



Public Health and Health Planning Council

Project # 132345-E
Castle Hill Medical Center of New York Inc.

County: Bronx
Purpose: Establishment

Program: Diagnostic & Treatment Center
Acknowledged: December 30, 2013

Executive Summary

Description

Castle Hill Medical Center of New York, Inc., an existing diagnostic and treatment center, proposes to sell 100% of its existing shares. The diagnostic and treatment center is located at 920 Castle Hill Avenue, in the Bronx County, NY.

The applicant currently provides services to include primary medical services and physical therapy services to the residents of Castle Hill, which is located in a section of the Bronx. There will be no programmatic changes.

The new ownership structure is as follows:

<u>Current</u>	<u>Shares</u>
Yardeley Charles, M.D.	200
Gerald Charles	100
<u>Proposed</u>	<u>Shares</u>
Ifran A. Alladin, M.D.	150
Sam Rahat-Muqtadir	150

DOH Recommendation
Approval

Need Summary

Based on the NYSDOH HFIS data, Castle Hill Medical Center of New York (CHMCNY) is an Article 28 Diagnostic and Treatment Center that provides primary medical care services and physical therapy services.

The proposed transfer will not result into any changes to the service area; CHMCNY will continue providing services to their current patients. Also, there will not be any changes into the operations of CHMCNY as a result of the proposed transfer of ownership.

Program Summary

Based on the information reviewed, staff found nothing that would reflect adversely upon the applicants' character and competence or standing in the community.

Financial Summary

There is project costs associated with this application.

Total Budget:	Revenues:	\$1,628,112
	Expenses:	<u>1,526,203</u>
	Gain:	\$ 101,909

The applicant has demonstrated the capability to proceed in a financially feasible manner. The budget appears reasonable.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Health Systems Management

Approval conditional upon:

1. The project must be completed within two years from 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]

Council Action Date

April 10, 2014

Need Analysis

Project Description

Castle Hill Medical Center of New York, Inc. (CHMCNY), an existing proprietary corporation, requests approval to transfer its ownership via a share transfer agreement. CHMCNY is located at 920 Castle Hill Avenue, Bronx, 10473, in Bronx County.

Castle Hill Medical Center of New York currently provides primary medical care services and physical therapy services. The proposed transfer will not result in any changes to the service area, and CHMCNY will continue providing services to their current patients. There will be no changes in the operations of CHMCNY as a result of the proposed transfer of ownership.

Conclusion

As there are no changes in services, there is no impact on need.

Recommendation

From a need perspective, approval is recommended.

Program Analysis

Project Proposal

Castle Hill Medical Center of New York, Inc., an existing Article 28 diagnostic and treatment center which provides primary medical and physical therapy services, seeks to transfer 100% of shares to two (2) new shareholders. There will be no programmatic changes.

Character and Competence

The proposed members are:

<u>Proposed</u>	<u>Percentage</u>
Sam Rahat-Muqtadir - President	50%
Ifraan Alladin, MD – Secretary/Treasurer	50%

Dr. Fattakhov is a practicing physician licensed in New York, New Jersey and Connecticut. He is board-certified in physical medicine and rehabilitation with a subspecialty in pain management and has ownership in two existing ambulatory surgery centers in New Jersey. Mr. Rahat-Muqtadir has over a decade of experience in the management of all aspects of ambulatory healthcare organization operation in titles such as Director of Operations, and more recently, Chief Executive Officer.

Staff from the Division of Certification & Surveillance reviewed the disclosure information submitted regarding licenses held, formal education, training in pertinent health and/or related areas, employment history, a record of legal actions, and a disclosure of the applicant's ownership interest in other health care facilities. Licensed individuals were checked against the Office of Medicaid Management, the Office of Professional Medical Conduct, and the Education Department databases as well as the US Department of Health and Human Services Office of the Inspector General Medicare exclusion database.

Recommendation

Based on the information reviewed, staff found nothing that would reflect adversely upon the applicants' character and competence or standing in the community.

From a programmatic perspective, approval is recommended.

Financial Analysis

Stock Purchase Agreement

The applicant has submitted an executed stock purchase agreement for Castle Hill Medical Center of New York, Inc., which is summarized as follows:

Date: October 15, 2013
Buyer: Ifran A. Alladin, M.D. (150 Shares) and Sam Rahat (150 Shares)
Seller: Yardeley Charles, M.D. (200 Shares) and Gerald Charles (100 Shares)
Assumptions of Buyers: As of the closing date, the buyers shall be entitled to cash; prepaid expenses; fixed assets; accounts receivable; assume all liabilities and debts; accounts payable.
Excluded Assets: The exceptions are tax liabilities related to state and federal or local income taxes to include payroll tax; Medicare or Medicaid overpayments or underpayments, reclaims or all prior billings before the closing date. Any and all legal actions that would have a liability attached after the acquisition. Seller shall indemnify, defend and hold buyers and the company harmless from all losses arising from any of the Excluded Liabilities as more fully set forth in the agreement.
Purchase Price: *\$1,800,000 with \$475,000 "Down Payment"
Member Contribution: Each shareholder will pay the amount proportional to their ownership. Currently \$475,000 is being held in Escrow by Lifshutz, Lifshutz & Associates, P.C. The remainder will be paid at closing after PHHPC approval.

* \$475,000 down payment has already been placed into an escrow account.

The applicant submitted an affidavit 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.

Lease Agreement

The applicant has submitted an executed lease agreement for the site that they will occupy; which is summarized below:

Premises: 6,200 Sq. Ft. located at 920 Castle Hill Ave., Bronx, New York
Lessor: Magna Properties, LTD
Lessee: Castle Hill Medical Center of NY, Inc.
Term: 10 Year Term –Starting January 1st, 2008 thru December 31st, 2018
Rental: \$184,394 (\$29.74 per Sq. Ft.)
Provisions: This will include taxes, utilities, maintenance, and all costs associated with the site.

There is no relationship between the lessor and lessee. The applicant submitted two letters from realtors indicating rent reasonableness.

Operating Budget

The applicant has submitted an operating budget, in 2014 dollars, for the first year of operation, summarized below:

Revenues:	\$1,628,112
Expenses:	
Operating	1,335,514
Capital:	<u>190,689</u>
Total Expenses:	\$ 1,526,203
Excess Revenues:	<u>\$ 101,909</u>
Utilization (Visits):	15,122
Cost Per Visit:	\$ 100.92

Utilization by payor source for outpatient visits for the first year is as follows:

Medicaid Managed Care	6.2%
Medicare Fee-For-Service	30.3%
Medicare Managed Care	0.6%
Commercial Managed Care	57.6%
Private Pay	0.1%
Other	5.2%

Utilization and expense assumptions are based on historical experience of the existing operation.

Capability and Feasibility

The operational stock purchase price is \$1,800,000, which will be satisfied through stockholder equity. The proposed stockholders have already provided \$475,000 as a down payment, which is currently being held in an escrow account. The balance of the purchase price is \$1,325,000, which will be paid from the stockholders equity proportional to their ownership. BFA Attachment B is the personal net worth statements for the proposed members. Sam Muqtadir and Irfan Alladin, M.D. will contribute \$675,000 each from their personal assets.

Working capital requirements, estimated at \$254,368, appear reasonable based on two months' of first year expenses. The proposed working capital requirement will be met through the acquisition of the business. It is expected that there will be approximately \$185,187 in current liquid assets on the balance sheet left from the business exchange, as indicated on BFA Attachment C, and the residual of \$69,181 will be paid out of the personal assets of the shareholders, proportional to their ownership interest. BFA Attachment C is the pro-forma balance sheet of Castle Hill Medical Center of New York, Inc., which indicates a positive shareholders' equity position of \$432,647 as of the first day of operation.

The submitted budget projects a net income of \$101,909 during the first year of operation. Revenues are based on current reimbursement methodologies for primary care and physical therapy services and historical practice of the existing facility. The budget appears reasonable.

BFA Attachment A is the financial summary of Castle Hill Medical Center of New York, Inc. 2012 and 2013 certified financial statements. The Center had an average positive working capital position and a positive net asset position during the period shown. The Center incurred an operating loss in 2012 of (\$87,478) and achieved an operating income of \$31,384 in 2013. The reason for the 2012 loss was due to high salary and administrative costs. The facility was able to increase revenue in 2013, while lowering salary and administrative cost by \$124,553, which allowed the facility to generate an operating gain.

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

Recommendation

From a financial perspective, approval is recommended.

Attachments

BFA Attachment A	Financial Summary, Castle Hill Medical of New York, Inc.
BFA Attachment B	Personal Net Worth Statement, Castle Hill Medical Center of New York, Inc.
BFA Attachment C	Pro-forma - Castle Hill Medical Center, Inc.

CASTLE HILL MEDICAL OF NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

ASSETS

CURRENT ASSETS:

CASH IN BANK		\$	64,251	
ACCOUNTS RECEIVABLE			135,169	
PRE-PAID EXPENSES			2,522	
DUE FROM SHAREHOLDERS			352,633	
TOTAL CURRENT ASSETS		\$	<u>554,575</u>	

FIXED ASSETS:

FURNITURE AND FIXTURES	\$	44,540		
ACCUMULATED DEPRECIATION - FURNITURE AND FIXTURES		<u>(44,540)</u>	\$	0
EQUIPMENT	\$	194,222		
ACCUMULATED DEPRECIATION - EQUIPMENT		<u>(183,124)</u>	\$	11,098
LEASEHOLD IMPROVEMENTS	\$	88,312		
ACCUMULATED DEPRECIATION - LEASEHOLD IMPROVEMENTS		<u>(25,603)</u>	\$	62,709
TOTAL FIXED ASSETS			\$	<u>73,807</u>
TOTAL ASSETS			\$	<u>628,382</u>

LIABILITIES, CAPITAL STOCK AND NET ASSETS

ACCOUNTS PAYABLE	\$	18,722		
OTHER PAYABLE		216		
DUE TO SHAREHOLDERS (211,181		
TOTAL LIABILITIES	\$	<u>230,119</u>		
CAPITAL STOCK		3,000		
NET ASSETS		395,263		
TOTAL LIABILITIES, CAPITAL STOCK AND NET ASSETS	\$	<u>628,382</u>		

CASTLE HILL MEDICAL OF NEW YORK, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2013

REVENUES AND OTHER SUPPORT:

INSURANCE	\$ 1,481,415
REFUNDS	(3,999)
TOTAL REVENUES AND SUPPORT	\$ <u>1,477,416</u>

EXPENDITURES:

SALARY - ADMINISTRATIVE	\$ 114,231
SALARY - FACILITIES	0
SALARY - MEDICAL	655,249
SALARY - THERAPIST	51,000
FICA EXPENSE	58,096
UIB	3,089
MCMT TAX	0
FUTA	1,896
WORKMAN'S COMPENSATION	19,823
HEALTH INSURANCE	70,806
RENT	127,410
MALPRACTICE INSURANCE	17,464
LIABILITY INSURANCE	6,820
EQUIPMENT LEASING/RENTAL	3,742
REPAIRS and MAINTENANCE	33,377
MAINTENANCE	8,470
DATA PROCESSING	29,518
SECURITY	245
UTILITIES	33,221
PROFESSIONAL FEES	14,820
ADMINISTRATIVE CONSULTANT	0
CONTRACTED SERVICES	89,020
TRAINING	0
MEDICAL SUPPLIES	25,161
OFFICE SUPPLIES	27,265
TELEPHONE	28,644
ADVERTISING	1,188
TRAVEL	13,194
DUES and SUBSCRIPTIONS	79
PERIODICALS	0
LICENSES AND PERMITS	639
INTEREST EXPENSE	788
BANK CHARGES	1,982
CORPORATION TAXES	2,500
DEPRECIATION	6,295

TOTAL EXPENDITURES \$ 1,446,032

CHANGES IN NET ASSETS \$ 31,384

NET ASSETS 12/31/13 363,879

PRIOR PERIOD ADJUSTMENT 0

NET ASSETS 12/31/13 \$ 395,263

CASTLE HILL MEDICAL OF NEW YORK, INC.
 STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2012

ASSETS

CURRENT ASSETS:

CASH IN BANK (\$	46,664
ACCOUNTS RECEIVABLE		89,406
PRE-PAID EXPENSES		6,418
DUE FROM SHAREHOLDERS		352,633
TOTAL CURRENT ASSETS	\$	<u>495,121</u>

FIXED ASSETS:

FURNITURE AND FIXTURES	\$	44,540	
ACCUMULATED DEPRECIATION - FURNITURE AND FIXTURES		<u>(44,283)</u>	\$ 257
EQUIPMENT	\$	194,222	
ACCUMULATED DEPRECIATION - EQUIPMENT		<u>(179,351)</u>	\$ 14,871
LEASEHOLD IMPROVEMENTS	\$	88,312	
ACCUMULATED DEPRECIATION -LEASEHOLD IMPROVEMENTS		<u>(23,339)</u>	\$ 64,973
TOTAL FIXED ASSETS	\$		<u>80,101</u>
TOTAL ASSETS	\$		<u>575,222</u>

LIABILITIES, CAPITAL STOCK AND NET ASSETS

ACCOUNTS PAYABLE	\$	14,352
OTHER PAYABLE		2,810
DUE TO SHAREHOLDERS :		191,181
TOTAL LIABILITIES	\$	<u>208,343</u>
CAPITAL STOCK		3,000
NET ASSETS		363,879
TOTAL LIABILITIES, CAPITAL STOCK AND NET ASSETS	\$	<u>575,222</u>

CASTLE HILL MEDICAL OF NEW YORK, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2012

REVENUES AND OTHER SUPPORT:

INSURANCE	\$ 1,683,539
REFUNDS	(6,461)
TOTAL REVENUES AND SUPPORT	\$ <u>1,677,078</u>

EXPENDITURES:

SALARY - ADMINISTRATIVE	\$ 238,784
SALARY - FACILITIES	0
SALARY - MEDICAL	817,353
SALARY - THERAPIST	21,560
FICA EXPENSE	80,794
UIB	6,345
MCMT TAX	1,074
FUTA	1,819
WORKMAN'S COMPENSATION	6,472
HEALTH INSURANCE	61,396
RENT	108,602
MALPRACTICE INSURANCE	11,111
LIABILITY INSURANCE	5,364
EQUIPMENT LEASING/RENTAL	5,106
REPAIRS and MAINTENANCE	14,316
MAINTENANCE	7,701
DATA PROCESSING	26,126
SECURITY	408
UTILITIES	33,256
PROFESSIONAL FEES	39,445
ADMINISTRATIVE CONSULTANT	0
CONTRACTED SERVICES	161,614
TRAINING	239
MEDICAL SUPPLIES	27,590
OFFICE SUPPLIES	35,601
TELEPHONE	17,930
ADVERTISING	1,726
TRAVEL	7,316
DUES and SUBSCRIPTIONS	0
PERIODICALS	0
LICENSES AND PERMITS	1,411
INTEREST EXPENSE	10,000
BANK CHARGES	2,006
CORPORATION TAXES	2,915
DEPRECIATION	9,176

TOTAL EXPENDITURES \$ 1,764,556

CHANGES IN NET ASSETS \$ (87,478)

NET ASSETS 12/31/11 451,357

PRIOR PERIOD ADJUSTMENT 0

NET ASSETS 12/31/12 \$ 363,879

Project 132345
Pro Forma
Castle Hill Medical Center
3/10/2014

Attachment C

ASSETS	

CASH	\$119,395
ACCOUNTS RECEIVABLE	\$105,000
PREPAID EXPENSES	\$5,600
DUE FROM SHAREHOLDERS	\$352,633
FURNITURE AND FIXTURES	\$2,000
EQUIPMENT	\$19,000
LEASEHOLD IMPROVEMENTS	\$70,000
TOTAL ASSETS	<u>\$673,628</u>
LIABILITIES	

ACCOUNTS PAYABLE	\$24,000
OTHER PAYABLE	\$5,800
DUE TO SHAREHOLDERS	<u>\$211,181</u>
TOTAL LIABILITIES	\$240,981
NET ASSET	<u><u>\$432,647</u></u>