

JUN 30 2009

STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY

June 30, 2009

**VIA HAND DELIVERY**

Alva Lambert, Esq.  
Executive Director  
Alabama State Health Planning  
& Development Agency  
100 North Union Street, Suite 870  
Montgomery, Alabama 36104

**Re: Mountainview HealthCare Center  
Project Number: AL-2006-016  
CON-2168-NH**

Dear Mr. Lambert:

Pursuant to Alabama Certificate of Need Program Rules and Regulation § 410-1-10-.03 (the "CON Rules"), please accept this letter as a Notice of Request for Project Modification for the above-referenced certificate of need ("CON").

**Background:**

On February 28, 2006, Ball HealthCare-North, Inc. and Ball HealthCare-Mountainview, Inc. (collectively "Mountainview") filed a certificate of need ("CON") application for the relocation and construction of an 86-bed replacement facility for the Mountainview skilled nursing facility (the "Replacement Project"). In the application, Mountainview also requested CON approval to provide outpatient therapy services, including speech, occupational, respiratory, and physical therapy services, at the Replacement Project. Mountainview further specified that the Replacement Project would have 34 private rooms and 26 semi-private rooms. Included among the 86-beds, there would be a 28-bed sub-acute care unit and a 22-bed Alzheimer's unit. The current licensee, Mountainview HealthCare Center, LLC, would be the licensee of the new project under an operating lease.

On August 3, 2006, the State Health Planning and Development Agency ("SHPDA") issued CON 2168-NH for the construction of the 86-bed replacement skilled nursing facility at a new, to-be-determined location with outpatient therapy services, including speech, occupational, respiratory, and physical therapy services. The CON reflected an estimated project cost of \$8,125,000. On August 2, 2007, Mountainview

Alva M. Lambert, Esq.

June 30, 2009

Page 2

submitted to SHPDA documentation reflecting that the facility had entered into a contract for the construction of the replacement facility on land adjacent to Princeton Baptist Medical Center ("Princeton BMC"). On August 7, 2007, SHPDA confirmed that Mountainview had entered into a "firm commitment" for the commencement of the CON project.

**Proposed Modification:**

Baptist Health System, Inc. ("Baptist") owns and operates Princeton BMC, an acute care hospital in Birmingham, Alabama. Within Princeton BMC, Baptist operates a licensed, distinct skilled nursing facility unit (the "SNF Unit") consisting of thirty-one (31) skilled nursing facility beds. To make space available in the hospital for other critical services, Baptist wishes to relocate the SNF Unit to a new location in the same general area as the hospital.

As mentioned above, Mountainview has identified land adjacent to Princeton BMC as an appropriate location for the replacement facility. In the course of negotiating the ground lease for the replacement facility, Baptist and Mountainview have agreed that it would be mutually beneficial to relocate the SNF Unit to the Mountainview replacement facility. The relocation of the SNF Unit will be accomplished through a transaction whereby Mountainview will purchase all of Baptist's rights to operate the SNF Unit and other assets associated with the SNF Unit's operations. Prior to the closing of the transaction, Baptist and Mountainview will obtain the appropriate change of ownership approvals from SHPDA and the Alabama Department of Public Health.

In this project modification request, Mountainview seeks a modification of CON 2168-NH to permit the construction of a 117-bed skilled nursing facility, consisting of the 86 beds already authorized by CON 2168-NH and the 31 bed SNF Unit that Mountainview will purchase from Baptist. Upon Mountainview's receipt of licensure for the 117-bed replacement facility, the existing Mountainview facility and the SNF Unit will cease to operate.

The replacement facility as modified will include 27 private rooms and 45 semi-private rooms. It will contain a 20-bed Alzheimer's unit, a 20-bed medical specialty unit that will cater to hard-to-place ventilator dependent patients, a 31-bed rehabilitation unit, and a 46-bed skilled nursing facility unit. Mountainview will also provide outpatient therapy services as authorized by the original CON.

The project modifications described herein affect the design of the facility, the facility's square footage, and the project cost. The estimated project cost of the replacement facility will change to \$15,966,306 (this figure does not include the 50-year ground lease or the first year of operating expenses). This increase reflects both increases for the passage of time and the additional operating costs for the 31 beds. A revised copy of the floor plan for the facility is attached hereto as Exhibit A. Revised pages of the

Alva M. Lambert, Esq.

June 30, 2009

Page 3

CON application reflecting the modified square footage, construction information, project cost, and pro forma projections are attached hereto as Exhibit B.

The project modifications described herein remain consistent with Mountainview's objectives as stated in the original CON application. The replacement facility will be located in an area that serves low income, minority patients in the urban area of Jefferson County, and Mountainview's services will be more accessible to patients at the location of the replacement facility than at the current location. Further, the project as modified will not increase the total number of nursing home beds in Jefferson County.

While a single letter of opposition was mailed to SHPDA by an entity meeting the definition of an affected party, after notice and instructions from SHPDA, that affected party did not perfect an intervention or service as required under § 410-1-7-.13 of the CON Rules.

**Conclusion:**

Based upon the foregoing, Mountainview respectfully requests that the CON Review Board modify CON-2168-NH in accordance with the changes described herein. Pursuant to Ala. Admin. Code § 410-1-7-.06(b)(1), additional filing fees are not required because Mountainview's average daily census is comprised of 50% or more Medicaid patients.

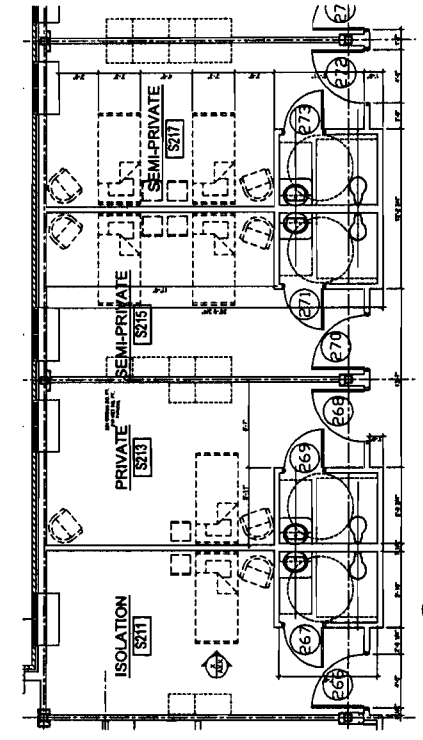
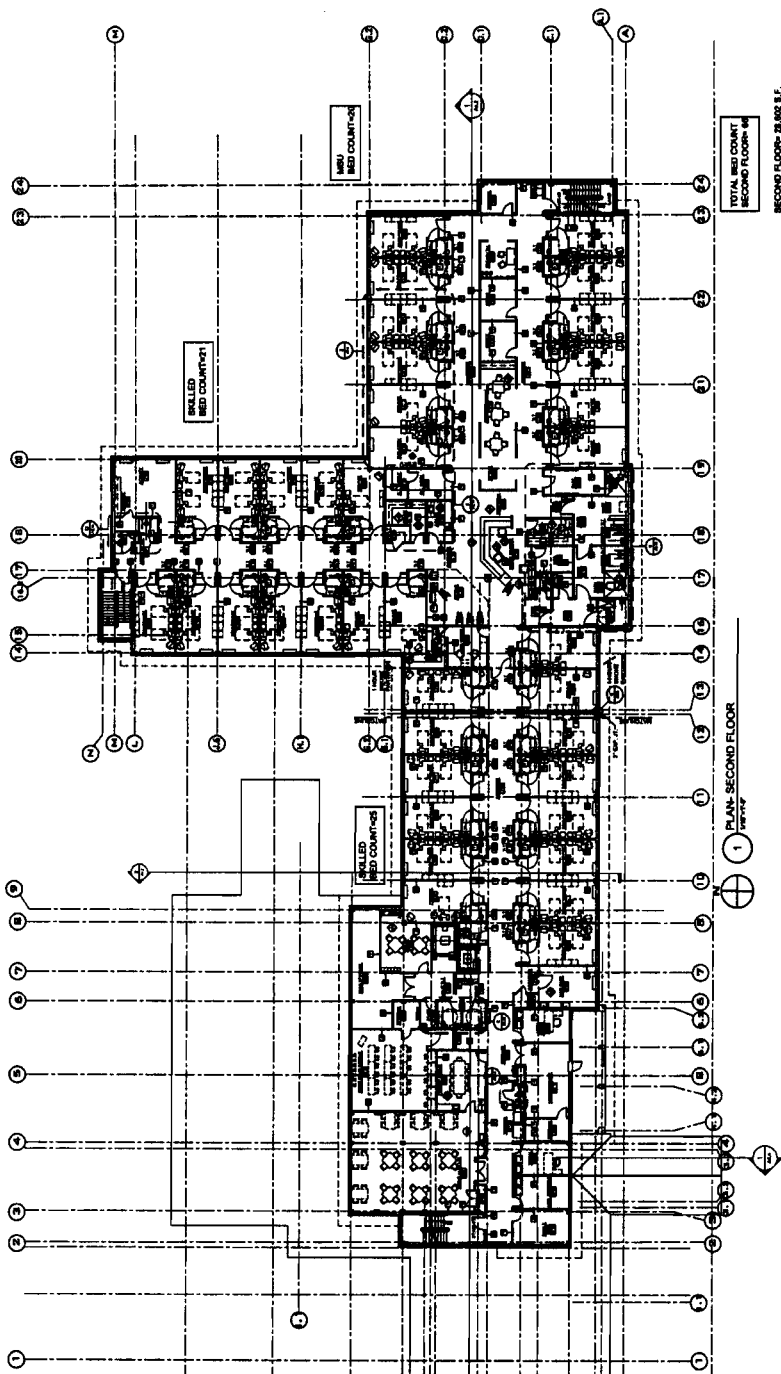
Very truly yours,

Handwritten signature of Richard J. Brockman in cursive, followed by a slash and the initials "SSC".

Richard J. Brockman  
One of Mountainview's Attorneys

cc: Mr. Clarence M. Ball, Jr. (w/enclosures)  
Susan Simpson Lyerly, Esq. (w/o enclosures)





Project Cost

IV. Cost

A. Construction

	Approved CON 2168-NH	Modification	Increase (Decrease)
1. Predevelopment	\$50,000	\$150,000	\$100,000
2. Site Acquisition	200,000	0	(200,000)
3. Site Development	450,000	900,301	450,301
4. Construction	6,450,000	10,493,604	4,043,604
5. Architect and Engineering Fees	325,000	1,081,401	756,401
6. Renovation	0	0	0
7. Interest During time period of construction	0	500,000	500,000
8. Attorney and Consultant Fees	0	50,000	50,000
9. Bond Issue Costs	0	0	0
10. Other	0	0	0
11. Other Closing Costs	100,000	100,000	0
<b>TOTAL COST OF CONSTRUCTION</b>	<b>\$7,575,000</b>	<b>\$13,275,306</b>	<b>\$5,700,306</b>

B. Purchase

1. Facility	\$0	\$1,755,000 <sup>1</sup>	\$1,755,000
2. Major Medical Equipment	550,000	936,000	386,000
3. Other Equipment	0	0	0
<b>TOTAL COST OF PURCHASE</b>	<b>\$550,000</b>	<b>2,691,000</b>	<b>2,141,000</b>

C. Lease

1. Facility Cost Per Year ___ x ___ Years	\$ _____	\$ _____	\$ _____
2. Equipment Cost Per Month ___ x ___ Months	\$ _____	\$ _____	\$ _____
3. Land Only Lease Cost Per Year 80,000 x 50 Years	\$0	\$4,000,000 <sup>2</sup>	\$4,000,000
<b>TOTAL COST OF LEASE</b>		<b>\$4,000,000</b>	<b>\$4,000,000</b>

(compute according to generally accepted accounting principles)

D. Services

1. \_\_\_ New Service
2. X Expansion (add 31-beds)
3. \_\_\_ Reduction or Termination
4. X Other (Build replacement 86-bed Facility)

FIRST YEAR ANNUAL OPERATING COST \$5,065,475 \$7,828,272 \$2,762,797

E. Total Cost of this Project (Total A through D)

(should equal V-C on page A-4) \$13,190,475<sup>3</sup> \$27,794,578<sup>4</sup> \$14,604,103

<sup>1</sup> Purchase bed rights to 117 beds at \$15,000 per bed.

<sup>2</sup> 50-Year Ground Lease Present Value \$1,345,530.

<sup>3</sup> The original CON application did not reflect an increase in annual operating costs because the original project did not include an increase in beds.

IV. COST (continued)

	Approved CON 2168-NH	Modification	Increase (Decrease)
<b>F. Proposed Finance Charges</b>			
1. Total Amount to be Financed	\$7,000,000	\$11,974,729	\$4,974,729
2. Anticipated Interest Rates	8.5%	8.5%	0
3. Term of Loan	5 yr/25 amortization	5 yr/25 amortization	
4. Method of Calculating Interest on Principal Payment	daily		

V. ANTICIPATED SOURCE OF FUNDING

<b>A. Federal</b>			
1. Grants			
2. Loans			
<b>B. Non-Federal</b>			
1. Commercial Loan	\$7,000,000	\$11,974,729	\$4,974,729
2. Tax-exempt Revenue Bonds	_____	_____	_____
3. General Obligation Bonds	_____	_____	_____
4. New Revenue and Earnings	_____	_____	_____
5. Charitable Fund Raising	_____	_____	_____
6. Cash on Hand	1,125,000	2,701,577	1,576,577
7. Other	_____	1,290,000 <sup>5</sup>	1,290,000
<b>C. TOTAL (should equal IV-E on page A-3)</b>	<b>\$8,125,000</b>	<b>\$15,966,306<sup>6</sup></b>	<b>\$7,841,306</b>

VI. TIMETABLE

A. <b>Modified Projected Start/Purchase Date</b>	January 1, 2010
B. <b>Modified Projected Completion Date</b>	January 1, 2001

<sup>4</sup> This figure includes the first year operating expenses (\$7,828,272) and the grossed-up 50-year ground lease (\$4,000,000).

<sup>5</sup> Contribution of bed rights to 86 beds at \$15,000 per bed.

<sup>6</sup> Cost of ground lease and first year annual operating costs are not financed.

III. CHARGE INFORMATION

- A. List schedule of current charges related to this project.
- B. List schedule of proposed charges after completion of this project. Discuss the impact of project cost on operational costs and charges of the facility or service.

**PART FIVE: UTILIZATION DATA AND FINANCIAL INFORMATION**

This part should be completed for projects which cost over \$500,000.00 or which propose a substantial change in service, or which would change the bed capacity of the facility in excess of ten percent (10%), or which propose a new facility. ESRD, home health, and projects that are under \$500,000.00 should omit this part and complete Part Four.

I. Percent of Gross Revenue

Source of Payment	Historical		Projected		
	06/30/2005	12/31/2005	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year
ALL Kids					
Blue Cross/Blue Shield					
Champus/Tricare					
Charity Care (see note below)					
Medicaid	76.76	73.58	59.33	59.09	58.85
Medicare	17.49	20.26	19.38	18.90	19.00
Other commercial insurance			6.15	6.19	6.23
Self pay	4.40	3.22	10.83	10.90	10.96
Other	1.35	2.94	4.31	4.92	4.96
Veterans Administration					
Workers' Compensation					
<b>TOTAL</b>	100 %	100 %	100 %	100 %	100 %

Note: Refer to the Healthcare Financial Management Association (HFMA) Principles and Practices Board Statement Number 15, Section II.

II. CHARGE INFORMATION

- C. List schedule of current charges related to this project.
- D. List schedule of proposed charges after completion of this project. Discuss the impact of project cost on operational costs and charges of the facility or service.



**III. INPATIENT UTILIZATION DATA**

**A. Historical Data**

Give information for last three (3) years for which complete data is available.

**No change in historical information.**

**OCCUPANCY DATA**

Accommodation Occupancy	Number of Beds			Admissions or Discharges			Total Patient Days			Percentage (%)		
	06/04	06/05	12/05	Yr	Yr	Yr	06/04	06/05	12/05	06/04	06/05	12/05
Private												
Semi-Private												
Ward												
<b>TOTALS</b>	86	86	86				23,062	18,073	8,239	73.27	57.58	52.06
Admissions or Clinical Svcs Occupancy	Number of Beds			Discharges			Total Patient Days			Percentage (%)		
	Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr
Med & Surgery												
Obstetrics												
Pediatrics												
Psychiatry												
Other												
<b>TOTALS</b>												

**B. Projected Data**

Give information to cover the first two (2) years of operation after completion of project.

**OCCUPANCY DATA**

Accommodation Occupancy	Number of Beds		Admissions or Discharges		Total Patient Days		Percentage (%)	
	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	1 <sup>st</sup> Year	2 <sup>nd</sup> Year
Private	27	27			9,362	9,362	95.0	95.0
Semi-Private	90	90			31,208	31,208	95.0	95.0
Ward								
<b>TOTALS</b>	117	117			40,570	40,570	95.0	95.0
Admissions or Clinical Svcs Occupancy	Number of Beds		Discharges		Total Patient Days		Percentage (%)	
	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	1 <sup>st</sup> Year	2 <sup>nd</sup> Year
Medicine & Surgery								
Obstetrics								
Pediatrics								
Psychiatry								
Other								
<b>TOTALS</b>								

**B. PROJECT SPECIFIC FINANCIAL INFORMATION**

STATEMENT OF INCOME AND EXPENSE	HISTORICAL DATA (Give information for last 3 years for which complete data are available)			PROJECTED DATA (First 2 years after completion of project)	
	199 (Total)	200 (Total)	200 (Total)	2011 (Total)	2012 (Total)
Revenue from Services to Patients	No change in	historical data.			
Inpatient Services					
Routine (nursing service areas)				\$11,800,000	\$12,154,000
Other					
Outpatient Services				375,000	386,250
Emergency Services					
Gross Patient Revenue				12,175,000	12,540,250
Deductions from Revenue					
Contractual Adjustments				475,000	500,000
Discount/Miscellaneous Allowances					
Total Deductions				475,000	500,000
NET PATIENT REVENUE (Gross patient revenue less deductions)				11,700,000	12,040,250
Other Operating Revenue				0	0
<b>NET OPERATING REVENUE</b>				<b>\$11,700,000</b>	<b>\$12,040,250</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages, and Benefits				\$4,439,364	\$4,572,545
Physician Salaries and Fees				35,000	40,000
Supplies and other				1,250,000	1,325,000
Uncompensated Care (less recoveries) per State Health Plan 410-2-2-.06(d)				125,000 <sup>1</sup>	150,000 <sup>2</sup>
Other Expenses				1,978,908	2,038,275
Total Operating Expenses				\$7,828,272	\$8,125,820
<b>NON-OPERATING EXPENSES</b>					
Taxes - Property				\$185,000	\$185,000
Depreciation				520,000	520,000
Interest (other than mortgage)-Ground Lease				80,000	80,000
Existing Capital Expenditures				N/A	N/A
Interest				N/A	N/A
Total Non-Operating Expenses				\$785,000	\$785,000
<b>TOTAL EXPENSES (Operating &amp; Capital)</b>				<b>\$8,613,272</b>	<b>\$8,910,820</b>
Operating Income (Loss)				\$3,086,728	\$3,129,430
Other Revenue (Expense) – Net					
NET INCOME (Loss)				\$3,086,728	\$3,129,430
Projected Capital Expenditure	N/A	N/A	N/A	\$15,966,306	0
Interest	N/A	N/A	N/A	\$927,000	\$927,000

<sup>1</sup> Projected non-Medicaid/Medicare ventilator patients.

<sup>2</sup> Projected non-Medicaid/Medicare ventilator patients.

**PART THREE: CONSTRUCTION OR RENOVATION ACTIVITIES**

Complete the following if construction/renovation is involved in this project. Indicate N/A for any questions not applicable.

I. ARCHITECT Charles E. Penuel

Firm Burchfield Penuel & Associates

Address 2805 Crescent Avenue, Suite 200

City/State/Zip Birmingham, Alabama 35209

Contact Person David Sturgis

Telephone (205) 870-1876

Architect's Project Number 160-08

II. ATTACH SCHEMATICS AND THE FOLLOWING INFORMATION

A. Describe the proposed construction/renovation

Two story building concrete slab on grade with steel frame structure, brick and E.I.F.S. veneer on metal stud back-up. Type II (I,I,I) NFPA 220.

B. Total gross square footage to be constructed/renovated 64,032

C. Net useable square footage (not including stairs, elevators, corridors, toilets) 48,024

D. Acres of land to be purchased or leased By owner.

E. Acres of land owned on site By owner.

F. Anticipated amount of time for construction or renovations 12 months

G. Cost per square foot \$195.70

H. Cost per bed (if applicable) \$106,626.55/117 beds

**Mountainview Cost Breakdown:**

06/29/09

**April 21, 2009 Budget -**

Sitework Budget =	\$853,366	\$13.39/SF
Building Budget =	\$9,946,544	\$156.04/SF
Design Fees =	\$998,025	\$15.66/SF
Design Reimbursables =	\$27,000	\$0.42/SF
B&G Sitework Fee =	\$46,935	\$0.74/SF
B&G Building Fee =	\$547,060	\$8.58/SF
B&G Fee on Design =	<u>\$56,376</u>	<u>\$0.89/SF</u>
Total =	\$12,475,306	\$195.72/SF
Gross Square Footage =	63,475	
\$/SF =	\$195.71	