

Department of Health and Human Services  
Commissioner's Office  
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April 23, 2010

Michael Tyler, Vice President of Development  
Lewiston Operations, LLC  
Genesis HealthCare Corporation  
509 Forest Avenue; 3<sup>rd</sup> Floor  
Portland, ME 04101

**RE: Marshwood Center Bed Addition**

Dear Mr. Tyler:

This letter will serve as notification that, on this date, I have decided to **grant with conditions** a Certificate of Need (CON) that authorizes the addition of 16 nursing facility beds at Marshwood Center in Lewiston, ME. The total approved capital expenditure associated with this project is \$288,000. Any costs exceeding \$288,000 will require a subsequent review.

My approval is conditioned on the following being implemented:

- 1) The applicant agrees not to enter into any agreement to sell the cash flows of the MaineCare Income stream from the RC beds until all of the MaineCare residents of the Marshwood RC unit have been relocated to MaineCare eligible beds in appropriate RC facilities.
- 2) In the event there are not enough vacant MaineCare RC beds for all of the Marshwood MaineCare RC residents, a sufficient amount of the cash flow from these beds will be used to fund MaineCare beds for these residents.
- 3) The applicant is willing to relinquish to the State of Maine any remaining MaineCare income stream balance that is not used to relocate residents.
- 4) The applicant will present to CONU a plan that addresses quality metrics applicable to the Marshwood Center transitional care unit, including current metrics at the facility and future goals, as well as, annual progress reports for two years in accomplishing these goals.

In order for this CON to remain valid, the project must be "commenced" within one year from the date of the original approval noted above. You must complete implementation reports on your activities as specified for this type of project (CON Procedures Manual, Chapter 11, Sec. 3). Limited extensions may be available, if requested in a timely manner and for good cause, as explained in the Manual, Chapter 9, Sec. 3. Failure to commence the project within this 12-month period will result in expiration of the CON, unless an extension is obtained, as cited above.

I am granting this CON with conditions because I have determined that the project meets the criteria set forth in the CON Act Sec. 335(1) and the Department's regulations. The specific details of the project for which I have granted this CON are contained in an application found to be subject to review in accordance with the provisions of the Maine Certificate of Need Act, and was certified complete by the applicant on June 17, 2009.

Please be aware that in accordance with Section 346 of the Maine Certificate of Need Act this Certificate, as modified herein, is valid only for the stated scope, premises and facility named in the above referenced application and is not transferable or assignable.

Furthermore, it should be clearly understood that our analysis and findings regarding the need for the proposed project as well as its financial and economic feasibility have been predicated on the application record as described in the Manual, Chapter 8, Subsection 5. Consequently, the proposal must be implemented consistent with the approval and conditions stated in this letter, as informed and clarified by the Department's analysis and findings as summarized in the following Department staff reports:

1. PRELIMINARY STAFF REPORT: Report from Larry Carbonneau, Health Care Financial Analyst, CONU and Richard April, Health Care Financial Analyst, CONU to Phyllis Powell, Manager, CONU, Licensing and Regulatory Services, dated October 5, 2009.
2. FINAL REVIEW: Briefing memo to Brenda M. Harvey, Commissioner, DHHS, dated April 7, 2010.

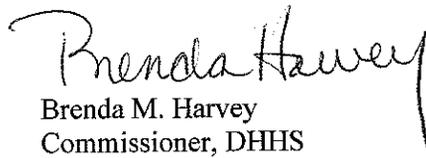
No significant changes to the project, no variations from the projected operating costs, no modifications of the terms of financing the project, and no increase in the capital expenditures to be made are permitted without the prior written approval of the Department. Any such variances may result in either the disallowance of related expenses, financial penalties or the immediate revocation of the CON.

Please work closely with my staff in the CONU to assure this project is implemented in accordance with the provisions of this Certificate and applicable rules and regulations. As part of this requirement, you are reminded that, prior to construction, the appropriate licensing and certification and State Fire Marshal officials must approve all working drawings and construction specifications.

The law requires that a holder of a CON make a written report at the end of each six-month period following its issuance. Details regarding this and related requirements will be made the subject of a separate letter from the CONU.

My staff will work with you as necessary.

Sincerely,

  
Brenda M. Harvey  
Commissioner, DHHS

cc: Daniel Maguire, Sandy River II, Inc.  
Catherine Cobb, Director  
Phyllis Powell, CONU Manager  
Anne Flanagan, Assistant Director  
Herb Downs, Audit  
Janine Raquet, AAG  
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