

***Delaware Health Resources Board
Meeting Minutes
Thursday January 23, 2020 2:30 PM
Delaware Technical Community College Corporate Training Center
Conference Room 400A&B
100 Campus Drive Dover DE 19901***

Board Members Present: Chair Brett Fallon Esq. Julia O’Hanlon, John Walsh, Edwin Barlow, Carolyn Morris, Pamela Price, Michael Hackendorn, Margaret Strine, Mark Thompson, Theodore Becker and Leighann Hinkle

Board Members Absent: Vincent Lobo Jr. D.O. and Cheryl Heiks

Staff Present: Latoya Wright, Elisabeth Massa and Joanna Suder

Call to Order and Welcome

Chair Brett Fallon welcomed the Board members and called the meeting to order at 2:33 p.m.

Action

December 12, 2019 Meeting Minutes

The meeting minutes were reviewed. Edwin Barlow made a motion to approve the minutes. Margaret Strine seconded the motion. There was a voice vote three abstentions, no opposing. Motion carried.

Comprehensive Care Capital (CCC) Certificate of Public Review Applications

It was stated that Comprehensive Care Capital has submitted three applications for the acquisition of (3) nursing homes: Churchman Village, Harbor Healthcare and Parkview Nursing. The estimated capital expenditure for Churchman Village is \$22 million, Harbor Healthcare is \$23 million and Parkview nursing are \$ 22 million with a total combined expenditure of \$67 million for all three acquisitions. The Review Committee that reviewed the applications was Pamela Price and Julia O’Hanlon. Pam as Chair of the Review Committee provided the Review Committee’s recommendation regarding the seven criteria and the applications to the Board.

Project Summary and Background Information

A Comprehensive Care Capital subsidiary, CCJV LP (together with Comprehensive Care Capital “CCC) formed Delaware for profit liability companies in the names of Parkview DE SNF Management, LLC (“Opco”), Harbor Healthcare &DE SNF Management LLC, and Churchman DE SNF Management LLC. They will acquire the assets of Parkview Nursing, Harbor Healthcare and Churchman Village. The Applicant will purchase the real estate as separate subsidiaries from each company. As an affiliate of CCC, the Applicant has access to all resources of CCC’s vast network. CCC was created as an affiliate of the Rosdev Group, focusing primarily on the ownership and acquisition of health care real estate (HCRE). CCC offers exceptional and distinct approaches to acquisitions, asset management and deal flow in the HCRE space. CCC represents the heft of a major HCRE player in terms of capital, knowledge and experience with the typical

acquisition restrictions. CCC provides innovative and creative solutions in considering challenging, complex deals where others cannot or will not engage. The CCC team combines traditional business values with nimble turnaround, best practices and transparency in its interactions and communications with its trading partners. CCC's HCRE portfolio (inclusive of the Rosdev healthcare assets) consists of over 50 healthcare facilities across 8 states comprised of more than 7,000 beds/units with an aggregate portfolio value of approximately \$700 million. A summary of the facilities that will be acquired are as follows:

Parkview Nursing

- 150 skilled nursing beds
- Capital Expenditure is \$22 million
- Located in New Castle County
- Referring Hospital is ChristianaCare

Harbor Healthcare

- 179 skilled nursing beds
- Capital Expenditure is \$23 million
- Located in Sussex County
- Referring Hospital is Beebe

Churchman Village

- 101 skilled nursing beds and 43 independent living beds
- Capital expenditure is \$22 million
- Located in New Castle County
- Referring Hospital is ChristianaCare

The transactions with the Delaware Attorney General pursuant to the Not for Profit Health Care Conversion Act 29 Del.C. Section 2530 et seq. is continuing and the applicant is hopeful that a determination will be issued before the end of January 2020.

Conformity of Project with Review Criteria

Criterion I: The relationship of the proposal to the Health Resources Management Plan

The Applicant, through CCC's network and resources, will facilitate access and continuity of care by bringing together providers in various care settings from institutional to community based with a common goal: maximizing independence for its residents. CCC and its affiliates have a history of providing care to Medicaid recipients in its facilities and will continue to do so upon acquisition of the Facility. Provided below is a chart reflecting the average daily Medicaid census for the year FYE 06/2018 for the Facility to be acquired in this transaction.

The Applicant shares the view that it has a responsibility to work collaboratively with other local providers and to obtain a comprehensive understanding of admissions criteria with which to educate residents and their families. The Facility has an established Admissions Department which reviews an individual's medical and financial information to ensure eligibility for their services. In addition, The Facility employs an External Care Coordinator ("ECC") who establishes relationships with acute care providers in order to smooth the transition from hospital to long-term care placement by doing the following:

- Completing an accurate pre-admission assessment and gathering clinical information so that they may identify an optimal site of service.
- Establishing appropriate level of service.
- Communicating assessment information to the nursing home to prepare the site and assure a smooth transition.
- Maintaining knowledge of service capabilities of the Facility.

The potential for a project to bring about progress in these areas will be viewed as a very positive attribute. The Applicant and CCC recognize the importance of preventative services and will incorporate this philosophy into the daily operations at the Facility. An inter-disciplinary team approach to each resident's care allows staff to initiate interventions aimed at early detection of health issues, and to provide education and treatment to foster continued good health. The Facility will obtain CCC's therapeutic recreation program which encompasses a wide range of health promoting activities that provide physical, mental and sensory stimulation even to the frailest of its residents. In conjunction with its Dietician and Dietary staff, the Facility's dietary programs promote a healthy lifestyle and address the changing nutritional needs of the older adults.

The Board discussed that with the acquisitions, the facilities will provide the same services and offer economies of scale to enhance the quality of care.

Action

There was a motion made to accept the Review Committee's recommendation that the application meets criterion I. There was a voice vote, no abstentions and no opposing. Motion carried.

Criterion II: The need of the population for the proposed project.

The Board discussed based on the number of licensed beds for each facility and the population growth, there is a need to continue serving the population for each facility. There was a discussion surrounding 40% of Churchman Village being discharged back to the community. It was asked if this information was noted in the Harbor Healthcare and Parkview Village application. It was stated that it was not noted specifically.

Action

There was a motion made to accept the Review Committee's recommendation that the application meets criterion II. There was a voice vote, no abstentions and no opposing. Motion carried.

Criterion III: The availability of less costly and/or more effective alternatives to the proposal, including alternatives involving the use of resources located outside the State of Delaware.

The application stated there are no alternative providers to the facility that are readily accessible to the user population. The facilities are long standing in the community and have been serving the user population for decades with the reputation of high standards of excellence and a superior operating record. There is no anticipated addition or reduction in services that will be being provided. The transactions will not change the services provided. The existing operator has given permission to the new operator to assume its provider number in the interim period.

The Board inquired about the applicant stating there are no alternative providers readily accessible when there are other nursing home facilities in those counties. It was stated that the Review Committee focused on the acquisition of the existing nursing homes and occupancy rates of other facilities.

Action

There was a motion made to accept the Review Committee's recommendation that the application meets criterion III. There was a voice vote, no abstentions and no opposing. Motion carried.

Criterion IV: The relationship of the proposal to the existing health care delivery system.

It was stated that the facilities are currently rated at four- and five-star ratings according to the CMS Nursing Home Compare website. The Applicant intends to maintain the Facility's high standards of care upon completion of the transaction. The Facility's relationship to the health care delivery system would remain the same. The Applicant and Opco together will be an integral provider in the Delaware healthcare system, offering skilled nursing service. The following benefits will be offered to Delawareans across all payor sources:

- Geographically Focused Network
- Culture Change.
- High Acuity Capabilities
- Proprietary Clinical Programming
- Focus on Dementia and Alzheimer's Care
- High Quality Health Care Services
- Stable and Experienced Management Team
- Financial Strength

There was an inquiry if the applicant will provide behavioral health services and address the needs of those suffering from addiction or mental health issues. The Review Committee stated this was not asked during the review process, however, all three of the facilities are integrated with the DHIN.

Action

There was a motion made to accept the Review Committee's recommendation that the application meets criterion IV. There was a voice vote, no abstentions and no opposing. Motion carried.

Criterion V: The immediate and long-term viability of the proposal in terms of the applicant's access to financial management and other necessary resources

CCC, through its affiliates including CCC JV, LP, has a Senior Housing portfolio consisting of over 50 facilities across 8 states. Both the Applicant and Opco, being affiliates of CCC, will have access to all resources and networks of CCC. For example, the Applicant will have access to all of CCC's management resources including clinical and managerial oversight, training, and ancillary services. The Applicant will have substantial resources and access to low-cost capital sources to meet the Facility's requirements into the future. Additionally, being an affiliated entity of CCC,

the Applicant will have access to CCC's vast purchasing networks, and human capital pool (i.e. recruiting resources) throughout 8 states and 50 facilities to meet the Facility's future needs.

Action

There was a motion made to accept the Review Committee's recommendation that the application meets criterion V. There was a voice vote, no abstentions and no opposing. Motion carried.

Criterion VI: The anticipated effect of the proposal on the costs of and charges of healthcare

Financial Impact (first full year of operations)

Estimated effect on annual expenses: * \$228,000

Estimated effect on annual revenue: \$97,000

Estimated effect on individual charges: None

The Board discussed Schedule 4-Statement of Revenue and Expenses of the applications. It was noted that the wages and salaries for Harbor Healthcare and Churchman Village are decreasing. This could potentially be related to retention of staff.

Action

There was a motion made to accept the Review Committee's recommendation that the application meets criterion VI. There was a voice vote, no abstentions and no opposing. Motion carried.

Criterion VII: The anticipated effect of the proposal on the quality of health care

Churchman Village, Harbor Healthcare and Parkview Nursing are all certified for both Medicare and Medicaid. Upon CPR approval, the Opcó will assume the existing Medicare provider number, seek Medicare and Medicaid certifications, and obtain all necessary licenses and permits as required and applicable under a change of ownership process. The Applicant is committed to maintaining and enhancing the high-quality care for which the Facility is already recognized.

Action

There was a motion made to accept the Review Committee's recommendation that the application meets criterion VII. There was a voice vote, no abstentions and no opposing. Motion carried.

Other Review Considerations

The applications addressed how the acquisitions will offer improvements on the delivery of service in the state through multitude of approaches. The applicant will be a part of the CCC network for pulling human capital resources into the State of Delaware for efficient operations at the facilities. The facilities play an important role in the healthcare continuum. The facilities will continue to provide high quality and cost-effective health care focusing on the clinically complex population. This transaction will be CCC's entry into the Delaware Health Services market. The applicant will commit to the continuity of care. CCC provides innovative and creative solutions in considering challenging, complex deals where others cannot or will not engage. The CCC team combines traditional business values with nimble turnaround, best practices and transparency in its interaction and communications with its trading partners. CCC strives to imbue trust, precision,

creativity and professionalism as the cornerstones of each target transaction. CCC has completed numerous one-off and portfolio acquisitions from both private sellers as well as national and institutional companies such as HCP. The facilities present ownership has a focus on acute care. The Applicant will have access to utilize and learn from CCC's other facilities' energy conservation program principles including state of the art lighting, updated HVAC, refrigeration and dishwashing equipment. The Applicant will review the energy usage of the current equipment at the Facility to determine if any need to be upgraded or replaced.

Action

There was a motion made to accept the Review Committee's recommendation to approve the CPR applications submitted by CCC for the acquisitions of Churchman Village, Harbor Healthcare and Parkview Nursing. There was a voice vote, no abstentions and no opposing. Motion carried.

Upcoming Items before the Board

Notice of Intent

Bayhealth submitted a Notice of Intent to add up to 24 new medical/surgical (med/surg) beds, five additional women's services rooms and a C-section suite at the Sussex Campus location. The proposed 24 med/surg beds will be placed in the existing shelled space located on the fifth floor of the hospital. Construction costs are estimated at \$10-14 million. The five new women's services room will expand into adjacent space that is currently housing administrative offices. These construction costs are estimated at \$3-\$3.5 million. The C-section suite construction costs are estimated at \$1-\$1.5 million. Construction for the entire project is expected to be completed by July 31, 2021. The application will be forthcoming.

Delaware Surgical Arts operates a multi-specialty ambulatory surgery center in Newark. Delaware Surgical Arts submitted a Notice of Intent for an additional operating room (OR) within their surgery center. Although located in New Castle County, Delaware Surgical Arts provide care for patients in all three counties as well as individuals from Eastern Shore Maryland. Delaware Surgical Arts has seen an increasing demand for their OR time. When the surgery center opened, there were four OR's. The estimated capital expenditure is \$350,000. The anticipated date for filing the application is February.

Other Business

The Joint Legislative Oversight and Sunset Committee met for their annual orientation and set their schedule for the holdover and presentation meetings. The presentation meeting for the HRB is scheduled for Wednesday March 11, 2020 at 6pm in the JFC Hearing Room Ground Floor, Legislative Hall. The HRB Staff and leadership will attend. Anyone else is welcome to attend. This is a public meeting.

Also, the Beebe Written Order that was sent out by email this morning is in your packets, if you can review the Order and sign by your name. This is the Order for the denial of the Beebe application at the December 12th meeting. The Order and your signature denote your participation and composition of the Board. If you were not in attendance of the meeting or recused, you do not need to sign. There is a short deadline for sending it to Beebe.

Public Comment

There was no public comment

Adjourn

The meeting adjourned at 3:37 p.m.

Next Meeting

February 27, 2020