| Due to third parties | 3,201,481 | 6,437,392 |
| Mortgages payable | 57,306,346 | 58,891,533 |
| Retirement benefits payable | 1,375,394 | 1,136,308 |
| Total liabilities | <u>113,668,099</u> | <u>110,945,072</u> |
| Net assets (deficit) (Exhibit B) | | |
| Unrestricted | 2,212,145 | (735,841) |
| Temporarily restricted | 3,877,107 | 4,612,929 |
| Permanently restricted | 4,060,000 | 4,060,000 |
| Total net assets | <u>10,149,252</u> | <u>7,937,088</u> |
| Total liabilities and net assets | <u>\$ 123,757,351</u> | <u>\$ 118,882,160</u> |

INTERNAL FINANCIALS
UNAUDITED

THE HEBREW HOME FOR THE AGED AT RIVERDALE
STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

| | 2011 | | | 2010 | | |
|-------------------------------------------------------------------------------------------|---------------|------------------------|---------------|---------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Operating activity | | | | | | |
| Operating revenues | | | | | | |
| Net resident and community programs service revenues | \$ 81,098,382 | | \$ 81,098,382 | \$ 81,788,974 | | \$ 81,788,974 |
| Other revenue | 2,868,253 | | 2,868,253 | 1,204,460 | | 1,204,460 |
| Net investment income | 32,018 | | 32,018 | 17,094 | | 17,094 |
| Contributions and grants | 2,304,184 | | 2,304,184 | 2,421,156 | | 2,421,156 |
| Actuarial change in annuity obligations | (16,996) | | (16,996) | (48,888) | | (48,888) |
| Net assets released from restriction: | 1,625,966 | (1,625,966) | | 1,666,669 | (1,666,669) | |
| Total revenues from operations | 87,911,807 | (1,625,966) | 86,285,841 | 87,049,465 | (1,666,669) | 85,382,796 |
| Operating expenses | | | | | | |
| Salaries and employee benefits | 48,348,728 | | 48,348,728 | 50,163,310 | | 50,163,310 |
| Supplies and expenses (including interest of \$3,663,228 in 2011 and \$3,608,327 in 2010) | 32,339,122 | | 32,339,122 | 30,895,451 | | 30,895,451 |
| Total operating expenses before depreciation and amortization | 80,687,869 | | 80,687,869 | 81,058,761 | | 81,058,761 |
| Net operating profit (loss) before depreciation and amortization: | 7,223,947 | (1,625,966) | 5,597,981 | 5,990,704 | (1,666,669) | 4,324,035 |
| Depreciation and amortization | (6,018,184) | | (6,018,184) | (6,253,016) | | (6,253,016) |
| Net operating profit (loss) | 1,205,763 | (1,625,966) | (420,203) | (262,312) | (1,666,669) | (1,928,981) |

THE HEBREW HOME FOR THE AGED AT RIVERDALE

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

INTERNAL FINANCIALS
UNAUDITED

| | 2011 | | | 2010 | | | | |
|------------------------------------------------|--------------|------------------------|------------------------|---------------|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Nonoperating activity | | | | | | | | |
| Net investment income | \$ 758,167 | \$ 104,844 | \$ | \$ 863,011 | \$ 474,871 | \$ 240,982 | \$ | \$ 715,473 |
| Contributions and grants | 5,163,841 | 788,170 | | 5,952,011 | 1,262,663 | 825,085 | | 2,087,750 |
| Gain on mortgage refinancing | | | | | | | | |
| Bad debt loss | | | | | | | | |
| Net assets released from restrictions | 2,870 | (2,870) | | | 965,588 | (965,588) | | |
| Change in net assets before other changes | 7,130,641 | (735,822) | | 6,394,819 | 2,440,812 | (1,566,570) | | \$74,242 |
| Transfers to related parties | (1,168,637) | | | (1,168,637) | (5,318,421) | | | (5,318,421) |
| Adjustment to reflect pension funded status | (3,014,018) | | | (3,014,018) | (323,517) | | | (323,517) |
| Change in net assets | 2,947,986 | (735,822) | | 2,212,164 | (3,201,136) | (1,566,570) | | (4,767,996) |
| Net assets (deficit) - beginning of year | (735,841) | 4,612,929 | \$ 4,060,000 | 7,937,088 | 2,455,285 | 6,179,499 | \$ 4,060,000 | 12,704,784 |
| Net assets (deficit) - end of year (Exhibit A) | \$ 2,212,145 | \$ 3,877,107 | \$ 4,060,000 | \$ 10,149,252 | \$ (735,841) | \$ 4,612,929 | \$ 4,060,000 | \$ 7,937,088 |