

March 15, 2010

Mr. Larry Carbonneau
Health Care Financial Analyst
Certificate of Need Unit
Division of Licensing & Regulatory Services
DHHS State House Station #11
41 Anthony Ave.
Augusta, Me 04333-0011

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MAR 17 2010

**Division of Licensing and
Regulatory Services**

Dear Mr. Carbonneau:

I am following up per our meeting a few weeks ago related to Bangor Nursing & Rehabilitation Center at which we reviewed the further documentation you need in order to confirm for purposes of MaineCare reimbursement and otherwise that certain facility assets are within the scope of Certificate of Need approvals previously granted and should properly be allowed by MaineCare audits.

As you know, the facility entered into a Master Transaction Agreement with the City of Bangor in December, 2000 to take possession of the property from the City starting in 2001. As part of the Master Transaction Agreement, the City agreed to assume responsibility for up to \$2.25 million in capital improvements. Further detail is included in the attached PDF, including Mr. Durbin's letter of February 3, 2009 and attached memo from Mr. John Doyle. This transaction was approved by the Department of Health & Human Services and the new organization began operations going forward. North Country Associates, Inc. became involved as consultants in 2005 forward and is handling their financial organizational duties.

The issues of Certificate of Need (CON) approval of newly acquired assets under this agreement came into question in the course of more recent MaineCare audits, probably due to its long history dating back to the 2001 year and limited records. Per our discussion, and as stated in prior emails, you have advised that the CONU is prepared to issue a "Not Subject to Review" ruling to allow the facility to capture and receive appropriate MaineCare reimbursement for all improvements from the original start date until it reaches the \$2.25 million limit. As we understand it, this ruling will confirm that improvements up to this \$2.25 million limit will be deemed within the scope of the approval originally granted, and do not require year-by-year approval – even if they exceed the review threshold for a particular year. Individual years and the CON threshold limits from 2001 thru current will not apply year to year but rather in total aggregate to the maximum limit itself.

You requested information as to the historical amounts which have been spent so we can all keep track of this – to be clear of what falls within the \$2.25 million limit. Enclosed is a summary asset purchase register for the facility beginning on Jan 1, 2001 forward to current. With the estimated removal of all assets which have been directly purchased by the facility and are not included as part of the \$2.25 million dollar appropriation, the total expenditure to date is approximately \$1,203,000.

Related to this, we have received our MaineCare 2008 audit and there has been an adjustment to reduce depreciation for the year due to the fact that asset purchases exceeded the CON threshold for this one specific year. I have enclosed a copy of the audit adjustment for your records. The audit division is aware of this matter but stated they would need a letter from your office in order to reverse this adjustment. Could the letter you are preparing specifically address this adjustment as well and have them reverse it and reestablish the depreciation?

Going forward, we are prepared to report to your office and the Audit Division those additional expenses that are within the \$2.25 million limit, and trust that this approach will work. It would be helpful if your letter could describe this mechanism as well.

If you need any other information or have any other questions, please feel free to contact me.

Thank you.

Sincerely,



Glen Cyr
Senior VP of Finance

cc: Phil Bennett, administrator Bangor Nursing & Rehabilitation Center
Donna Buzzell, North Country Associates, Inc.
Stephanie Rice, Berry Dunn McNeil & Parker
John Doyle, Preti Flaherty