



Public Health and Health Planning Council

Project # 141164-B
Glengariff Dialysis Center, LLC

Program: Diagnostic and Treatment Center
Purpose: Establishment and Construction

County: Nassau
Acknowledged: April 17, 2014

Executive Summary

Description

Glengariff Dialysis Center, LLC, requests approval to become the operator of an existing six-station dialysis center, currently operated by Winthrop University Hospital, located at 141 Dosoris Lane, Glen Cove (Nassau County). Upon approval, the center will be known as Glengariff Dialysis Center. The Center is located at Glengariff Health Care Center, a residential health care facility (RHCF).

The current operator, Winthrop University Hospital, entered into an Asset Purchase Agreement with the proposed members of Glengariff Dialysis Center, LLC. There are no anticipated changes in the current operations or physical environment. However, it should be noted that the Department is recommending a condition of approval of the project to be the submission and completion of an application to bring the facility up to current life safety code. The Department feels that continuity of care of the dialysis patients is an important consideration in allowing the change in ownership while a renovation plan is being developed.

Glengariff Dialysis Center, LLC will enter into a Consultative & Administrative Services Agreement with Atlantic Dialysis Management Services, LLC, (ADMS), an entity that has expertise and experience in developing and providing administrative and consulting services to chronic dialysis services.

The current and proposed ownership is as follows:

Current Owners:

Winthrop University Hospital 100%

Proposed Operator:

Glengariff Dialysis Center, LLC	
Vanita Mudgil	33.33 %
Sanjay Ahuja	33.34 %
Namita Mohan	33.33 %

All three proposed members of Glengariff Dialysis Center, LLC have the same ownership interests in Glengariff Healthcare Center.

DOH Recommendation
Contingent Approval

Need Summary

There will be no change in stations or services at this facility. The facility will continue to provide for residents from Glengariff Health Care Center and surrounding community members. Maintaining the facility close to the nursing home mitigates extensive travel for elderly patients.

Program Summary

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

Financial Summary

Total project costs of \$289,875 will be met with equity.

Year 3 Budget: Revenues: \$1,901,482
Expenses: \$1,713,309
Gain/ (Loss) \$ 188,173

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

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

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. Please mail the check to the Bureau of Project Management, Room 1842 Corning Tower, Empire State Plaza, Albany, New York 12237. Once mailed, please upload a copy of the check through the contingencies tab in NYSECON. [PMU]
2. Submission of an executed transfer and affiliation agreement, acceptable to the Department, with a local acute care hospital. [HSP]
3. Submission of an executed Administrative Services Agreement (ASA), acceptable to the Department. [HSP]
4. Submission of an executed Consultative Agreement, acceptable to the Department. [HSP]
5. Submission of an executed building lease acceptable to the Department of Health. [BFA]
6. Submission of an executed asset purchase agreement acceptable to the Department of Health. [BFA]
7. Submission of an acceptable consulting service agreement acceptable to the Department of Health. [BFA]
8. Submission of an executed Operating Agreement that is acceptable to the Department. [CSL]
9. Submission of an executed Article of Organization that is acceptable to the Department. [CSL]
10. Submission of an executed Consultative & Administrative Services Agreement that is acceptable to the Department. [CSL]
11. Submission of an executed Lease Agreement that is acceptable to the Department. [CSL]
12. Submission of an executed Asset Purchase Agreement that is acceptable to the Department. [CSL]
13. Submission of an executed proposed Certificate of Amendment or a Certificate of dissolution, depending on the seller's type of legal entity and whether it will be dissolved following the proposed transfer that is acceptable to the Department. [CSL]

Approval conditional upon:

1. The project must be completed within three 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]
2. The staff of the facility must be separate and distinct from other adjacent entities. [HSP]
3. The signage must clearly denote the facility is separate and distinct from other adjacent entities. [HSP]
4. The entrance to the facility must not disrupt any other entity's clinical program space. [HSP]
5. The clinical space must be used exclusively for the approved purpose. [HSP]
6. Submission, review, and approval of a certificate of need application and completion of construction, to bring the facility up to current life safety code, within three years from the date of the Public Health and Health Planning Council recommendation letter. The applicant shall provide a timeframe with milestones to DOH for review and approval, which includes.
 - a. Preparation of schematic and or conceptual plans for review to BAER within four months of from the date of the Public Health and Health Planning Council recommendation letter.
 - b. Completion of a schematic design submission to Baer.
 - c. Completion of a state hospital code drawings submission to BAER.
 - d. Completion of construction documents
 - e. Bidding

- f. Construction start and ends dates.
- g. In the event the facility does not complete the proposed renovations, it will be required to bring the current six station facility up to current regulatory requirements as indicated in 10 NYCRR Part 711.

Council Action Date

August 7, 2014

Need Analysis

Background

Glengariff Dialysis Center, LLC, is seeking approval to be established as the new owners of a dialysis center operated by Winthrop University Hospital. The facility is a 6 station free standing facility located at 141 Dosoris Lane, Glen Cove, New York, in Nassau County, and is located at Glengariff Health Care Center, a residential health care facility (RHCF). Upon approval, the facility name will be Glengariff Dialysis Center.

Analysis

The primary service area for the dialysis center is Nassau County, which had a population estimate of 1,352,146 for 2013. The percentage of the population aged 65 and over was 15.8%, which was above the state average of 14.1%. The non-white population percentage was 35.9%, which is below the state average of 42.4%. These are the two population groups that are most in need of end stage renal dialysis service. Comparisons between Nassau County and New York State are listed below.

Ages 65 and Over:	15.8%	State Average:	14.1%
Nonwhite:	35.9%	State Average:	42.4%

Source: U.S. Census 2014

Capacity

The Department's methodology to estimate capacity for chronic dialysis stations is specified in Part 709.4 of Title 10 and is as follows:

- One free standing station represents 702 treatments per year. This is based on the expectation that the center will operate 2.5 patient shifts per day at 6 days per week, which can accommodate 15 patients per week (2.5 x 6 x 15 x 52 weeks). This projected 702 treatments per year is based on a potential 780 treatments x 52 weeks x 90% utilization rate = 702. The estimated average number of dialysis procedures each patient receives per year is 156.
- One hospital based station is calculated at 499 treatments per year per station. This is the result of 2.0 shifts per day x 6 days per week x 52 weeks x 80% utilization rate. One hospital based station can treat 3 patients per year.
- Per Department policy, hospital-based stations can treat fewer patients per year. Statewide, the majority of stations are free standing, as are the majority of applications for new stations. As such, when calculation the need for additional stations, the Department bases the projected need on establishing additional free standing stations.
- There are currently 349 free standing chronic dialysis stations operating in Nassau County and there are 44 stations in pipeline.
- Based upon DOH methodology, the 349 free standing stations in Nassau County could treat a total of 1,571 patients annually.

Table 1

	2012		2017	
	Total Patients Treated	Total Residents Treated	*Projected Total Patients Treated	*Projected Residents Treated
	1,917	1,539	2,223	1,733
Free Standing Stations Needed	426	342	494	386
Existing Stations	349	349	349	349
Total Stations (Including Pipeline)	393	393	393	393
Net new stations from this project	0	0	0	0
Total Stations After Approval (Including Pipeline)	393	393	393	393
Unmet Need With Approval	33	-44	101	-7

*Based upon an estimate of a three percent annual increase

The data in the first row, "Free Standing Stations Needed," comes from the DOH methodology of each station being able to treat 4.5 patients, and each hospital station being able to treat 3 patients annually. The data in the next row, "Existing Stations," comes from the Department's Health Facilities Information System (HFIS). "Unmet Need" comes from subtracting needed stations from existing stations. "Total Patients Treated" is from IPRO data from 2011.

Conclusion

The Nassau County area has its need met for dialysis facilities. This facility helps to provide for the necessary area resources and is considered a community asset.

Recommendation

From a need perspective, approval is recommended.

Program Analysis

Program Description

Glengariff Dialysis Center, LLC seeks approval to become the new operator of the existing 6-station nursing home based dialysis center operated by Winthrop University Hospital. There are no significant programmatic changes anticipated as a result of this proposal, however, upon the change in ownership, the new operator will furnish and install new dialyzing machines to provide better efficiency.

Character and Competence

The members of Glengariff Dialysis Center, LLC are:

<u>Name</u>	<u>Percentage</u>
Sanjay Ahuja	33.34%
Vanita Mudgil	33.33%
Namita Mohan	33.33%

All three members of Glengariff Dialysis Center, LLC disclosed over six (6) years of ownership interest in health care facilities. Additionally, Namita Mohan is a licensed Nursing Home Administrator in good standing.

Disclosure information was similarly submitted and reviewed for the Medical Director. Dr. Andrey Goncharuk is board-certified in internal medicine and nephrology. He has spent over 17 years in a private nephrology practice in Nassau County and is also a partner in two (2) dialysis facilities (one each in Nassau and Suffolk Counties).

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.

Additionally, the staff from the Division of Certification & Surveillance reviewed the ten-year surveillance history of all associated facilities. Sources of information included the files, records, and reports found in the Department of Health. Included in the review were the results of any incident and/or complaint investigations, independent professional reviews, and/or comprehensive/focused inspections. The review found that any citations were properly corrected with appropriate remedial action.

Recommendation

From a programmatic perspective, contingent approval is recommended.

Financial Analysis

Asset Purchase Agreement

The change in ownership will be effectuated in accordance with the executed asset purchase agreement, the terms of which are summarized below:

Date:	Upon approval from Department of Health
Buyer:	Glengariff Dialysis Center, LLC
Seller:	Winthrop University Hospital
Assets Acquired:	Six (6) Dialysis Station Machines
Excluded Assets:	None
Liabilities Assumed:	None
Purchase Price:	\$10.00

Winthrop University Hospital is currently eliminating the service to this Center, and the Center is purchasing it to continue services for its residential health care services to maintain continuity.

Lease Rental Agreement

The applicant has submitted a draft lease rental agreement for the site to be occupied, the terms of which are summarized below:

Premises:	923 Square feet located at 141 Dosoris Lane, Glen Cove
Lessor:	Glengariff Healthcare Organization
Lessee:	Glengariff Dialysis Center, LLC
Term:	5 Year (Extension Term Required)
Rental:	\$25,844 annually (\$28.00 per square Ft.)
Provisions:	Waste Removal and linen changes are subject to \$425 per month. Lease includes cable and (7) television sets.

The applicant has indicated via an affidavit that the lease arrangement will be a non-arm's length lease arrangement, as the proposed members are the current owners of the Glengariff Health Care Center. The applicant submitted the current lease that was executed by Winthrop University Hospital, which is the exact same draft they disclosed that will be used for the continuation of services.

Consulting Services Agreement

As part of this project, Glengariff Dialysis Center, LLC will enter into a consulting services agreement with Atlantic Dialysis Management Services, LLC, the terms of which are summarized below:

Provider:	Atlantic Dialysis Management Services, LLC
Facility Operator:	Glengariff Dialysis Center, LLC
Services Provided:	Administrative and non-physician services including personnel training, monitoring and oversight, provide supplies, billing and collection, bookkeeping and accounting, funds management, arrange insurance, administration of policies and procedures, equipment maintenance, quality and utilization controls, maintain licenses, permits and provider numbers and compliance assistance.
Term:	Initial Term of 1 Year subject to renewal.
Compensation:	Year One - \$144,000
Provisions:	Either party with notice may terminate this agreement with 90 days' notice.

Although the agreement provides for the contracting of multiple services, the facility will maintain ultimate authority and responsibility for the conduct of the operation of the facility. Specifically, the operator will retain authority for maintenance of the facility's fiscal stability, level of services and quality of care; hiring and termination of key management personnel such as the administrator; controlling and maintaining books and business records; disposing of assets and incurring of liabilities; adopting and enforcing policies and employment of all professional staff.

The amount of compensation provided for within the Consulting Services Agreement is in compliance with the commercially reasonable standard for such agreements in representative governance for dialysis operations.

Total Project Cost and Financing

Total project cost, which includes movable equipment and CON Fees is estimated at \$289,875 further broken down as follows:

Moveable Equipment	\$211,300
Other Fees (Consultant etc.)	\$ 75,000
Application Fee	\$ 2,000
Processing Fee	<u>\$ 1,575</u>
Total Project Cost	\$289,875

Operating Budget

The applicant has submitted an operating budget for the first and third years of operation. The budget, summarized below, reflects first and third year revenues and expenses in 2014 dollars.

	<u>YEAR ONE</u>	<u>YEAR THREE</u>
Revenues	\$1,069,805	\$1,901,482
Expenses:		
Operating	\$1,154,085	\$1,647,229
Capital	<u>\$ 69,670</u>	<u>\$ 66,080</u>
Total Expenses	\$1,223,755	\$1,713,309
Net Income	<u>\$ (153,950)</u>	<u>\$188,173</u>
Utilization: (Treatments)	3,743	6,552
Cost Per Treatment	\$326.94	\$261.49

Utilization by payor source for the first and third years is as follows:

Medicaid Fee-for-Service	10.00%
Medicare Fee-for-Service	80.00%
Commercial Fee-for Service	10.00%

Expense and utilization assumptions are based on the historical experience of other dialysis facilities in the geographical area.

Capability and Feasibility

The applicant will buy movable equipment totaling \$289,875, using personal equity resources. Working capital requirements are estimated at \$285,552, which appears reasonable based on two months of third year expenses. The applicant will provide equity from the proposed member's personal net worth statements to meet the working capital requirements. BFA Attachment A is the personal net worth statement of the proposed members of Glengariff Dialysis Center, LLC, which reveals the availability of sufficient funds. BFA Attachment B is the pro-forma balance sheet of Glengariff Dialysis Center, LLC as of the first day of operation, which indicates a positive member's equity position of \$573,852 as of the first day of operation.

The submitted budget indicates a net loss of \$153,950 and net income of \$188,173 during the first and third years, respectively. Revenues reflect current reimbursement methodologies for dialysis services and historical experience. Also, the applicant has indicated that Winthrop University Hospital is unable to provide any past financial experience related to this service.

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.

Recommendation

From a financial perspective, contingent approval is recommended.

Attachments

BFA Attachment A Personal Net Worth Statement
BFA Attachment B Pro-forma Balance Sheet

BFA Attachment B
Project 141164

Pro Forma Balance Sheet of
Glengariff Dialysis Center, LLC

ASSETS

Cash	\$285,552
Equipment	211,300
Leashold Improvements	<u>77,000</u>
Total Assets	\$573,852

LIABILITIES

Total Liabilities	<u>\$0</u>
Members Equity	<u><u>\$573,852</u></u>