

STATE OF NEW YORK
PUBLIC HEALTH AND HEALTH PLANNING COUNCIL

SPECIAL ESTABLISHMENT AND PROJECT REVIEW COMMITTEE

AGENDA

June 6, 2019

*Immediately following the Committee on Codes, Regulations and Legislation meeting
(Scheduled to begin at 9:15 a.m.)*

New York State Department of Health Offices 90 Church Street, 4th Floor, Rooms 4A/4B, NYC

I. COMMITTEE ON ESTABLISHMENT AND PROJECT REVIEW

Peter Robinson, Chair

A. Applications for Establishment and Construction of Health Care Facilities/Agencies

Ambulatory Surgery Centers – Establishment/Construct

<u>Number</u>	<u>Applicant/Facility</u>
1. 191117 B	Saratoga Partners North (Saratoga County)



Project # 191117-B
Saratoga Partners North

Program: Diagnostic and Treatment Center
Purpose: Establishment and Construction
County: Saratoga
Acknowledged: March 11, 2019

Executive Summary

Description

Saratoga Partners North, LLC, a to-be-formed limited liability company, requests approval to establish and construct a multi-specialty Article 28 freestanding ambulatory surgery center (FASC) to be located at 4 Medical Park Drive, Malta (Saratoga County). The FASC will be housed in leased space in a to-be-constructed two-story building adjacent to and physically connected to Malta Med Emergent Care, an Article 28 diagnostic and treatment center (D&TC) that provides 24/7 urgent and emergent care services.

Saratoga Partners North Realty, LLC, a to-be-formed limited liability company with common members to the proposed FASC operator, will be the realty owner and landlord to the applicant. The first floor of the new building will house the FASC which will have six operating rooms. The second floor will be dedicated to non-Article 28 activities including private physician offices. The FASC will be named Saratoga Partners North.

The proposed members of Saratoga Partners North, LLC and their ownership percentages are as follows:

Table with 2 columns: Member Name and Ownership Percentage. Includes Albany Medical Center Hospital (25.5%), Saratoga Hospital (25.5%), and Capital Region North, LLC (49.0%) with 18 physician members.

Capital Region North, LLC is an existing New York limited liability company formed in February 2019 that consists of 18 individual orthopedic physician members, each with equal ownership in the company. BFA Attachment B presents a

listing of the members of Capital Region North, LLC.

Two of the applicant members, Albany Medical Center Hospital and Saratoga Hospital, are corporate members of Healthcare Partners of Saratoga, LTD, which operates Malta Med Emergent Care, the Article 28 D&TC.

Jared T. Roberts, M.D., an orthopedic surgeon, will serve as Medical Director. The applicant will enter into a Transfer and Affiliation Agreement with Saratoga Hospital (10.3 miles travel distance) and Albany Medical Center (28.4 miles travel distance).

The Center will enter into a services agreement with Capital Region North, LLC, a member of the applicant, for operational and management advisory services (business office and billing support, human resources, IT support, and compliance issues).

The FASC will focus on providing orthopedic surgeries related to the treatment of conditions resulting from osteoarthritis and related overuse syndromes. According to the applicant, the proposed location will allow for efficient leveraging of the Malta Medical Campus which has the existing D&TC, as well as sports medicine, rehabilitation and athletic training capabilities on-site. Adding an FASC on the campus has the potential to create an all-inclusive destination for the treatment of patients with advanced osteoarthritis.

OPCHSM Recommendation
Contingent Approval

Need Summary

The projected number of procedures is 3,000 in Year One and 4,064 in Year Three, with Medicaid accounting for approximately 4% and Charity Care for approximately 2%, annually.

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 \$18,888,473 will be financed via \$2,149,980 equity (landlord), a \$6,738,493 equipment lease for a seven-year term at 4.26% interest (operator), and a \$10,000,000 bank loan with a 10-year term, 25-year amortization period and variable interest rate estimated at 4.50% to 5.05% (landlord).

The proposed budget is as follows:

	<u>Year One</u>	<u>Year Three</u>
Revenues	\$12,642,700	\$21,032,100
Expenses	<u>11,888,605</u>	<u>19,661,723</u>
Net Income	\$754,095	\$1,370,377

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and 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. Submission of an executed transfer and affiliation agreement, acceptable to the Department, with a local acute care hospital. [HSP]
3. Submission of an executed sublease agreement, acceptable to the Department of Health. [BFA]
4. Submission of an executed services agreement, acceptable to the Department of Health. [BFA]
5. Submission of an executed equipment lease, acceptable to the Department of Health. [BFA]
6. Submission of an executed loan commitment, acceptable to the Department of Health. [BFA]
7. Submission of a working capital loan commitment, acceptable to the Department of Health. [BFA]
8. Submission of a photocopy of an amended and executed Consulting or Administrative Services Agreement, acceptable to the Department. [CSL]
9. Submission of a photocopy of the applicants Articles of Organization, acceptable to the Department. [CSL]
10. Submission of a photocopy of applicants Operating Agreement, acceptable to the Department. [CSL]
11. Submission of State Hospital Code (SHC) Drawings, acceptable to the Department, as described in BAEFP Drawing Submission Guidelines DSG-04. [AER]
12. Submission of Engineering (MEP) Drawings, acceptable to the Department, as described in BAEFP Drawing Submission Guidelines DSG-01. [AER]

Approval conditional upon:

1. The project must be completed within two years from the date of 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. Construction must start on or before November 18, 2019 and construction must be completed by January 8, 2021, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. [PMU]
3. Prior to commencing Total Joint Replacement surgeries, submit the following to the Capital District Regional Office:
 - a. A description of the facility's pre-procedure patient selection process for Total Joint Replacement procedures (i.e. factors assessed and used to determine risk category, process used to carry out assessment and risk determination, delineation of inclusion and exclusion criteria regarding patient to be cared for by the facility, etc.).
 - b. A description of the facility's process for determining safe post-anesthesia discharge and/or home readiness (i.e. the identification of plans for management of potential complications and emergencies associated with procedures performed, sedation/anesthesia administered, and patient population served).
 - c. A description of the facility's discharge plan for patients' post-Total Joint Replacement, including the plan for patients who require greater than 23 hours recovery.

4. For the first half of the year Total Joint Replacement surgeries are performed, submit the number of Total Joint procedures performed at the facility and the number which required discharge to an acute care facility. [HSP]
5. The staff of the facility must be separate and distinct from the staff of other entities; the signage must clearly denote the facility is separate and distinct from other entities; the clinical space must be used exclusively for the approved purpose; and the entrance must not disrupt any other entity's clinical program space. [HSP]
6. The applicant must ensure registration for and training of facility staff on the Department's Health Commerce System (HCS). The HCS is the secure web-based means by which facilities must communicate with the Department and receive vital information. Upon receipt of the Operating Certificate, the Administrator/director that has day-to-day oversight of the facility's operations shall submit the HCS Access Form at the following link to begin the process to enroll for HCS access for the first time or update enrollment information as necessary:
https://www.health.ny.gov/facilities/hospitals/docs/hcs_access_forms_new_clinics.pdf. Questions may be directed to the Division of Hospitals and Diagnostic & Treatment Centers at 518-402-1004 or email: hospinfo@health.ny.gov [HSP]
7. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date
June 6, 2019

Need Analysis

Background

The service area is Saratoga County. The center will have six operating rooms. The number of projected procedures is 3,000 in Year One and 4,064 in Year Three, with Medicaid at approximately 4% and Charity Care at approximately 2%, annually.

The table below shows the number of patient visits at ambulatory surgery centers in Saratoga County for 2017 and 2018.

Specialty Type	Facility Name	Patient Visits	
		2017	2018
Ophthalmology	The New York Eye Surgical Center	3,363	3,439
Pain management	Northway Surgery & Pain Center	10,877	12,058
Multi	OrthoNY Surgical Suites (opened 2/1/19)	N/A	N/A
Gastroenterology	Saratoga-Schenectady Endoscopy Center, LLC	12,232	14,002
Multi	Saratoga Surgery Center (hospital extension clinic) ¹	8,302	8,106
Total Visits		34,774	37,605

¹ 35% of projected procedures are currently being performed at this site

The number of projected procedures is 3,000 in Year One and 4,064 in Year Three. The applicant reports that 24% of projected procedures are currently being performed in either Albany Medical Center or Saratoga Hospital, 35% are currently being performed in a hospital extension clinic operated by Saratoga Hospital, and the remaining 41% are currently being performed in an office-based setting. The table below shows the projected payor source utilization for Years One and Three.

Payor	Year One		Year Three	
	Volume	%	Volume	%
Medicaid FFS	55	2%	82	2%
Medicaid MC	55	2%	81	2%
Medicare FFS	400	13%	569	14%
Private Pay	30	1%	41	1%
Commercial FFS	30	1%	41	1%
Commercial MC	2,370	79%	3,169	78%
Charity Care	60	2%	81	2%
Total	3,000	100%	4,064	100%

The applicant is committed to serving all persons in need without regard to ability to pay or source of payment. Both Albany Medical Center and Saratoga Hospital are members of the proposed center. The center will follow the guidelines of both hospital's outreach programs in providing service to the underinsured. To serve the underinsured population, the center intends to obtain contracts with the following Medicaid Managed Care plans: CCPHP Govt and Fidelis. The center will adopt a financial assistance policy with a sliding fee scale once operational.

Conclusion

Approval of this project will provide an additional resource for ambulatory surgery services for the communities within Saratoga County.

Program Analysis

Program Description

Proposed Operator	Saratoga Partners North, LLC
Doing Business As	Saratoga Partners North
Site Address	4 Medical Park Drive Malta, NY 12020 (Saratoga County)
Surgical Specialties	Multi-Specialty, including but not limited to: Orthopedic Surgery, Joint Surgery, Neurosurgical Surgery
Operating Rooms	6
Procedure Rooms	0
Hours of Operation	Monday through Friday 6 am to 5 pm
Staffing (1st / 3rd Year)	27.5 FTEs / 32.0 FTEs
Medical Director	Jared T. Roberts M.D.
Emergency, In-Patient and Back-up Support Services Agreement and Distance	Saratoga Hospital 11 miles /18 minutes Albany Medical Center 30 miles/35 minutes
After-hours access	Every patient will be provided with the physician's after-hours phone number on their discharge instructions. In addition, the night attendant message on the phone system will instruct all patients how to contact the physician on call or to be directed to the hospital/call 911 in case of emergency.

Character and Competence

Saratoga Partners North, LLC is a physician-hospital joint venture whose members are Capital Region North, LLC; Albany Medical Center Hospital; and The Saratoga Hospital. The members of Capital Region North, LLC are orthopedic surgeons.

Member Name	Interest
Capital Region North, LLC Richard Alfred, MD; R. Alley, MD; Robert Cheney, MD; Cory Czalka, MD; Shankar Das, MD; John DiPreta, MD; Michael Flaherty, MD; Marc Fuchs, MD; Andrew Gerdeman, MD; Robert Hedderman, MD; Jordan Lisella, MD; Andrew Mase, MD; Daniel Phelan, MD; David Quinn, MD; Jared Roberts, MD; James Scheneider, MD, Richard Whipple, MD; George Zanaros, MD	49.0%
Albany Medical Center Frances Albert; Ramundo Archibold, Jr; James Barba; Mary Gail Beibel; Robert Cushing; Joyce Defazio; R. Wayne Diesel; Sharon Duker; Anthony Durante; Peter Elitzer; Steven Frisch, MD; Margaret Gillis; David Golub; Douglas Hamlen; Peter Heerwagen; James Jackson; Rith Mahoney; Morris Massny; Lillian Moy; Jphn Nigro; John O'Connor; Steven Parnes, MD; Daniel Pickett; Havidan Rodriguez; Janice Smith; Jeffrey Sperry; Carolyn Stefanco; Jeffrey Stone; Todd Tidgewell; Omar Usman; Candace Weir	25.5%
The Saratoga Hospital Jared Roberts, MD; Angelo Calbone; Robert Cushing; Susan Dake; Steven Frisch, MD; Miachel Iacolucci; Frank Messa, Donna Montalto; Marianne Murarn; Alan Oppenheim; John Roohan; Theresa Skaine; Keith Stewart; Michael Toohey; Heather Ward; Michael West; Janice White; Kevin Ronayne	25.5%
Total	100%

Saratoga Partners North, LLC will be managed by a Board of Manager consisting of seven managers; two managers each from Albany Medical Center Hospital and The Saratoga Hospital, and three managers from Capital Region North, LLC. The proposed managers are: Steven M Frisch, M.D.; Frances Albert; David Quinn; Michael Flaherty, M.D.; Jared Roberts, M.D.; Angelo Calbone, and Kevin Ronayne.

A Character and Competence Review was conducted on each Board of Directors member of Albany Medical Center Hospital and The Saratoga Hospital, and on each of the 18 physician members of Capital Region North, LLC.

The proposed Medical Director is **Dr. Jared Roberts**. He graduated from Albany Medical College with his degree in Medicine. He completed his residency at Albany Medical Center and his fellowship at Anderson Clinic Total Joint Arthroplasty in Virginia. He is board-certified in Orthopedic Surgery. He is a partner at Capital Region Orthopaedic Associates and serves on the management committee of Capital Region Ambulatory Surgery Center, LLC where he has provided management and oversight.

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.

Dr. Parnes disclosed being named in three medical malpractice cases. In the first case, the patient alleged an error related to a procedure/test/treatment. The claim remains open. In the second case, the patient alleged a complication from a procedure/treatment/test. On November 7, 2017, Dr. Parnes was discontinued from the suit and no payment was made on his behalf. The suit was closed on July 10, 2018. In the final case, the patient alleged that after right and left stapedectomy was performed negligently, that it caused a loss of taste and tongue sensitivity. The case remains open.

Dr. Quinn disclosed being named in a medical malpractice case filed on May 20, 2016 which alleged failure to timely treat and properly perform. No indemnity payment was made. The case was closed on June 5, 2017.

Dr. Zanos disclosed being named in a medical malpractice case filed on April 20, 2012 which alleged a stress fracture after arthroscopic decompression many weeks post-operatively. The case was dismissed by a jury verdict of not guilty against the physician.

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.

Saratoga Hospital Board of Directors disclosed the following affiliations:
Wesley Health Care Center, Inc

- On December 28, 2016 the Department issued a Stipulation and Order (S&O) and a \$10,000 fine to Wesley Health Care Center, Inc for deficient practice related to Quality of Care and Administration identified on a survey concluded on August 22, 2016. Specifically, the facility did not ensure that the resident was provided with care plan interventions, ensure the resident received the estimated amount of fluids necessary to meet their daily needs, and staff was not aware of who was responsible for monitoring intake.
- On March 9, 2016 the Department issued a Stipulation and Order (S&O) and a \$6,000 fine to Wesley Health Care Center, Inc for deficient practice related to multiple deficiencies identified on a survey concluded on September 24, 2015. Specifically, the facility did not ensure that systems were in place to administer, monitor, and supervise residents who required respiratory care to ensure the resident received the proper treatment and care.

- On January 21, 2016 the Department issued a Stipulation and Order (S&O) and a \$12,000 fine to Wesley Health Care Center, Inc for deficient practice related to Quality of Care and Notify of Changes identified on a survey concluded on July 31, 2014. Specifically, the facility did not notify the physician and family representative after a patient fell resulting in injury.

Albany Medical Center Hospital Board of Directors Disclosed the following affiliations:

Greene Meadows Nursing and Rehabilitation Center

- On May 22, 2017 the Department issued a Stipulation and Order (S&O) and a \$10,000 fine to Greene Meadows Nursing and Rehabilitation Center for deficient practice related to Quality of Care multiple deficiencies identified on a survey concluded on July 21, 2016. Specifically, the facility did not ensure that upon changes in the resident's condition on multiple dates, that a qualified person performed a thorough assessment, that a physician was immediately consulted, and that the resident's family was immediately contacted.
- On January 21, 2016 the Department issued a Stipulation and Order (S&O) and a \$18,000 fine to Greene Meadows Nursing and Rehabilitation for deficient practice related to multiple deficiencies identified on a survey concluded on February 3, 2014 and March 2, 2014. The deficiencies identified on February 3, 2014 were Significant Changes in Condition-Complications and/or Life Threatening; Quality of Care Highest Practicable Potential; Quality of Care No Significant Medication Errors; Administration. The deficiencies that were identified on March 2, 2014 were Quality of Care Accident Free Environment. Specifically, the facility failed to ensure that a physician was immediately informed of a significant change in a resident's condition. The facility failed to provide the necessary care and treatment after the resident was given wrong medication. The facility failed to have effective systems in place to ensure that physicians orders were obtained, transcribed, and administered as ordered by the physician. The facility also did not ensure the resident's environment remain as free from accident hazards as possible and that each resident receive adequate supervision and assistive devices to prevent accidents.
- On January 13, 2016 the Department issued a Stipulation and Order (S&O) and a \$10,000 fine to Greene Meadows Nursing and Rehabilitation Center for deficient practice related to Quality of Care Pressure Sores, Prevention, Pressure Sores with Admission identified on a survey concluded on June 6, 2014. Specifically, the facility did not ensure that a resident at risk for developing pressure sores received proper monitoring, a timely dietary assessment, or an updated care plan after the development of pressure sores.
- On January 5, 2016 the Department issued a Stipulation and Order (S&O) and a \$8,000 fine to Greene Meadows Nursing and Rehabilitation Center for deficient practice related to multiple deficiencies identified on a survey concluded on November 3, 2013. Specifically, the facility did not ensure the residents were free from abuse and mistreatment. The facility failed to thoroughly investigate and report to the Department all alleged violations involving abuse, neglect, and mistreatment, including injuries of unknown origin. The Administration failed to ensure staff recognize and report potential abuse of residents resulting in the failure by the nursing home to investigate and protect residents.
- On February 7, 2013 the Department issued a Stipulation and Order (S&O) and a \$1,000 fine to Greene Meadows Nursing and Rehabilitation Center for deficient practice related to Quality of Care multiple deficiencies identified on a survey concluded on February 7, 2013. Specifically, the facility did not provide each resident with sufficient fluids to maintain proper hydration. The facility did not maintain a system to monitor and record the fluid and dietary intake of the residents.

Onondaga Center for Rehabilitation and Nursing

- On November 23, 2018 the Department issued a S&O and \$10,000 fine against Onondaga Center for Rehabilitation and Nursing for deficient practice related to Quality of Care identified on a survey concluded on August 3, 2018. Specifically, the facility did not have a qualified person assess a resident after a fall nor was there a follow up assessment by a qualified person. The RN and physician were not notified timely of the fall.
- On November 23, 2018 the Department issued a S&O and \$2,000 fine against Onondaga Center for Rehabilitation and Nursing for deficient practice related to Multiple Deficiencies identified on a survey concluded on August 31, 2018. Specifically, the facility did not ensure that staff followed policies and procedures to search for a possible missing resident and account for the presence of all residents in the facility when an alarm sounded for a missing resident.

- On April 12, 2018 the Department issued a S&O and \$22,000 fine against Onondaga Center for Rehabilitation and Nursing for deficient practice related to Treatment/Services to Prevent/Heal Pressure Ulcers; Nutrition/Hydration Status Maintenance; Residents are Free from Significant Med Errors identified on a survey concluded on February 9, 2018. Specifically, the facility did not ensure that residents who had pressure ulcers received care and services to promote healing and to prevent new pressure ulcers from developing. The facility did not ensure the residents maintained acceptable parameters of nutritional status or were offered sufficient fluid intake to maintain proper hydration and health. The facility omitted five doses of a narcotic pain reliever from a resident due to unavailability and did not document evidence of the omission. Also, a resident did not receive their insulin due a recommendation of change from the pharmacy that resulted in the insulin being discontinued and the physician not being notified.

Integration with Community Resources

The Applicant will serve all patients needing care, regardless of their ability to pay or the source of payment. The members of the Applicant operate 23 outpatient sites offering primary care and they jointly operate a DTC located next to the proposed facility that offers Urgent Care and primary care on the second floor. Saratoga Partners North will verify benefits for all patients prior to their surgical procedure. If the patient needs additional assistance with their benefits they will be directed to an Outreach Coordinator at either Albany Medical Center or Saratoga Hospital to further assist them.

The facility intends to contract with two Medicaid managed care plans. The Applicant plans to reach out to the underserved community through referral services and patient navigators at the member hospitals.

The facility will utilize an electronic medical record system. The Applicant is considering becoming part of an ACO or Medical Home. The Applicant plans to integrate into a RHIO, HIXNY.

Conclusion

The background review indicates the proposed members have met the standard for approval as set forth in Public Health Law §2801-a(3).

Financial Analysis

Lease Rental Agreement

The applicant submitted a draft sublease rental agreement for the site that they will occupy, summarized below:

Premises:	28,500 square feet located at 4 Medical Park Drive, Malta, New York
Sublessor:	Saratoga Partners North Realty, LLC
Sublessee:	Saratoga Partners North, LLC
Term:	18-year initial term with two extension terms of five years each
Rental:	Years 1-5: \$969,000 annually (\$34.00 per sq. ft.) Years 6-10: \$1,065,900 annually (\$37.40 per sq. ft.) Years 11-15: \$1,172,490 annually (\$41.14 per sq. ft.) Years 16-20: \$1,289,739 annually (\$45.35 per sq. ft.) Years 21-25: \$1,418,713 annually (\$49.78 per sq. ft.) Years 26-28: \$1,560,584 annually (\$49.78 per sq. ft.)
Additional Ground Rent:	Due to the accrual base rent payable by the Landlord under the Ground Lease, the Tenant shall pay the Landlord an annual amount of \$32,775, which shall increase at a rate of 10% at the commencement of each fifth lease year thereafter.
Provisions	The tenant will be responsible for real estate taxes, utilities and maintenance.

Saratoga Partners North Realty, LLC, a to-be-formed limited liability company whose members will be Saratoga Hospital and Albany Medical Center Hospital, will be the owner of the building that will house the FASC and will bear responsibility for financing the building's construction. Accordingly, the sublease

will be a non-arm's length lease arrangement in that the sublessor and sublessee will have common ownership. The sublessor will enter into a ground lease with Saratoga Hospital, the master landlord/ground lessor and member of both the applicant and realty entity. The applicant has submitted letters from two New York real estate brokers attesting to the reasonableness of the per square foot rental.

Services Agreement

The applicant submitted a draft management/administrative services agreement, summarized below:

Company/Contractor:	Capital Region North, LLC
Facility/Operator:	Saratoga Partners North, LLC
Term:	3 years, automatically renews for successive periods of one year each.
Services Provided:	Prepare/deliver to the Board monthly financial package/financial reports; develop timeline and oversee preparation of yearly budgets; review proposed contracts for services; evaluate opportunities to provide new clinical procedures and perform related feasibility analysis; advise as to measurement of financial performance; productivity and expense management; create and oversee a Quality Assurance Program for the Facility; and work directly with Owner's audit firm to approve the timely completion of the annual financial audit of the Facility.
Fee:	\$56,118.33 monthly (\$673,419.96 annually)

The members of Capital Region North, LLC are the orthopedic physicians who will have 49% ownership interests in Saratoga Partners North, LLC. The agreement requires that in conjunction with the performance of its duties, Capital Region North, LLC shall provide the Facility with a dedicated administrator and shall obtain prior written approval from the Facility Operator's Board prior to undertaking any major decisions as defined in Section 3(b) of the agreement.

Total Project Cost and Financing

Total project cost for new construction and the acquisition of moveable equipment is estimated at \$18,888,473 summarized below:

New Construction	\$7,937,313
Site Development	705,504
Design Contingency	1,142,480
Construction Contingency	571,240
Architect/Engineering Fees	712,014
Other Fees (Consultant)	356,250
Moveable Equipment	6,188,493
Telecommunications	550,000
Financing Costs	352,490
Interim Interest Expense	267,382
CON Fee	2,000
Additional Processing Fee	<u>103,307</u>
Total Project Cost	\$18,888,473

Project costs are based on a construction start date of November 18, 2019, and a 15-month construction period.

The applicant's financing plan appears as follows:

Equity (landlord)	\$2,149,980
Equipment Lease (4.26% interest, 7-year term)	6,738,493
Bank Loan	
(landlord, variable interest [est. 4.5% - 5.05%], 10 years, 25-year amortization)	<u>10,000,000</u>
Total	\$18,888,473

Banc of America Public Capital Corp has provided a letter of interest for the equipment lease at the stated terms. Berkshire Bank has provided a letter of interest for the construction loan. A balloon payment estimated at \$7,404,920 would be due after 10 years. Saratoga Hospital has provided a letter attesting that Saratoga Hospital and Albany Medical Center Hospital (proposed members of the to-be-established realty entity) will fund the balloon payment associated with the construction loan. The respective hospitals have sufficient funds to meet the balloon payment.

Operating Budget

The applicant has submitted an operating budget, in 2019 dollars, for the first and third years, summarized below:

	<u>Year One</u>		<u>Year Three</u>	
	<u>Per Proc.</u>	<u>Total</u>	<u>Per Proc.</u>	<u>Total</u>
<u>Revenues</u>				
Medicaid FFS	\$4,597.35	\$252,854	\$5,129.78	\$420,642
Medicaid MC	\$4,597.35	\$252,854	\$5,193.11	\$420,642
Medicare FFS	\$4,424.95	\$1,769,978	\$4,399.49	\$2,503,312
Private Pay	\$4,214.23	\$126,427	\$5,129.78	\$210,321
Commercial FFS	\$4,214.23	\$126,427	\$5,129.78	\$210,321
Commercial MC	\$4,267.58	<u>\$10,114,160</u>	\$5,380.76	<u>\$17,266,862</u>
Total Revenues		\$12,642,700		\$21,032,100
<u>Expenses</u>				
Operating	\$3,056.10	\$9,168,305	\$4,191.61	\$17,034,723
Capital	<u>906.77</u>	<u>2,720,300</u>	<u>646.41</u>	<u>2,627,000</u>
Total Expenses	\$3,962.87	\$11,888,605	\$4,838.02	\$19,661,723
Excess Revenues		<u>\$754,095</u>		<u>\$1,370,377</u>
Procedures		3,000		4,064

* Capital expenses include the following: interest on the working capital loan and equipment lease, depreciation on the equipment, and the lease rental payments/real estate taxes.

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

<u>Payor</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid FFS	2%	2%
Medicaid MC	2%	2%
Medicare FFS	13%	14%
Private Pay	1%	1%
Commercial FFS	1%	1%
Commercial MC	79%	78%
Charity Care	2%	2%

Revenue, expense and utilization assumptions are based on the experience of Capital Region Ambulatory Surgery Center (CRASC), an existing single specialty (orthopedics) FASC where the physicians currently practice. Revenues reflect current reimbursement rates by payor for similar procedures performed by the physicians at CRASC. The Year Three increase in reimbursement reflects the case mix and acuity of the cases anticipated to be performed by Year Three. The operating cost increase is related to the projected 35.5% increase in patient volume with a majority of the increase associated with Total Joint procedures which have a significantly higher medical/surgical supply cost per case. The applicant further indicated they will be adding providers to the practice after Year One and expanding services to include spine procedures. Overall, patient volume is anticipated to increase due to population growth in Saratoga County, especially for older adults.

Capability and Feasibility

Total project cost estimated at \$18,888,473 will be met as follows: \$2,149,980 equity (landlord), a \$6,738,493 equipment lease for a seven-year term with interest at 4.26% (operating entity), and a \$10,000,000 bank loan for a 10-year term and 25-year amortization period at variable interest rate estimated at 4.50% to 5.05% (landlord). Banc of America Public Capital Corp has provided a letter of interest for the equipment lease at the stated terms. Berkshire Bank has provided a letter of interest for the construction loan. The construction loan will have a balloon payment estimated at \$7,404,920 after 10 years. Saratoga Hospital has provided a letter attesting that Saratoga Hospital and Albany Medical Center Hospital (proposed members of the to-be-established realty entity) will fund the balloon payment associated with the construction loan. The hospitals have sufficient funds to meet the balloon payment when due.

Working capital requirements are estimated at \$3,276,954 based on two months of third year expenses. The applicant will fund the working capital via \$1,638,482 equity from the proposed members of Saratoga Partners North, LLC and a bank loan for \$1,638,482 at a variable interest rate (4.5% to 5%) for a five-year term. Berkshire Bank has provided a letter of interest for the working capital loan at the stated terms. BFA Attachments A, C and D are the personal net worth statements of the individual physician members and the certified financial statements of Saratoga Hospital and Albany Medical Center, respectively, which indicate the availability of sufficient funds for the equity contribution to meet the total project cost and working capital equity contributions. The applicant provided an affidavit indicating that equity will be provided disproportionate to ownership interests. BFA Attachment E is the pro forma balance sheet as of the first day of operation, which indicates a positive net asset position of \$1,678,477.

The submitted budget projects an excess of revenues over expenses of \$754,095 and \$1,370,377 during the first and third years. Revenues are based on current reimbursement methodologies for ambulatory surgery services. The submitted budget appears reasonable.

BFA Attachment C is the 2017 certified financial statements and 2018 internal financial statements of Saratoga Hospital and Affiliates. As shown, the entity had an average positive working capital position, an average positive net asset position, and achieved average net income of \$30,647,499 for the 2017 through 2018 period.

BFA Attachment D is the 2017 certified financial statements and 2018 internal financial statements of Albany Medical Center and Related Entities. As shown, the entity had an average positive working capital position, an average positive net asset position, and achieved average net income of \$64,316,000 for the 2017 through 2018 period.

Conclusion

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

Attachments

BFA Attachment A	Personal Net Worth Statement- Proposed individual members
BFA Attachment B	List of members of Capital Region North, LLC
BFA Attachment C	Financial summary- Saratoga Hospital and Affiliates
BFA Attachment D	Financial summary- Albany Medical Center and Related Entities
BFA Attachment E	Pro Forma Balance Sheet

Members of Capital Region North, LLC

<u>Members:</u>	<u>Percentage Owned in CRN</u>
Richard Alfred, MD.	5.56%
R. Maxwell Alley, MD.	5.56%
Robert Cheney, MD.	5.56%
Cory Czajka, MD.	5.56%
Shankar Das, MD.	5.56%
John DiPreta, MD.	5.56%
Michael Flaherty, MD.	5.56%
Mark Fuchs, MD.	5.56%
Andrew Gerdeman, MD.	5.56%
Robert Hedderman, MD.	5.56%
Jordan Lisells, MD.	5.56%
Andrew Morse, MD.	5.56%
Daniel Phelan, MD.	5.56%
David Quinn, MD.	5.56%
Jared Roberts, MD.	5.56%
James Schneider, MD.	5.56%
Richard Whipple, MD.	5.56%
George Zanaros, MD.	5.56%

2nd Level Member	Address	Membership Interest	Percentage Ownership in CRN	Percentage Indirect Ownership in SPN
Richard H. Alfred, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
R. Maxwell Alley, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Robert A. Cheney, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Cory Czajka, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Shankar P Das, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
John D. DiPreta, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Michael A. Flaherty, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Marc D. Fuchs, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Andrew C. Gerdeman, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Robert J. Hedderman, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Jordan M. Lisella, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Andrew S. Morse, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Daniel T. Phelan, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
David E. Quinn, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Jared T. Roberts, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
James M. Schneider, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
Richard R. Whipple, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%
George Zanaros, MD	1367 Washington Ave., Albany, NY	2.72%	5.56%	2.72%

Count of Members	18	100.00%	49.00%
Percent Ownership of SPN	49.00%		

Capital Region North Managers:

- Michael A. Flaherty, MD
- David E. Quinn, MD
- Jared T. Roberts, MD

**Saratoga Hospital and Affiliates
Balance Sheets
December 31, 2018**

CON#191117
BFA Attachment C

Assets	<u>2018</u>	<u>2017</u>	<u>Dec 31 2017</u>	Liabilities and Net Assets:	<u>2018</u>	<u>2017</u>	<u>Dec 31 2017</u>
Current assets:				Current liabilities:			
Cash and cash equivalents	\$89,958,003	\$71,615,886	\$71,615,886	Accounts payable and accrued expenses	\$15,253,066	\$13,815,992	\$13,815,992
Investments	57,554,411	56,201,060	56,201,060	Accrued salaries, wages and related items	24,548,854	19,270,216	19,270,216
Accounts receivable:				Accrued interest payable	162,413	170,854	170,854
Patient Care	43,429,884	37,148,821	37,148,821	Due to third-party reimbursement agencies	5,418,000	3,571,000	3,571,000
Other	<u>3,300,125</u>	<u>3,830,745</u>	<u>3,830,745</u>	Current portion of long term liabilities	<u>5,246,365</u>	<u>4,529,238</u>	<u>4,529,238</u>
	46,730,009	40,979,566	40,979,566	Total current liabilities	50,628,698	41,357,300	41,357,300
Less estimated uncollectibles	<u>10,331,507</u>	<u>9,746,000</u>	<u>9,746,000</u>				
	36,398,502	31,233,566	31,233,566				
Inventories	7,073,443	6,600,789	6,600,789	Long-term liabilities:			
Accrued interest	141,547	115,006	115,006	Other long-term liabilities	7,837,400	5,667,092	5,667,092
Funds held by trustee	459,066	434,139	434,139	Bank loan	0	2,650,000	2,650,000
Prepaid expenses	<u>7,391,032</u>	<u>6,465,767</u>	<u>6,465,767</u>	Capital lease obligations	3,714,724	1,186,353	1,186,353
Total current assets	198,976,004	172,666,213	172,666,213	Mortgage and bonds payable	<u>60,825,118</u>	<u>63,980,945</u>	<u>63,980,945</u>
				Total long-term liabilities, less current portion	72,377,242	73,484,390	73,484,390
Assets whose use is limited :							
By debt agreement	1,688,826	1,688,246	1,688,246				
By board designation	4,832,388	3,362,409	3,362,409				
By donors	<u>4,034,779</u>	<u>4,841,335</u>	<u>4,841,335</u>				
	10,555,993	9,891,990	9,891,990				
Other assets:				Net Assets:			
Pledges receivable, net of current portion	2,293,107	1,454,864	1,454,864	Unrestricted	286,677,775	254,657,983	254,657,983
Loans receivable, net of current portion	1,097	128,657	128,657	Temporarily restricted	5,123,712	5,865,612	5,865,612
Investment in Joint Venture	1,944,715	2,003,677	2,003,677	Permanently restricted	<u>1,475,483</u>	<u>1,450,370</u>	<u>1,450,370</u>
Goodwill	1,381,134	455,000	455,000	Total net assets	293,276,970	261,973,965	261,973,965
Other non current assets	169,353	77,182	77,182				
Other investments	<u>49,894,455</u>	<u>45,013,532</u>	<u>45,013,532</u>				
	55,683,861	49,132,912	49,132,912				
Property, plant and equipment, net							
Property, plant and equipment	367,619,702	345,413,116	345,413,116				
Less accumulated depreciation	<u>(216,552,650)</u>	<u>(200,288,576)</u>	<u>(200,288,576)</u>				
	151,067,052	145,124,540	145,124,540				
Total Assets	\$416,282,910	\$376,815,655	\$376,815,655	Total Liabilities and Net Assets	\$416,282,910	\$376,815,655	\$376,815,655

**Saratoga Hospital and Affiliates
Statements Of Operations
December 31, 2018**

— Month —					— Year To Date —					
Actual	2018 Budget	Variance	%	2017 Actual		Actual	2018 Budget	Variance	%	2017 Actual
Revenues:										
\$30,223,343	\$29,619,472	\$ 603,871	2.0%	\$26,067,389	Patient service revenue - net	\$352,380,950	\$343,076,455	\$ 9,304,495	2.7%	\$318,901,025
0	0	0	0.0%	356,528	(Less) provision for bad debts	0	0	0	0.0%	(5,399,000)
30,223,343	29,619,472	603,871	2.0%	26,423,917	Net Patient Service Revenue	352,380,950	343,076,455	9,304,495	2.7%	313,502,025
1,373,980	1,533,639	(159,659)	-10.4%	910,728	Other revenue	16,018,114	16,055,663	(37,549)	-0.2%	14,369,252
151,058	457,720	(306,662)		302,258	Net assets released	721,941	1,026,000	(304,059)		993,674
31,748,381	31,610,831	137,550	0.4%	27,636,903	Total revenues,gains and other support	369,121,005	360,158,118	8,962,887	2.5%	328,864,951
Expenses:										
15,743,113	16,864,136	1,121,023	6.6%	13,776,753	Salaries and wages	171,942,732	177,224,985	5,282,253	3.0%	146,684,197
2,912,628	3,001,037	88,409	2.9%	1,949,220	Employee benefits	37,470,449	35,405,871	(2,064,578)	-5.8%	29,593,490
10,163,442	9,338,967	(824,475)	-8.8%	10,182,875	Supplies and other	119,671,382	116,399,668	(3,271,714)	-2.8%	111,637,612
1,492,850	1,858,497	365,647	19.7%	942,881	Depreciation and amortization	16,341,263	17,104,114	762,851	4.5%	15,249,608
187,162	186,089	(1,073)	-0.6%	191,010	Interest	2,261,194	2,265,391	4,197	0.2%	2,242,640
30,499,195	31,248,726	749,531	2.4%	27,042,739	Total expenses	347,687,020	348,400,029	713,009	0.2%	305,407,547
1,249,186	362,105	887,081		594,164	Operating margin	21,433,985	11,758,089	9,675,896		23,457,404
Other income (expenses) :										
(48)	-	(48)		420,187	Gifts and bequests	76,836	-	76,836		707,695
(3,409,471)	359,823	(3,769,294)	-1047.5%	287,308	Investment income(loss)	1,286,335	4,317,873	(3,031,538)	-70.2%	7,641,162
590,606	0	590,606		0	Other	6,665,546	4,500,000	2,165,546	48.1%	0
-	-	-		0	Gain(loss) on sale of fixed assets	4,000	-	4,000		15,248
0	0	0		2,066,623	Loss on extinguishment of debt	0	0	0		6,786
(2,818,913)	359,823	(3,178,736)	-883.4%	2,774,118	Total other income	8,032,717	8,817,873	(785,156)	-8.9%	8,370,891
(1,569,727)	721,928	(2,291,655)		3,368,282	Net income	29,466,702	20,575,962	8,890,740		31,828,295
2,139,546	0	2,139,546		1,129,330	Net assets released from restrictions used for purchase of property and equipment	2,553,090	0	2,553,090		2,483,856
0	0	0		10,712,677	Effect of Affiliation	0	0	0		9,249,197
\$569,819	\$721,928	(152,109)		\$15,210,289	Increase in unrestricted net assets	\$32,019,792	\$20,575,962	11,443,830		\$43,561,348



**ALBANY MEDICAL CENTER
BALANCE SHEETS
AS OF DECEMBER 31, 2018**

(\$'s in thousands)

	Center			Hospital			College			Foundation			Eliminations			Total		
	As of 12/31/2016	As of 11/30/2018	As of 12/31/2017	As of 12/31/2018	As of 11/30/2018	As of 12/31/2017	As of 12/31/2018	As of 11/30/2018	As of 12/31/2017	As of 12/31/2018	As of 11/30/2018	As of 12/31/2017	As of 12/31/2018	As of 11/30/2018	As of 12/31/2017	As of 12/31/2018	As of 11/30/2018	As of 12/31/2017
Assets:																		
Current Assets:																		
Cash and Cash Equivalents	19,350	23,017	28,902	96,024	92,738	95,807	9,514	8,321	8,366	11,183	8,785	10,156	-	-	-	136,071	132,861	143,231
Short Term Investments	-	-	-	130,093	125,731	103,451	-	-	-	-	-	-	-	-	-	130,093	125,731	103,451
Receivables, net:																		
Patient Service	-	-	-	118,719	117,806	109,203	17,435	17,210	18,882	-	-	-	-	-	-	136,154	135,016	128,085
Contributions	1	1	3	3,750	3,753	3,753	4,187	4,171	4,182	3,819	4,657	4,016	(7,938)	(7,925)	(7,838)	3,819	4,657	4,016
Inter-institutional	1,325	89,556	1,686	64,655	34,688	18,734	752	71,670	123	-	428	-	(66,732)	(196,322)	(20,543)	-	-	-
Other	781	831	940	4,614	6,558	5,838	21,492	28,443	22,427	37	22	8	-	-	-	86,924	35,654	29,213
Inventories	786	870	161	21,001	20,154	18,247	404	337	397	-	-	-	-	-	-	22,191	21,381	18,805
Prepaid Expenses and Other	5,779	7,257	5,807	6,649	7,359	5,987	6,438	4,068	5,369	163	223	124	-	-	-	19,029	18,907	17,097
Total Current Assets	28,022	121,532	37,299	445,505	408,767	361,030	60,222	134,220	59,746	15,202	14,115	14,304	(74,670)	(204,247)	(28,481)	474,281	474,387	443,898
Assets Whose Use is Limited:																		
Under Bond Indenture	177	177	164	25,751	25,474	20,950	-	-	-	-	-	-	-	-	-	25,928	25,651	21,134
Self insurance funds	-	-	-	98,489	94,128	101,385	2,447	2,221	6,032	-	-	-	-	-	-	100,938	96,349	107,417
Other limited use assets	-	-	-	-	-	-	1,269	1,222	1,969	-	-	-	-	-	-	1,269	1,222	1,969
Property, Plant & Equip., net	136,421	137,030	130,057	490,260	490,588	471,410	74,979	74,783	75,176	6	7	8	-	-	-	701,666	702,408	676,651
Investments	1,503	1,503	899	19,959	19,534	20,895	147,853	144,884	153,383	119	119	117	-	-	-	169,434	166,040	175,304
Student Loan Receivables	-	-	-	-	-	-	4,085	4,156	5,063	-	-	-	-	-	-	4,085	4,156	5,063
Contributions Receivable, noncurrent	-	-	-	5,503	5,505	5,505	8,441	6,441	6,441	9,075	9,103	7,887	(11,944)	(11,946)	(11,946)	9,075	9,103	7,887
Inter-institutional, noncurrent	50,719	64,268	51,573	96,638	124,643	89,215	-	-	-	-	-	-	(147,357)	(168,931)	(140,788)	-	-	-
Accrued pension asset	808	3,248	2,848	3,177	17,887	15,144	4,405	13,745	12,238	-	-	-	-	-	-	6,390	34,880	30,230
Other Assets noncurrent	31,879	31,879	31,900	11,912	12,950	12,329	13,121	16,125	15,978	5,102	5,484	5,895	-	-	-	62,014	66,438	66,102
Total Assets	249,529	359,657	254,760	1,197,194	1,199,476	1,097,863	314,822	397,797	336,036	29,504	28,828	28,211	(233,971)	(405,124)	(181,215)	1,557,078	1,580,634	1,535,655
Liabilities & Net Assets																		
Current Liabilities																		
Maturities of Long Term Debt	3,005	2,997	2,720	27,711	27,114	22,973	-	-	-	-	-	-	-	-	-	30,716	30,111	25,693
Accounts Payable	9,651	11,853	8,995	46,501	45,030	55,721	4,361	2,945	5,440	99	32	168	-	-	-	60,612	59,860	70,324
Inter-institutional Payable	3,235	85,359	18,735	63,408	38,403	1,733	-	71,865	-	89	895	75	(66,732)	(196,322)	(20,543)	-	-	-
Deferred Revenue	585	614	465	32,021	34,256	20,075	18,978	22,179	19,388	-	-	-	-	-	-	51,584	57,049	39,928
Other	21,063	16,601	16,690	54,877	67,270	81,871	43,402	40,035	40,377	756	573	705	-	-	-	120,098	124,479	119,643
Total Current Liabilities	37,539	117,424	47,605	224,518	212,973	162,373	66,741	137,024	65,205	944	1,300	948	(66,732)	(196,322)	(20,543)	263,010	271,499	255,586
Long Term Debt																		
Federal Loan Program	68,497	68,731	71,421	420,255	417,242	390,408	-	-	-	-	-	-	-	-	-	488,752	485,973	461,829
Inter-institutional Payable, noncurrent	89,574	117,842	83,576	-	-	-	4,383	4,383	8,050	-	-	-	-	-	-	4,383	4,383	6,050
Pension costs	-	-	-	-	-	-	49,900	63,418	52,558	7,883	7,671	4,654	(147,357)	(188,931)	(140,788)	-	-	-
Other Liabilities, Long Term	37,684	38,820	38,229	26,898	20,195	21,592	8,323	4,566	5,011	5,414	5,686	6,172	-	-	-	76,119	69,267	71,004
Prof. Liability Self Insurance Reserve	-	-	-	77,081	75,057	86,783	38,932	37,542	34,825	-	-	-	-	-	-	116,013	112,599	101,588
Total Liabilities	233,294	342,817	240,831	748,552	724,567	641,136	166,279	246,933	163,649	14,241	14,657	11,774	(214,089)	(385,253)	(161,331)	948,277	943,721	896,059
Net Assets																		
Unrestricted	16,218	16,824	13,911	418,799	445,001	425,796	16,677	19,579	35,323	(7,979)	(7,811)	(5,734)	-	-	-	445,715	473,593	469,296
Temporarily Restricted	17	16	18	27,620	27,685	28,712	54,787	56,280	63,388	17,008	16,108	15,588	(13,964)	(14,313)	(13,617)	85,488	85,776	94,069
Permanently Restricted	-	-	-	2,223	2,223	2,219	75,078	75,005	73,698	6,234	5,874	6,583	(5,918)	(5,598)	(6,267)	77,818	77,544	75,231
Total Net Assets	16,235	16,840	13,929	448,642	474,909	456,727	148,543	150,864	172,367	15,263	14,171	16,437	(19,882)	(19,971)	(18,884)	608,001	636,913	639,586
Total Liabilities & Net Assets	249,529	359,657	254,760	1,197,194	1,199,476	1,097,863	314,822	397,797	336,036	29,504	28,828	28,211	(233,971)	(405,124)	(181,215)	1,557,078	1,580,634	1,535,655



**ALBANY MEDICAL CENTER
STATEMENT OF OPERATIONS
YEAR-TO-DATE THROUGH DECEMBER 31, 2018**

(\$'s in thousands)

	Center			Hospital			College			Foundation			Eliminations			Total		
	Actual	vs. Budget	vs. Prior Yr.	Actual	vs. Budget	vs. Prior Yr.	Actual	vs. Budget	vs. Prior Yr.	Actual	vs. Budget	vs. Prior Yr.	Actual	vs. Budget	vs. Prior Yr.	Actual	vs. Budget	vs. Prior Yr.
Revenues:																		
Net Inpatient Service Revenue	-	-	-	750,533	256	10,440	-	-	-	-	-	-	-	-	-	750,533	256	10,440
Net Outpatient Service Revenue	-	-	-	266,737	8,201	28,953	-	-	-	-	-	-	-	-	-	266,737	8,201	28,953
Net Medical Service Income	-	-	-	-	-	-	219,174	(12,160)	(5,241)	-	-	-	-	-	-	219,174	(12,160)	(5,241)
Patient Service Revenue	-	-	-	1,017,270	8,457	39,393	219,174	(12,160)	(5,241)	-	-	-	-	-	-	1,236,444	(3,703)	34,152
Provision for Bad Debts	-	-	-	-	16,679	15,550	-	6,751	6,166	-	-	-	-	-	-	-	23,430	21,716
Patient Revenue net of Bad Debt	-	-	-	1,017,270	25,136	54,943	219,174	(5,409)	925	-	-	-	-	-	-	1,236,444	19,727	55,868
Tuition and Fees	-	-	-	-	-	-	39,611	1,355	681	-	-	-	-	-	-	39,611	1,355	681
Net Indirect Cost Recovery & Gifts	-	-	-	-	-	-	6,300	1,135	90	14,647	3,737	(4,267)	(14,355)	(3,747)	2,001	6,592	1,125	(2,176)
Other Revenue	213,504	4,871	13,629	66,240	7,163	13,511	139,247	2,770	(11,374)	1,495	844	418	(271,626)	(7,907)	(2,764)	148,860	7,741	13,420
Total Other Revenue	213,504	4,871	13,629	66,240	7,163	13,511	185,158	5,260	(10,603)	16,142	4,581	(3,849)	(285,981)	(11,654)	(763)	195,063	10,221	11,925
Total Operating Revenues	213,504	4,871	13,629	1,083,510	32,299	68,454	404,332	(149)	(9,678)	16,142	4,581	(3,849)	(285,981)	(11,654)	(763)	1,431,507	29,948	67,793
Expenses:																		
Salaries and Related	85,329	(518)	(1,567)	361,597	(1,366)	(19,767)	245,388	658	(1,618)	1,940	10	26	(34,609)	-	2,266	659,645	(1,236)	(20,660)
Employee Benefits	15,497	(257)	(1,055)	55,951	1,317	(88)	33,666	234	204	330	(2)	44	-	-	-	105,444	1,292	(895)
Supplies and Related	25,810	840	(3,098)	259,054	(13,138)	(19,575)	19,470	(1,570)	4,252	486	28	(2)	(607)	240	24	304,213	(13,600)	(18,399)
Purchased Services	36,696	(1,283)	(995)	291,094	(1,697)	(13,499)	68,498	(1,018)	(800)	1,586	2	21	(226,291)	6,926	(3,482)	171,583	2,930	(18,755)
Depreciation and Amortization	17,611	50	(2,346)	56,652	1,552	(2,106)	12,214	(1,682)	(1,648)	-	-	-	-	-	-	86,477	(80)	(6,100)
Interest	3,272	224	(97)	22,246	228	(309)	255	(134)	(85)	10	(9)	(7)	-	-	(12)	25,783	309	(510)
Provision for Bad Debts	-	-	-	-	-	-	-	-	-	885	(110)	20	(650)	103	(10)	15	(7)	10
Other Expense	25,440	44	701	10,365	(116)	(4,427)	42,212	415	814	512	165	946	(10,971)	170	2,740	67,558	678	774
Gift Distributions	-	-	-	-	-	-	-	-	-	10,988	(2,422)	(682)	(10,988)	2,350	682	-	(72)	-
Total Operating Expenses	209,655	(900)	(8,457)	1,056,959	(13,240)	(59,771)	421,703	(3,097)	1,119	16,517	(2,338)	366	(284,116)	9,789	2,208	1,420,718	(9,786)	(64,535)
Total Operating Margin	3,849	3,971	5,172	26,551	19,059	8,683	(17,371)	(3,246)	(8,559)	(375)	2,243	(3,483)	(1,865)	(1,865)	1,445	10,789	20,162	3,258
Other Non Operating	(1,589)	(4,295)	(3,231)	19,164	18,356	18,979	(8,531)	(9,390)	(9,281)	-	-	-	-	-	-	9,044	4,671	6,467
Non Operating Gains & (Losses)	(1,589)	(4,295)	(3,231)	19,164	18,356	18,979	(8,531)	(9,390)	(9,281)	-	-	-	-	-	-	9,044	4,671	6,467
Excess (deficiency) of Revenues over Expenses	2,260	(324)	1,941	45,715	37,415	27,662	(25,902)	(12,636)	(17,840)	(375)	2,243	(3,483)	(1,865)	(1,865)	1,445	19,833	24,833	9,725

ALBANY MEDICAL CENTER
AND RELATED ENTITIES

Combining Balance Sheet

December 31, 2017

(Dollars in thousands)

Assets	2017 Combining information								
	Combined total	Center							
		Eliminations	Center and other	CMH	Saratoga	MMEC	AMCH	College	Foundation
Current assets:									
Cash and cash equivalents	\$ 229,117	—	28,903	12,174	71,933	1,796	95,807	8,366	10,138
Investments	165,988	—	—	5,875	56,662	—	103,451	—	—
Receivables, net:									
Patient service	170,893	—	—	14,164	27,403	1,241	109,203	18,882	—
Contributions	4,897	—	—	—	881	—	—	—	4,016
Interinstitutional receivables	—	(32,565)	2,341	—	1,962	—	23,066	5,196	—
Other	26,383	—	287	—	785	—	3,767	21,536	8
	202,173	(32,565)	2,628	14,164	31,031	1,241	136,036	45,614	4,024
Inventories	27,754	—	161	2,111	6,644	193	18,248	397	—
Prepaid expenses and other current assets	27,441	—	5,607	2,996	7,016	332	5,997	5,369	124
Total current assets	652,473	(32,565)	37,299	37,320	173,286	3,562	359,539	59,746	14,286
Assets whose use is limited:									
Under bond indenture agreements	28,103	—	184	5,281	1,688	—	20,950	—	—
Self-insurance funds	107,417	—	—	—	—	—	101,385	6,032	—
Other investments	11,208	—	—	4,853	4,386	—	—	1,969	—
	146,728	—	184	10,134	6,074	—	122,335	8,001	—
Property and equipment, at cost, net of accumulated depreciation and amortization	875,856	—	130,057	51,672	145,167	2,367	471,409	75,176	8
Investments, long term	220,336	—	899	—	45,014	—	20,895	153,393	135
Other assets:									
Student loan receivables	5,063	—	—	—	—	—	—	5,063	—
Deferred compensation agreements	35,170	—	31,808	—	3,362	—	—	—	—
Contributions receivable, noncurrent	8,782	—	—	—	895	—	—	—	7,887
Assets held in charitable trusts	4,037	—	—	—	455	—	—	—	3,582
Accrued pension asset, AMC	30,230	—	2,848	—	—	—	15,144	12,238	—
Other assets	31,221	(3,482)	83	1,579	2,665	—	11,939	16,124	2,313
Interinstitutional receivables, noncurrent	—	(152,734)	51,573	—	—	—	94,720	6,441	—
Total other assets	114,503	(156,216)	86,312	1,579	7,377	—	121,803	39,866	13,782
Total assets	\$ 2,009,896	(188,781)	254,751	100,705	376,918	5,929	1,095,981	336,182	28,211

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**
Combining Balance Sheet (continued)
December 31, 2017
(Dollars in thousands)

Liabilities and Net Assets	2017 Combining information								
	Center								
	Combined total	Eliminations	Center and other	CMH	Saratoga	MMEC	AMCH	College	Foundation
Current liabilities:									
Current maturities of long-term debt	\$ 33,979	—	2,720	3,211	4,529	546	22,973	—	—
Payables:									
Accounts payable	94,247	—	9,902	11,333	11,165	519	55,721	5,440	167
Interinstitutional payables	—	(24,627)	18,735	1,089	1,032	799	2,896	—	76
Accrued expenses:									
Salaries and related items	63,808	—	4,788	5,786	11,785	—	21,097	20,352	—
Compensated absences	51,063	—	4,889	4,649	7,486	—	18,093	15,946	—
Deferred revenue	38,036	—	465	435	—	—	17,748	19,388	—
Other liabilities	38,212	—	6,106	1,227	3,742	—	22,353	4,079	705
Total current liabilities	319,345	(24,627)	47,605	27,730	39,739	1,864	160,881	65,205	948
Long-term debt, net of current maturities	550,286	—	71,421	20,057	67,817	583	390,408	—	—
Federal loan programs	6,050	—	—	—	—	—	—	6,050	—
Interinstitutional payables, noncurrent	—	(140,788)	83,576	—	—	—	—	52,558	4,654
Other liabilities, long-term	84,605	—	38,220	8,187	5,667	—	21,202	5,157	6,172
Accrued pension obligation, CMH	3,963	—	—	3,963	—	—	—	—	—
Professional liability self-insurance reserve	103,188	—	—	—	1,600	—	66,763	34,825	—
Total liabilities	1,067,437	(165,415)	240,822	59,937	114,823	2,447	639,254	163,795	11,774
Net assets (deficit):									
Unrestricted	762,650	(3,482)	13,911	38,334	255,020	3,482	425,796	35,323	(5,734)
Temporarily restricted	100,703	(13,617)	18	1,009	5,625	—	28,712	63,368	15,588
Permanently restricted	79,106	(6,267)	—	1,425	1,450	—	2,219	73,696	6,583
Total liabilities and net assets	\$ 2,009,896	(188,781)	254,751	100,705	376,918	5,929	1,095,981	336,182	28,211

See accompanying independent auditors' report.

ALBANY MEDICAL CENTER
AND RELATED ENTITIES

Combining Statement of Operations and Changes in Net Assets

Year ended December 31, 2017

(Dollars in thousands)

	2017 Combining information								
	Combined total	Center							
		Eliminations	Center and other	CMH	Saratoga	MMEC	AMCH	College	Foundation
Operating revenue:									
Patient service revenue, net	\$ 1,683,622	—	—	146,973	318,901	17,228	977,875	222,645	—
Net provision for uncollectible accounts	(30,977)	—	—	(3,028)	(5,399)	(835)	(15,549)	(6,166)	—
Patient service revenue, less provision for uncollectible accounts	1,652,645	—	—	143,945	313,502	16,393	962,326	216,479	—
Tuition and fees	40,983	—	2,049	—	—	—	—	38,934	—
Federal, state, and local grants and contracts	30,325	—	39	1,339	389	—	14,014	14,544	—
Private gifts, grants, and contracts	8,206	—	6	—	—	—	65	5,577	2,558
Interest and dividend income	8,328	(65)	62	—	—	—	6,554	1,717	60
Interinstitutional revenue	—	(285,146)	166,556	1,178	7,801	—	10,955	98,006	650
Other revenue	44,498	(2,789)	6,788	12,994	6,808	21	19,548	1,128	—
Net assets released from restrictions used for operations	19,206	—	—	349	994	—	3,568	12,879	1,416
Total operating revenue	1,804,191	(288,000)	175,500	159,805	329,494	16,414	1,017,030	389,264	4,684
Operating expenses:									
Salaries	869,578	—	82,878	79,492	149,533	487	311,366	243,858	1,964
Employee benefits	151,279	—	14,391	16,113	29,593	—	56,859	33,948	375
Supplies	375,136	—	22,393	18,474	69,320	1,931	239,304	23,570	144
Purchased services	202,625	—	32,713	15,846	34,860	1,939	84,231	31,283	1,753
Interinstitutional expense	—	(285,146)	1,579	4,809	1,945	8,530	227,467	40,436	380
Depreciation and amortization	103,168	—	15,191	6,889	15,261	711	54,547	10,566	3
Interest	27,825	(65)	2,459	1,068	2,243	27	21,927	161	5
Other expenses	41,474	—	4,191	16,809	3,124	—	2,814	14,274	262
Total operating expenses	1,771,085	(285,211)	175,795	159,500	305,879	13,625	998,515	398,096	4,886
Operating margin (loss)	33,106	(2,789)	(295)	305	23,615	2,789	18,515	(8,832)	(202)
Nonoperating gains (losses):									
Net realized gains (losses) on sales of investments	8,217	—	—	521	7,696	—	—	—	—
Other, net	3,725	—	605	1,534	757	—	131	698	—
Total nonoperating gains (losses), net	11,942	—	605	2,055	8,453	—	131	698	—
Excess (deficiency) of revenue over expenses, before effect of affiliation and other changes, net	\$ 45,048	(2,789)	310	2,360	32,068	2,789	18,646	(8,134)	(202)

Pro Forma Balance Sheet

ASSETS:

Cash	\$3,276,954
Moveable Equipment	<u>6,778,493</u>
TOTAL ASSETS	\$10,055,447

LIABILITIES:

Equipment Lease	\$6,738,493
Working Capital Loan	<u>1,638,477</u>
TOTAL LIABILITIES	\$8,376,970

NET ASSETS	\$1,678,477
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