

## BRIEFING MEMO

### Subsequent Review of Kittery Commons, LLC (a replacement facility for Harbor Home) regarding the transfer of 1/3 ownership of the facility to its other partners.

**TO:** Brenda M. Harvey, Commissioner, DHHS

**THROUGH:** Catherine Cobb, Director, Division of Licensing and Regulatory Services

**FROM:** Phyllis Powell, Manager, Certificate of Need Unit  
Larry D. Carbonneau, CPA, Healthcare Financial Analyst

**SUBJECT:** Proposal by Partner Ward Hand of Kittery Commons, LLC to Transfer Ownership to remaining partners.

**DATE:** 2/18/2008

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**ISSUE ACTIVATED BY:** The referenced proposal requires Certificate of Need approval as defined in "The Maine Certificate of Need Act of 2002," 22 MRSA Section 326 et seq., as amended.

**REGISTERED AFFECTED PARTIES:** None

#### **BACKGROUND:**

- A CON was approved on December 1, 2005.
- The original CON application related to building a replacement facility for Harbor Home and Homestead.
- The approved proposal involved the closing of Homestead in November of 2001. The project transfers beds from the two replaced nursing facilities plus 13 skilled licensed beds from York Hospital to the new facility Kittery Commons. This project has been under consideration in various iterations since at least 2000. The owners of the facility are Ward Hand, Joe Hogan and Bill Gillis. Each partner currently has a 1/3 interest.
- The owners also operate Continuum Health Services, Inc. and three other facilities; Clover Manor, Gorham House and Sentry Inn.
- Clover Manor, Gorham House and Sentry Inn were part of an approved CON to sell and then leaseback the real estate from NHP, an out of State REIT.
- Ownership of Continuum, Clover Manor, Gorham House and Sentry Inn is being transferred to Joseph Hogan through a previously approved subsequent review of the NHP CON.
- The original approval for the NHP CON was conditioned on providing financing for this Kittery Commons Nursing Facility project. That financing was provided by the sale and leaseback of the real estate. Evidence of that transaction is now included in the file.
- Continuum Health Services, Inc. is the company that provides accounting and centralized management functions to Harbor Home and will be continuing that role with Kittery Commons.

- This proposed transaction is considered a subsequent review of the original project because of the change in the source of the equity primarily through the change of ownership of the real estate companies.
- The proposed change to the original CON application is to allow Mr. Hand to transfer his interest in the company to Mr. Hogan and Mr. Gillis.
- Mr. Hogan completed his Administrator in Training in 1982. Mr. Hogan served as the manger of the Clover Living Center until 1986. In 1988, he joined his current partners in building Gorham House. And in 1998 completed with the same partners, Sentry HillThe planned operator of the facility will not change.

***The CONU has determined that the applicant is fit, willing and able to manage this project and continue to provide services at the proper standard of care.***

- The applicant has determined that the capital cost for this transfer of ownerships will be for no additional consideration.
- The transfer will not affect the operations of the facility.
- The proceeds of the NHP CON included funds that went to financing this Kittery Commons Nursing Facility project as part of the conditions under which the NHP CON was approved.
- There appears to be sufficient revenue to cover expenses.

***The CONU has determined that the applicant could financially support this project.***

- Succession of ownership and dissolutions of partnerships are important and often involve significant planning.
- The facility will continue to operate under the same management. The Administrator is expected to remain in place.
- The nature of this transaction allows the current owners to relinquish ownership of the property and as contemplated in the original CON allows a means for them to retire from operations. This facility provides necessary services to the citizens of Maine.

***The CONU has determined that the applicant has demonstrated a need for the proposed project.***

- The proposed change in ownership will not affect the operations of the facility.
- The CONU cannot approve any project that adds costs to the MaineCare program. This project will provide for continued ownership and operation of the facilities without detriment to patient care, and will not add costs to the MaineCare program.

***The CONU has determined that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State***

- The proposed change will not affect the overall projects consistency with the State Health Plan.

*The CONU has determined that the project would be consistent with the State Health Plan.*

- The proposed change will not affect patient outcomes.
- The application continues present operations.

*The CONU has determined that this project would ensure high-quality outcomes and does not negatively affect the quality of care provided by existing service providers.*

- Patient volume and services will not change because of the change in ownership.
- No additional services are proposed.

*The CONU has determined that this project would not result in inappropriate increases in service utilization.*

#### **Comments From Public:**

No comments were received with the original application on filing of the availability of the preliminary analysis.

#### **HIGHLIGHTS:**

Revised Preliminary Analysis December 1, 2005  
Approval Dated December 1, 2005

**Comments From Public:** No public comments were received.

#### **CONU Conclusion:**

For all the reasons set forth in the preliminary review, based solely on a review of the record, we conclude that the review criteria have been satisfied as follows:

- The applicant is fit, willing and able to provide the proposed services at the proper standard of care.
- The economic feasibility of the proposed services has been demonstrated.
- A public need for the proposed services has been demonstrated.
- The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.

- The proposed project is consistent with the State Health Plan.
- The proposed project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.
- The proposed project does not result in inappropriate increases in service utilization.

**RECOMMENDATION:** The Certificate of Need Unit recommends this subsequent proposal be **Approved**.

Capital Costs

\$ 7,011,579

\$ 200,000

\$ 7,211,579

Capital Costs As Proposed and Approved  
Contingency Applied For  
Total Approved Capital Budget

Incremental

Costs

\$ 0

Approved As Proposed