

HEAL NY Phase II -- Capital Restructuring Initiatives

Questions and Answers

July 19, 2006

A new form is required for applications with multiple participants.

The Multiple Provider Consent Form

There is also an updated checklist to use which incorporates the use of this new form.

The new Checklist replaces Attachment #5

Both Documents can be found in the HEAL NY section of the DOH Website

1. If the proposed capital project involves construction that will occur on both the property of a hospital and the property of a nursing home (adjoining buildings of affiliated organizations), then who should be considered the grant applicant and are there any other considerations that must be taken into account for the grant application?

Grant applications can be submitted by single entities or be submitted by multiple provider entities any one of which can be designated as the “lead grant applicant”. Also, depending upon how these two organizations are affiliated, which may be through an article 28 active parent corporation, the parent company could potentially be the applicant.

2. If a project crosses regions (for example, the project involves restructuring two facilities in two different regions), which region should be identified in the application and how will the State decide from where to take the grant funds?

The applicant should determine the regional designation basing their decision on which community is to be served most by the project. Applicants are reminded that evaluation of community need is a component of the scoring.

3. For single provider submissions, will multiple projects be considered in one application?

Yes. Multiple “projects” collectively meeting the objectives of the RGA can be grouped in a single application

4. Our understanding from the discussion at the bidder's conference is that only capital expenses incurred after Oct 1, 2006 will be allowed for grant purposes. If the award is granted after Oct 1, 2006 will capital expenses incurred starting Oct 1, 2006 be allowed?

Capital expenses will be allowed beginning only with the start date of the individual applicant's GDA.

5. Section 1.5, requires all reimbursable and matching costs to be incurred during the period of time specified in the Grant Disbursement Agreement. Does this mean that the project must be completed in this timeframe or simply that the amount of funding received from the Grant proceeds will be limited to those costs incurred during this time frame. (10/1/2006-9/30/2008)?

Based on Section 1.5 Project Timeframes of the RGA, the entire project identified in the grant application must be completed in the timeframes specified.

If the project is multistage, and you are including only one stage in your proposal, you will need to complete that stage in the timeframes identified in 1.5; however, all of the other stages do not need to be completed at that time. Also, the project in its' entirety must meet the goals of the RGA. The included stage in itself must meet all the eligibility requirements and objectives of HEAL NY Phase 2 must have programmatic value.

6. On page 5 of the RGA and elsewhere, Assisted Living Programs and Adult Day Health Care are specifically highlighted as alternatives to institutional long-term care. Are these only the only permissible alternatives or will the Department entertain applications for acquisition, construction, reconstruction, equipment and information technology costs associated with the conversion of nursing home beds to other alternatives such as hospice rehabilitation services, or other services?

If the Department will allow applications related to other long-term care alternatives, is there a preference for Assisted Living and Adult Day health Care? Are certain other alternatives not under consideration?

Given the current moratorium on Adult Day Health Care, how should an applicant who wishes to propose a conversion to, or expansion of, Adult Day Health Care proceed?

On page 4 of the RGA and elsewhere, the funding objectives include right-sizing and closing or converting skilled nursing home beds. With respect to long-term care applicants for the HEAL NY funds, will preference be given to applicants with an already approved Residential Health Care Facility Rightsizing Demonstration Program application? Or, is the Department seeking proposals that go beyond what has been already approved?

The NYS Department of Health and the Dormitory Authority of the State of New York cannot consult with potential applicants or advise potential applicants. The Request for Grant Application (RGA) #0604261035 contains the information that a potential applicant should use to complete their grant application.

Applicants and applications should meet all requirements of the RGA. A successful grant recipient will have demonstrated (in addition to the other requirements set out in the RGA that it is an Eligible Applicant (as described in Section 1.4 of the RGA), that it is proposing

an appropriate project implementing the Objectives described in Section 1.2 of the RGA, and that will incur Allowable Costs for which grant funds may be used as described in Section 1.8 of the RGA. Applications meeting these (and the other RGA) requirements, will be reviewed against the factors described in Section 3.4 of the RGA, the first of which is “Demonstration of reduction in excess health system cost or usage.” While some of the Project examples in Section 1.3 of the RGA relate to closure and downsizing, scoring of all applications will be in accordance with the Selection Review Process described in Section 3.4 of the RGA.

7. Does the DOH have a preference regarding Health Care systems submitting applications as individual providers versus as a system? If a healthcare system application is submitted can portions of the request be separately applied?

Applications can be submitted by corporations which are established under Article 28 of the Public Health Law. (See Section 1.4 of the RGA.) If the “system” is so established, it may (but need not) be the applicant. A lead applicant can allocate funds among participants.

8. Can funds be requested and used to pay down existing debt on the entire hospital as a means to improve overall financial viability?

Yes, if the debt repayment pertains to an acceptable project as described in section 1.3 of the RGA. In addition, the application and project must meet the goals and objectives of the RGA.

9. What is the sequence for spending, i.e., must we spend our own money first to receive the grant funds?

The State does not intend to pay for a project’s early expenses and allow the applicant to use the matching funds for later expenses. The applicant and the State should incur expenses at similar rates. However, due to the limitations on reimbursable costs, some variation from strict proportionality is likely, depending on the timing of the incurrence of particular costs.

10. Section 1.8.2 - Please clarify what is meant by "program income during the project" as a source of matching funds.

Program income is income derived from the project itself. It is not income from normal operations.

11. Will depreciation of Project costs included in the grant be allowable costs for reimbursement purposes?

We are assuming that this question refers to Medicaid fee-for-service reimbursement. The full value of capital costs should be capitalized and its depreciation allocated to the service that will now be rendered in that space. If provision of that service is reimbursable, the

Medicaid program will include the depreciation of the full cost capitalized in the facility's capital reimbursement, since Medicaid fee-for-service reimbursement considers depreciation of an asset to be paid for replacement of that asset. Please note that in the HEAL NY program depreciation is not a reimbursable expense.

12. On page 34 of the RGA, the Project Financial Viability section requires "...Supporting documents such as a Project Balance Sheet..." Should the required balance sheet list the value of Assets and Liabilities of the Project only or the Applicant's institution as a whole?

The required Balance Sheet should be that of the project. However, it should have appropriate notes and comments that demonstrate the effects on the institution as a whole.

13. RGA Page 34 - Project Financial Viability -- If a Project includes an expansion of existing services, should the required financial statements address the revenues, expenses, etc. of the expanded services only or these services altogether (e.g. existing and expanded services)?

The projected revenue and expense information should be presented both ways. The revenues and expenses of the project itself is an important part of the information to be reviewed, as well as the impact of those on the overall revenues and expenses of the institution.

14. RGA 1.8.2 - Matching Costs -- If HEAL funds are received to help pay off a portion of the Applicant's mortgage in the course of restructuring:
- * May an Applicant count the balance of the mortgage payment made during the 2 year Project period toward its HEAL matching funds?
 - * May the Applicant count its contributions to the mortgage over the life of the mortgage as matching funds?
 - * If the mortgage is re-financed prior to the Grant Disbursement Agreement period, can the Applicant's remaining mortgage obligation count toward matching funds?
 - * If the mortgage is re-financed during the Grant Disbursement Agreement period, can the Applicant's remaining mortgage obligation count toward matching funds?
 - * Will the Applicant be required to pay off the entire remaining mortgage by October 2008?

The applicant may count the balance of the mortgage payment made during the 2 year project period (either a refinanced mortgage or an existing mortgage) toward its HEAL matching funds to the extent that the payments are related to the project. Any cash generated by a refinancing, could, of course, be used as matching funds. Also, you are not specifically required to have your mortgage paid off during the period of the GDA.

Part Two: Financial Application, Budget Forms Required -- Please provide definitions of Sibling and Subsidiary Corporations.

Sibling corporations share at least one parent with an applicant. Subsidiary corporations have the applicant as one of its parents.

15. In respect to the HEAL grant, what kind of support information or documents are required for the estimated costs of proposed capital projects? For instance, must the application for the grant include an architectural or engineering cost breakdown, or will the information and schedules submitted with the respective CON application be sufficient?

Information and schedules sufficient to demonstrate estimated costs for CON purposes would be sufficient for purposes of this application. The HEAL NY application must be able to stand-alone without requiring reviewers to reference a CON application or any other document.

16. How does the CON process fit into this grant? The majority of projects that would be applicable for this program require a CON. For project to be initiated in October, the CON process would have to already be started.

If the project requires a CON, the grant award letter will be conditioned upon the submission of an acceptable CON. In addition, the CON process would not have to already be started. The Department will make every effort to expedite the approval of HEAL-related CON applications once submitted.

17. What is an example of "costs financed by program income during the project may count towards satisfying a match"?

Program income is income derived from the project itself. It is not income from normal operations.

18. Will approval be conditional on CON? If so, will costs incurred up to the CON approval be reimbursed?

If the project requires a CON, the grant award letter will be conditioned upon the submission of an acceptable CON. As per Section 1.3 of the RGA, the execution of the Grant Disbursement Agreement (GDA) is conditioned upon the timely submission of a CON application. CON related costs for the project will be reimbursed if they fall within the timeframe of the project as defined in Section 1.5 and are otherwise eligible for reimbursement as defined in section 1.8.

19. Explain the anticipated format and content of the Project Balance Sheet .

The format and content would be expected to be consistent with those of balance sheets generated for accounting purposes.

20. Section 1.8.2 Matching Costs: If an applicant intends to use assets of a subsidiary that is not an eligible applicant (e.g. not an article 28 hospital or nursing home) as matching funds for a project, when do those assets need to be transferred to the eligible applicant?

There would need to be formal documentation committing to the transfer at the time of execution of the GDA and the transfer would need to occur prior to reimbursing any asset-related expenditures.

21. (RGA Section 1.7.1) When the RGA says a grant request can not exceed \$37,500,000, does that mean that the total project cost is \$75,000,000 with a 50% match, or does that mean the total grant award is \$18,750,000 (with matching funds equaling a total project cost of \$37,500,000)?

The reference to Grant Request in the RGA refers to the amount of funds requested as a grant and does not refer to the amount of the proposed project. Grant requests can be for UP TO 50% of the total project cost and UP TO 70% of the project costs if the applicant is a financially distressed entity. Therefore, a project (for an entity that is not financially distressed) seeking \$37,500,000 in grant funding must have a project with a total cost of at least \$75,000,000.

22. Section 1.7.1 places limits on the amount of the grant that may be requested ("Grant requests within this category cannot exceed \$500,000..."). The project cost limit is therefore twice the grant cap. Correct?

There is no limit on the cost of the project. There are only limits on the requested amount of the grant. For example, for applicants qualifying at the 50% match level, the project cost must be at least twice the value of the grant request.

23. This question relates to DOH CON and Medicaid capital reimbursement requirements, implemented during the Certificate of Need (CON) process; specifically the "10% equity requirement" imposed on projects proposing a combination of debt and equity to meet CON Total Project Cost (TPC). Referenced sections of the RGA related to this question include: Section 1.82 Matching Costs and the Box, under Section 1.3 HEAL NY Capital Restructuring Projects, containing the note that CON requirements must be met.

Question: May HEAL NY Phase 2 grant awards be utilized to meet all or a part of the "10% equity requirement"?

Example: A hospital submits a \$10,000,000 HEAL NY Phase 2 application that involves a \$10,000,000 CON. The HEAL NY Phase 2 breakdown of HEAL NY Phase 2 Funds and Matching Funds is 50%/50%. Can the anticipated \$5,000,000 HEAL NY Phase 2 Grant award be utilized to meet the (customary) 10% equity requirement, in this case \$1,000,000? In this example, the CON financing plan would be as follows: HEAL NY Phase 2 Grant: \$5,000,000; and Bank Loan in the amount of \$5,000,000.

Yes. HEAL NY funds qualify for the 10% equity requirement.

24. (RGA Technical Application-Project Timeline) Are there specific assumptions that should be used in formulating the Project Timeline concerning the time that should be estimated to submit, process and obtain CON approval?

The length of time required for the review of a CON application will depend upon the nature of the project. Applicants should submit any required CON applications as soon as possible after receiving notice of a HEAL grant award.

25. RGA 3.10 - General Specifications -- Would an application that involves the request of HEAL NY funds for mortgage assistance require an administrative CON?

No. CON approval is not required for payment of a mortgage.

26. Is there a deadline for submission of CONs related to HEAL NY2 applications?

To allow completion of the project within the two-year timeframe, CON applications should be submitted as soon as possible.

27. For HEAL NY2 related CONs, will interim level schematics be accepted as it is unlikely (unless project planning has already begun) 100% schematics would be available for these projects?

Interim-level schematics are acceptable for the HEAL application and the CON application. Depending on the type of construction proposed, staff reviewing the CON application may subsequently require applicants to furnish certified drawings and designs, to ensure that the project is in compliance with applicable components of the medical facilities construction code (10 NYCRR Parts 711 through 716).

28. Page 34 of RGA - Cost-Effectiveness -- Would research demonstrating projected cost savings from an expansion of primary care services for an underserved population be adequate to demonstrate cost-effectiveness?

Published research showing demonstrated cost savings from an expansion of primary care services for an underserved population could be one element employed to demonstrate cost savings, provided that the research was also valid for the population to be served by the project (e.g., similar socioeconomic status or health status). However, the HEAL project would also have to demonstrate cost savings directly from project activities.

29. Page 31 of RGA - Project Description – Timeline: What is the difference between the "timeline for project start-up" and the "phasing plan anticipated to achieve implementation"?

The “timeline for project start-up” refers to a sequence or schedule of preparatory activities that must be undertaken before the project actually becomes operational. The “phasing plan anticipated to achieve implementation” refers to the sequence of activities that occur from the actual commencement of the project through its completion. This should also identify specific milestones and dates of completion for each milestone.

30. Delivery: Is FedEx allowed to deliver to Room 1325 Corning Tower? If not, how long does it take for packages to get from the mailroom to Room 1325? Will there be staff who will sign and accept the FedEx delivery if it is sent requiring signature upon receipt? How can I confirm that the applications have been received by Room 1325?

Most major carrier services have routine security procedures that will enable them to deliver packages directly to Room 1325. Department of Health staff will be available to sign for packages. Department staff will also provide adhoc receipts, when requested, for packages hand delivered using methods other than major carriers. The mailroom delivers to Room 1325 daily. Packages delivered after the daily run may not be delivered until the next day. However, staff responsible for the application receipt process will make every effort to have all packages received on August 15, 2006 delivered immediately to Room 1325. Applicants wishing to confirm receipt of their package may call (518) 486-1954.