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**THE SMITH HOUSE  
CERTIFICATE OF NEED APPLICATION  
NOVEMBER 10, 2015**

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## **Department of Social Services - Certificate of Need Application**

**1. Please include a copy of your Letter of Intent for a Certificate of Need.**

See Attached – Exhibit 1

**2. Please complete Attachment I.**

See Attached – Exhibit 2

**3. Provide a narrative summary of the project including the reason for undertaking the project.**

The City of Stamford is hereby requesting a Certificate of Need for the closure of The Smith House, a 128 bed skilled nursing facility (see #4 below for details on the process to date). Built on 33.51 acres of land owned by the City of Stamford (“Stamford” or the “City”), The Smith House Skilled Nursing Facility (“The Smith House”) opened in 1963 as a sixty-eight (68) bed “chronic and convalescent care hospital.” Sixty (60) additional beds were added in the late 1970’s. Also located on the 31 acres is Scofield Manor, a senior living facility, which is not impacted by this CON.

While health care at The Smith House has always been excellent, the facility has historically operated at a deficit. From 1963 to 1986, and again from 2012 to 2015, The Smith House was operated as a City department. Between 1986 and 2012, the City contracted with a series of private management companies to operate the facility. Regardless of management’s identity, all efforts to eliminate or materially reduce losses have proven unsuccessful. In fact, over time the deficits have increased dramatically and the facility is currently operating at a deficit of close to \$6 million. In addition, the 53 year old physical facility shows its age, and significant capital expenses are needed to make repairs, refurbish rooms, upgrade technology, enhance security and continue its operation.

The patient census at The Smith House has steadily declined (at 83% when the LOI was filed), Bed capacity is underutilized in Stamford and the surrounding region (as detailed in #4 below). The encouragement of Medicaid patients choosing “at home” care in lieu of nursing care may have contributed to the availability of over 300 nursing home beds within a 15 mile radius.

The financial pressures placed on the City’s annual budgets as result of The Smith House operating deficits have been the topic of numerous discussions at City board meetings. The Board of Finance (BOF) has addressed this issue extensively during budget deliberation and throughout the year, including at the monthly meetings where the BOF required The Smith House management to present details of their financial challenges and the Administration presented related information in both regular and executive sessions. Similarly, the Board of Representatives (BOR) regularly discussed concerns and possible solutions regarding the financial challenges presented by The Smith House. These discussions led to the City’s

## City of Stamford

recognition that the losses were unsustainable and unfixable. On July 20, 2015, the Mayor presented a full and detailed analysis of the City's inability to sustain the losses and maintain the operation of The Smith House to a joint session of the BOF and BOR. The Mayor made the same presentation on October 15, 2015 to the Board of The Smith House.

Reluctantly, after exhausting all other options, the City made the financial determination that it could no longer fund yearly operating deficits or make additional capital investments at The Smith House and, therefore, requested a Certificate of Need (CON) to terminate all nursing services and to permanently close the facility.

As reflected in the following chart, over the past decade The Smith House has sustained escalating operating losses that total well in excess of \$36 million.

**Smith House Operating Loss  
FY05 to FY16**

<b>Year</b>	<b>Revenues</b>	<b>Total Operating Expenditures</b>	<b>Net Operating Loss</b>
2005	10,291,444	12,713,339	(2,421,895)
2006	11,359,021	13,575,785	(2,216,764)
2007	11,093,900	13,949,909	(2,856,009)
2008	12,326,881	13,745,558	(1,418,677)
2009	11,479,559	14,182,982	(2,703,423)
2010	12,429,585	14,415,027	(1,985,442)
2011	12,362,228	14,928,420	(2,566,192)
2012	11,955,333	15,041,941	(3,086,608)
2013	12,385,217	15,552,135	(3,166,917)
2014	13,296,471	15,763,241	(2,466,770)
2015*	11,858,705	16,937,851	(5,079,145)
2016 Budget	11,308,947	17,526,485	(6,217,538)

*\*2015 Expenses include pension (\$917,608) and OPEB (\$595,571). These are not reflected in prior years' results even though the costs were incurred by the City. Had these costs been included, the deficits in prior years would have been significantly larger.*

As noted above, this Operating Loss chart understates the City's actual losses. In addition to pension and OPEB costs, the expenses do not include capital expenditures, debt service payments or an allocation of yearly costs incurred in connection with legal, human resources, purchasing and other support services furnished by the City. Adjusting for these items, the aggregate loss for the 2014 fiscal year approaches \$6 million. Fully allocating costs in prior years would yield proportionately similar results. A major factor contributing to the losses at The Smith House is the magnitude of its contractual labor costs.<sup>1</sup>

<sup>1</sup>The Marcum Advisory Group Data based on Medicaid Cost Report for comparably sized facilities "as filed" September 30 2014, indicates that direct care wages at The Smith House exceed State averages by 45% and non-salary benefits exceed State averages by 127%.

**These costs are not sustainable given a fixed Medicaid reimbursement rate that is significantly below the cost of care (\$255/patient/day reimbursement vs. an operating cost \$424/patient/day).**

**4. Please describe the effect of this proposed change on the facility's current residents.**

Residents and their families are pleased with the high level of care they have experienced at The Smith House and are concerned about the proposed closure. Nevertheless, the City is confident that residents will be able to find quality care at facilities within the immediate and surrounding communities. As shown in the chart below, based on current census published by the Connecticut Department of Social Services, there are 301 skilled nursing home beds available in Connecticut towns located within a 15 mile radius or a 20 minute drive of Stamford. Indeed, from the date of filing the letter of intent to the date of this CON application, 12 residents have already relocated to other facilities.

<u>Facility</u>	<u>Bed Capacity</u>	<u>Town</u>	<u>Count</u>	<u>Hold</u>	<u>Total</u>	<u>Open Beds</u>
Autumn of Norwalk LLC	150	Norwalk	142	3	145	5
Cambridge Health and Rehabilitation Center	160	Fairfield	143	0	143	17
Carolton Chronic and Conv. Hospital	229	Fairfield	168	0	168	61
Cassena Care at Norwalk	150	Norwalk	132	2	134	16
Edgehill Health Center	60	Stamford	39	1	40	20
Fairview Health of Greenwich	75	Greenwich	69	1	70	5
Fairview Healthcare of Southport	120	Southport	99	3	102	18
Greenwich Woods Health Care Center	217	Greenwich	186	2	188	29
Jewish Home for the Elderly of Ffld	360	Fairfield	318	2	320	40
Long Ridge of Stamford	120	Stamford	105	2	107	13
Lourdes Healthcare Center Inc.	40	Wilton	38	0	38	2
Ludlowe Center	144	Fairfield	134	0	134	10
Nathaniel Witherell	202	Greenwich	181	0	181	21
Notre Dame Conv. Home, Inc.	60	Norwalk	60	0	60	0
Regency Heights of Stamford LLC	156	Stamford	146	2	148	8
St. Camillus Center	124	Stamford	116	2	118	6
Waveny Care Center	76	New Canaan	71	0	71	5
Westport Health Care Center	120	Westport	110	0	110	10
Wilton Meadows Health Care Center	148	Wilton	133	0	133	15
<b>Total</b>	<b>2,711</b>		<b>2,390</b>	<b>20</b>	<b>2,410</b>	<b>301</b>

Source: Myers and Stauffer LLC Delinquent Facilities, Delinquent Facilities: Latest Bed Census Data as of October 26, 2015

Notwithstanding these realities, the City is sensitive to and striving to minimize the emotional impact that the potential discharge process is having on affected parties. Towards this end, we have held a series of family meetings and offered ongoing one-to-one sessions to meet with

every resident (his or her family, representative or responsible party) to discuss the potential discharge process and explore suitable alternative placements that incorporate unique individual circumstances. Meeting times, set to accommodate individual needs, were available during regular business hours as well as evenings and weekends.

We introduced the regional ombudsman and explained the role she will play on the residents' behalf. Similarly, we introduced representatives from DSS Money Follows the Person so that those interested in alternatives to nursing facility care are able to explore the availability of appropriate placements to community residences. Paramount to our discussions is explaining to the residents that closure is not imminent and that, if the CON is approved, residents and their families will have adequate time to identify and procure a suitable replacement residence and care. We are committed to implementing a safe and appropriate discharge plan for each resident. To assist in this endeavor, the City has engaged Traditions Management as a consultant to help guide the City through this difficult process. In addition, shortly after being notified that Robert Mislow, the full time administrator of The Smith House had resigned, effective November 13, 2015, the City retained the services of an interim administrator, John Panicek who began his employment on October 23, 2015. Our intention was to maximize personal attention available for residents during this difficult period by having as long a period of overlap as possible between Mr. Mislow and Mr. Panicek.

- 5. Describe any relationship between this request and the facility's historical, current and future utilization statistics. Describe the current and projected payer mix of patients (% private, % Medicaid, % Medicare, etc.) at the facility. Identify facility bed configuration by floor including the number of rooms and type of room (private, semi-private, etc.).**

The census and payer mix for The Smith House has varied as shown in the chart below. Despite years in which the census reached over 90%, the facility has continued to generate substantial losses due primarily to its labor expense (see #3) and its patient/resident mix.

SMITH HOUSE 5YR CENSUS TREND						
	Total FY 2011	Total FY 2012	Total FY 2013	Total FY 2014	Total FY 2015	Projected FY 2016
<b>CENSUS BED DAYS</b>						
Private Pay	6,072	4,120	5,457	3,816	2,847	2,652
Medicare A	2,648	3,032	3,064	2,611	3,156	1,488
Medicaid	34,479	32,455	33,060	36,003	34,712	31,414
Commercial/Managed Care	809	1,161	1,759	1,517	724	458
<b>TOTAL</b>	<b>44,008</b>	<b>40,768</b>	<b>43,340</b>	<b>43,947</b>	<b>41,439</b>	<b>36,012</b>
<b>CASE MIX PERCENT</b>						
Private Pay	14%	10%	13%	9%	7%	7%
Medicare A	6%	8%	7%	6%	8%	4%
Medicaid	78%	80%	76%	82%	84%	87%
Commercial/Managed Care	2%	3%	4%	3%	2%	1%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Percent Occupancy	94%	87%	93%	94%	89%	77%
<b>OPERATING (LOSS)</b>	<b>(\$2,566,192)</b>	<b>(\$3,086,608)</b>	<b>(\$3,166,917)</b>	<b>(\$2,466,770)</b>	<b>(\$5,079,145)</b>	<b>(\$6,217,538)</b>

Following is our current resident mix, broken down numerically and as a percentage of our current occupancy:

<u>Type of Payor</u>	<u># of Residents</u>	<u>% of Residents</u>	<u>% of Total Beds</u>
Private Pay	4	4.5%	3.1%
Managed Care	1	1%	<1%
Medicare	3	3.4%	2.3%
Medicaid	<u>80</u>	<u>91%</u>	<u>62.5%</u>
	88	100%	68.75%
*As of 11/10/15			

The current census is lower than the facility’s historical average, but the payor mix is similar. Were The Smith House to remain in business, there is no reason to project any material change in the payor mix. Additionally, there is no reason to project any material change to the census given the continuing shift to home and community based care,

The Smith House is a two floor, four “wing” facility. The East wing is home to the facility’s sixty eight (68) private rooms. Thirty four (34) of these are on East 1 and thirty four (34) on East 2. Its sixty (60) semi-private rooms are in the West Wing, also evenly divided, thirty

(30) per floor. There is one shared bathroom (no shower/tub) for every two semi-private rooms (“Jack and Jill” configuration). Showers and tubs located in rooms off the central halls are more widely shared.

**6. Quantify the current financial condition of the facility. Please indicate the reasons for the financial losses the facility has experienced over the last two years and any financial support provided by the City of Stamford. Please describe the process the Applicant undertook to sell the nursing facility, if any.**

As set forth more fully in response to question #3 above, over the past ten years, the City of Stamford has lost in excess of \$36 million operating The Smith House. Revenue realization is limited because the facility provides services primarily to residents who rely on Medicaid to cover the cost of their care and the cost of staffing the facility is out of sync with industry norms and required by collective bargaining agreements with the facility’s municipal employees.

The following chart details the labor costs at The Smith House relative to the State average.

<b>Marcum Advisory Group Data Based on Medicaid Cost Report "as filed" September 30, 2014</b>	<b>Smith House Cost Per Patient Day</b>	<b>State Average Cost Per Patient Day</b>	<b>Percent Above State Comparables</b>
Direct Care	\$142.30	\$98.02	45%
Registered Nurses	\$38.70	\$27.64	40%
LPN's	\$28.03	\$24.46	15%
Aides	\$71.12	\$42.10	69%
Non-Salary Benefits	\$91.62	\$40.31	127%

Recognizing the limitations inherent in payor sources, the City’s historic ability to significantly impact revenues has been severely restricted, as Medicaid and, to a lesser degree Medicare, the two primary payors are strictly controlled and regulated by State and Federal agencies. Medicaid residents accounted for 84% of total resident days during FY 2014/15. The Medicaid reimbursement rate for The Smith House is \$255/day but the cost to operate the facility is \$424 per day.

Over the years the City has engaged in efforts to realize greater revenues. Staff has worked with discharge planners at area hospitals to attract patients for short term stays (Medicare funded rehabilitation); attempting to increase the private pay census, the City has retained marketing professionals to publicize the superior quality of service and amenities provided at The Smith House in order to increase the private pay census. Neither these efforts nor the facility’s high level of service quality have succeeded in counterbalancing the lack of much needed capital funding required to update and improve the appearance and function of the building..

In recent years, the City made a concerted effort to approach owner/operators of similar facilities in both the immediate area as well as outside of the State of Connecticut in order to

gauge potential interest in acquiring The Smith House. These discussions have progressed down the path of full due diligence and site visits on several occasions—none of which have advanced towards any meaningful interest at any price. This was due, almost exclusively, to the high cost of labor dictated by the collective bargaining agreements with employees at the facility. The City did not undertake a formal sales process as it was well known that due to extreme financial pressures, closure or divestiture was very likely. In the time period post our October 20, 2015 letter of intent (LOI) to the State, and the subsequent media coverage, the City has been approached by at least six additional groups interested in ‘purchasing’ The Smith House. Exclusively, these “buyers” were interested solely in the land for alternate use and not to operate a skilled nursing facility.

Also, after the filing of the LOI, the City was approached by Center Management Group, LLC, a New York company. CMG stated its intention to continue to operate The Smith House as a skilled nursing facility. The City and CMG spent considerable time and resources conducting due diligence and negotiating terms of an agreement. These efforts culminated in a MOU signed on November 6, 2015 attached as Exhibit 3. CMG made the initial non-refundable deposit per the MOU but has advised the City that it is unable to proceed at this point due to its inability to make the financial aspects of the transaction work.

The City has explored and will continue to explore all potential opportunities that are presented

**7. Explain how this proposal will impact the quality, cost effectiveness, and accessibility of health care delivery in the area.**

As outlined in #4 above, as of October 26, 2015, based on current census data published by the Connecticut Department of Social Services there are 301 skilled nursing home beds available in Connecticut facilities located within ~15 miles or a ~20 minute drive of Stamford. This level of bed availability is more than adequate to accommodate the healthcare needs of current residents in a geographically reasonable way.

**8. Provide a synopsis, including dates, of major facility building renovations, new construction and physical plant/capital improvements.**

In 1963, The Smith House was originally constructed as a 68 bed facility. In 1978, an additional 60 beds were added with the construction of the West Wing.

Over the past 10 years, our records show that the City of Stamford has invested approximately \$2 million to maintain the physical plant at The Smith House (see chart below).

Capital Expenditures 2005 - 2015	Total
Smith House Chiller Replacement	460,700
Blacktop Parking Lots	124,465
Smith House Improvements	668,567
Smith House General Improvements	533,329
Vehicles	90,540
<b>Total</b>	<b>1,877,601</b>

No renovations or new capital improvements are scheduled as a result of this application.

**9. Provide any available estimates of the cost to renovate the facility to current codes.**

The building, as grandfathered based on when the license was issued, is currently within State, Federal and local codes. The \$3.2 million of capital expenditures detailed below is our best estimate of the immediate needs for the building.

**Immediate capital needs include the following:**

<u>Capital Expense</u>	<u>Amount</u>	<u>Timing</u>
Roof Replacement	\$ 105,000	Now - Bonded
Window Replacement	\$ 365,000	Within 12 months
Boiler Gas Conversion	\$ 110,000	Within 12 months
Electronic Medical Records	\$ 150,000	Now - Bonded
Doors	\$ 200,000	2 years
Room Updates	\$ 2,000,000	Over a 3 year period
Generator Replacement	\$ 250,000	Now - Bonded with 85% grant
<b>Total</b>	<b>\$ 3,180,000</b>	

**10. Specifically address current compliance with codes governing handicapped accessibility including ADA and improvements that will be made to comply with ADA requirements. Describe the changes required to each department or functional area to comply with current health and safety requirements including the condition of electrical and mechanical systems including changes in fire alarm systems, nurse call systems, air conditioning, lighting, furnishings and wall, floor and ceiling finishes.**

As mentioned in #8 above, renovations or new capital improvements are not scheduled as a result of this application. Estimates of the capital work which needs to be done are included in #9 above.

**11. Is there a clear public need for this request? Provide the areas served (preferably by town) by the facility and the available beds in towns within a 15 mile radius and alternative less costly means of meeting the service needs of the population to be served.**

City of Stamford

In this case, the public need is on the part of the taxpayers of the City of Stamford. The magnitude and the underlying causes of our losses have been presented to, and discussed with municipal legislative bodies in great detail. The consensus is an unwillingness to continue to fund the structural deficit and/or to invest in necessary capital improvements.

As shown in #4 above, there are ample available beds in Connecticut towns within a 15 mile radius of Stamford.

**12. Identify any other factor that the Department should consider in determining whether this request will be granted, modified or denied. Provide supporting documentation.**

N/A

MAYOR  
DAVID R. MARTIN

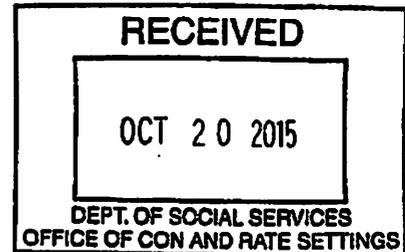


CITY OF STAMFORD  
SMITH HOUSE  
SKILLED NURSING FACILITY  
88 ROCKRIMMON ROAD  
STAMFORD, CT 06903-2817

EXECUTIVE DIRECTOR  
ROBERT MISLOW, MHA, LNHA  
TEL: (203) 322-3428  
FAX: (203) 977-5524  
Email: [RMislow@StamfordCT.gov](mailto:RMislow@StamfordCT.gov)

October 20, 2015

Mr. Christopher A. Lavigne  
Director of Reimbursement and Certificate of Need  
Department of Social Services  
State of Connecticut  
55 Farmington Ave  
Hartford, Connecticut 06105



Re: Smith House Skilled Nursing Facility – Letter of Intent to Request a CON

Dear Mr. Lavigne:

Pursuant to Connecticut General Statutes Section 17b-352, please accept this notification as a letter of intent requesting all necessary documents and forms for a certificate of need application. The mounting financial losses, nearly \$6 million last fiscal year, are unsustainable and the primary driver of this request. It is our belief that there are sufficient available beds in the surrounding areas to ensure continuity of care to residents. We are submitting the following statutorily required information in connection with this request:

- (1) Name of Applicant: City of Stamford as license holder of Smith House Skilled Nursing Facility, 88 Rockrimmon Road, Stamford, Connecticut 06903;
- (2) The application is for termination of authorized service and 100% of bed capacity (128 beds);
- (3) There is no capital cost associated with this intent;
- (4) Smith House is located at 88 Rockrimmon Road in Stamford, Connecticut;
- (5) A brief description of the proposed closure project is as follows:

The purpose of this plan is for the City of Stamford to safely and properly close Smith House SNF, while following state and federal laws, upholding resident rights, quality care and keeping the interests of residents, families and employees in the forefront. To achieve the overall goal of helping residents move to a new residence while minimizing relocation stress, all parties involved must:

- Remain focused on best outcomes for residents
- Communicate that until the State of Connecticut approves the CON closure request no resident may be transferred, unless initiated by them or their family
- Assure that residents' choices and preferences are considered and honored
- Acknowledge the resident's and staff's feelings of loss, mistrust or confusion

- **Contribute to a resident focused approach necessary for a successful relocation process**
- **Insure safe and timely transfer of residents to new residences**
- **Conduct business in a professional and collaborative manner**
- **Support the daily routines of residents and nursing facility operations**
- **Create a blameless environment focusing on positive outcomes and solutions**

**Additionally (as is also required pursuant to C.G.S. sec. 17b-352(c)), we are notifying the Office of Long Term Care Ombudsman, Ms. Kimberly Massey, and all Smith House patients/residents and/or responsible parties of this request for a certificate of need (CON) application to terminate skilled nursing care services at Smith House. A copy of our notice to residents is enclosed herewith. A copy of the Notice of the CON request will be prominently posted at the front desk of the facility today.**

**The Office of Long Term Care Ombudsman is being informed via a copy of this letter at the following address:**

**Ms. Kimberly Massey  
Office of Ombudsman Western Region  
1057 Broad Street  
Bridgeport, CT 06604**

**Attached is the written notice we are providing simultaneously to the patients/residents, responsible parties, guarantors and next of kin and this letter will be posted in prominent view at the facility.**

**The contact persons for additional information at The Smith House are Robert M. Mislow, Executive Director and John Panicek, Consultant. They can be reached at (203) 322-3428. We plan to hold resident and family meetings in order to answer questions that may arise. The meetings will be scheduled as follows:**

- **Wednesday, October 21 at 11:00 a.m. and 6:00 p.m.**
- **Saturday, October 24 at 11:00 a.m., 2:00 p.m. and 4:00 p.m.**

**Sincerely,**



**David R. Martin  
Mayor, City of Stamford**

**Enclosures:**

**Letter dated October 20, 2015 from Mayor David R. Martin to Smith House Patients/Residents, Guardians, Next of Kin, Families, Responsible Parties and/or Conservators**

**cc (with enclosures): Ms. Kimberly Massey, Office of Long Term Care Ombudsman, 1057 Broad Street, Bridgeport, Connecticut 06604**

**Exhibit 2**

**Attachment I**

**State of Connecticut - Department of Social Services  
Office of CON & Rate Setting  
55 Farmington Avenue  
Hartford, CT 06105**

**APPLICATION FOR CERTIFICATE OF NEED**

**AFFIDAVIT**

APPLICANT: The City of Stamford

PROJECT TITLE: The Smith House

I David R. Martin Name Mayor Position  
Of City of Stamford being duly sworn, depose  
and state that the information in this Certificate of Need Application Entitled "The Smith  
House" is accurate and correct to the best of my knowledge.

Signature:  Title: Mayor, City of Stamford

Subscribed and sworn to before me on 11/10/15  
Date



~~Notary Public~~/Commission of Superior Court – Commission expires:

I. General InformationA. Identification of Applicant

## 1. Specify the Name and Address of the Applicant

Applicant Name:	City of Stamford
Address 1:	Stamford Government Center
Address 2:	888 Washington Blvd
City, State, Zip Code:	Stamford, CT 06901

## 2. Specify the Name, Title, Address and Telephone Number of the Contact Person for this Application. The contact person shall be the person to whom all communications are directed.

Name:	Kathryn Emmett, Esq.
Title:	Director of Legal Affairs
Address 1:	Stamford Government Center
Address 2:	888 Washington Blvd
City, State, Zip Code:	Stamford, CT 06901
Telephone Number:	(203) 977-4082
Email Address:	kemmett@stamfordct.gov
Fax Number:	(203) 977-5560

## 3. Specify the Name, Title, Address and Telephone Number of another person who may be contacted regarding this application, in the event that the contact person specified above is not available.

Name:	Michael Handler
Title:	Director of Administration
Address 1:	Stamford Government Center
Address 2:	888 Washington Blvd
City, State, Zip Code:	Stamford, CT 06901
Telephone Number:	(203) 977-4182
Email Address:	mhandler@stamfordct.gov
Fax Number:	(203) 977-5657

4. Specify existing (E) and/or proposed (P), Department of Health Services licensure categories.

If the applicant is an existing facility, provide the following information where appropriate:

- Number of licensed beds, by licensure category:
- Primary service area (specify basis for derivation and identify geographic area encompassed, by town).

(Select all that Apply)

"X"	Facility Type/Licensing Category	(E) and/or (P)	Licensed Beds	Service Area
	Home for the Aged			
	Rest Home with Nursing Supervision (RHNS)			
X	Chronic and Convalescent Nursing Home (CCNH)	E	128	Fairfield County
	Other, specify:			
	Other, specify:			

**B. Type of Application**

1. Specify if a new or additional function(s) or service(s), and/or a termination of a function or service and/or a capital expenditure exceeding statutory thresholds for review, is being proposed:

"X"	Type of Application	Filing Fee Required
	New or Additional Function(s) or Service(s) Including staff expansion proposed by coordination, assessment, and monitoring ("CAM") agencies.	No
X	Termination of Service(s);	No
	Capital Expenditures: (*see definition)	
	Major Medical Equipment, exceed statutory thresholds;	Yes
	Other Capital Expenditure, exceeding statutory thresholds	Yes
	Imaging Equipment, exceeding statutory thresholds;	Yes
	Facility Licensed Bed Reduction from __ to __ Licensed Beds	No
	Other, specify:	No

NOTE - Conversion to different licensure categories should be reported as a termination of service and also as an introduction of an additional function or service.

2. Specify the total amount of capital expenditures proposed:

<b>Proposed Capital Expenditures:*</b>	\$	<b>**</b>
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\* Capital Expenditures: The total of all expenditures or proposed expenditures for the acquisition, installation and initial operation of items which at the time of acquisition, have an estimated useful life of at least three years and a purchase price of at least \$500 for groups of related items, which are capitalized under generally accepted accounting principles. Such items shall include but not be limited to the following.

\*\*Should agree with page 5, Total Proposed Capital Expenditures.

- a. Land, buildings, fixed equipment, major movable equipment and any attendant improvements thereto.
- b. The total cost of all studies, surveys, designs, plans, working drawings, specifications and other activities essential to acquisition, improvement, expansion or replacement of physical plant or equipment or both in question, when such total costs in aggregate exceed \$50,000.
- c. Lease assets. Purchase price for leased assets, including equipment, land and/or building(s), shall be the fair market value at lease inception.
- d. Maintenance expenditures capitalized in accordance with generally accepted accounting principles.
- e. Donated assets: Donations of property and equipment which under generally accepted accounting principles, are capitalized at the fair market value at the date of contribution.

C. Proposed Capital Expenditures and Funding Sources

1. Itemize all anticipated capital expenditures related to the proposal, as follows:

	<b>Itemized Capital Expenditure Category</b>	<b>Amount</b>
A	Total Building Work Costs	\$
B	Total Site Work Costs	\$
C	Total Off-Site Works Costs	\$
D	Total Construction Costs	\$
E	Fixed Equipment* (use fair market value, if leased)	\$
F	Movable Equipment* (use fair market value, if leased)	\$
G	Architectural & Engineering Costs	\$
H	Land (use fair market value, if leased)	\$
I	Building(s)(use fair market value, if leased)	\$
J	Works of Art	\$
K	Consultants (specify)	\$
L	Other Costs (specify)	\$
	<b>Total Proposed Capital Expenditures:</b>	<b>\$</b>
M	Financing Fees (specify)	\$
N	Construction Period Interest	\$
O	<b>Total Capitalized Financing Costs</b>	<b>\$</b>
	<b>Total Proposed Capital Expenditures, which include Capitalized Financing Costs</b>	<b>\$</b>
	<b>Total New Construction/Renovation Square Feet</b>	/
	<b>Cost Per Square Foot Renovation/New Construction</b>	\$ /
	<b>Cost Per Bed</b>	\$ /
	<b>Year Facility was Built</b>	

\* Include an itemized listing of equipment acquisitions identifying the amount of the proposed capital expenditure for each item. Major medical equipment acquisitions exceeding statutory thresholds, as well as any capital expenditures regardless of amount which result in a new or expanded service, should be listed separately and identified with a new or expanded service, where appropriate.

2. Itemize the anticipated proposed funding sources to be used in order to finance the proposed capital expenditures:

<b>Anticipated Funding Source</b>	<b>Amount</b>
Equity Contribution	\$
Debt Financing	\$
Lease Financing	\$
Other (Specify):	\$
<b>Total Proposed Funding Sources</b>	<b>\$</b>

D. Ownership

For new facilities complete the following items. For existing facilities, submit the most recent copy of the Disclosure Statement of Ownership and Operation, Part I, and complete pertinent sections of 1 through 5d if required information is not included in the Disclosure Statement. All applicants must submit a Certificate of Incorporation or a Certificate of Partnership.

## 1a: Ownership

Name of Facility:	Smith House Skilled Nursing Facility
Doing Business As:	The Smith House
Address 1:	88 Rock Rimmon Road
Address 2:	
City, State, Zip Code:	Stamford, CT 06903
Contact Person:	Kathryn Emmett, Esq.
Title:	Director of Legal Affairs, City of Stamford
Telephone Number:	(203) 977-4082
Fax Number:	(203) 977-5560

## 2a: Type of Facility/Bed Configuration/Payer Mix/Utilization Statistics

Type of Facility	Licensed Bed Capacity	Census	Date of Census
Chronic and Convalescent Nursing Home	128	101	10/21/15
Rest Home with Nursing Supervision			
Home for the Aged-Licensed Bed Capacity			
Chronic Disease Hospital-Licensed Capacity			
<b>Bed Configuration</b>	<b>Private</b>	<b>Semi Private</b>	<b>3/4 bed rooms</b>
Current Number of Rooms / Beds	68/68	30 /60	NA
Proposed Number of Rooms / Beds	0	0	0
<b>Payer Mix</b>	<b>Medicaid %</b>	<b>Medicare%</b>	<b>Private %</b>
Current	84%	6%	10%
Anticipated	0	0	0
<b>Utilization Statistics</b>			<b>Anticipated</b>
Occupancy Percentage as of 9/30	83%		0

2b. Form of Ownership (Choose One)

<b>"X"</b>	<b>Ownership Type</b>	<b>"X"</b>	<b>Ownership Type</b>
	Sole Proprietorship		Profit Corporation
	General Partnership		Professional Corporation
	Limited Partnership		Non-Profit Corporation
x	Municipality		Joint Venture
	Other (Specify):		Limited Liability Corporation (LLC)

2c. Owner(s) of Facility - Please list in descending order ownership share. Also include associates, incorporators, directors and sponsors.

Name & Address	Business Phone	Ownership Phone
City of Stamford		
888 Washington Boulevard		
Stamford, CT 06901		

2d. If an above owner is a corporation or partnership or if the facility is operated by a corporation or partnership under a contract, identify the following related to owners or beneficial owners of ten percent (10%) or more of the stock of that corporation or for each general or limited partner of that partnership.

Name & Address	Business Phone	Ownership % *	Type **

\*List in descending order by ownership share

\*\*Indicate general or limited

3a. Administrator of Facility - Individuals and/or contracted management company.

Name & Address	Title	Business Phone
Robert Mislow 88 Rock Rimmon Rd, Stamford CT, 06903 until 11/13/2015	Administrator	(203) 322-3428
John Panicek 88 Rock Rimmon Rd, Stamford, CT 06903 after 11/13/2015	Administrator	(203) 322-3428

3b. If a management company has been contracted to manage the day-to-day operations,

identify them and specify their responsibilities in relation to those of the owner(s) and/or operators.

4a. Land Information

Identify who holds the record title of the land on which the facility is located

Land Title Holder Name:	City of Stamford
Address 1:	888 Washington Boulevard
Address 2:	
City, State, Zip Code:	Stamford, CT 06901

If the above-named owner is not the same as that identified in 2(c), specify all owner interest of the landowner in the facility and the policy-making responsibilities as related to the facility's owners.

4b. Building Information

Identify who holds the record title of the building in which the facility is located.

Building Title Holder Name:	City of Stamford
Address 1:	888 Washington Boulevard
Address 2:	
City, State, Zip Code:	Stamford, CT 06901

If the above-named owner is not the same as that identified in 2(c), specify all owner interest of the building owner in the facility and the policy making responsibilities as related to the facility's owners.

4c. Equipment Information

Note: Complete separate page for each owner of the Facility's equipment. Identify who holds title to the equipment of the facility.

Equipment Title Holder Name:	City of Stamford owns all equipment with the exception of leased copy machines
Address 1:	888 Washington Boulevard
Address 2:	
City, State, Zip Code:	Stamford, CT 06901

List all the equipment to which the owner holds title. If the facility or specified owner holds title to all equipment, indicate "All".

If the above-named owner is not that same as that identified in 2(c), specify all owner interest of the building owner in the facility and the policy making responsibilities as related to the facility's owners.

5a. Submit the organization chart and a chart of legal corporate structure which identifies any relationship or affiliation with any parent or hold company, subsidiary of the facility and subsidiary of a parent or holding company.

5b. For each entity identified in 5a, above, identify:

Entity 1:

Name & Address:	
Form of Ownership:	
Ownership Interest in Facility:	
Type of Business Activity:	
Ownership Type:	

Entity 2:

Name & Address:	
Form of Ownership:	
Ownership Interest in Facility:	
Type of Business Activity:	
Ownership Type:	

Also indicate profit or non-for-profit.

II. Project Description

A. Summary

Provide a summary or overview of the project that includes the principal reason why the application should be approved.

As set forth more fully in our response to question #3 of the attached application for a Certificate of Need, the City of Stamford is requesting permission to close The Smith House after having made the financial determination that it can no longer fund yearly operating deficits in excess of \$6 million (per), or finance the capital expenditures needed to refurbish rooms, upgrade technology, enhance security and to make ongoing repairs.

B. Linkages

Where the proposed service is intended as a regional resource or where other providers of care are integral to ensure an effective continuum of care, provide evidence of existing or proposed agreements/understandings with these providers.

**STATE OF CONNECTICUT - DEPARTMENT OF SOCIAL SERVICES  
CERTIFICATE OF NEED/MODIFICATION FILING FEE COMPUTATION SCHEDULE**

APPLICANT:  
PROJECT TITLE:  
DATE:

Is this a new CON application submitted for a capital expenditure exceeding \$2,000,000 or a capital expenditure exceeding \$1,000,000, which increases facility square footage by 5,000 sq. ft. or 5% of existing square footage, whichever is greater (Section 17b-353 C.G.S.)? If yes, complete section A.

Is this a request for a modification of a CON under Section 17b-353 C.G.S.? If yes, complete section B.

*CON applications submitted pursuant to Section 17b-352 C.G.S. or requests to modify a CON under 17b-352 only do not require a filing fee and this form should not be submitted.*

**SECTION A - NEW CERTIFICATE OF NEED APPLICATION**

- 1. Base Fee: \$1,000
- 2. Additional Fees: (Capital Expenditure Assessment) \$  
 (To calculate: Total requested Capital Expenditure including capitalized financing costs multiplied times .0005 and rounded to nearest dollar.) (\$\_\_\_\_\_ x .0005)
- 3. Sum of base fee plus additional fee: (lines 1 + 2) \$
- 4. Enter the amount shown on line 3. on "Total Fee Due" line (SECTION C).

**SECTION B - REQUEST FOR MODIFICATION OF PRIOR APPROVED CON**

Docket Number of original CON \_\_\_\_\_

Docket Numbers of any previous modifications \_\_\_\_\_

- 1. If the total of this request and all previous requests for a modification of this CON is between \$100,000 and \$1,000,000 the fee is \$ 500 which should be entered in SECTION C
- 2. If the total of this request and all previous requests is greater than \$1,000,000 the filing fee is as follows:
  - a. Base Fee: \$1,000
  - b. Additional Fees: (Capital Expenditure Assessment) (To calculate: Total requested Capital Expenditure including capitalized financing costs multiplied times .0005 and round to nearest dollar.) (\$\_\_\_\_\_ x .0005) \$
  - c. Sum of base fee plus additional fee: (lines B2a + B2b) \$
  - d. Enter the amount shown on line B2c. on "Total Fee Due" line (SECTION C).

**SECTION C TOTAL FEE DUE:**

**ATTACH HERE CERTIFIED OR CASHIER'S CHECK ONLY**  
**(Payable to: Commissioner of Social Services)**

**MEMORANDUM OF UNDERSTANDING  
BETWEEN THE CITY OF STAMFORD  
AND  
CENTER MANAGEMENT GROUP**

AGREEMENT made this *6th* day of November, 2015, between THE CITY OF STAMFORD (the "City"), a municipal corporation organized and existing under the laws of the State of Connecticut, acting by David R. Martin, its Mayor, or his designee and the CENTER MANAGEMENT GROUP, LLC ("CMG"), a limited liability company organized and existing under the laws of the State of New York, acting by Charles-Edouard Gros, its Chief Executive Officer.

**WITNESSETH**

WHEREAS, the City owns and operates a Skilled Nursing Facility (a "SNF") known as The Smith House which is located at 88 Rock Rimmon Road in the City of Stamford, State of Connecticut and is licensed in Connecticut as a chronic and convalescent nursing home ("CCNH").

WHEREAS, the City filed a Letter of Intent ("LOI") on October 20, 2015 with the Department of Social Services of the State of Connecticut ("DSS") requesting an application for a Certificate of Need ("CON") in order to obtain permission from the State of Connecticut to close The Smith House.

WHEREAS, CMG owns and operates SNFs and, upon learning that the City had filed a LOI with DSS, contacted the City and, on October 28, 2015, sent the City a letter of intent for the acquisition of The Smith House (the "Transaction").

WHEREAS, the City believes that, so long as it has no further financial responsibility for the continued operation of The Smith House, it is in the best interests of the residents of the City for The Smith House to continue to operate as a CCNH under the auspices of another licensed operator subject to terms and conditions acceptable to the City.

WHEREAS, CMG is prepared to continue the operation of The Smith House as a CCNH subject to terms and conditions acceptable to the City and to relieve the City of all

financial responsibility for the continued operation of The Smith House.

NOW THEREFORE, the City and the CMG agree:

1. The City will enter into a long term (99 year) triple net lease agreement with CMG for occupancy and operation of The Smith House as a SNF. See Exhibit A (draft lease agreement, which the parties agree to continue to negotiate in good faith to reach mutually agreeable terms). The parties also agree to negotiate in good faith to reach mutually agreeable terms for an asset purchase agreement with respect to the Transaction. The lease agreement and asset purchase agreement shall include provisions regarding purchased assets and excluding assets, assignment and assumption of contracts (including Medicare and Medicaid provider numbers and bank accounts, representations relating to the property and operations, and indemnification for pre-closing liabilities, and other customary representations, covenants, and warranties for a transaction of this nature).
2. CMG will pay \$2,000 per month in rent.
3. The lease will be contingent upon CMG's continuing to operate The Smith House as a licensed CCNH with a minimum of 90 beds and no less than 80% occupancy for a term of at least 15 years.
4. CMG will not be permitted to sublease or license occupancy of the premises or substitute another operator of The Smith House without the prior approval of the City, other than to a an entity no less than 51% controlled by Charles Edouard Gros (Permitted Designee.)
5. CMG shall offer equivalent – *i.e.*, full-time, part-time, seasonal or per diem – employment to all current Smith House employees that satisfy CMG's standard qualification criteria generally applied at other CMG affiliated SNFs. The employment offers shall be on terms set by CMG in its sole discretion that are equivalent to the terms offered to equivalent new employees concurrently offered positions by CMG at the Smith House.

6. CMG will not in any way favor or discriminate against the applicants for residency at, the residents of, the families of residents or prospective residents, or the employees of The Smith House because of their status in any "protected class," including race, color, religious creed, age, sex, marital status, sexual orientation, gender identity or expression, national origin, ancestry, or physical disability, as recognized by Federal and/or State of Connecticut anti-discrimination statutes now existing, or as amended in the future.

7. CMG shall continue to operate/maintain the shared septic system in accordance with applicable regulatory and grant the City access to inspect the septic system.

8. Upon execution of this MOU, CMG shall immediately make a non-refundable deposit, by electronic funds transfer, of fifty thousand dollars (\$50,000.00) to an account designated by the City.

9. Upon deposit of the fifty thousand dollars (\$50,000.00), the City will negotiate exclusively with CMG for a period of 30 days, until CMG notifies the City that it does not wish to proceed based on its due diligence pursuant to this Agreement or until the lease is executed, whichever first occurs.

10. On or before 5:00 pm on November 10, 2015, CMG shall deposit one million dollars (\$1,000,000.00) as earnest money ("Earnest Money") by electronic funds transfer into an interest bearing escrow account, of the City's choosing, in which the funds will be held under CMG's tax ID number (the "Escrow Account"), pursuant to the Escrow Agreement attached as Exhibit C (To be provided on or before the deposit of the Earnest Money.)

11. The Earnest Money shall be refunded to CMG within three (3) business days if CMG notifies the City in writing by 5:00 pm EST on November 11, 2015 that it does not wish to proceed with the acquisition of The Smith House based on the results of its due diligence investigation.

12. The City will cooperate with CMG with respect to the due diligence requests made by CMG or its representatives.

13. CMG shall conduct its due diligence investigation in conformity with all local, state and federal laws and regulations including, in particular, its obligation to appropriately safeguard protected health information under HIPAA.

14. If CMG has made the payments/deposits required by this Agreement and has not notified the City that it does not wish to proceed with the acquisition of The Smith House by 5:00 pm on November 11, 2015 pursuant to Paragraph 10 above, the City will withdraw its LOI, application for a CON, and/or, as appropriate, request the State to discontinue processing the City's request to close The Smith House and/or to cancel the Public Hearing scheduled for November 13, 2015.

15. If CMG has made the payments/deposits required by this Agreement and has not notified the City that it does not wish to proceed with the acquisition of The Smith House by 5:00 pm on November 11, 2015 pursuant to Paragraph 10 above, the City will inform DSS and the Department of Health about this agreement and its intent to transfer the operation and management of The Smith House to CMG.

16. If CMG has made the payments/deposits required by this Agreement and has not notified the City that it does not wish to proceed with the acquisition of The Smith House by 5:00 pm on November 11, 2015 pursuant to Paragraph 10 above, CMG will immediately seek approval(s) from the appropriate State agency(ies) to operate The Smith House under an interim management agreement.

17. Immediately upon CMG's obtaining approval to operate The Smith House under an interim management agreement, the City will turn over operation of The Smith House to CMG pursuant to the interim management agreement. *See Exhibit B (draft interim management agreement (To be provided on or before the deposit of the Earnest Money)).*

18. If the City obtains the required approvals for the lease and CMG fails to

execute the lease or fails to obtain a license or any other required local, state or federal authorization to operate The Smith House, the Earnest Money shall be forfeited to the City, unless (i) if the City has defaulted or breached any of its requirements or covenants with respect to the Transaction, or (ii) CMG uses commercially reasonable efforts to obtain all required licenses and approvals and through no fault of CMG a required license or approval is not provided.

19. If the City fails to obtain the required Board approvals for the lease, as provided in Paragraph 22 below, the Earnest Money shall be refunded to CMG.

20. If the lease is executed and CMG obtains a license to operate The Smith House, the City will refund to CMG up to the total amount of the funds then held in the Earnest Money Escrow Account (which shall be the initial \$1,000,000 plus any accrued interest) to cover the costs CMG incurs to renovate the Facility within three (3) business days of presentation to the City of invoices for costs incurred to renovate or improve the Facility.

21. CMG shall have the right prior to 5:00 pm on November 10, 2015, to conduct reasonable inspections and investigations of the Facility, including all due diligence items described in paragraph 23 below, at any time. Upon delivery of the Earnest Money, CMG shall have the right to continue to conduct reasonable inspections and investigations of the Facility, including all due diligence items described in paragraph 23 below, after 5:00 pm on November 10, 2015 if delivery of the Earnest Money is made pursuant to paragraph 10.

22. CMG may employ agents to conduct due diligence activities on its behalf.

23. CMG's due diligence may include, but will not be limited to: a) inspection of books and records of the Facility; b) inspection of the physical structure of the Facility; c) review of contracts and leases to which the Facility or the City is a party; d) such other reasonable inspections or investigations as CMG may deem necessary.

24. During the due diligence period and prior to the deposit of the Earnest

Money, CMG and its agents may not represent to residents, families, or employees or to the public that it intends to acquire The Smith House or that it plans or expects to become the operator of The Smith House.

25. No party may, without the other party's (the "Other Party") prior written consent, publish or disclose or otherwise authorize or permit any of its officers, employees, directors, agents or representatives or any third party to publish or disclose any information regarding the Transaction or any other trade secrets, confidential or proprietary data or information or financial books, records or other similar information (collectively, the "Confidential Information") of or pertaining to the Other Party, provided, however, that the foregoing shall not apply to information which: (i) prior to or after the time of disclosure becomes publicly known and made generally available; or (ii) is required to be disclosed by applicable law or proper legal, governmental or other competent authority, provided that the Other Party shall be notified sufficiently to the extent possible in advance of such requirement so that the Other Party can seek an appropriate protective order with respect to such disclosure, with which the disclosing Party shall fully comply; (iii) is otherwise disclosed to agents, representatives (including attorneys, accountants and financial advisors), employees, vendors, or consultants whose knowledge of the information is needed for evaluation purposes and/or in connection with the consummation of the transactions contemplated by this Agreement and who recognize the confidential nature of such information and agree to be legally bound to the same burdens of confidentiality contained in this Agreement (or (iv) any disclosure that the City is obligated to make pursuant to its rules and regulations, including obligations to present financial information as it pertains to the City to various Boards and Commissions, which may or may not be subject to FOIA requests, or other public

communication responsibilities that the City may have as a municipal government, but in all cases the City will maintain confidentiality with respect to all of CMG's proprietary trade secrets, to the extent that it has access to any.

26. CMG shall be required to pay all applicable taxes, including personal property tax and provider taxes, attributable to the continued operation of The Smith House.

27. CMG shall become the licensed operator of The Smith House.

28. The City's agreement to lease The Smith House to CMG pursuant to Paragraph 1 above is contingent upon approval by the Planning Board, the Board of Finance and Board of Representatives.

29. This Agreement contains the entire agreement between the parties hereto, and no oral statements or promises and no understanding not embodied in this writing shall be valid or binding upon either CMG or the City. Any modification of this Agreement shall be in writing and executed with the same formality as this Agreement.

30. Any notice or request required to be given or otherwise given pursuant to this Agreement to CMG shall be in e-mail to Charles-Edouard Gros at [cgros@centermgt.com](mailto:cgros@centermgt.com) and Shlomo Boehm at [sboehm@centermgt.com](mailto:sboehm@centermgt.com), or at such other e-mail address as may hereafter be specified in a notice designated as a notice of change of address under this paragraph.

31. Any notice or request required to be given or otherwise given pursuant to this Agreement to the City shall be in e-mail to Michael Handler at [mhandler@stamfordct.gov](mailto:mhandler@stamfordct.gov) AND Kathryn Emmett at [kemmett@stamfordct.gov](mailto:kemmett@stamfordct.gov) or at such other e-mail address as may hereafter be specified in a notice designated as a notice of change of address under this paragraph.

32. The Parties acknowledge that they each participated in drafting this Agreement, and there shall be no presumption against any party on the ground that such party was responsible for preparing or reviewing this Agreement or any part of it.

33. Each party (to the extent obligated to do so) shall execute and deliver such instruments and take such other actions as the other party or parties may reasonably request in order to carry out the intent of this Agreement.

34. Subject to applicable law, this Agreement may be modified, amended, and supplemented only by written agreement of the Parties. No term or condition hereof may be waived, except in a writing signed by the party sought to be charged therewith. Failure by any party to insist in any one or more instances on strict compliance with the terms, conditions, covenants, representations and warranties contained herein shall not be deemed a waiver or act as an estoppel.

35. If any one or more provisions of this Agreement shall be deemed to be illegal or unenforceable, such illegality or unenforceability shall not affect any of the remaining legal and enforceable provisions hereof, which shall be construed as if such illegal or unenforceable provision or provisions had not been inserted.

36. This Agreement and all rights and liabilities of the Parties shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to conflict of law principles.

37. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. An electronic facsimile or photocopy of this Agreement or any signature hereon shall be deemed an original and may be filed or received in evidence in any matter and for any purpose.

38. This Agreement and the Lease are assignable, in whole or in part, to any "Permitted Designee".

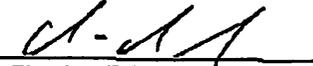
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CITY OF STAMFORD

By   
Mayor David R. Martin

Date: 11/6/15

CENTER MANAGEMENT GROUP,  
LLC

By   
Charles-Edouard Gros

Date: 11-6-15.