



Marshwood Center

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LETTER OF INTENT

Division of Licensing and
Regulatory Services

509 Forest Avenue
Portland, ME 04112
Tel 207 774 8444
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October 2, 2008

Phyllis Powell, Manager
Certificate of Need Unit
Division of Licensing and Regulatory Services
Department of Health and Human Services
State House Station #11
41 Anthony Avenue
Augusta, ME 04333-0011

Larry Carbonneau, CPA, Project
Analyst
Certificate of Need Unit
Department of Health and Human
Services
State House Station #11
41 Anthony Avenue
Augusta, ME 04333-0011

**RE: Marshwood Center – Letter of Intent– Sale of Residential Care
Beds and Acquisition of NF Beds**

Dear Phyllis and Larry:

This correspondence constitutes a Letter of Intent in accordance with Section 71.05(A) of the BEAS Policy Manual, Certificate of Need Regulations for Nursing Facility Level of Care Projects.

On behalf of Marshwood Center, one of the Genesis Healthcare of Maine, Inc. facilities ("MW"), we seek to initiate the Certificate of Need ("CON") review process to the extent it applies, to seek your advice and guidance on the best way to proceed, and to obtain an expedited, simplified review and approval of our sale of 16 Residential care beds to Bolster Heights and the addition of 16 NF level beds to MW from Presque Isle Rehab and Nursing. We also seek your advice and counsel, on how best to satisfy Medicaid Budget Neutrality requirements to the extent they are applicable.

We understand that this filing triggers the need for a Technical Assistance Meeting ("TAM") as the appropriate next step. We welcome the opportunity to meet with you and your staff as soon as practicable.

Phyllis Powell, Manager
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Larry Carbonneau, CPA, Project Manager

Background

We have been in discussions for some time with Robert Armstrong, Administrator of Bolster Heights and Rose Marie Louten Administrator of Presque Isle Rehab and Nursing regarding this project.

It is the intention and goal of Marshwood Center, located in Lewiston, Maine, to eliminate providing Residential Care Services and to effectively convert that space into additional NF services. It is further the desire and goal of Bolster Heights to build an addition to its facility in Auburn, Maine and expand its Residential Care services. Further it is the desire of Presque Isle Rehab and Nursing to sell its 16 Reserved NF beds.

Under the proposed transaction Marshwood would sell its rights to 16 Res care beds and Medicaid income stream to Bolster Heights to enable the completion of its addition. Marshwood would purchase the reserved beds from Presque Isle in order to accomplish the addition of 16 NF beds to the MW facility.

It is critical that we have an understanding of how the Medicaid income stream is calculated for Reserved beds in order to determine Medicaid neutrality. It is the intention of all three parties to work closely together in order to accomplish their collective goals and meet the needs of the communities they serve.

Capital Costs

There will be minimal additional capital costs required to the Marshwood Center because the current Residential Care Space was built to Skilled Care Requirements. We anticipate additional capital costs of less than \$50,000.

Simplified Review Under §336

We request that our proposal be made subject to a simplified (and expedited) review as described under §336 of the CON Law and §71.05(L)(2)(b) and (d) relating to fulfillment of pertinent licensing and other standards. We believe the project should be readily approved under these standards as it will “result in minimal additional expense”, “will be in compliance with other applicable state and local laws and regulations.”

We wish to work with the CONU to obtain approval of this project as soon as practicable.

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Larry Carbonneau, CPA, Project Manager

MaineCare Budget Neutrality

We are also aware of the requirements of §334 of the CON Act that requires demonstration of MaineCare Budget Neutrality as prerequisite for approval.

We seek your guidance on how best to satisfy this requirement. We believe it makes sense to satisfy this requirement by acquiring a sufficient Medicaid income stream to meet the neutrality requirement.

We also seek your guidance on the steps involved in transferring the Residential Care beds to Bolster Heights and Acquiring the Reserved NF beds from Presque Isle Rehab and Nursing. We expect to enter into a Letters of Intent with both entities shortly that will permit us to work expeditiously with the two parties and with DHHS to determine whether our collective needs can be fulfilled in a manner that complies with applicable standards.

Next Steps and Technical Assistance Meeting

We welcome the opportunity to work with you and look forward to meeting with you soon either in Lewiston or in Augusta.

I will be following up with you on this matter shortly. In the meantime, please feel free to contact me if I can be of any assistance. My telephone number is 774-8444, ext 249 and my email is mtyler@sandyriver2.com.

Sincerely,



Michael Tyler
Vice President of Development

cc: Catherine Cobb
John P. Doyle, Jr., Esq.
Richard Blinn
Rose Marie Louten
Robert Armstrong