

March 25, 2016

Mr. David Gamzeh
Managing Member
Barre Gardens Holdings LLC
Barre Gardens Nursing and Rehab LLC

*c/o Shireen T. Hart, Esq.
PRIMMER PIPER EGGLESTON & CRAMER PC
150 So. Champlain Street
PO Box 1489
Burlington, VT 05401*

Dear Mr. Gamzeh,

This letter is submitted in accordance with the State's Health Resource Allocation Plan Certification of Need Standards 5.2 and 5.3 which requires the Department of Disabilities, Aging and Independent Living (DAIL) to review and provide a recommendation in relation to the CON applications from nursing homes and similar entities. The Department has received the Certificate of Need application from Barre Garden Holdings LLC and Barre Gardens Nursing and Rehab LLC related to the purchase of one Vermont skilled nursing facility (SNF), Rowan Court Health and Rehabilitation Center, located in Barre, VT.

In completing our review, the Department consulted with the Agency of Human Services' Division of Rate Setting and internally with relevant divisions and staff. We considered both the Department's mission and our desire to advance excellence in quality of care and quality of life and to promote cultural change in our nursing facilities in addition to our work to rebalance options/choices for care across a spectrum of supports. Additionally, we considered the current stress within our network of skilled nursing facilities related to working with more complex and challenging presentations and collections of needs.

- 1. Project Summary:** Barre Gardens Holdings LLC and Barre Gardens Nursing and Rehab LLC, referred to hereafter collectively as "Barre Gardens" represents five individuals with ownership interests in 28 skilled nursing facilities throughout the county, none currently in Vermont. Barre Gardens is interested in the purchase of Rowan Court, a skilled nursing facility established in 1970, with a licensed capacity for 96 beds and currently owned by Revera Health System Management LLC. Revera has expressed its intent to withdraw from ownership or management of skilled nursing facilities in Vermont. The purchase of Rowan Court will maintain the continued operation and capacity of the facility in the Barre area.

This purchase is part of a larger set of transactions to purchase the assets of a total of four facilities from Revera; the other three are located in New Jersey, Massachusetts and Connecticut.

Barre Gardens intends to utilize the Priority Healthcare Group, LLC (Priority Healthcare) as the new management provider for Rowan Court. Priority Healthcare was founded by two members of the Barre

Gardens LLC, David Gamzeh and Akiva Glatzer, both experienced, skilled nursing facility administrators. Priority Healthcare will provide services to include: accounts payable, accounts receivable, billing, payroll, compliance, day to day oversight, financial reporting, marketing, business development and purchasing.

The intent of Barre Gardens is to maintain current services, current staffing, current capacity and the current facility as is and into the foreseeable future. They also intend to maintain Heather Filonow as the current administrator; DAIL staff have been impressed with Ms. Filonow's work in Vermont and fully support that decision.

1. Evaluation of HRAP CON Standard 5.2: Nursing Homes or similar entities seeking to replace or increase beds shall show the beds are needed. Such showing of need shall be confirmed by the Department of Disabilities, Aging and Independent Living:

Currently Rowan Court has licensed capacity for 96 beds; this is broken into 8 private rooms and 44 semi-private rooms. DAIL understands that the proposed plan is to maintain the current capacity and the current configuration. Washington County has four skilled nursing facilities and Rowan Court comprises almost 22% of those total SNF beds: 96 out of the possible 440. The Rowan Court typical census count tends to run low but their Medicaid utilization is at about 50% of their filled beds. Washington County as a whole has a higher than average rate of nursing facility use which seems to indicate that the need for the Rowan Court beds remains consistent.

In addressing the issue of low census, the Barre Gardens' proposal maps out an appraisal of current practice at Rowan Court to reject potential residents with more complex psychiatric and medical care needs. Barre Gardens has indicated their intention to address that with a management team model, telemedicine, on-site psychological services and partnerships with medical specialists. They anticipate being able to increase census through the acceptance of individuals who might have been rejected under Revera's care model. There is a significant need for this type of expansion within Vermont's skilled nursing facilities network and for beds available to individuals covered through Medicaid.

2. Evaluation of HRAP CON Standard 5.3: Nursing homes or similar entities seeking a certificate of need shall provide a written recommendation from the Department of Disabilities, Aging and Independent Living supporting the new health care project proposal:

a. Quality of Care:

Rowan Court has had a history of challenges with regulatory compliance and some significant CMS findings related to immediate jeopardy and substandard quality of care as far back as 2012. They were named a Special Focus Facility (SFF) by CMS and have been surveyed at twice the frequency of all other nursing homes. The years 2014, 2015 and 2016 to-date have documented significant improvement in their regulatory compliance and they are on track to graduate from the SFF program. Needless to say, their struggle to provide consistent quality indicates that a change in management and programming might be timely. The holders of Barre Gardens, and in particular the management team set to assume day to day control of Rowan Court operations, pride themselves on the quality improvements they are able to make to those organizations for which they assume control.

In a review of the 28 total facilities held by various members of the Barre Gardens collective:

- 9 are rated *1 out of 5 stars* in their overall rating by CMS
- 11 are rated *2 out of 5 stars* in their overall rating by CMS
- 4 are rated *3 out of 5 stars* in their overall rating by CMS
- 1 is rated *4 out of 5 stars* in their overall rating by CMS
- 3 are rated *5 out of 5 stars* in their overall rating by CMS

It is relevant to note that, generally, the quality measures rating tended to be higher than the overall ratings for most of the 28 facilities.

b. Financial Review

A limited review of the proposal for acquisition as presented by Barre Gardens indicates sufficient financial resources to apply for a \$4,800,000 loan and to finance \$1,300,000 through equity from the individual partners. The plan to address any overages or shortfalls in the first year of operations will be through cash advances from the partners. The partners intend to set aside \$400,000 for working capital and to establish an annual expenditure amount of \$150,000 for improvements and equipment.

DAIL was not able to review the financial records for the five individual partners but has been assured that the Green Mountain Care Board has access to those records and is reviewing them closely. We assume that any financial concerns will be raised by GMCB and addressed appropriately by the partners of Barre Gardens.

With that, DAIL is conditionally supportive of the Barre Gardens proposal, dependent on the full application and information obtained by the Green Mountain Care Board during the CON process.

Sincerely,



Monica Caserta Hutt
Commissioner

Cc: Camille George, Deputy Commissioner, DAIL
Clayton Clark, Direction, Division of Licensing and Protection, DAIL
Stuart Schurr, General Counsel, DAIL
Kathleen Denette, Director, Division of Rate Setting, Agency of Human Services
Donna Jerry, Green Mountain Care Board
Ms. Shireen T. Hart, Esq., PRIMMER PIPER EGGLESTON & CRAMER, P.C.