State of Tennessee
Health Services and Development Agency
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Nashville, TN 37243

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Date: **April 11, 2018**

To: **HSDA Members**

From: **Melanie M. Hill, Executive Director**

Re: **CONSENT CALENDAR JUSTIFICATION**

Open Arms Care Corporation d/b/a Shelby County #5, Cordova (Shelby County), TN – CN1802-008
The relocation and replacement of an 8-bed ICF/IID home from 4240 Raleigh Millington Road, Memphis (Shelby County), TN to an unaddressed 1.9 acre parcel near the northeast corner of the intersection of Pisgah Road and Latting Road, Cordova, TN 38016. The 1.9 acre lot site is the western portion of the property described as Parcel D0209 00179 in the records of the Shelby County Tax Assessor. The applicant is owned by Open Arms Care Corporation. The estimated project cost is $3,370,000.

As permitted by Statute and further explained by Agency Rule later in this memo, I have placed this application on the Consent Calendar based upon my determination that the application appears to meet the established criteria for granting a Certificate of Need.

Need, Economic Feasibility, Health Care that Meets Appropriate Quality Standards, and Contribution to the Orderly Development of Health Care appear to have been demonstrated as detailed below. If Agency Members determine the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the criteria required for approval of a Certificate of Need.

If you find one or more of the criteria have not been met, then a motion to deny is in order.

At the time the application entered the review cycle, it was not opposed. If the application is opposed prior to it being heard, it will be moved to the bottom of the regular agenda and the applicant will make a full presentation.

Summary

Opens Arms Care Corporation d/b/a Shelby County #5, Cordova is an existing 8-bed intellectual disability institutional habilitation facility certified for Medicaid participation as an Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID). Since a Certificate of Need is site-specific, Open Arms must receive approval prior to relocating the facility from its present location in Memphis to Cordova (both in Shelby County), a distance of 18.8 miles or about 24 minutes.

Open Arms has also filed four other applications to be heard this month that propose to relocate existing ICF/IIDs from older facilities to newly constructed facilities in more desirable locations—CN1801-004, 1802-007,009-010. This facility will be built in a single family home style with 4 semi-private bedrooms, 2 ½ baths and ample living, dining and staff-related space. It will be on an adjacent 1.9 acre lot to CN1802-007, Shelby County #6. The difference between the single family homes and the duplex style is that the single family style will serve the needs of the less medically complex ICF/IID population.

The facility is and will continue to be managed by Integra Resources, LLC, who manages all other Open Arms facilities. It will be leased from Facilities Development Group (FDG) who will obtain a loan from ServisFirst Bank and use the applicant's lease payments to repay the loan.

The estimated project cost for the 4,400 square foot facility is $3,370,000 per HSDA rules. It is based upon an annual lease cost of $110,000 for 30 years. The applicant notes the actual cost will be less based upon the Option to Lease terms which refers to the average annual rent over the 30-year term rather than a guarantee with respect to any year's specific rental amount. It notes the rent will be on a declining balance rather than an equal amortization to correspond with the FDG's anticipated financing, which will also be a declining balance (see page 27 of the original application). Occupancy is projected to be over 99% with per diem rates set by the Comptroller's Office based upon the facility's annual cost report. The cost reports lists expenditures related to patient care and administration that are eligible for Medicaid reimbursement.

The need for this relocation is three-fold—increasing acuity levels of existing residents and new admissions, the desire for a less commercialized neighborhood, and the need to meet impending changes to the life safety code. A facility constructed almost 30 years ago to provide ICF/IID care does not provide the additional space needed for supportive equipment or the additional staff needed to provide care for this population. The neighborhood which has grown more commercialized over the years is no longer desirable for this type home. The applicant also notes impending changes to the life safety codes which require upgrades to sprinklers, alarms and electrical systems. Rather than to try to retrofit a 30-year old facility that lacks adequate space for the care needs of the residents in a commercialized neighborhood, the applicant finds it more prudent to relocate.

Open Arms operates 41 facilities (both 8- and 4-bed) across Tennessee in Davidson, Greene, Hamilton, Knox, and Shelby Counties. It provides care for one third of the state's most medically fragile ICF/IID

population and has done so for almost 30 years (since 1990). As an experienced provider, it meets both state and federal rules and regulations and adheres to the Tennessee Department of Intellectual and Developmental Disabilities (TDIDD or Department) Protection from Harm System which requires reporting all allegations of abuse, neglect, and exploitation.

Please refer to the application, staff summary, and TDIDD report for a detailed narrative.

Executive Director Justification -

I recommend approval of CN1802—008, Open Arms/Shelby County #5, for the relocation of an 8 bed ICF/IID home in Shelby County from Memphis to Cordova based upon my belief the general criteria for a Certificate of Need have been met as follows:

Need- Need is met, as this will transition eight residents from a 30-year old facility in an increasingly commercialized neighborhood to a new facility which will be constructed to meet current life safety codes and designed with floorplans, technologies and materials to meet higher acuity levels. Relocation rather than renovation is the much better option.

Economic Feasibility- The project is economically feasible based upon a lease agreement between Facilities Development Group (FDG) who will obtain a loan to construct the facility and lease it to Open Arms. The State of Tennessee through the Medicaid program is the primary payor for the program with rates set by the Comptroller's Office based upon the facility's cost report. Revenue payor mix is projected to be 96% TennCare and 4% Supplemental Security Income (SSI). The facility has and is projected to continue to enjoy occupancy rates over 99%.

Health Care that Meets Appropriate Quality Standards- As a long-standing provider of ICF/IID services in Tennessee, Open Arms has a proven track record of providing services that meet appropriate quality standards. It is familiar with both state and federal regulations as well the TDIDD Protection from Harm System and is in good standing with all regulatory requirements.

Contribution to the Orderly Development of Health Care-Orderly development is met as Open Arms has existing contractual relationships with both TennCare and the Department, and a broad understanding of both the intellectual disability population and the intellectual disability system in Tennessee. This does not duplicate existing services; it simply relocates them to a newly constructed facility that will better meet the accessibility needs of residents.

Statutory Citation -TCA 68-11-1608. Review of applications -- Report

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to

the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

Rules of the Health Services and Development Agency-- 0720-10-.04 CONSENT CALENDAR.

(1) Each meeting's agenda will be available for both a consent calendar and a regular calendar.

(2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.

(3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.
(4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

Authority: *T.C.A. §§ 4-5-201, et seq., 4-5-202, 68-11-1605, 68-11-1606, 68-11-1608, and 2016 Tenn. Pub. Acts Ch. 1043.* ***Administrative History:*** *Original rule filed August 31, 2005; effective November 14, 2005. Rule was previously numbered 0720-10-.05, but was renumbered 0720-10-.04 with the deletion of the original rule 0720-10-.02 filed October 24, 2017; effective January 22, 2018. Amendments filed October 24, 2017; effective January 22, 2018.*

HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
APRIL 25, 2018
APPLICATION SUMMARY

NAME OF PROJECT:	Open Arms Care Corporation d/b/a Shelby County #5
PROJECT NUMBER:	CN1802-008
ADDRESS:	Unaddressed location near the northeast corner of the intersection of Pisgah Road and Latting Road Cordova, (Shelby County), Tennessee 38016
LEGAL OWNER:	Open Arms Care Corporation 6 Cadillac Drive, Suite 350 Brentwood, TN (Williamson County), TN 37027
OPERATING ENTITY:	Integra Resources, LLC 1222 16th Avenue South, Suite 300 Nashville, TN 37212
CONTACT PERSON:	Michael D. Brent, Attorney (615) 252-2361
DATE FILED:	February 9, 2018
PROJECT COST:	$3,370,000
FINANCING:	Lease Arrangement
REASON FOR FILING:	The relocation of an 8-bed Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID). ***The 8 beds are not subject to the 160 bed ICF/IID Bed Pool.***

DESCRIPTION:

Open Arms Corporation is seeking ***Consent Calendar*** approval to relocate an 8 - bed Intermediate Care home for Individuals with Intellectual Disabilities (ICF/IID) 18.8 miles from 4240 Raleigh Millington Road, Memphis (Shelby County), to an unaddressed location near the northeast corner of the intersection

of Pisgah Road and Latting Road, Cordova (Shelby County), TN. If approved, Open Arms Corporation will transition 8 individuals currently residing and receiving ICF/IID services to the newly constructed ICF/IID home.

Open Arms Care Corporation is a Georgia non-profit corporation formed in 1986. As a licensed and Medicaid-certified ICF/IID provider, Open Arms has provided care for individuals in Tennessee requiring ICF/IID services since 1990. Currently, it operates 41 eight (8) or (4) bed resident group homes and 5 day treatment centers in multiple counties across Tennessee.

ICF/IIDs are intended to provide individuals with intellectual disabilities individualized health care and rehabilitation to promote their functional status and independence. All Open Arms residential group homes in Tennessee are managed by Integra Resources, LLC, who will also manage the proposed facility in this project. Integra will be responsible for the provision of nursing care, support services, and therapy services including physical, occupational, speech, and nutritional therapy services.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. **For relocation or replacement of an existing licensed health care institution:**

a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative**

Renovation was not deemed a reasonable alternative due to the extensive costs to meet new fire-safety regulations.

It appears that this criterion has been met.

b. **The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

Bed occupancy has averaged 99.5% for the past three years. The applicant projects occupancy at 99.7% in Year 1 (2019) and 99.2% in Year 2 (2020).

It appears that this criterion has been met.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italics.

Application Synopsis

As mentioned earlier, the applicant proposes to relocate an 8 bed Intermediate Care home for Individuals with Intellectual Disabilities (ICF/IID) 18.8 miles from 4240 Raleigh Millington Road, Memphis (Shelby County), to an unaddressed location near the northeast corner of the intersection of Pisgah Road and Latting Road in Cordova. Open Arms residential group home ICF/IID beds are designed to provide long term residential supports to individuals with intellectual and developmental disabilities. ICF/IIDs provide comprehensive and individualized health care and rehabilitation services to promote the functional status and independence of individuals with intellectual disabilities.

These individuals have developmental disabilities and complex medical needs, which may include tracheotomy care, tube feeding, oxygen administration, insulin injections, medication administration, and daily medical assessment. The age range of the men and women with developmental disabilities who need ICF/IID services is 18-70. Open Arms employs nursing staff and contracts with physical therapists, occupational therapists, and speech language pathologists to provide medical services. The following chart displays the availability of essential services to residents of the proposed project.

Service	Closest Location	Driving Distance	Driving Time
Nearest Incorporated City	Bartlett, TN	Facility is within city limits	Not applicable
Hospital	St. Francis Hospital-Bartlett	5.8	12 minutes
Physician Offices	Locations varies but all are close to St. Francis Bartlett Hospital	Varies	Varies
EMS/Fire Station	Memphis Fire Station No. 59, 2870 Rockcreek Road, Cordova, TN	3.7 miles	6 minutes
Day Treatment (if applicable)	Open Arms Care 5120 Yale Road Memphis, TN 38134	11.6	24 minutes

Source: CN1802-008

The target date for completion of the project is May 2019.

Facility Information

- The facility will be a newly constructed 4,400 square foot, one story fully accessible home on a 1.9 acre parcel.
- The home will consist of a living/sitting area, therapy area, kitchen, laundry room, four semi-private bed rooms, 2 1/2 bathrooms, office, medication room, screened porch, covered walkway, and garage.
- A backup generator will be available on-site to ensure essential resident services are not interrupted by unexpected power outages.
- An October 9, 2017 letter from Dave Johnson, AIA, Principal, STG Design, attests to the estimated construction cost of the proposed 8 bed home and conformance with all applicable building and safety codes, including design of the facility in accordance with current AIA Guidelines for Design and Construction of Health Care Facilities.

Ownership

- Open Arms Care Corporation is a Georgia non-profit corporation formed in December 1986. Open Arms is licensed by DIDD to provide Medical Residential and Supported Living and licensed day treatment center services throughout Tennessee.
- Formerly known as the Rebound Care Corporation prior to calendar year 2000, Open Arms has 41 eight (8) or four (4) bed ICF/IID facilities or licensed residential institutional habilitation facilities (residential group homes) with locations in Shelby, Davidson, Hamilton, Greene, and Knox Counties. Open Arms also operates 5 licensed day treatment centers in Tennessee.
- Open Arms will be the licensed operator of the proposed 8-bed ICF/IID residential group home with day-to-day management to be contracted with Integra Resources, LLC, the manager of all existing Open Arms licensed facilities in TN.
- Facility Development Group, Inc. (FDG) will purchase the land and construct the proposed 8-bed ICF/IID residential group home for the project and Open Arms will lease the facility and land from FDG for a 30 year term.
- Documentation of the applicant's legal interest in the site is provided in the February 1, 2018 Option to Lease agreement between FDG, Inc. and Open Arms Care Corporation.
- A visual/chart showing the key phases of the development arrangement between the parties is provided in the draft to Lease agreement between FDG and Open Arms Care Corporation.

NEED

Project Need

The applicant provided the following justification for the project:

- The current home is a traditional wood frame residential home that was constructed almost 30 years ago and no longer is sufficient for the needs of residents and staff.
- Impending changes to the fire safety code will require substantial expenditures to retrofit the current facility with sprinkler, electrical and alarm upgrades.
- The current facility is located in a neighborhood that has experienced a substantial shift in character since the facility opened and would benefit from a more suitable, less commercial neighborhood.

Service Area Demographics

The applicant's declared service area is Shelby County. An overview of the service area is provided as follows:

- The total population of Shelby County is estimated at 970,212 residents in calendar year (CY) 2018 increasing by approximately 2.2% to 991,879 residents in CY 2022.
- The overall statewide population is projected to grow by 4.1% from 2018 to 2022.
- The Shelby County intellectual and developmental disabilities target population based on the ICF/IID formula of .32% of the adult population is expected to increase approximately 2.2% from CY2018 to CY2022 compared to 4.1% statewide.
- Based on the latest TennCare enrollee statistics, TennCare enrollees as a percentage of the total county population is 25.6%, compared with the state-wide average of 20.7%.

Historical Utilization

There are currently 8 ICF/IID resident homes in Shelby County containing 8 beds per facility. The 8 resident homes are owned and operated by Open Arms Care. Historical utilization for these facilities is presented in the table below.

Shelby County ICF/IID Home Utilization-2014-2016

Name	Licensed Beds	2014 % Occupancy	2015 % Occupancy	2016 % Occupancy
Total	64 (8-8 bed homes)	99.5%	99.4%	99.5%

Source: CN1802-008 page R-21.

The historical utilization table reflects the following:

- Shelby County ICF/IID homes have remained essentially at full occupancy for the years 2014 through 2016.

Applicant's Projected Utilization

The following table displays the projected utilization of the proposed project.

Applicant's Facility Projected Utilization

Year	Licensed Beds	% Licensed Occupancy
Year 1	8	99.7%
Year 2	8	99.2%

Source: CN1802-008, Page 24

- The applicant expects to operate at full occupancy each of the first two years of operation.

ECONOMIC FEASIBILITY

Project Cost

The total project cost is $3,370,000. Major costs are:

- Facility Lease - $3,300,000 or 97.9% of total cost.
- Contingency Fund-$35,733 or 1.1% of total cost
- For other details on Project Cost, see the Revised Project Cost Chart on page 26 in the application.

Financing

An October 10, 2017 letter provided from Bill Berrell, Senior Vice President and Director of Healthcare Funding, ServisFirst Bank, confirmed the availability of a $12,000,000 commercial loan for the construction and permanent financing of 8 new Open Arms ICF/IID facilities in Shelby County.

- The terms of the loan include a 7 year maturity date with interest anticipated at approximately 5.0%-5.50%, subject to market conditions and the loan to value ratio.
- Although the applicant will be leasing the proposed ICF/IID 8-bed facility, the total estimated acquisition, development, and construction cost amounts to approximately $1,130,000 as shown on page R-27 of the application.
- The applicant has the means to meet annual lease payments estimated at $244,444 in Year 1 of the project. Review of Open Arms audited financial statements for the fiscal year ending 12/31/2016 revealed Cash and Cash Equivalents of $3,398,645, Current Assets of $7,830,577 and Current Liabilities of $5,593,200 for a current ratio of 1.40 to 1.0.

Note to Agency members: The applicant calculated the life of the lease using the average annual rental cost of $110,000 multiplied by the number of years on the lease term (30). The annual rent is a declining balance rather than an equal amortization over the 30 year term in order to match with FDG's financing, which will also be a declining balance as opposed to equal amortization. As a result, the total lease payment is $244,444 in Year One and will decline over the course of the 30 year lease averaging $110,000 per month.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Net Operating Margin Ratio

- The applicant projects a net operating margin ratio for the total facility of 1.9% in Year 1 and 0.70% in Year 2.

Note to Agency Members: The net operating margin demonstrates how much revenue is left over after all the variable or operating costs have been paid.

Capitalization Ratio

- Open Arm's capitalization ratio is 146.9%.

Note to Agency Members: The capitalization ratio measures the proportion of debt financing in a business's permanent financing mix.

Historical Data Chart

- According to the Historical Data Chart, Open Arms Care Corporation's current 8 licensed bed home located at 1445 Greendale Avenue, Memphis (Shelby County), TN realized a negative Free Cash Flow (Net Balance + Depreciation) balance of ($48,939) in Year 2014, ($165,871) in 2015, and ($164,484) in 2016.

Note to Agency members: The applicant noted negative cash flow in the Historical Data Chart for each of the three previous years is the result of a switch from mortgage payments to lease payments in 2015. Subsequently, there was a lag where the results from the change did not appear until 2016. For more details, see page 28 of the application.

Projected Data Chart

- The applicant projects $1,788,661 in total gross revenue on 2,910 patient days in Year 1 decreasing by 0.77% to $1,774,764 on 2,898 patient days in Year 2 (approximately $612.41 per day).
- Free Cash Flow (Net Balance + Depreciation) equals $0 in Year One and in Year Two.

Charges

In Year 1 of the proposed project (2019), the average gross daily patient charge is projected to be $614.66. Since there are no deductions from revenue reported, the net charge is the same.

Medicare/TennCare Payor Mix

The applicant expects the proposed project to be funded 96% by TennCare/Medicaid and 4% Client Responsibility.

PROVIDE HEALTHCARE THAT MEETS APPROPRIATE QUALITY STANDARDS

Licensure

- If approved, the proposed new facility will be licensed by the Department of Intellectual and Developmental Disabilities (DIDD).
- A letter dated October 25, 2017 from DIDD indicates all eight Open Arms Care Corporation ICF/IID care homes in Shelby County are in full compliance with all applicable licensure rules.
- If approved, the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures.

Certification

- The applicant is TennCare certified.

Accreditation

- The applicant does not plan to apply for accreditation.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

Agreements

- The applicant noted there are no transfer agreements or contractual agreements for health services.

Impact on Existing Providers

- Since this project is a relocation of existing services, the proposed project will not negatively impact other providers in the service area.

Staffing

A breakout of the staffing in Year 1 includes the following:

- 0.25 FTE Registered Nurse
- 1.98 FTE LPNs
- 0.13 FTE Qualified ID Professional
- 12.50 FTE Direct Support Workers
- 14.86 Total FTE Direct Care Positions

Note: Generally speaking, one (1) FTE is equivalent to an individual that works 2,080 regular hours per year.

Corporate documentation and site control documents are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in **two** years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent or denied applications for this applicant.

Pending Applications

Open Arms Care Corporation d/b/a Shelby County #4, CN1801-004, has a pending application that will be heard on Consent Calendar at the April 25, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 5380 Benjestown Road, Memphis (Shelby County), TN to a lot consisting of two parcels, a portion of which currently has an address of 8949 Macon Road, Cordova (Shelby County), TN 38127. **The estimated project cost is $5,130,000.**

Open Arms Care Corporation d/b/a Shelby County #6, CN1802-007, has a pending application that will be heard on Consent Calendar at the April 25, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 4240 Raleigh Millington Road, Memphis (Shelby County), TN to an unaddressed 1.9 acre parcel near the northeast corner of the intersection of Pisgah Road and

Latting Road, Cordova, TN 38016. The 1.9 acre lot site is the western portion of the property described as Parcel D0209 00179 (16.3 acres) in the records of the Shelby County Tax Assessor. **The estimated project cost is $3,370,000.**

Open Arms Care Corporation d/b/a Shelby County #8 (Reese Road-East), CN1802-009, has a pending application that will be heard on Consent Calendar at the April 25, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 4707 Allendale Drive, Memphis (Shelby County), TN to an unaddressed 1.2 acre lot between parcels with the street addresses of 7751 Reese Road and 7781 Reese Road, Memphis (Shelby County), TN 38133. The 1.2 acre lot is the eastern lot of a 2.4 acre parcel. The 2.4 acre lot site is described as Parcel 095400 00624 and Parcel 095400 00625 in the records of the Shelby County Tax Assessor. **The estimated project cost is $3,370,000.**

Open Arms Care Corporation d/b/a Shelby County #7 (Reese Road-West), CN1802-010, has a pending application that will be heard on Consent Calendar at the April 25, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 4695 Allendale Drive, Memphis (Shelby County), TN to an unaddressed 1.2 acre lot between parcels with the street addresses of 7751 Reese Road and 7781 Reese Road, Memphis (Shelby County), TN 38133. The 1.2 acre lot is the western lot of a 2.4 acre parcel. The 2.4 acre lot site is described as Parcel 095400 00624 and Parcel 095400 00625 in the records of the Shelby County Tax Assessor. **The estimated project cost is $3,370,000.**

Outstanding Certificate of Need

Open Arms Care Corporation dba Greeneville # 1 Chuckey Pike, CN1511-050A, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the east side of a 2.72 acre lot on Chuckey Pike, Greeneville (Greene County, TN. **The estimated project cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation dba Hamilton County #2 Gamble Road (Southwest), CN1511-051A, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home located on an unaddressed 1.5 acre site on the southwest quadrant of a 15.5 acre parcel being

addressed as 7817 Gamble Road, Georgetown (Hamilton County), TN 37336. **The estimated project cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation dba Greeneville #3 East Church Street-East, CN1511-052A, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the east half of a 2.74 acre lot on East Church Street, Greeneville (Greene County), TN. **The estimated project cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation dba Hamilton County #1 Gamble Road (Southeast), CN1511-053A, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the southeast quadrant of a 15.5 acre lot on 7817 Gamble Road, Georgetown (Hamilton County), TN 37336. **The estimated project cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is completed and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation dba Greeneville #2 East Church Street-West, CN1511-054A, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the west half of a 2.74 acre lot on East Church Street, Greeneville (Greene County), TN. **The estimated project cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is completed and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation d/b/a Knox County #1 Bishops Bridge (Northeast), CN1512-062A, has an outstanding Certificate of Need that will expire on May 1, 2018. The application was approved at the March 23, 2016 Agency meeting for the establishment of a four (4) bed ICF/IID home on an unaddressed lot approximately 0.25 acres, in the northeast quadrant on a 7.2 acre

parcel currently being addressed as 1817 Bishop Bridge Road, Knoxville (Knox County), TN. **The estimated cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation d/b/a Knox County #2 Bishops Bridge (Northwest), CN1512-063A, has an outstanding Certificate of Need that will expire on May 1, 2018. The application was approved at the March 23, 2016 Agency meeting for the establishment of a four (4) bed ICF/IID home on an unaddressed lot approximately 0.25 acres, in the northwest quadrant of a 7.2 acre parcel currently being addressed as 1817 Bishop Bridge Road, Knoxville (Knox County), TN. **The estimated cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is completed and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation dba Knox County #4 South Northshore Drive (Northwest), CN1512-064A, has an outstanding Certificate of Need that will expire on May 1, 2018. The application was approved at the March 23, 2016 Agency meeting for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on a 0.95 acre lot on the northwest half of a 1.91 acre parcel currently addressed as 12629 South Northshore Drive in Knoxville (Knox County), Tennessee 37922. **The estimated project cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation dba Knox County #4 South Northshore Drive (Northwest), CN1512-065A, has an outstanding Certificate of Need that will expire on May 1, 2018. The application was approved at the March 23, 2016 Agency meeting for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on a 0.95 acre lot on the southeast half of a 1.91 acre parcel currently addressed as 12629 South Northshore Drive in Knoxville (Knox County), Tennessee 37922. **The estimated project cost is $1,370,000.** ***Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.***

Open Arms Care Corporation d/b/a Shelby County #5
CN1802-008
April 25, 2018

Open Arms Care, CN1710-030A, has an outstanding Certificate of Need that will expire on April 1, 2020. The application was approved at the February 28, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 1457 Greendale Avenue, Memphis (Shelby County), TN to an unaddressed site located on the southwest corner of the intersection of Old Brownsville Road and Oak Road, Bartlett (Shelby County), TN 38002. The proposed site is the ***west half*** of the parcel described as Parcel B014800061 in the records of the Shelby County Tax Assessor. **The estimated project cost is $3,370,000.** ***Project Status Report: The project was recently approved.***

Open Arms Care, CN1710-031A, has an outstanding Certificate of Need that will expire on April 1, 2020. The application was approved at the February 28, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 1445 Greendale Avenue, Memphis (Shelby County), TN to an unaddressed site located on the southwest corner of the intersection of Old Brownsville Road and Oak Road, Bartlett (Shelby County), TN 38002. The proposed site is the ***east half*** of the parcel described as Parcel B014800061 in the records of the Shelby County Tax Assessor. **The estimated project cost is $3,370,000.** ***Project Status Report: The project was recently approved.***

Open Arms Care, CN1711-034A, has an outstanding Certificate of Need that will expire on April 1, 2020. The application was approved at the February 28, 2018 Agency meeting for the for the relocation of an 8 licensed bed ICF/IID home from 5350 Benjestown Road, Memphis (Shelby County), TN to an unaddressed site located on an 8.2 acre parcel located on the southwest corner of the intersection of Dexter Road and Dexter Lane, Cordova, (Shelby County), TN 38002. The proposed site is the south half of the parcel described as Parcel 096507 00307C in the records of the Shelby County Tax Assessor. **The estimated project cost is $5,130,000.** ***Project Status Report: The project was recently approved.***

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF INTELLECTUAL AND DEVELOPMENTAL DISABILITIES FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, HEALTH CARE THAT MEETS APPROPRIATE QUALITY STANDARDS, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
04/10/2018

LETTER OF INTENT

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
Phone: 615-741-2364 Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in The Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before February 7, 2018, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Open Arms Care Corporation, a Georgia non-profit corporation qualified to do business in Tennessee, intends to file an application for a Certificate of Need for the replacement and relocation of an eight-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"), managed by Integra Resources, LLC, a Tennessee limited liability company. The facility is currently located at 4240 Raleigh Millington Road, Memphis (Shelby County), Tennessee, and will be will be relocated to a rectangular parcel of approximately 1.9 acres, fronting on Latting Road, which currently does not have a separate street address. The western boundary of the 1.9 acre parcel will be approximately 300 feet east of the center line of the right of way of Pisgah Road, near the northeast corner of the intersection of Pisgah Road and Latting Road, Cordova, Tennessee, and the south boundary of the 1.9 acre parcel will run east from such western boundary starting point approximately 240 feet along Latting Road, with a depth of approximately 344 feet running north from Latting Road. The 1.9 acre parcel is a portion of the property identified as Parcel D0209 00179 in the records of the Shelby County Tax Assessor. The estimated project cost is $3,370,000.00.

The anticipated filing date of the application is on or before February 12, 2018. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@bradley.com.

(Signature)	Feb. 7, 2018 (Date)	mbrent@bradley.com (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Application (Copy)

Open Arms Care Corporation (Shelby Co #5)

CN1802-008

FEB 18 PM 3:32

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, or Institution

Open Arms Care Corporation d/b/a Shelby County #5
Name

Latting Road — Street or Route
Shelby — County

Cordova — City
Tennessee — State
38016 — Zip Code

Website address: http://www.openarmscare.org

*Note: The Facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.*

2. Contact Person Available for Responses to Questions

Michael D. Brent — Name
Attorney — Title

Bradley Arant Boult Cummings LLP — Company Name
mbrent@bradley.com — Email address

1600 Division Street, Suite 700 — Street or Route
Nashville — City
TN — State
37203 — Zip Code

Attorney for Project — Association with Owner
615-252-2361 — Phone Number
615-252-6361 — Fax Number

NOTE: ***Section A*** is intended to give the applicant an opportunity to describe the project. ***Section B*** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on ***8/A" X 11" white paper, clearly typed and spaced, single or double sided, in order and sequentially numbered. In answering, please type the question and the response.*** All questions must be answered. If an item does not apply, please indicate *"N/A" (not applicable).* ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.***

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

1) Description - Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant:

Response: Founded to address the needs of those moving out of large, state-run institutions, Open Arms Care Corporation, a Georgia nonprofit corporation ("Open Arms"), has 32 eight-resident homes, or Intermediate Care Facilities for Individuals with Intellectual Disabilities ("ICF/IID"), located in or near Chattanooga, Knoxville, Memphis, and Nashville, Tennessee and 9 four-resident ICF/IID homes in or near Chattanooga, Knoxville and Greeneville, Tennessee. Please see Attachment A.4 for a list of facilities operated by Open Arms in Tennessee. Through provider agreements with TennCare, Open Arms has been providing community-based facilities for individuals with intellectual and developmental disabilities for almost 30 years. This project proposes the relocation of the eight individuals in the Applicant's 8-bed ICF/IID facility located at 4240 Raleigh Millington Road, Memphis (Shelby County), Tennessee 38128 to a newly constructed 8-bed ICF/IID facility in Shelby County, Tennessee. The Applicant leases the current facility from WCO AL DP, LLC ("WCO"), a non-profit housing organization that provides affordable and special needs housing. Please note that the Applicant does not know and has no input as to what WCO will do with the home in which the current facility is located if this application is approved. The Applicant proposes relocating the aforementioned 8 clients to a parcel of land that will be approximately 1.9 acres, which does not currently have a separate street address, and which has frontage on Latting Road. The western boundary of the 1.9 acre parcel will be approximately 300 feet east of the center line of the right of way of Pisgah Road, near the northeast corner of the intersection of Pisgah Road and Latting Road, Cordova, Tennessee, and the south boundary of the 1.9 acre parcel will run east from such western boundary starting point approximately 240 feet along Latting Road, with a depth of approximately 344 feet running north from Latting Road. The land described above is located in Shelby County, Tennessee and is a portion of the property identified as Parcel D0209 00179 in the records of the Shelby County Tax Assessor). The proposed location is approximately 18.8 miles, or 24 minutes, from the current location of the ICF/IID facility. As a replacement facility, this project will not affect the number of ICF/IID beds in Shelby County. The Applicant currently has no outstanding but unimplemented certificates of need.

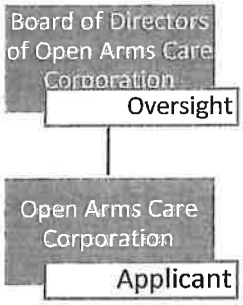
The facility will be a one-story, fully accessible family home of approximately 4,400 square feet with four bedrooms, combination living/dining room, kitchen, laundry, office, and associated storage areas. The home will have two large, fully accessible bathrooms, one half bath, and a residential sprinkler system. Depending on the resident and his or her medical needs, residents will receive assistance meeting hygiene requirements, specialized dietary services, physical therapy, and assistance with activities of daily living, as well as physical, occupational, and behavioral therapies. A resident's acuity level determines whether or not required physical therapy or occupational therapy takes place in the facility or in a different location. The overall goal is to provide the combination of an environment and services that will enrich their quality of life and sense of community. A typical day for a resident of an ICF/IID home begins with personal hygiene activities and breakfast, followed by programming such as habilitation and active treatment (physical therapy, vocational therapy, socialization, etc.), sometimes at a day center if prescribed in the resident's ISP. The habilitation care model for most Open Arms Care Corporation ("Open Arms") clients is to leave the residential facility on weekdays to attend habilitation and therapeutic programming according to an individual plan of care. This gives clients a more normalized routine akin to school or work attendance. The Applicant's day treatment facilities have special program enrichment spaces for therapies, which include but are not limited to, physical, occupational, recreational, social, family, artistic, hydro and Snoezzelen, where clients are placed in a soothing and sense-stimulating

environment, therapies that are not available in the group homes. Clients are generally at the day program for five to six hours each day.

The Applicant will be providing care to several medically fragile residents, who tend to require more hours from registered and licensed practical nurses. The Applicant will equip the proposed facility with wheelchairs required to facilitate some clients' mobility in addition to items such as positioning boards. The Applicant, however, notes that a client's changing condition or a new admission could require the Applicant to have equipment similar to that found in skilled nursing facilities such as hospital beds, wheelchairs, respirators, incubators and tube feeding equipment.

2) Ownership structure

Response: As shown in the chart below, Open Arms is a Georgia nonprofit corporation with no ownership shares or membership interests and is board-managed. Open Arms is owned by neither another entity nor by individuals. Instead, Open Arms has a board of directors, which consists of six individuals, who oversee the entity's affairs. Note that, unlike some multi-facility providers, each facility operated by Open Arms is operated directly by Open Arms, without the use of subsidiary entities. Please see the chart below illustrating solely the operation of Open Arms. Though Open Arms is a Georgia nonprofit corporation, the board of Open Arms is considering converting to a Tennessee nonprofit corporation. If the ultimate decision is to make such a conversion, a new Tennessee nonprofit corporation would be created and the existing Georgia nonprofit corporation would be merged into it, with the result being that Open Arms would be a Tennessee corporation. The laws of some states allow a simpler



process whereby a non-nonprofit corporation can change its domicile from one state to another, but that is not currently allowed for transitions from a Georgia to a Tennessee corporation.

3) Service area

Response: The service area is Shelby County, Tennessee.

4) Existing similar service providers

Response: Open Arms is one of only a few ICF/IID providers in Tennessee, and the only such provider currently serving Shelby County.

5) Project cost

Response: As shown on the Project Cost Chart, the total cost is $3,370,000, due to the requirements that the cost be based on the total lease costs over a 30 year period. However, the actual cost of the land, site improvements, and construction is less than half of that amount.

6) Funding

Response: As shown on the attached funding letter, Servis1St Bank will be the lender for the project, and has a long relationship as a lender for Open Arms projects.

7) Financial Feasibility including when the proposal will realize a positive financial margin

Response: As shown on the financial projections, as a relocation of exiting services, with existing residents, the project is anticipated to have positive financial results upon opening.

8) Staffing

Response: The Applicant currently employs a full staff at the facility to be relocated, as well as 7 other similar facilities in Shelby County. It is anticipated that all such staff members will transfer from the current facility to the replacement facility.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need

Response: The intent of this application is to relocate 8 individuals who currently reside in an Open Arms facility in Shelby County (the "Residents") to a new facility that the Applicant will construct if this Application is approved. The Residents' current home is a traditional wood frame residential home that was constructed almost 30 years ago and is no longer sufficient for the needs of Residents and staff. Having been in use for almost 30 years, it has become evident that staffing and Residents' equipment needs over this period have far exceeded the expected use for such structures, which are reminiscent of conventional family use houses. While the Applicant has maintained good conditions for compliance and safety, the structure experiences wear and tear commensurate with such lengthy use which results in ever increasing repair and maintenance costs as the structure continues to age.

The proposed construction of a new facility is also in response to Residents' increased acuity. The Applicant must meet the increased needs of aging long term Residents as well as new admissions with higher levels of acuity in a facility that was not built with such individuals in mind. The Applicant wants to construct homes with floorplans, materials and technologies with the higher level of care required by these Residents in mind, as the Applicant did with clients admitted in connection with closure of Green Valley Development Center. The Applicant's current facility is also located in a neighborhood that has experienced a substantial shift in character since the facility opened. Residents will therefore also benefit from a more suitable, less commercial neighborhood. Finally, impending changes to the fire safety code will require substantial expenditures to retrofit the current facility with sprinkler, electrical and alarm upgrades, and, given the age and undesirable location of the current facility, the Applicant finds it more prudent to begin to transition residents to a new facility constructed pursuant to the new requirements and modern technology instead of spending substantial sums on the current facility. As with most of the Applicant's facilities in similar circumstances,

the proposed relocation and construction of a new facility is part of the Applicant's long term plan to do the same with its other aging ICF/IID facilities.

2) Economic Feasibility

Response: The facility's estimated cost of construction is $775,000, or $176.14 per square foot. Please see Section C, Economic Feasibility, for additional information about costs for land, site preparation, and other costs. The project financing will include a commercial loan to the Landlord (please see Attachment B – Economic Feasibility – B) that will be sufficient to purchase the land and construct the new facility.

Because of the Applicant's extensive experience serving individuals with intellectual and developmental disabilities and its solid working relationship with DIDD, the Applicant believes that, in addition to being economically feasible, this project will build upon lessons learned building other ICF/IID homes in recent years, enabling it to continue to better residents' quality of life.

3) Appropriate Quality Standards

Response: With almost 30 years of experience providing community-based facilities for individuals with intellectual and developmental disabilities, the Applicant is well-versed in what is required to ensure quality services are provided to residences and that its facilities successfully undergo agency surveys with few to no violations. Further, the Applicant current and shall continue to meet all standards imposed on it by licensing and regulatory boards to which it is subject.

4) Orderly Development to adequate and effective health care

Response: The proposed relocation will not result in an unnecessary increase in use of healthcare services as the number of individuals currently served in Shelby County (provided the Applicant remains the sole ICF/IID facility provider) will not change as a result the approval of this Application, as current recipients will just be moved to a new location. Further, approving this Application ensures that residents are receiving care provided in modern setting, in a home constructed with what are likely much more robust disability accessibility requirements, reflecting a deeper understanding of the challenges faced by the disabled and the ways in which homes can be modified in response. The more modern floorplan of the new facility will also assist in meeting the healthcare needs of the residents.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

Response: A letter addressed to the Agency's Executive Director containing the Applicant's request to be added to the Consent Calendar and the justification for an expedited review is attached hereto as Attachment A-3C. To summarize, this Application does not seek to add any ICF/IID beds; rather, it proposes relocating existing ICF/IID beds following construction of a new ICF/IID facility to benefit residents and the community. If the Consent Calendar request is approved, the Applicant will request that the application be heard in April with similar applications anticipated to be submitted by the Applicant, provided that all are approved for Consent Calendar.

As with the relocation applications for "sister projects" in Shelby County already filed by the Applicant, all of which have been previously approved for inclusion on the Consent Calendar, Need, Economic Feasibility, and Contribution to the Orderly Development of Health Care have all been demonstrated through the historical high census at the facility to be relocated, as well as the documents and letters submitted showing financially feasible structure with the purchase and construction financed by ServisFirst Bank and repaid via the use of a lease structure.

Quality Measures have been demonstrated for the facility in question through previous surveys and reviews of the facility by applicable agencies overseeing ICF/IID providers. Additionally, the Applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency from time to time.

4. SECTION A: PROJECT DETAILS

A. Owner of the Facility, Agency or Institution

Open Arms Care Corporation — Name
(615) 254-4006 — Phone Number

6 Cadillac Drive, Suite 350 — Street or Route
Williamson — County

Brentwood — City
Tennessee — State
37027 — Zip Code

B. Type of Ownership of Control (Check One)

A. Sole Proprietorship	____	F. Government (State of TN or Political Subdivision)	____
B. Partnership	____	G. Joint Venture	____
C. Limited Partnership	____	H. Limited Liability Company	____
D. Corporation (For Profit)	____	I. Other (Specify) ____	____
E. Corporation (Not-for-Profit)	X		

Attach a copy of the partnership agreement, or corporate charter and certificate of *corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at https://tnbeartn.gov/ECommerce/FilincrSearch.aspx.* **Attachment Section A-4A.**

Describe *the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.*

Response: Founded to address the needs of those moving out of large, state-run institutions, Open Arms Care Corporation, a Georgia nonprofit corporation ("Open Arms" or the "Applicant"), has 32 eight-resident homes or, Intermediate Care Facilities for Individuals with Intellectual Disabilities ("ICF/IID"), located in or near Chattanooga, Knoxville, Memphis, and Nashville, Tennessee. Please see Attachment A.4 for a list of facilities operated by Open Arms in Tennessee. In addition, Open Arms has recently opened 9 four-resident homes in Greene, Knox and Hamilton Counties (pursuant to CONs approved by the HSDA in 2016), to help satisfy the need for such facilities as a result of the closure of Green Valley Development Center in East Tennessee. Open Arms has no owners or members and is governed by a six-person board of directors consisting of Robert Taylor (Chair), Jane Buffaloe, Mary Ellis Richardson, Sandy Wybel, John Crawford and Cherrie Clark.

In 1988, founding board members of Open Arms identified the need to build community facilities for individuals who were moving out of large, state-run institutions for individuals with intellectual and developmental disabilities in the state of Tennessee. Certificate of Need applications were submitted and approved and Open Arms Care (then known as Rebound Care Corporation) began offering services once it was approved for 256 beds across the state of Tennessee. (*Source: http://openarmscare.org/our-history*.) Through provider agreements with TennCare, Open Arms has been providing community-based facilities for individuals with intellectual and developmental

disabilities for almost 30 years. Open Arms has no ownership shares or membership interests and is board-managed. Please also see Attachment A-4A.

5. Name of Management/Operating Entity (If Applicable)

Integra Resources, LLC
Name

1222 16th Avenue South, Suite 300 — Davidson
Street or Route — County

Nashville — Tennessee — 37212
City — State — Zip Code

Website address: Not Applicable.

For new facilities or existing facilities *without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.* **Attachment Section A-5.**

Response: Please see Attachment A-5. Please note that the management agreement is specific to the lease agreement such that a new management agreement will be executed if the application is approved, though the only differences between the current management agreement and the proposed management agreement will be the term length and monthly fee. Integra Resources, LLC ("Integra") manages all of Open Arms' ICF/IID facilities, which are listed in Attachment A – 4 of the application, and is equally owned by SMI Group, LLC and Flatrock Investors, LLC. In turn, SMI Group, LLC is equally owned by George Stevens and Jeff Mastroleo, while Flatrock Investors, LLC is equally owned by Joseph Torrence and Richard Brown. The only relationship between Open Arms and Integra is the parties' existing contractual relationship for management of Open Arms' facilities. Further, Jeff Mastroleo, Joseph Torrence, Richard Brown, and George Stevens do not have ownership interests in, or governance positions with respect to, Open Arms.

George Stevens, Jeff Mastroleo, Joseph Torrence, and Richard Brown have directly applicable experience in areas including healthcare operations, affordable housing operations, financing and management, government service in the areas of mental health and affordable housing, and executive-level management of healthcare providers. More information about Integra's principals is included in Attachment A-5.

6. A. Type of Ownership of Control (Check One)

A. Ownership	_____	D. Option to Lease	X
B. Option to Purchase	_____	E. Other (Specify) _____	_____
C. Lease of _____ Years	_____	_____	

Check appropriate line above: *For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements* ***must include*** *anticipated purchase price. Lease/Option to Lease Agreements* ***must include*** *the actual/anticipated term of the agreement* ***and*** *actual/anticipated lease expense. The legal interests described herein* ***must be valid*** on the date of the Agency's consideration of the certificate of need application.

Response: The Applicant has an option to lease the building and the land upon which the building will be located from Facilities Development Group, LLC ("FDG"). FDG has no relationship with Open Arms, other than contractual relationships. Those include the Development Agreement between FDG, as developer, and WCO, which purchased the Green Valley Facilities from FDG and leased them to Open Arms. Please note that WCO and Open Arms have no relationship beyond a contractual relationship in which Open Arms Care Corporation operates all of its current facilities pursuant to leases from WCO of the associated buildings and land. WCO is not involved at all in the proposed project. The proposed project will create a contractual relationship between FDG and the Applicant for the facility which is the subject of this application, and seven similar facilities in Shelby County, Tennessee which the Applicant also plans to replace. After FDG has acquired and financed the land pursuant to the contract attached as Attachment A-6A and then arranged the construction and financing of the proposed facility via a construction loan from Servis 1st Bank, Open Arms will then have an option to lease the completed, fully furnished facility from FDG pursuant to pursuant to the lease agreement referenced in the Option to Lease. Please see Attachment A-6A for copies of the deed of the current owner, the purchase agreement between the current owner and FDG, the Option to Lease, and an illustration of the transactions between the parties.

6B. Attach **a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site** on an 8 1/2" x 11" sheet of white paper, single or double-sided. ***DO NOT SUBMIT BLUEPRINTS.*** Simple line drawings should be submitted and need not be drawn to scale.

1) Plot Plan **must include**:

   a. Size of site (**in acres**);

   b. Location of structure on the site;

   c. Location of the proposed construction/renovation; and

   d. Names of streets, roads or highway that cross or border the site.

Response: Please see Attachment A-6B-1 for a plot plan. The proposed location is close to the road and observes all setback requirements. The site is approximately 1.9 acres

and is presently zoned "CA" or Conservation Agriculture, which allows conventional single family homes and supportive living facilities. Please note that TCA §13-24-102 provides that, for the purposes of all zoning laws in Tennessee, a "single-family residence" includes any home in which eight or fewer unrelated persons with disabilities reside. Therefore, the facility complies with the zoning of the proposed location.

The proposed location meets the distance requirement prohibiting more than two ICF/IID facilities from being within 500 yards of other ICF/IID facilities, as the nearest licensed ICF/IID is 14.1 miles away as illustrated in the table below. With respect to the 500 yard setback requirement from other ICF/IID's in Tennessee Code Annotated 33-2-418 (a), though the Applicant proposes another facility nearby, as long as the two proposed facilities are the only facilities within 500 yards of each other, which they would be, both facilities would be in compliance with the 500 yard requirement.

Distance Between Proposed Location and Other Shelby County ICF/IID's

Facility Name	ICF/IID Facility Address	Miles
Allendale Drive Home 1 - Memphis	4695 Allendale Drive, Memphis, TN 38128	14.1
Allendale Drive Home 2 - Memphis	4707 Allendale Drive, Memphis, TN 38128	14.1
Benjestown Home 1 - Memphis	5350 Benjestown Road, Memphis, TN 38127	27.3
Benjestown Home 2 - Memphis	5380 Benjestown Road, Memphis, TN 38127	27.2
Greendale Home 1 - Memphis	1445 Greendale Avenue, Memphis, TN 38127	21.8
Greendale Home 2 - Memphis	1457 Greendale Avenue, Memphis, TN 38127	21.8
Raleigh Millington Home 1 - Memphis	4240 Raleigh Millington Road, Memphis, TN 38128	15.0
Raleigh Millington Home 2 - Memphis	4254 Raleigh Millington Road, Memphis, TN 38128	15.0

2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 $^1/_2$ by 11 sheet of paper or as many as necessary to illustrate the floor plan.

Response: Please see Attachment A-6B-2 for a floor plan identifying the kitchen, living/sitting room (which will also serve as a dining space), pantry and emergency generator. There will be no outdoor storage, as there will be storage space in the garage.

Based on its understanding of the reimbursement rates of 4-bed and 8-bed homes and TennCare's concern about containing ICF/IID cost, the Applicant decided that a dual structure 8-bed is more appropriate than 4-bed homes for the proposed replacement

project. As noted above, 8-bed homes are more cost-effective than 4-bed homes. Additionally, as a TennCare provider with established costs, the Applicant wanted to maintain the currents economics of the Medicaid system as much as possible. Finally, the client population in the Applicant's homes is not as appropriate for the smaller, 4-bed homes, which tend to be better suited for more active or behavior-challenged clients.

3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response: The facility generally will not be open to the public. Access for individuals housed at the site will be supervised by the facility's staff. Families of these individuals will have access to the facility from U.S. Interstate 40 ("I-40"), which is approximately a 10 minute drive from the facility. From I-40, visitors take Exit 18 onto US-64 E, heading east for 2.3 miles. Visitors will turn right onto North Houston Levee Road and left onto Pisgah Road after 1.3 miles. Finally, visitors will turn left onto Latting Road after .5 miles to reach the proposed location of the facility.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify) _____ _____
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty _____
C. ASTC, Single Specialty _____
D. Home Health Agency _____
E. Hospice _____
F. Mental Health Hospital _____
G. Intellectual Disability Institutional Habilitation Facility ICF/IID **Check appropriate lines(s).** X
H. Nursing Home _____
I. Outpatient Diagnostic Center _____
J. Rehabilitation Facility _____
K. Residential Hospice _____
L. Nonresidential Substitution-Based Treatment Center for Opiate Addiction _____
M. Other (Specify) _____ _____

8. Purpose of Review (Check appropriate lines(s) - more than one response may apply)

A. New Institution _____
B. Modifying an ASTC with limitation still required per CON _____
C. Addition of MRI Unit _____
D. Pediatric MRI _____
E. Initiation of Health Care Service as defined in T.C.A. § 68-11-1607(4) (Specify) _____ _____
F. Change in Bed Complement _____
[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]
Opiate Addiction
G. Satellite Emergency Dept. _____
H. Change of Location X
I. Other (Specify) _____ _____

9. Medicaid/TennCare, Medicare Participation

MCO Contracts [check all that apply]

___ AmeriGroup ___ United Healthcare Community Plan ___ BlueCare ___ TennCare Select

Medicare Provider Number N/A

Medicare Provider Number 744-7044

Certification Type ICF/MR

If a new facility, will certification be sought for Medicare and/or Medicaid/Tenn/Care?

Medicare ___ Yes ____ No X N/A **Medicaid/TennCare ____ Yes ___ No X N/A**

Response: There are no provider agreements in ICF/IID programs between providers and TennCare MCO's, as the ICF/IID program is a "carve-out" from the managed care program. ICF/IID providers therefore receive no reimbursement from TennCare MCO's; instead, providers contract directly with TennCare, which reimburses them directly. Individual residents, however, do receive medical coverage for other services through TennCare MCO's due to contractual relationships between each resident and their respective TennCare MCO. Examples of such services include hospital emergency room visits, diagnostic imaging services, and other services not provided by the Applicant. Amerigroup, TennCare Select, BlueCare and UnitedHealthcare Community Plan are the only TennCare MCO's in Shelby County.

10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

	Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	TOTAL Beds at Completion
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8: Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home - SNF (Medicare only)						
16) Nursing Home - NF (Medicaid only)						
17) Nursing Home - SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home - Licensed (non-certified)						
19) ICF/IID	8					8
20) Residential Hospice						
TOTAL	8					8

*Beds approved but not yet in service **Beds exempted under 10% per 3 year provision

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

N/A

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved
CN1511-050	4/1/2018	4
CN1511-051	4/1/2018	4
CN1511-052	4/1/2018	4
CN1511-053	4/1/2018	4
CN1511-054	4/1/2018	4
CN1512-062	5/1/2018	4
CN1512-063	5/1/2018	4
CN1512-064	5/1/2018	4
CN1512-065	5/1/2018	4

11. **Home Health Care Organizations -** Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: N/A

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	❑	❑	❑	Lauderdale	❑	❑	❑
Bedford	❑	❑	❑	Lawrence	❑	❑	❑
Benton	❑	❑	❑	Lewis	❑	❑	❑
Bledsoe	❑	❑	❑	Lincoln	❑	❑	❑
Blount	❑	❑	❑	Loudon	❑	❑	❑
Bradley	❑	❑	❑	McMinn	❑	❑	❑
Campbell	❑	❑	❑	McNairy	❑	❑	❑
Cannon	❑	❑	❑	Macon	❑	❑	❑
Carroll	❑	❑	❑	Madison	❑	❑	❑
Carter	❑	❑	❑	Marion	❑	❑	❑
Cheatham	❑	❑	❑	Marshall	❑	❑	❑
Chester	❑	❑	❑	Maury	❑	❑	❑
Claiborne	❑	❑	❑	Meigs	❑	❑	❑
Clay	❑	❑	❑	Monroe	❑	❑	❑
Cocke	❑	❑	❑	Montgomery	❑	❑	❑
Coffee	❑	❑	❑	Moore	❑	❑	❑
Crockett	❑	❑	❑	Morgan	❑	❑	❑
Cumberland	❑	❑	❑	Obion	❑	❑	❑
Davidson	❑	❑	❑	Overton	❑	❑	❑
Decatur	❑	❑	❑	Perry	❑	❑	❑
DeKalb	❑	❑	❑	Pickett	❑	❑	❑
Dickson	❑	❑	❑	Polk	❑	❑	❑
Dyer	❑	❑	❑	Putnam	❑	❑	❑
Fayette	❑	❑	❑	Rhea	❑	❑	❑
Fentress	❑	❑	❑	Roane	❑	❑	❑
Franklin	❑	❑	❑	Robertson	❑	❑	❑
Gibson	❑	❑	❑	Rutherford	❑	❑	❑
Giles	❑	❑	❑	Scott	❑	❑	❑
Grainger	❑	❑	❑	Sequatchie	❑	❑	❑
Greene	❑	❑	❑	Sevier	❑	❑	❑
Grundy	❑	❑	❑	Shelby	❑	❑	❑
Hamblen	❑	❑	❑	Smith	❑	❑	❑
Hamilton	❑	❑	❑	Stewart	❑	❑	❑
Hancock	❑	❑	❑	Sullivan	❑	❑	❑
Hardeman	❑	❑	❑	Sumner	❑	❑	❑
Hardin	❑	❑	❑	Tipton	❑	❑	❑
Hawkins	❑	❑	❑	Trousdale	❑	❑	❑
Haywood	❑	❑	❑	Unicoi	❑	❑	❑
Henderson	❑	❑	❑	Union	❑	❑	❑
Henry	❑	❑	❑	Van Buren	❑	❑	❑
Hickman	❑	❑	❑	Warren	❑	❑	❑
Houston	❑	❑	❑	Washington	❑	❑	❑
Humphreys	❑	❑	❑	Wayne	❑	❑	❑
Jackson	❑	❑	❑	Weakley	❑	❑	❑
Jefferson	❑	❑	❑	White	❑	❑	❑
Johnson	❑	❑	❑	Williamson	❑	❑	❑
Knox	❑	❑	❑	Wilson	❑	❑	❑
Lake	❑	❑	❑				

12. Square Footage and Cost Per Square Footage Chart Not Applicable.

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
Unit/Department GSF Sub-Total							
Other GSF Total							
Total GSF							
*Total Cost							
**Cost Per Square Foot							
Cost per Square Foot Is Within Which Range *(For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)*					☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile	☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile	☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or

   Response: Not Applicable.

2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

   Response: Not Applicable.

A. Complete the chart below for acquired equipment.

Response: Not Applicable.

☐ Linear Accelerator	Mev _____ Types Total Cost*: _____ ☐ New ☐ Refurbished	☐ SRS ☐ IMRT ☐ IGRT ☐ Other_____ ☐ By Purchase ☐ By Lease Expected Useful Life (yrs) _____ ☐ If not new, how old? (yrs) _____
☐ MRI	Tesla: _____ Magnet: Total Cost*: _____ ☐ New ☐ Refurbished	☐ Breast ☐ Extremity ☐ Open ☐ Short Bone ☐ Other_____ ☐ By Purchase ☐ By Lease Expected Useful Life (yrs) _____ ☐ If not new, how old? (yrs) _____
☐ PET	☐ PET only ☐ PET/CT ☐ PET/MRI Total Cost*: _____ ☐ New ☐ Refurbished	☐ By Purchase ☐ By Lease Expected Useful Life (yrs) _____ ☐ If not new, how old? (yrs) _____

* As defined by Agency Rule 0720-9-.01(13)

B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

   Response: Not Applicable.

C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

   Response: Not Applicable.

D. Schedule of Operations: **Response:** Not Applicable.

Location	Days of Operation *(Sunday through Saturday)*	Hours of Operation *(example: 8 am - 3 pm)*
Fixed Site *(Applicant)*	_____	_____
Mobile Locations		

(Applicant)		
(Name of Other Location		
(Name of Other Location		

E. Identify the clinical applications to be provided that apply to the project.

Response: Not Applicable.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

Response: Not Applicable.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

QUESTIONS

SECTION B: NEED

A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at http://www.tn.gov/hsda/article/hsda-criteria-and-standards.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF

HEALTH CARE INSTITUTIONS

For relocation or replacement of an existing licensed health care institution:

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

Response: Renovation rather than relocation was not deemed a reasonable alternative to the Applicant due to the extensive costs to meet new fire-safety regulations and those which would have been necessary to update the building taken in the context of noted unsafe changes in the neighborhood.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

Response: There is an acceptable existing and future demand for the proposed project that is demonstrated by the current and historical near full census at the facility. This demand has been relatively stable, so the Applicant does not anticipate future decrease in the demand.

A. Need

1. The population-based estimate of the total need for ICF/MR facilities is .032 percent of the general population. This estimate is based on the estimate for all mental retardation of 1 percent. Of the 1 percent estimate, 3.2 percent of those are estimated to meet level 1 criteria and be appropriate for ICF/MR services.

Response: The 2017 population of Shelby County, Tennessee is estimated to be 964,804, with 64 ICF/IID beds currently in the county. Using the need-based estimate of .032%, the need in Shelby County is 309 beds.

This project, however, does not involve the development of new ICF/IID beds. Therefore, the population-based needs analysis in the Guidelines for Growth is inapplicable. The beds which are being used by this project serve only to replace beds already in existence at the Applicant's current facility. Thus, no net increase in the number of ICF/IID beds is intended by this application.

2. The estimate for total need should be adjusted by the existent ICF/MR beds operating in the area as counted by the Department of Health, Department of Mental Health and Developmental Disabilities, and the Division of Mental Retardation Services in the Joint Annual Reports.

Response: The total estimated need minus the existing beds leaves a need of 245 beds.

B. Service Area

1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity.

Response: The Residents in the Applicant's facility who will be relocated are currently in Shelby County, so it is less disruptive to the Residents as well as their families and conservators if they remain in the Shelby County area.

Given the anticipated acuity level of individuals at the facility, and the recent changes by CMS regarding Home and Community-Based Services (HCBS) as to whether such individuals receive services in their own home or in the community, transportation to a day center may not occur on a regular basis. If such day center services are needed Open Arms has an existing day treatment center in Memphis which serves Open Arms' Shelby County facilities and which will continue to do so upon completion of the proposed facility if this application is approved.

Please find below a chart of distances from the proposed location to services within the area.

Shelby County (Latting Road Cordova, TN 38016)			
Service	**Closest Location**	**Driving Distance**	**Driving Time**
Nearest Incorporated City	Cordova, TN	Facility is within city limits.	Not applicable.
Hospital	Saint Francis Hospital – Bartlett, 2896 Kate Bond Road, Bartlett, TN 38133	5.8 Miles	12 Minutes

Physician Offices	Locations vary but they are all close to Saint Francis-Bartlett Hospital.	Varies	Varies
EMS/Fire Station	Memphis Fire Station No. 59, 2870 Rockcreek Parkway, Cordova, TN 38016	3.7 Miles	6 Minutes
Day Treatment (if applicable)	5120 Yale Road, Memphis, TN 38134	11.6 Miles	24 Minutes

2. The relationship of the socio-demographics of the service area and the project population to receive services should be considered. The proposal's sensitivity and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low-income groups, and those needed services involuntarily.

Response: The project population consists of residents of one of the Applicant's facilities that the Applicant desires to relocate to an ICF/IID within Shelby County. The Applicant is aware of their special needs, including their age distribution, nutritional needs, mobility and visual impairments, and their psychiatric and behavioral needs. This facility is designed and located with their needs in mind and is dedicated to serving them. The Applicant serves all individuals regardless of racial, ethnic, or other demographic background. The proposed facility will be located in a residential setting to promote community inclusion.

C. Relationship to Existing Applicable Plans

1. The proposal's relationship to policy as formulated in the state, city, county, and /or regional plans and other documents should be a significant consideration.

Response: The Applicant is building this facility to continue to most effectively and efficiently serve the needs of the Residents.

2. The proposal's relationship to underserved geographic areas and underserved populations groups as identified in state, city, county, and/or regional plans and other documents should be a significant consideration.

Response: The Applicant is building this facility to continue to most effectively and efficiently serve the needs of the Residents, including underserved groups.

3. The impact of the proposal on similar services supported by state and federal appropriations should be assessed and considered.

Response: This project will shift existing ICF/IID beds from the Applicant's old facility to an eight-bed group home, as a part of the Applicant's plan to modernize its aging facilities.

4. The degree of projected financial participation in the Medicare and TennCare programs should be considered.

Response: ICF/IID services in Tennessee are funded by TennCare and the Applicant anticipates that TennCare funds will be responsible for 96% of the facility's revenue. The remaining 4% will come from residents' SSI benefits.

D. Relationship to Existing Similar Services in the Area

1. *The area's trends in occupancy and utilization of similar services should be considered.*

Response: The Applicant operates all 64 ICF/IID beds currently licensed in Shelby County in eight (8) facilities which each contain 8 licensed beds.

These beds are at full occupancy. A chart of the occupancy of ICF/IID's in the county for the past three years follows.

ICF/IID Utilization, Shelby County

	2014	2014	2014	2015	2015	2015	2016	2016	2016
Facility/Address	**Lic. Beds**	**ADC**	**% Occup.**	**Lic. Beds**	**ADC**	**% Occup.**	**Lic. Beds**	**ADC**	**% Occup.**
4695 Allendale Drive	8	8	99.5%	8	8	99.5%	8	8	99.5%
4707 Allendale Drive	8	8	99.5%	8	8	99.5%	8	8	99.5%
Benjestown Home 1	8	8	99.5%	8	8	99.5%	8	8	99.5%
Benjestown Home 2	8	8	99.5%	8	8	99.5%	8	8	99.5%
Greendale Home 1	8	8	99.5%	8	8	99.5%	8	8	99.5%
Greendale Home 2	8	8	99.5%	8	8	99.5%	8	8	99.5%
4240 Raleigh Millington	8	8	99.5%	8	8	99.5%	8	8	99.5%
4254 Raleigh Millington	8	8	99.5%	8	8	99.5%	8	8	100.0%
TOTAL	**64**	**64**	**99.5%**	**64**	**64**	**99.4%**	**64**	**64**	**99.5%**

Source: Open Arms internal records

2. *Accessibility to specific special needs groups should be an important factor.*

Response: As an ICF/IID home, this facility will be accessible to individuals living with intellectual or developmental disabilities. Its bathroom and bedroom facilities and nursing station are specifically designed to assist medically fragile residents with severe intellectual or developmental disabilities.

B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

Response: The Applicant is a long time provider of ICF/IID services in Tennessee, and this proposed replacement home is a part of the Applicant's intended systematic replacement of various aging buildings. This replacement home will provide modern amenities similar to the new homes, located in East Tennessee, that were approved by the Agency for the Applicant in 2016.

C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment Section B - Need-C.**

Response: Please see Attachment B – Need – C for a map of the service area. As the residents are currently in Shelby County and will be remaining there, there is no need to justify a change of service area.

Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1	Not Applicable.	
County #2		
Etc.		
Total		**100%**

Service Area Counties	Projected Utilization-County Residents	% of total procedures
County #1	Not Applicable.	
County #2		
Etc.		
Total		**100%**

D. 1). a) Describe the demographics of the population to be served by the proposal.

b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: http://www.tn.gov/health/article/statistics-population

TennCare Enrollment Data: http://www.tn.gov/tenncare/topic/enrollment-data

Census Bureau Fact Finder: http://factfindercensus.dov/faces/nav/isf/pages/index.xhtml

	Department of Health/Health Statistics							Bureau of the Census				TennCare	
Demographic Variable/ Geographic Area	2018 Total Population-	2022 Total Population	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as% of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as %Of Total	TennCare Enrollees	TennCare Enrollees as % of Total Population
Shelby County	970,212	991,879	2.2%	310.5	317.4	2.2%	.00032%	35.4	$46,224	188,790	20.2%	255,041	25.6%
Service Area Total	970,212	991,879	2.2%	310.5	317.4	2.2%	.00032%	35.4	$46,224	188,790	20.2%	255,041	25.6%
State of TN Total	6,962,031	7,250,604	4.1%	2,227.8	2,320.2	4.1%	.00032%	38.7	$45,219	1,050,889	15.8%	1,461,2991	20.7%

* *Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.*

Response: The target population is .032% of the general population.

2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The Residents of the facility are all individuals with severe intellectual or developmental disabilities requiring institutional care. The Applicant's facility will be specially designed to meet residents' physical and medical needs, such as accessible entry doors, hallways, bathrooms, transportation, and ADA-compliant sink/vanity and toilets. Other services that will be provided include assistance meeting hygiene requirements, specialized dietary services, physical therapy, and activities of daily living, including physical, occupational, and behavioral therapies. The overall goal is to provide residents with an environment and services that will let them live dignified and meaningful lives in a community setting.

E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response: Not applicable. As noted above, all existing ICF/IID beds in Shelby County are at full occupancy, and there are no approved-but-unimplemented ICF/IID beds for Shelby County.

F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: The Applicant projects 99.7% and 99.2% occupancy of the eight beds, or 2,910 and 2,898 resident bed days, respectively, for the first two years of operation of this facility. This is based upon the Applicant's experience and the facility's current occupancy rate, as the Applicant anticipates no change.

SECTION B: ECONOMIC FEASIBILITY

A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

1) All projects should have a project cost of at least $15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

5) For projects that include new construction, modification, and/or renovation — **documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:

a) A general description of the project;

b) An estimate of the cost to construct the project;

c) A description of the status of the site's suitability for the proposed project; and

d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

Response: Please see Attachment B. Economic Feasibility – A5 for a copy of the letter from the architect supporting the estimated construction cost. Please see the Project Costs Chart on the following page, which includes the cost of an emergency generator.

As the total rent expense over the term of the lease is higher than the costs of land purchase, development, construction, etc. that amount is not used in the Project Costs Chart, but the Applicant has used the total lease costs, plus certain "soft costs" and a small Contingency Fund in the Project Costs Chart for unanticipated expenses.

PROJECT COST CHART

FEB 13 '18 PM3:32

A.	Construction and equipment acquired by purchase:		
	1.	Architectural and Engineering Fees	
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	$15,000
	3.	Acquisition of Site	
	4.	Preparation of Site	
	5.	Total Construction Costs	
	6.	Contingency Fund	$35,733
	7.	Fixed Equipment (Not included in Construction Contract)	
	8.	Moveable Equipment (List all equipment over $50,000 as separate attachments)	
	9.	Other (Specify) _____	
B.	Acquisition by gift, donation, or lease:		
	1.	Facility (inclusive of building and land)	$3,300,000
	2.	Building only	
	3.	Land only	
	4.	Equipment (Specify) _____	
	5.	Other (Specify) _____	
C.	Financing Costs and Fees:		
	1.	Interim Financing	
	2.	Underwriting Costs	
	3.	Reserve for One Year's Debt Service	
	4.	Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)		$3,350,733
E.	CON Filing Fee		$19,267
F.	Total Estimated Project Cost (D+E)	**TOTAL**	$3,370,000

Please note the facility cost of $ 3,300,000 was calculated as required by HDSA rules as to the use of the higher of actual cost or rental costs over the life of a lease, with $ 3,300,000 being the estimated average annual rental cost of $110,000 multiplied by the number years in the lease term (30). Please note that the Option to Lease Agreement refers to the average annual rent over the course of the proposed lease's 30 year term as opposed to a guarantee with respect to any specific year's annual rent amount. The annual rent will be on a declining balance rather than an equal amortization over the 30 year term in order to correspond with FDG's anticipated financing, which will also be a declining balance as opposed to equal amortization. This means that, as the balance of the loan decreases, the annual rental amount will decrease as well.

For comparison, the components of development and construction costs are as follows:

Acquisition of site	150,000
Architectural and engineering fees	35,000
Preparation of site	45,000
Construction costs	775,000
Landscaping and irrigation	25,000
Contingency fund	50,000
Furnishings and equipment	50,000
TOTAL	$1,130,000

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-B.)***

___ 1) Commercial loan - Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

___ 2) Tax-exempt bonds - Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

___ 3) General obligation bonds - Copy of resolution from issuing authority or minutes from the appropriate meeting;

___ 4) Grants - Notification of intent form for grant application or notice of grant award;

___ 5) Cash Reserves - Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or

_X_ 6) Other - Identify and document funding from all other sources.

Response: The cost of the project will be paid through a commercial loan from ServisFirst Bank to FDG, which FDG will pay back using the Applicant's lease payments. Please see Attachment B – Economic Feasibility – B for documentation to this effect.

C. Complete Historical Data Charts on the following two pages — Do ***not modify the Charts provided or submit Chart substitutions!***

Historical Data Chart represents revenue and expense information for the last *three* (3) years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

Response: Please see Attachment B. Economic Feasibility – C. The Applicant's payment for the ICF/IID services it provides will be reimbursement from TennCare be based on its expenses such that its funding will approximately equal its expenses. Therefore, there will be no surplus revenue. Further, the Applicant anticipates no bad debt due to its reimbursement by TennCare for 96% of its expenses, with the remaining 4% anticipated to come from residents' SSI income. Please note that the Applicant's lease payments are structured to allow the Landlord to fulfill its responsibility to maintain the building, so the Applicant will not be responsible for repairs and upkeep of the facility beyond the usual tenant duties such as lawn care and cleaning. Additionally, the Projected Data Chart accounts for residents' dietary meals and supplies expenses in the "Other Expenses" line item at D.6 in the chart itself and in the "Miscellaneous" category if one refers to the itemization of that line item following the Projected Data Chart.

With respect to the losses shown in the Historical Data Chart for 2014, 2015 and 2016 and the projected net income in the Projected Data Chart, the Applicant notes that prior to 2015 it was the obligor on its mortgage financing regarding the current facility (as well as numerous of its other facilities). In 2015 Open Arms entered into a sale-leaseback transaction regarding those facilities, which changed how Open Arms paid the occupancy costs for its facilities (as lease payments rather than mortgage payments). However, due to the requirements of the cost-based reimbursement methodology for ICF/IID facilities (including requirements as to the calculation of the depreciation allowance for the landlord's costs in a sale-leaseback transaction), there is a "lag" which results in the changes from mortgage payments to lease payments not appearing until 2016.

D.Complete Projected Data Charts on the following two pages - ***Do not modify the Charts provided or submit Chart substitutions!***

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** *(i.e.,* if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

Response: Please see Attachment B. Economic Feasibility – C. Please note that the estimated average annual rental cost will be tied to the anticipated principal and interest payments due from FDG to its lender, and the initial principal amount will be related to the costs of construction and development. Please note that the annual rent amount will differ with respect to the Projected Data Chart and the Option to Lease because the Option to Lease specifically contemplates the average annual rent over the course of the lease's 30-6ear term as opposed to a guarantee with respect to the amount of any one year's annual rent. The annual rent

will be on a declining balance rather than an equal amortization over the 30-year term in correlation with FDG's anticipated financing, which will also be a declining balance as opposed to equal amortization. In other words, though the estimated annual rental cost noted in Year 1 exceeds that in the Option to Lease, because annual rental cost will be higher in early years and decrease in later years as the outstanding principal balance of the loan is paid down.

E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge *(Gross Operating Revenue/Utilization Data)*	$423.59	$479.69	$614.66	$612.41	27.67%
Deduction from Revenue *(Total Deductions/Utilization Data)*	0	$20	0	0	0
Average Net Charge *(Net Operating Revenue/Utilization Data)*	$423.59	$479.68	$614.66	$612.41	27.67%

2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

Response: The estimated charge schedule is $ 614.66 per patient day for the first year of operations of the new facility. Please note that the actual rate will be set by TennCare and the Applicant does not currently know what it will be. The Applicant anticipates that almost all of its revenue will come from TennCare, with some of the revenue coming from residents' SSI benefits, as required by TennCare. The money from residents' SSI benefits will be used to cover some of the cost of services. The Applicant is not aware of any residents with food stamp benefits.

3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: As the only provider in Shelby County, the Applicant can confirm that the proposed charges are in line with rates it charges at its other facilities in the Service Area. Open Arms' proposed rate is $ $614.66 per patient day, which is slightly more than the $521.85 average rate charged by Open Arms in Shelby County. The rates charged by Open Arms in its Shelby County facilities are shown in the table below. The slight difference in rates can be explained by the additional fire safety code requirements the proposed home will need to meet as well as an anticipated increase in expenses associated with patient care. Most of the residents have been in the home for many years and are increasing in acuity level as they age. Consequently, Open Arms has to plan the proposed home keeping both current and future needs of the residents in mind, which will impact the cost of operations.

Please note that the per diem charges primarily include daily nursing services with licensed nurses or techs and primary physician services. Specialized care, hospitalizations or ancillary medical care are covered by TennCare.

Facility	Rate
Open Arms 4240 Raleigh Millington Road	$517.78
Open Arms 4254 Raleigh Millington Road	$526.39
Open Arms 1445 Greendale Avenue (Shelby #2)	$512.70
Open Arms 1457 Greendale Avenue (Shelby #1)	$527.05
Open Arms 5350 Benjestown Road	$529.45
Open Arms 5380 Benjestown Road	$520.60
Open Arms 4695 Allendale Drive	$523.19
Open Arms 4707 Allendale Drive	$517.69

F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-FI. NOTE: Publicly held entities only need to reference their SEC filings.**

Response: Please also see Attachment B – Economic Feasibility – F1.

2) Net Operating Margin Ratio - Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Response: Please note that 2017 financial information is not yet available.

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	.064	-.065	-.040	0	0

3) Capitalization Ratio (Long-term debt to capitalization) - Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital

structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt+Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

Response: Using 2016 data, the capitalization ratio for the Applicant is 146.88% after calculating per the formula ((2,000,000/(2,000,000 +(-638,307)))x100 = 146.88%).

G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Response: All Residents are TennCare/Medicaid recipients. This project is intended to provide specialized services to TennCare/Medicaid recipients in need of ICF level care. The Applicant anticipates that 96% of its revenue will come from TennCare and the remaining 4% from resident's SSI income.

H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Response: ICF/IID services contemplate more than nursing level care; there is requirement for "active treatment," meaning individualize programming. Each client is required to have a specific and dynamic individualized habilitation plan of services. Regulations require the involvement of a multidisciplinary team to evaluate, design and implement client plans, including a Qualified MR Professional, Dietician and Behavioral Analyst. These professionals staff the individual habilitation plan teams, design programs and environments, monitor progress and revise as necessary to recognize changing client needs on an individualized basis. The staffing chart below reflects the state contractual requirements for the occupants of the home, which the Applicant shall continue to meet.

Position Classification	Existing FTEs (2018)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
a) Direct Patient Care Positions				
RN	0.25	0.25	$60,000	$57,590
LPN	1.98	1.98	$38,836	$37,180
Qualified MR Professional	0.13	0.13	$65,000	N/A
Direct Support Staff	12.50	12.50	$22,431	$23,340
Total Direct Patient Care Positions	14.86	14.86		
b) Non-Patient Care Positions				
Resident Manager	.50	.50	$34,000	N/A
Maintenance	0.25	0.25	$34,000	N/A

Central Office	0.75	0.75	Varies	Varies
Total Non-Patient Care Positions	1.5	1.5		
Total Employees (A+B)	16.36	16.36		
c) Contractual Staff				
Speech Therapist	0.13	0.13	$80/hour	$70,810
Occupational Therapist	0.13	0.13	$65/hour	$82,830
Physical Therapist	0.13	0.13	$75/hour	$85,420
Total Staff (a+b+c)	16.75	16.75		

Source: Tennessee Department of Labor & Workforce Development (2016 LMI)

I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

Response: Renovating the current facility was an option that was contemplated but rejected due to the expense that would have been expended on an aging home as well as the considerable disruption renovation would have caused for residents. Given the extensive impending fire-safety regulation changes that would require the Applicant to make significant renovations to the home in addition to any modernization renovations in lieu of relocation, the cost of building a new facility was more cost-effective. In addition to the cost, Raleigh Millington Road has become a busy commercial road since the home was built 27 years ago and the Applicant wants to ensure the residents are in a more traditional community.

2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

Response: As previously noted, the expenses associated with renovating the facility were unreasonable given the extent of renovations that would be required.

SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

Response: None.

B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

1) Positive Effects

Response: None known other than as currently exist for the current facility.

2) Negative Effects

Response: None known.

C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

Response: Sufficient as shown by the current facility operations. The Applicant currently meets and will continue to meet the staffing requirements of the facility following the proposed relocation. The Applicant does not anticipate needing to hire additional staff from what is in use at the current location of the facility.

2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

Response: The Applicant has reviewed and understands the aforementioned requirements.

3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: Not applicable.

D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: The Tennessee Department of Intellectual and Developmental Disabilities.
Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): TennCare
Accreditation (i.e., Joint Commission, CARF, etc.): Not applicable.

1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

Response: The facility is currently licensed by and in good standing with the Tennessee Department of Intellectual and Developmental Disabilities. The Applicant does not participate in an accreditation organization and currently does not plan to do so in the future. The Applicant will maintain all applicable licenses and certifications in good standing. Please see Attachment B – Contribution to the Orderly Development of Health Care – D1 for a copy of the facility's license.

2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

Response: Please see Attachment B – Contribution to the Orderly Development of Health Care – D2 for the most recent statement of deficiencies and plan of correction that was accepted by the licensing agency. Please note that an October 25, 2017 letter from the Department of Intellectual and Developmental Disabilities indicating that the location is in compliance with applicable licensure rules has been provided as this is the only documentation received by the facility that its plan of correction was accepted and the facility is in good standing with no uncorrected deficiencies.

3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.]

Response: Not applicable.

a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

Response: Not applicable.

E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

1) Has any of the following:

a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

Response: Not applicable.

2) Been subjected to any of the following:

a) Final Order or Judgment in a state licensure action;
b) Criminal fines in cases involving a Federal or State health care offense;
c) Civil monetary penalties in cases involving a Federal or State health care offense;
d) Administrative monetary penalties in cases involving a Federal or State health care offense;
e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or
f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.
g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.
h) Is presently subject to a corporate integrity agreement.

Response: Not Applicable.

F. Outstanding Projects:

1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

Outstanding Projects

CON Number	Project Name	Date Approved	*Annual Progress Report(s) Due Date	*Annual Progress Report(s) Date Filed	Expiration Date

CN1511-050	Open Arms Care Corporation dba Greeneville #1 Chuckey Pike	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1511-051	Open Arms Care Corporation dba Hamilton County #2 Gamble Road - Southwest	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1511-052	Open Arms Care Corporation dba Greeneville #3 East Church Street - East	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1511-053	Open Arms Care Corporation dba Hamilton County #1 Gamble Road - Southeast	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1511-054	Open Arms Care Corporation dba Greeneville #2 East Church Street - West	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1512-062	Open Arms Care Corporation dba Knox County #1 Bishops Bridge Northeast	3/23/2016	5/1/2017	5/31/2017	5/1/2018
CN1512-063	Open Arms Care Corporation dba Knox County #2 Bishops Bridge Northwest	3/23/2016	5/1/2017	5/31/2017	5/1/2018
CN1512-064	Open Arms Care Corporation dba Knox County #4 South Northshore Drive Northwest	3/23/2016	5/1/2017	5/31/2017	5/1/2018
CN1512-065	Open Arms Care Corporation dba Knox County #3 South Northshore Drive Southeast	3/23/2016	5/1/2017	5/31/2017	5/1/2018

* Annual Progress Reports - HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

Response: The facilities constructed pursuant to each of the outstanding CONs have now been completed and approved for occupancy, and residents are now in such facilities. The Applicant is still working with the architect and contractor on final cost certifications, which are anticipated to be completed within the next 30 days. Annual Progress Reports have previously been submitted for such facilities, and the Final Project Report will be submitted after the final cost certifications are completed and verified.

G. Equipment Registry - For the applicant and all entities in common ownership with the applicant.

1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)?

   Response: Not Applicable.

2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

   Response: Not Applicable.

3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

   Response: Not Applicable.

SECTION B: QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

Response: The Applicant was not decertified at any time and has maintained substantial compliance with applicable federal and state regulations during the three year period preceding the instant application. The Applicant will continue to maintain certifications for performance of ICF services in accordance with TennCare and Tennessee DIDD certifications. The Applicant has no plans to have the proposed project participate in self-assessment and external assessment against nationally available benchmark data but will continue to utilize the expertise gained through its decades of experience to ensure that all of the Applicant's facilities continue to organically improve as efficiencies are discovered and implemented. The Applicant will also report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the Applicant's requested certificate of need, if approved.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at http://www.tn.gov/health/topic/health-planning). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

   Response: The proposed facility reflects this principle by ensuring that the Applicant may provide its residents the same high quality health care in a newer, safer, more supportive environment. The proposed facility will be constructed to comply with updated building codes, ensuring that residents will not have to endure the hassle and instability of renovations at their existing home. In addition, relocation to a more resident-friendly neighborhood will better support the comprehensive medical and social services the Applicant provides its residents. The Applicant will continue to provide

residents with medical care in accordance with physician recommendations and on a more general, as-needed basis. These services address the full range of the residents' medical needs, including their mental and behavioral health. Depending on the resident and his or her medical needs, residents will receive assistance meeting hygiene requirements, specialized dietary services, physical therapy, and assistance with activities of daily living, as well as physical, occupational, and behavioral therapies. Residents will also have access to both planned and spontaneous activities, including vocational training and job coaching, which will be easier to access and enjoy in the safe and supportive environment of their new community.

B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

Response: The Applicant will ensure that all residents continue to receive medical care in the manner and on the schedule prescribed by regulations and residents' physicians, as well as on an as-needed basis. Of note, the Applicant is one of only a few ICF/IID providers in Shelby County, and the proposed replacement facility will ensure that these eight beds remain available to Shelby County residents. While the Applicant has been able to adapt to the aging of its current facility, the Applicant would be able to provide that care more efficiently in the proposed newer facility, particularly once the revised building codes go into effect and the Applicant will be responsible for providing care while addressing the necessary updates. Additionally, the nature of residential care means that the quality of resident experiences will depend at least in part on the surrounding neighborhood. In light of the general decline in the area surrounding its existing facility, the Applicant believes this is the right time to move its operations to a more traditional residential area, where the calmer setting will ensure both easier access to services in the community and long-term quality of life for its residents.

C. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

Response: Providing support in an ICF/IID will be cost effective at the Applicant's proposed facility due to its strategic, thoughtful staffing, emphasis on preventive care, management oversight of resource utilization, and design of a home specifically dedicated to the Residents' needs. The Applicant's model will generate ongoing cost savings through its particular emphasis on preventive care and preservation of residents' existing mobility through therapy. Pairing ICF/IID homes to maximize economies of scale while maintaining a home-like environment is a common practice utilized by both public and private ICF/IIDs in the state, in large part because it permits providers like the Applicant to ensure both quality and efficiency. That the Applicant's facilities share a management company and physical address creates a range benefits, from the reduction of small, less-obvious fees like rates on lawn care to more impactful savings from the Applicant's ability to conduct joint internal visits and audits for both facilities, as opposed to having to make arrangements for two different locations. Additionally, through its nearly 30 years of experience, the Applicant will be able to put its expertise to work and take advantage of the economies of scale made possible by its many locations throughout the state, which will enable the Applicant to spend less money than would be spent by a less experienced applicant.

D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

Response: As a provider of ICF/IID services, the Applicant's services are overseen by both the state of Tennessee and the federal government. The Applicant is a decades-long ICF/IID services provider veteran and is well versed in satisfying these requirements and ensuring that its facilities and providers meet or exceed the important regulatory and licensure expectations and standards set out for them. The Applicant maintains a good relationship with its state and federal regulators. In addition, the Applicant's use of co-located facilities, a common management company, and reliance on a broad network of facilities across the state (including others in the Shelby County area) ensures that its providers participate in a constant, iterative system of checks and balances to ensure high

quality resident care. Tennesseans can be confident that services offered at one of the Applicant's facilities have the backing of its experience and regulatory oversight.

E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

Response: The Applicant engages licensed and unlicensed personnel to provide the full range of medical and social services to the residents in its facilities. The Applicant's home-based model supports a cohesive approach to ensuring each individual receives the attention and care they need to function at their best. Moreover, by adding a new ICF/IID in the proposed service area, the Applicant will ensure that these services remain available to the community and that individuals interested in providing the services continue to come to the community to work.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.**

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		April 2018
2. Architectural and engineering contract signed	0	April 2018
3. Construction documents approved by the Tennessee Department of Health	60	June 2018
4. Construction contract signed	0	June 2018
5. Building permit secured	30	July 2018
6. Site preparation completed	30	August 2018
7. Building construction commenced	5	August 2018
8. Construction 40% complete	45	September 2018
9. Construction 80% complete	60	November 2018
10. Construction 100% complete (approved for occupancy)	45	January 2019
11. *Issuance of License	20	February 2019
12. *Issuance of Service	15	March 2019
13. Final Architectural Certification of Payment	45	April 2019
14. Final Project Report Form submitted (Form HR0055)	30	May 2019

***For projects that *DO NOT* involve construction or renovation, complete Items 11 & 12 only.**

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

Attachment A – 3C

Consent Calendar Request

Michael D. Brent
Partner
mbrent@bradley.com
615.252.2361 direct

Bradley

February 9, 2018

Ms. Melanie M. Hill
Tennessee Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Re: Open Arms Care Corporation – Shelby #5 (Latting Road West)

Dear Melanie:

Enclosed you will find an original, plus two copies, of a CON Application by Open Arms Care Corporation, for the replacement and relocation of an eight-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"). The current facility is located at 4240 Raleigh Millington Road, Memphis (Shelby County), Tennessee, and will be relocated to a rectangular parcel of approximately 1.9 acres, fronting on Latting Road, which currently does not have a separate street address. As we have previously discussed with your staff, given the nature of this application, and the fact this is a replacement of a facility that has been in operation nearly three decades by this applicant, we request that you give consideration to placing this application on the "Consent Calendar."

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Michael D. Brent

MDB/ced
Enclosure

4842-5512-1756.1

Attachment A - 4

List of Open Arms Facilities

OPEN ARMS CARE CORPORATION TENNESSEE FACILITIES

Institutional Habilitation – MR Licensed Facilities						
Address	**City**	**County**	**Zip**	**Licensed Beds**	**Medicaid Number**	**DIDD License Number**
6850 Burkitt Road	Antioch	Davidson	37013	8	744-7059	L000000013139
6854 Burkitt Road	Antioch	Davidson	37013	8	744-7058	L000000013138
5821 Cane Ridge Road	Antioch	Davidson	37013	8	744-7063	L000000013140
5825 Cane Ridge Road	Antioch	Davidson	37013	8	744-7064	L000000013141
2411 Miller St	Nashville	Davidson	37211	8	744-7055	L000000013142
2415 Miller St	Nashville	Davidson	37211	8	744-7056	L000000013143
6120 Mt. Pisgah Road	Nashville	Davidson	37211	8	744-7057	L000000013137
13312 Old Hickory Blvd	Antioch	Davidson	37013	8	744-7065	L000000013136
3997 Chuckey Road	Chuckey	Greene	37641	4	744-7248	L000000015457
1404 East Church Street	Greeneville	Greene	37745	4	744-7246	L000000015413
1406 East Church Street	Greeneville	Greene	37745	4	744-7244	L000000015410
10535 N. Hwy 58	Ooltewah	Hamilton	37363	8	744-7070	L000000013701
10539 N. Hwy 58	Ooltewah	Hamilton	37363	8	744-7071	L000000013702
11419 N. Hwy 58	Georgetown	Hamilton	37336	8	744-7062	L000000013703

Institutional Habilitation – MR Licensed Facilities						
Address	**City**	**County**	**Zip**	**Licensed Beds**	**Medicaid Number**	**DIDD License Number**
11421 N. Hwy 58	Georgetown	Hamilton	37336	8	744-7060	L000000013704
7841 Sims Road	Harrison	Hamilton	37341	8	744-7069	L000000013705
7845 Sims Road	Harrison	Hamilton	37341	8	744-7068	L000000013706
9253 Snow Hill Road	Ooltewah	Hamilton	37363	8	744-7066	L000000013707
9255 Snow Hill Road	Ooltewah	Hamilton	37363	8	744-7067	L000000013708
7817 Gamble Road	Georgetown	Hamilton	37336	4	744-7254	L000000015538
7815 Gamble Road	Georgetown	Hamilton	37336	4	744-7253	L000000016887
7812 Ball Camp Pike	Knoxville	Knox	37931	8	744-7052	L000000013746
7814 Ball Camp Pike	Knoxville	Knox	37931	8	744-7053	L000000013748
6010 Clayberry Dr	Knoxville	Knox	37931	8	744-7042	L000000013750
6011 Clayberry Dr	Knoxville	Knox	37931	8	744-7043	L000000013749
6505 Emory Road	Knoxville	Knox	37931	8	744-7050	L000000012989
6509 Emory Road	Knoxville	Knox	37931	8	744-7051	L000000012990
5407 Western Ave.	Knoxville	Knox	37921	8	744-7048	L000000013752

Institutional Habilitation – MR Licensed Facilities						
Address	**City**	**County**	**Zip**	**Licensed Beds**	**Medicaid Number**	**DIDD License Number**
5411 Western Ave.	Knoxville	Knox	37921	8	744-7049	L000000013751
1811 Bishops Bridge Road	Knoxville	Knox	37922	4	744-7247	L000000015456
1819 Bishops Bridge Road	Knoxville	Knox	37922	4	744-7245	L000000015416
12625 S. Northshore Drive	Knoxville	Knox	37922	4	744-7250	L000000015463
12629 S. Northshore Drive	Knoxville	Knox	37922	4	744-7251	L000000015523
4695 Allendale Dr.	Memphis	Shelby	38128	8	744-7046	L000000013496
4707 Allendale Dr.	Memphis	Shelby	38128	8	744-7047	L000000013497
5350 Benjestown Road	Memphis	Shelby	38128	8	744-7037	L000000013495
5380 Benjestown Road	Memphis	Shelby	38128	8	744-7038	L000000013494
1445 Greendale Ave.	Memphis	Shelby	38127	8	744-7039	L000000013498
1457 Greendale Ave.	Memphis	Shelby	38127	8	744-7040	L000000013499
4240 Raleigh-Millington Road	Memphis	Shelby	38128	8	744-7044	L000000013500

Institutional Habilitation – MR Licensed Facilities						
Address	**City**	**County**	**Zip**	**Licensed Beds**	**Medicaid Number**	**DIDD License Number**
4254 Raleigh-Millington Road	Memphis	Shelby	38128	8	744-7045	L000000013501

Licensed Day Treatment Centers						
Address	**City**	**County**	**Zip**	**Licensed Beds**	**Medicaid Number**	**DIDD License Number**
6711 Mountain View Road	Ooltewah	Hamilton	37363	N/A	N/A	L000000012791
5731 Ooltewah-Ringgold Road	Ooltewah	Hamilton	37363	N/A	N/A	L000000012792
7810 Ball Camp Pike	Knoxville	Knox	37931	N/A	N/A	L000000013747
5120 Yale Road	Memphis	Shelby	38134	N/A	N/A	L000000013486
2020 Johnson Industrial Blvd.	Nolensville	Williamson	37135	N/A	N/A	L000000013144

EXHIBIT A

FACILITY ANNUAL BUDGET

[to be attached after finalization and approval in writing by each party hereto]

INTEGRA PRINCIPALS

George Stevens

George Stevens is Integra's Chief Executive Officer, overseeing the management of the company. George has more than thirty years' experience in medical delivery system development and mergers and acquisitions of health care and related businesses.

Joseph Torrence

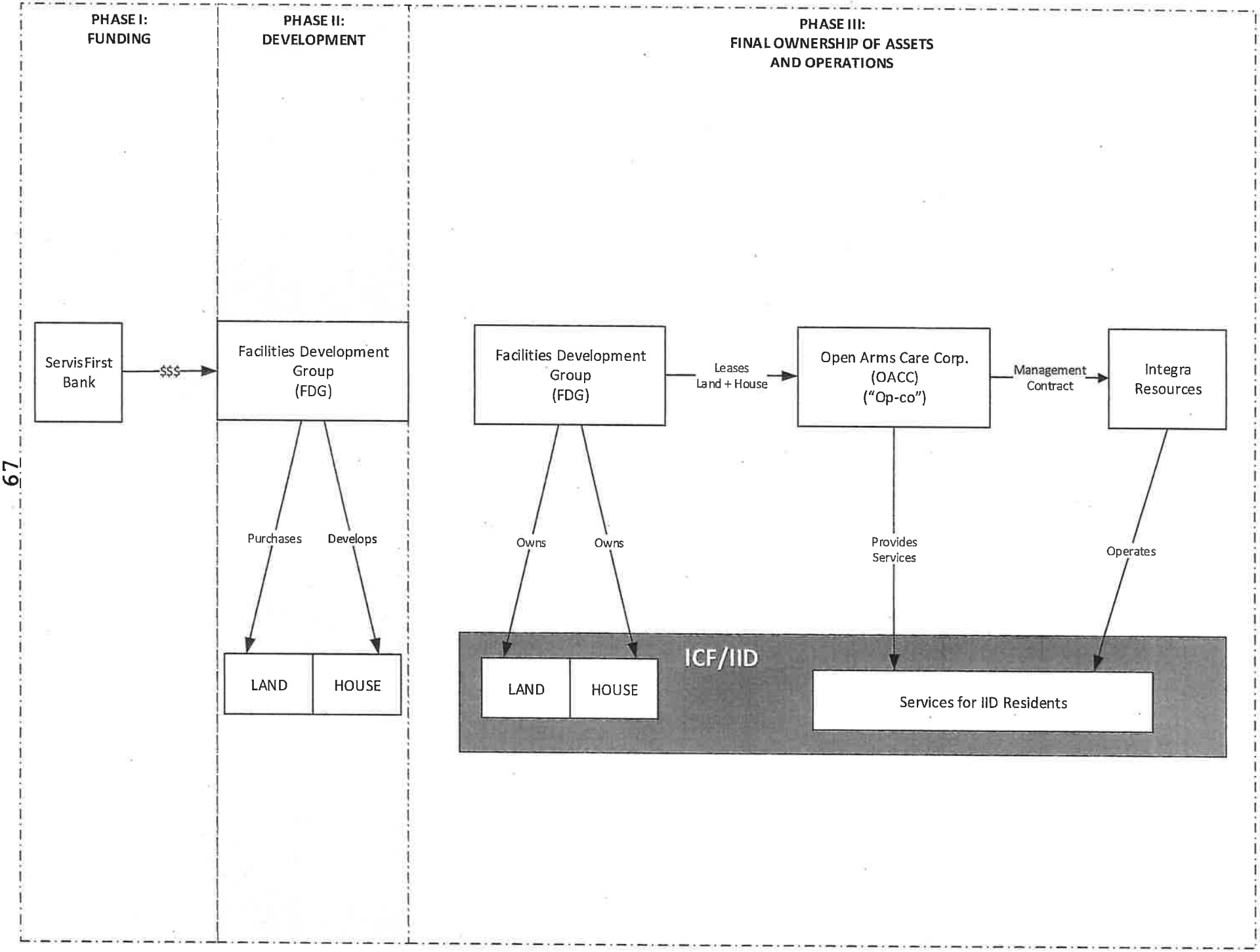
Joe Torrence assists with the financial structuring of matters for Integra's clients. Joe has more than forty years of experience in the affordable housing field, beginning with a role in the Tennessee Housing Development Agency, which he followed up with an investment banking role related to affordable housing. Joe also has significant experience owning and operating affordable housing.

Richard Brown

Dick Brown oversees development and strategic planning for Integra. Former general counsel to the Tennessee Department of Mental Health and Retardation (now known as DIDD), Dick also has extensive experience in capital facilities financing and is also a former investment banker. Dick founded Oak Hill Advisors, a Nashville-based financial advisory firm providing services for capital market transactions, public / private partnerships and strategic development initiatives for clients in the government, health care, housing and real estate sectors and non-profit organizations.

Jeff Mastroleo

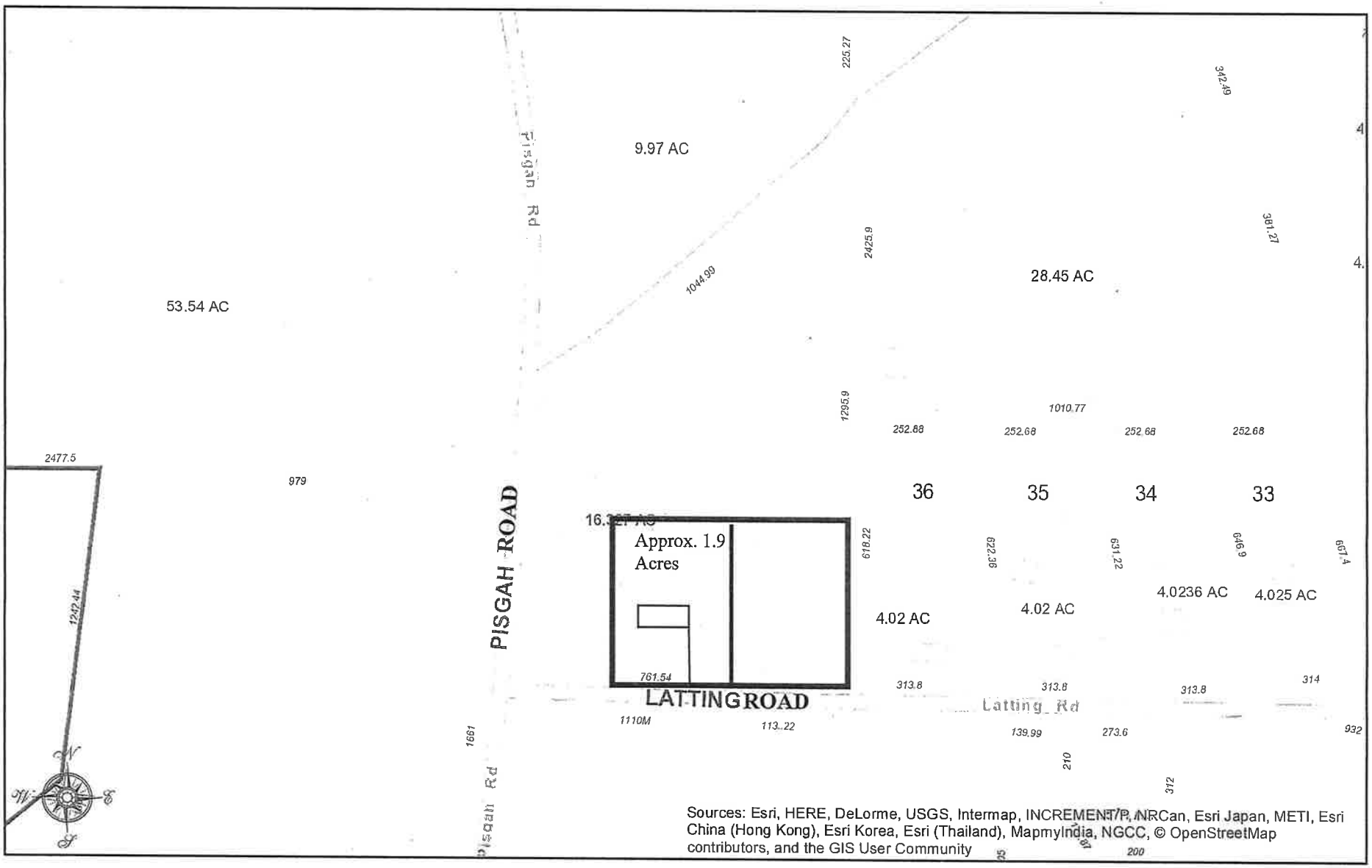
Jeff Mastroleo oversees financial planning and structuring for Integra and its clients. Managing Director of Healthcare Banking at Hancock Bank, Jeff has a record of profitability and prudent growth. He has been successful in establishing deep internal/external relationships; developing and managing to appropriate financial metrics; and, passionately pursuing excellence. Expertise includes commercial healthcare, municipal finance, and treasury/cash management. Previously he served as Senior Vice President of Healthcare for Community Bank, and before that was Senior Vice President, Healthcare Banking Group, of First Tennessee Bank.


PHASE I:
FUNDING
PHASE II:
DEVELOPMENT
PHASE III:
FINAL OWNERSHIP OF ASSETS
AND OPERATIONS
Servis First Bank
$$$
Facilities Development Group (FDG)
Purchases
Develops
LAND
HOUSE
Facilities Development Group (FDG)
Leases Land + House
Open Arms Care Corp. (OACC) ("Op-co")
Management Contract
Integra Resources
Owns
Owns
Provides Services
Operates
ICF/IID
LAND
HOUSE
Services for IID Residents

Attachment A - 6B-1

Plot Plan

Latting Road #5



CHEYENNE JOHNSON, ASSESSOR
SHELBY COUNTY, TENNESSEE

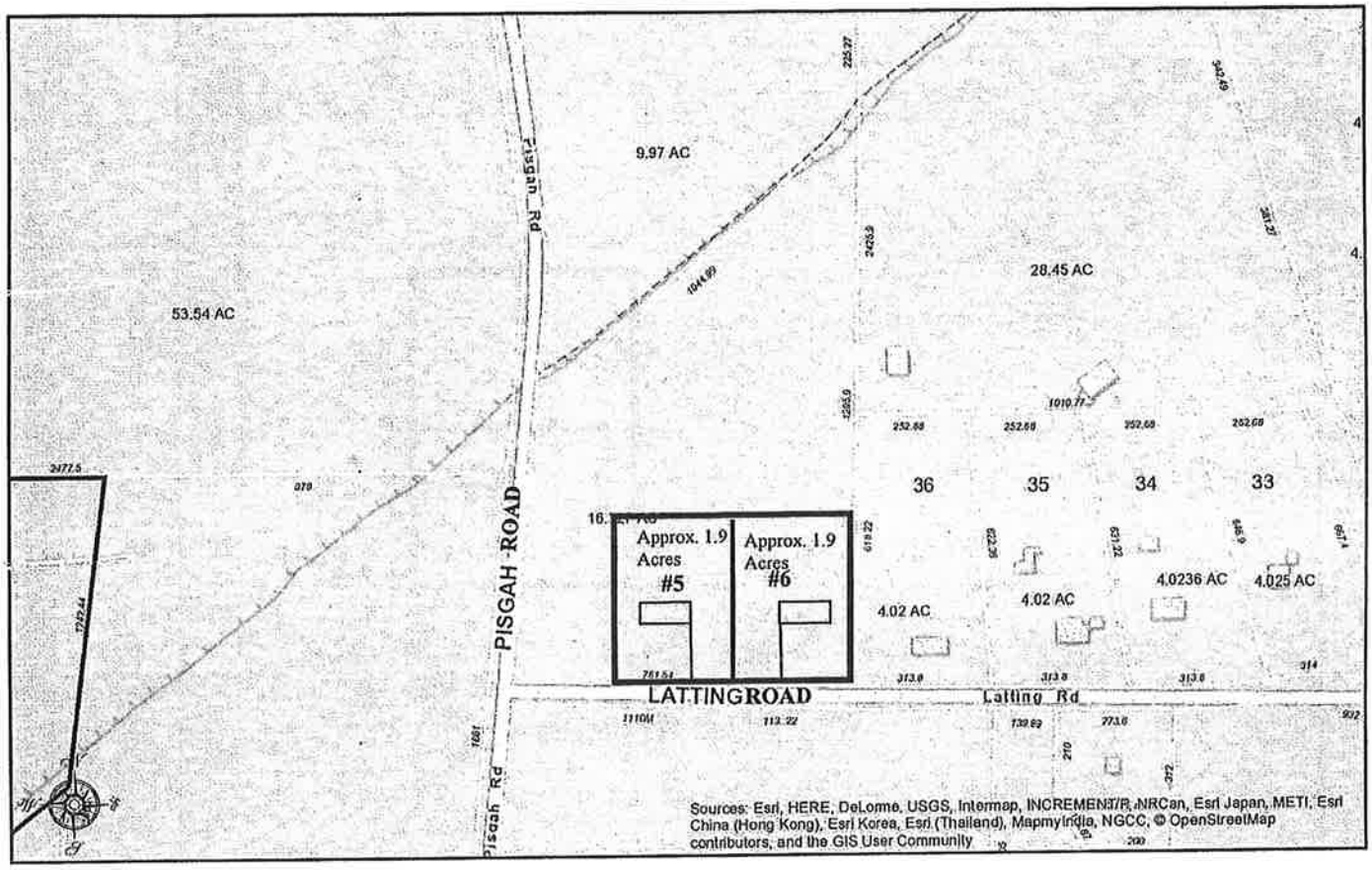
DISCLAIMER: THIS MAP IS FOR PROPERTY ASSESSMENT PURPOSES ONLY. IT IS NOT CONCLUSIVE AS TO LOCATION OF PROPERTY OR LEGAL OWNERSHIP AND THEREFORE, SHOULD NOT BE RELIED UPON AS A REPRESENTATION OF ANY PROPERTY FOR ANY PURPOSE.

MAP DATE: February 9, 2018

0 390 780
ft

Supplemental #1
February 23, 2018
10:26 A.M.

Latting Road #5 and #6



CHEYENNE JOHNSON, ASSESSOR
SHELBY COUNTY, TENNESSEE

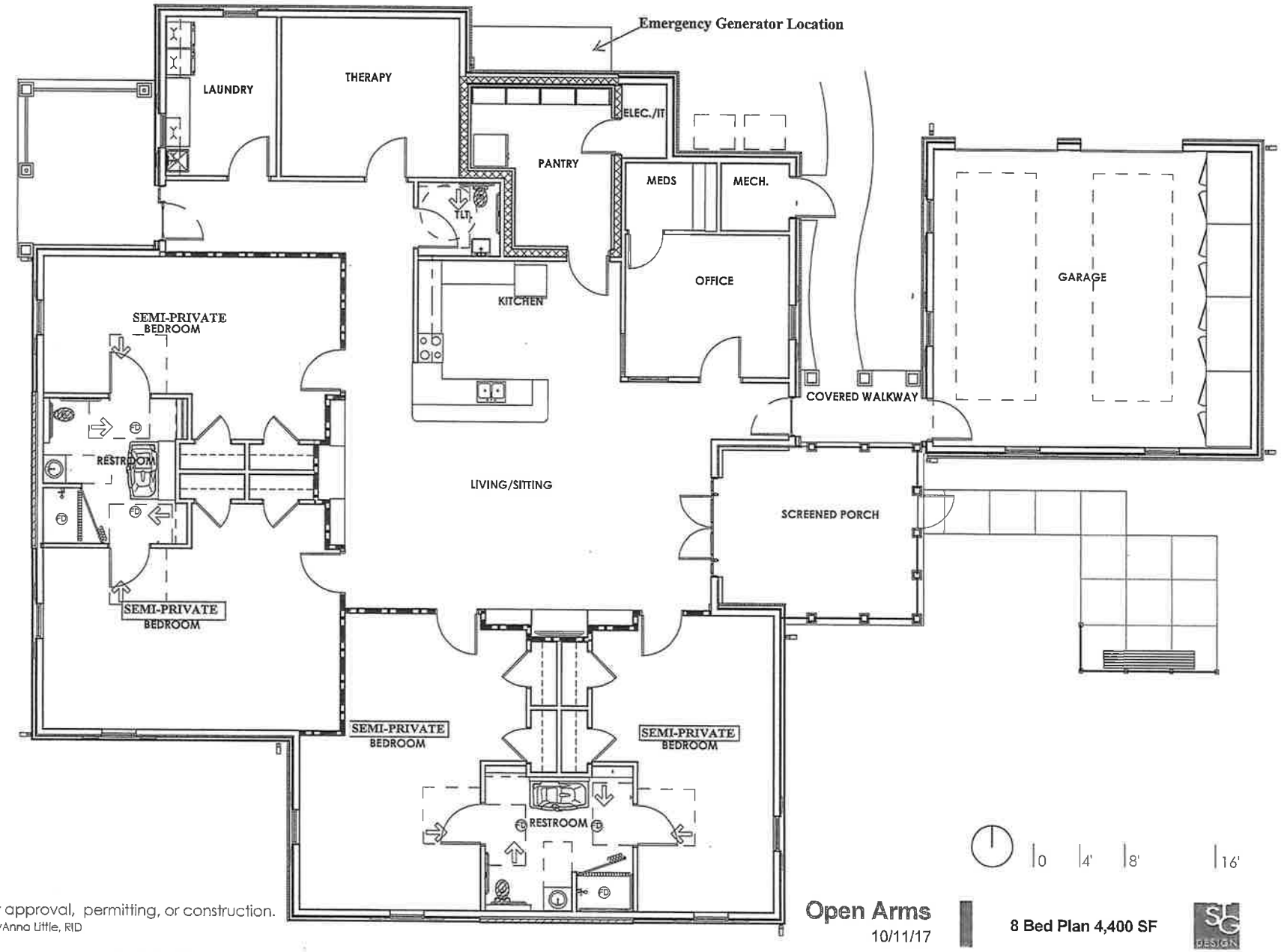
DISCLAIMER: THIS MAP IS FOR PROPERTY ASSESSMENT PURPOSES ONLY. IT IS NOT CONCLUSIVE AS TO LOCATION OF PROPERTY OR LEGAL OWNERSHIP AND THEREFORE, SHOULD NOT BE RELIED UPON AS A REPRESENTATION OF ANY PROPERTY FOR ANY PURPOSE.

MAP DATE: February 9, 2018

0 390 780
ft

Attachment A - 6B-2

Floor Plan



Not for regulatory approval, permitting, or construction.
Registrant's Name: PollyAnna Little, RID

10/11/2017 11:15:09 AM
Local File Path: C:\Users\cjones\Documents\STG Revit 2015 Local Models\BBED_V15_cjones.rvt
Central File Path: S:\ Studio XX\ Type Full Path and File Name Here

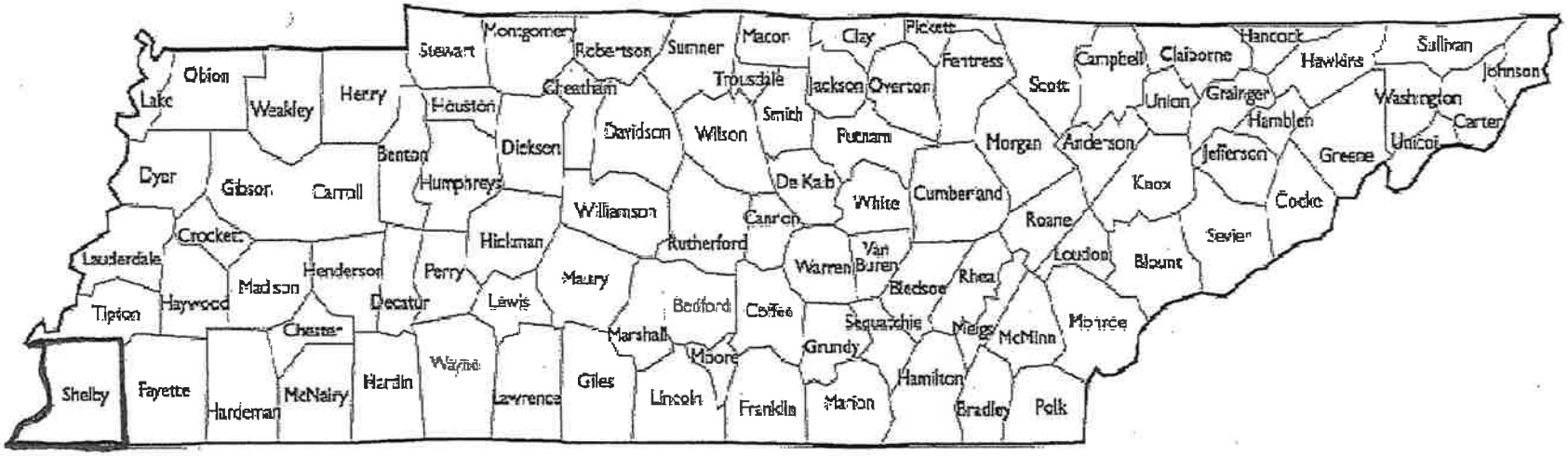
Open Arms
10/11/17

8 Bed Plan 4,400 SF

Attachment B - Need-C

Service Area Map

TENNESSEE COUNTY MAP



Attachment B - Economic Feasibility - A5

Letter Supporting Estimated Construction Costs

October 9, 2017

Freddie Vanderveer
Open Arms Care Corporation
6 Cadillac Drive, Suite 350
Brentwood, TN 37027

Re: New Homes

Dear Freddie:

It is my pleasure to submit this letter outlining the new 8- bed homes to be constructed in the State of Tennessee. The homes will be new construction 4,400 square foot, 8-bed ICF/IID facilities. We have worked diligently to accommodate the needs of the future residents, and have taken into account their special requirements in designing the homes

My initial estimate is that construction of each home will cost in the range of $775,000 - $825,000, which includes an allowance of $25,000 for landscaping and irrigation. This estimate represents what it will cost to construct the project, and to provide a physical environment, according to the applicable federal, state, and local construction codes, standards, specifications, and requirements. The physical environment will conform to applicable federal standards, manufacturer's specifications, Americans with Disabilities Act (ADA), and licensing agencies' requirements including the newest AIA Guidelines for Design and Construction of Hospital and Health Care Facilities. Civil design will be incorporated on a per site basis as the lots become available. The commercial grade materials on the interior and exterior are subject to change on a per lot basis.

Sincerely,

Dave Johnston AIA
Principal

SG DESIGN

AUSTIN
HOUSTON
NASHVILLE

211 Union
Nashville Tennessee 37201
615 248 4400 V
615 248 4401 F

www.stgdesign.com

Attachment B - Economic Feasibility - B

Funding Documentation

SERVISFIRST BANK
1801 West End Avenue
Suite 850
Nashville, TN 37203
T 615.921.3500
servisfirstbank.com

Servis 1st Bank

October 10, 2017

Ms. Melanie Hill
Executive Director
Tennessee Health and Development Services Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37242

RE: Financing Letter of Interest for construction and permanent financing of replacement facilities for Open Arms Care Corporation.

Dear Ms. Hill :

I am writing in regards to my recent discussions with the senior management team of Facilities Development Group and Open Arms Care Corporation concerning construction and permanent financing for up to $12,000,000; for 8 replacement facilities associated with a Certificate of Need Application for the replacement of 8 residential homes in Memphis, TN.

On behalf of ServisFirst Bank (the "Bank"), I am pleased to advise you of the Bank's intent to extend to Facilities Development Group, LLC (the "Borrower") an up to $12,000,000 Term Loan Credit Facility (the "Credit Facility"). The Credit Facility is expected to mature 7 years from closing and will be utilized for the construction and permanent financing of 8 replacement facilities for lease to Open Arms Care Corporation. Open Arms Care Corporation would replace the existing 8 residential facilities it currently operates in the Memphis, TN market. Based on current market conditions and the anticipated loan to value ratio, the interest rate on the Credit Facility is anticipated to be between 5% and 5.50%. The Credit Facility would include security documentation typical for a transaction of this type, including deeds of trust, and assignments of leases. It would also be subject to provisions substantially similar to the Credit Facilities currently in place for Facilities Development Group and its loan for facilities operated by Open Arms Care Corporation, as well as conditions precedent, terms, loan covenants, and performance ratios that are standard for a transaction of this type (for example, a ratio of cash flow to fixed charges of not less than 1.15 to 1.00 is required in the current Credit Facility documents).

ServisFirst Bank very much looks forward to working with Facilities Development Group and Open Arms Care Corporation on this important project. Please feel free to contact me if you have any questions or need additional information from the Bank.

Sincerely,

Bill Berrell
Senior Vice President
Director, Healthcare Banking

Attachment B - Economic Feasibility - C

Historical and Projected Data Charts

☑ Total Facility
☐ Project Only

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year 2014	Year 2015	Year 2016
A. Utilization Data (**Resident Bed Days**)	2,872	2,896	2,910
Revenue from Services to Patients			
B.			
1. Inpatient Services	$ 1,197,706	$ 1,226,720	$ 1,393,763
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) Donations	4,302		2,126
Gross Operating Revenue	$ 1,202,008	$ 1,226,720	$ 1,395,889
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	$	$	$
2. Provision for Charity Care			
3. Provisions for Bad Debt	321		20
Total Deductions	$ 321	$ 0	$ 20
NET OPERATING REVENUE	$ 1,201,687	$ 1,226,720	$ 1,395,869
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	637,108	644,028	681,317
b. Non-Patient Care	40,667	41,108	43,488
2. Physician's Salaries and Wages			
3. Supplies	60,409	64,107	59,804
4. Rent			
a. Paid to Affiliates			
b. Paid to Non-Affiliates		117,825	153,600
5. Management Fees:			
a. Paid to Affiliates			
b. Paid to Non-Affiliates		56,070	74,760
6. Other Operating Expenses	386,485	382,834	439,135
Total Operating Expenses	$ 1,124,669	$ 1,305,972	$ 1,452,104
E. **Earnings Before Interest, Taxes and Depreciation**	$ 77,018	$ -79,252	$ -56,235
F. Non-Operating Expenses			
1. Taxes	$	$	$
2. Depreciation	34,853	74,091	91,680
3. Interest	18,772	12,528	16,569
4. Other Non-Operating Expenses	53,425		
Total Non-Operating Expenses	$ 107,050	$ 86,619	$ 108,249
NET INCOME (LOSS)	$ -30,032	$ -165,871	$ -164,484

Chart Continues Onto Next Page

NET INCOME (LOSS)	$ -30,032	$ -165,871	$ -164,484
G. Other Deductions			
1. Annual Principal Debt Repayment	$ 53,760	$ 74,091	$ 91,680
2. Annual Capital Expenditure			
Total Other Deductions	$ 53,760	$ 74,091	$ 91,680
NET BALANCE	$ -83,792	$ -239,962	$ -256,164
DEPRECIATION	$ 34,853	$ 74,091	$ 91,680
FREE CASH FLOW (Net Balance + Depreciation)	$ -48,939	$ -165,871	$ -164,484

☒ Total Facility

☐ Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 2014	Year 2015	Year 2016
1. Professional Services Contract	$ 71,409	$ 70,735	$ 81,137
2. Insurance	14,374	14,238	16,332
3. IT Support	7,383	7,314	8,389
4. Leased Equipment & Vehicles	18,613	18,437	21,148
5. Repairs & Maintenance	20,534	20,340	23,331
6. Provider Tax	65,029	64,414	73,887
7. Utilities	25,000	24,764	28,406
8. Transportation & Travel	13,745	13,616	15,618
9. Communications	9,036	8,951	10,267
10. Miscellaneous	141,362	140,025	160,620
Total Other Expenses	**$ 386,485**	**$ 382,834**	**$ 439,135**

☑ Total Facility
☐ Project Only

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (**Resident Bed Days**)	2,910	2,898
B. Revenue from Services to Patients		
1. Inpatient Services	$ 1,788,661	$ 1,774,764
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify)_____		
Gross Operating Revenue	**$ 1,788,661**	**$ 1,774,764**
C Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$	$
2. Provision for Charity Care		
3. Provisions for Bad Debt		
Total Deductions	**$ 0**	**$ 0**
NET OPERATING REVENUE	$ 1,788,661	$ 1,774,764
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	881,689	889,926
b. Non-Patient Care	43,512	44,037
2. Physician's Salaries and Wages		
3. Supplies	60,831	61,500
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates	244,444	239,112
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates	74,760	74,760
6. Other Operating Expenses	449,350	453,055
Total Operating Expenses	**$ 1,754,586**	**$ 1,762,390**
E. **Earnings Before Interest, Taxes and Depreciation**	$ 34,075	$ 12,374
F. Non-Operating Expenses		
1. Taxes	$	$
2. Depreciation	26,575	4,874
3. Interest	7,500	7,500
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	**$ 34,075**	**$ 12,374**
NET INCOME (LOSS)	$ 0	$ 0

Chart Continues Onto Next Page

NET INCOME (LOSS)	$ 0	$ 0
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	$ 26,575	$ 4,874
2. Annual Capital Expenditure		
Total Other Deductions	$ **26,575**	$ **4,874**
NET BALANCE	$ (26,575)	$ (4,874)
DEPRECIATION	$ 26,575	$ 4,874
FREE CASH FLOW (Net Balance + Depreciation)	$ 0	$ 0

☑ Total Facility

☐ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 1	Year 2
1. Professional Services Contract	$ 83,025	$ 83,709
2. Insurance	16,712	16,850
3. IT Support	8,584	8,655
4. Leased Equipment & Vehicles	21,640	21,819
5. Repairs & Maintenance	23,874	24,071
6. Provider Tax	75,606	76,229
7. Utilities	29,067	29,306
8. Transportation & Travel	15,981	16,113
9. Communications	10,506	10,592
10. Miscellaneous	164,355	165,712
Total Other Expenses	**$ 449,350**	**$ 453,056**

Attachment B - Economic Feasibility - F1

Balance Sheet, Income Statement and Audited Financial Statement

Open Arms Care Corporation
Summary of All Units
BALANCE SHEET
Saturday, September 30, 2017

10/10/2017

	@YTD	12/31/2016
ASSETS		
CURRENT ASSETS:		
Cash	$2,454,619.97	$1,006,928.13
ServisFirst-General	2,012,934.56	2,009,860.67
Client Funds	353,022.12	353,022.12
Cash in Escrow	4,000.00	4,000.00
Accounts Receivable-Patient	4,916,017.43	3,858,584.93
Accounts Receivable-Other	21,591.58	45,474.28
Accounts Receivable-OAHS	410.57	0.00
Allowance for Doubtful Accounts	(89,166.06)	(89,166.06)
Prepaid Expense	88,481.72	48,226.14
Total Current Assets	***9,761,911.89***	***7,236,930.21***
Property & Equipment:		
PP&E Clearing	12,995.40	0.00
PP&E Clearing (WCO)	67,679.57	211,791.44
Buildings & Improvements	14,916.28	14,916.28
Lease Improvements	21,772.00	21,772.00
Furniture & Equipment	275,737.75	0.00
Vehicles	52,226.28	52,226.28
Less Accumulated Depreciation	(88,898.99)	(59,904.33)
Net Property & Equipment	356,428.29	240,801.67
Net Preopening Costs	1,019,783.81	109,593.56
Deposits	49,800.00	49,475.00
Note Receivable	1,914,894.96	1,914,894.96
Investment in OAHS	125,100.00	125,100.00
Other Non Current Assets	14,360.00	14,360.00
Total Assets	***$13,242,278.95***	***$9,691,155.40***
Liabilities & Fund Balance		
Current Liabilities		
Accounts Payable	314,182.80	473,060.21
Client Funds	353,022.12	353,022.12
Employee Withholdings	9,913.09	13,111.46
Accrued Salaries & Payroll Taxes	998,552.98	404,104.84
Accrued Vacation	451,574.60	451,574.60
Accrued Expenses	591,418.27	425,394.57
Accrued Interest	26,666.67	20,000.00
Accrued Rent	2,981,494.61	3,201,369.16
Accrued Rent - Add'l	262,438.86	195,041.11
Deferred Rent	7,714.00	7,714.00
Due to Management Company	70,491.35	38,463.79
Total Current Liabilities	***6,067,469.35***	***5,582,855.86***
Deferred Gain	3,460,331.30	3,460,331.30
Deferred Gain - Closing Costs	(467,312.80)	(467,312.80)
Note Payable-Integra	3,000,000.00	2,000,000.00
Total Liabilities	***$12,060,487.85***	***$10,575,874.36***
Fund Balance		
Beginning Fund Balance	(884,718.96)	(1,324,364.17)
Net Surplus (Deficit)	2,066,510.06	439,645.21
Total Fund Balance	***1,181,791.10***	***(884,718.96)***
Total Liabilities & Fund Balance	***$13,242,278.95***	***$9,691,155.40***

UNAUDITED

10/10/2017

Open Arms Care Corporation
Summary of All Units
Trended Income Statement
For the Nine Months Ending Saturday, September 30, 2017

	June ACTUAL	July ACTUAL	August ACTUAL	September ACTUAL	September BUDGET	September Var	YTD ACTUAL	YTD BUDGET	YTD Var
REVENUE									
Medicaid	$4,336,181	$4,712,242	$4,649,760	$4,542,477	$4,467,901	$74,576	$37,157,163	$36,723,673	$433,490
Resident Liability	135,180	137,803	139,529	128,987		128,987	1,070,825		1,070,825
Investment Income	343	445	342	300		300	3,074		3,074
Gain/ Loss-Asset Disposal		500	300				800		800
Contract Income							9,900		9,900
Donations	70		3,053	51		51	5,062		5,062
In Kind Donations							2,400		2,400
United Way Designations	26						26		26
Support from OACF							10,314		10,314
Total Revenue	4,471,800	4,850,990	4,792,984	4,671,815	4,467,901	203,914	38,259,564	36,723,673	1,535,891
Capacity	284	292	292	292	0	(292)	276	0	(276)
Occupied Beds	284	288	288	289	0	(289)	273	0	(273)
Occupancy %	100.0%	98.6%	98.6%	99.0%	0.0%	(99.0%)	98.9%	0.0%	(98.9%)
Lost Revenue Days	(5)	121	114	77		(77)	911		(911)
WAGES									
Salary Wages	299,391	263,839	321,679	321,659	350,428	28,769	2,609,887	3,006,568	396,681
Regular Hourly Wages	1,393,477	1,443,560	1,517,445	1,486,214	1,656,168	169,954	12,208,282	13,474,305	1,266,023
Overtime Wages	265,718	215,368	232,531	204,494	48,229	(156,265)	1,686,073	356,535	(1,329,538)
Sick Wages	28,362	19,624	34,736	29,933	24,864	(5,069)	257,762	224,230	(33,532)
Incentive/Bonus Wages	5,587	1,580	3,484	10,309	675	(9,634)	37,416	8,175	(29,241)
Holiday Wages	6,824	81,495	11,974	80,527	68,564	(11,963)	384,861	325,974	(58,887)
Vacation Wages	68,193	80,995	84,557	71,265	92,757	21,492	586,001	716,029	130,028
Training Wages	3,538	2,053	3,513	2,715	3,083	368	28,627	27,747	(880)
Temporary Labor Services	41,424	41,917	34,041	55,678		(55,678)	275,594		(275,594)
Payroll Taxes	151,832	165,313	161,672	161,715	166,985	5,270	1,321,853	1,355,743	33,890
TOTAL	2,264,346	2,315,744	2,405,632	2,424,509	2,411,753	(12,756)	19,396,356	19,495,306	98,950
EMPLOYEE BENEFITS									
Medical/Hospital Benefits	264,378	306,288	321,208	299,224	369,127	69,903	2,614,440	3,014,137	399,697
Dental Insurance Benefits	2,449	6,890	7,490	6,518	6,401	(117)	54,993	57,609	2,616
Life Ins AD&D Benefits	8,833	11,544	11,848	12,180	14,374	2,194	96,611	129,366	32,755
403B Contributions	18,200	12,061	11,789	12,068	11,731	(337)	110,147	105,590	(4,557)
Workers Compensation	49,926	36,243	35,976	60,405	61,485	1,080	390,386	498,998	108,612
Staff Education-Tuition Reimb		730	766		2,113	2,113	11,327	21,017	9,690
Other Benefits	(799)	717	1,177	(51)	317	368	3,586	2,853	(733)
TOTAL	342,987	374,473	390,254	390,344	465,548	75,204	3,281,490	3,829,570	548,080
OPERATING EXPENSE									
Awards & Incentives	7,150	(1,164)	3,613	21,519	13,002	(8,517)	70,560	48,336	(22,224)
Bank Charges			18		102	102	606	918	312
Client Lodging					80	80		720	720
Community Awareness	1,155	(616)	189	462	242	(220)	4,774	2,778	(1,996)

UNAUDITED

10/10/2017

Open Arms Care Corporation
Summary of All Units
Trended Income Statement
For the Nine Months Ending Saturday, September 30, 2017

	June ACTUAL	July ACTUAL	August ACTUAL	September ACTUAL	September BUDGET	September Var	YTD ACTUAL	YTD BUDGET	YTD Var
Consult/Contract-Ambulance	367	(7)	921	89	900	811	1,305	2,700	1,395
Consult/Contract-Audiology	205		1,122	345	380	35	2,721	2,091	(630)
Consult/Contract-Dental	38,428	18,999	26,509	23,649	36,852	13,203	226,295	270,616	44,321
Consult/Contract-Dietary	3,555	5,124	6,883	6,025	6,947	922	56,776	54,286	(2,490)
Consult/Contract-O.T.	10,482	10,875	7,736	7,887	11,404	3,517	86,344	97,921	11,577
Consult/Contract-P.T.	3,539	7,495	7,961	6,157	6,713	556	47,338	49,250	1,912
Consult/Contract-Psychiatry	1,925	2,300	2,375	2,000	2,550	550	19,100	21,750	2,650
Consult/Contract-Psychology	305	3,910	1,215	(330)	6,136	6,466	18,742	39,757	21,015
Consult/Contract-Social Services	4,423	5,119	3,875	2,977	5,177	2,200	34,698	46,944	12,246
Consult/Contract-Speech	6,203	10,447	6,909	8,567	7,711	(856)	69,181	67,742	(1,439)
Consult/Contract-IT					125	125	536	1,125	589
Consult/Contract-Lab Fees		393	8	177	232	55	(841)	1,698	2,539
Consult/Contract-Hotline		289					578	825	247
Consult/Contract-Other		599	(426)		21	21	507	189	(318)
Consult/Contract-Pharmacy	772	1,804	667	1,157	2,892	1,735	10,181	16,981	6,800
Consult/Contract-Physicians	27,579	26,250	25,992	26,064	22,084	(3,980)	207,031	177,532	(29,499)
Consult/Contract-RN	3,364	100	1,600	5,440	3,177	(2,263)	14,472	14,408	(64)
Consult/Contract-Vision	40	9,816	821	4,436	914	(3,522)	17,456	7,026	(10,430)
Directors' Fees & Expenses							807	3,000	2,193
Dues & Subscriptions	2,792	2,371	11,594	4,198	4,314	116	50,469	33,288	(17,181)
Equipment-Non Capital	18,904	11,256	11,782	15,634	15,582	(52)	136,973	131,993	(4,980)
Improvements-Non-Capital		3,526			4,565	4,565	9,231	48,061	38,830
Insurance	44,871	47,121	47,121	47,121	49,169	2,048	390,673	419,178	28,505
Interest-Operating	27,387	26,401	26,889	26,666	25,589	(1,077)	207,343	205,344	(1,999)
IT Support - PC/Laptop Support	10,018	9,989	8,585	8,585	13,168	4,583	86,685	100,091	13,406
IT Support - Network/Server	17,077	17,220	21,302	18,577	17,548	(1,029)	157,417	155,492	(1,925)
IT Support - Minor Equipment	1,438		1,154	569	3,455	2,886	7,530	19,732	12,202
IT Support - Special Projects	3,500			3,543	2,156	(1,387)	10,543	18,543	8,000
IT Support - Other							2,400		(2,400)
Janitorial Services	5,768	12,168	7,235	6,695	12,562	5,867	65,205	87,987	22,782
Late Fees/ Finance Charges	105	441	191	148		(148)	2,277		(2,277)
Leased Building & Storage	37,213	37,059	37,549	38,048	36,819	(1,229)	337,266	334,467	(2,799)
Leased Equipment	12,116	12,632	15,096	11,221	12,260	1,039	119,183	108,130	(11,053)
Leased Transportation Vehicles	52,410	55,536	55,091	55,925	53,848	(2,077)	418,150	423,687	5,537
Maintenance & Repair-Building	14,181	14,227	12,904	9,250	16,784	7,534	100,886	148,041	47,155
Service Contract-Building		1,888		1,200		(1,200)	6,536	5,665	(871)
Maintenance & Repair-Equip	6,427	9,958	6,566	8,965	8,763	(202)	68,188	74,872	6,684
Service Contract-Equipment	814	3,400	5,484	5,136		(5,136)	45,158	2,160	(42,998)
Maintenance & Repair-Grounds	14,523	10,239	12,719	20,403	11,958	(8,445)	102,355	97,100	(5,255)
Service Contract-Grounds								2,400	2,400
Maintenance & Repair-Vehicles	16,571	5,802	9,812	7,869	8,275	406	80,652	67,928	(12,724)
Medical Equipment	3,353	2,208	564	2,518	4,638	2,120	27,638	27,442	(196)
Meetings	3,427	3,396	4,097	3,666	3,973	307	31,805	33,405	1,600
Miscellaneous Expense		(9)					(9)		9
Miscellaneous - Unallowable				20		(20)	8,130		(8,130)
Network Expense	10,932	10,091	10,836	10,996	9,206	(1,790)	94,611	81,699	(12,912)
Payroll Expenses	24,785	19,080	19,279	19,586	17,866	(1,720)	176,416	165,861	(10,555)

UNAUDITED

10/10/2017

Open Arms Care Corporation
Summary of All Units
Trended Income Statement
For the Nine Months Ending Saturday, September 30, 2017

	June ACTUAL	July ACTUAL	August ACTUAL	September ACTUAL	September BUDGET	September Var	YTD ACTUAL	YTD BUDGET	YTD Var
Pest Control	2,060	2,766	2,125	5,454	2,201	(3,253)	21,560	24,134	2,574
Postage and Courier Services	1,189	1,679	1,532	832	1,707	875	13,216	15,114	1,898
Printing	1,201	516	568	264	365	101	5,953	3,860	(2,093)
Professional Fees-Audit			8,000				29,405	30,000	595
Professional Fees-Legal		5,055	4,060	3,747	5,250	1,503	19,939	49,650	29,711
Professional Fees-Other	36,125	16,981	36,900	26,765	5,417	(21,348)	203,850	27,953	(175,897)
Recreation - Clients	12,019	3,046	8,272	7,011	9,851	2,840	52,621	86,779	34,158
Security Services	387	135	65	97	1,564	1,467	3,154	12,115	8,961
Staff Education, Seminars	1,467	(322)	295	5,221	1,664	(3,557)	18,543	19,059	516
Staff Recruitment-Advertising	2,212	(701)	936	714	1,198	484	8,094	9,935	1,841
Staff Recruitment-PreEmploy	13,660	7,801	8,069	2,719	5,128	2,409	70,134	46,152	(23,982)
Staff Training Materials	1,945	596	3,478	1,269	2,045	776	18,528	18,505	(23)
Supplies-Cleaning and Laundry	9,728	8,796	11,114	8,470	10,494	2,024	84,700	89,624	4,924
Supplies-Client	7,957	7,569	7,295	6,005	7,576	1,571	61,709	64,894	3,185
Supplies-Clothing	973	2,542	1,390	551	1,118	567	11,419	9,733	(1,686)
Supplies-Food	78,485	77,355	82,019	76,309	80,068	3,759	676,627	680,845	4,218
Supplies-Food Supplements	3,856	6,450	2,904	8,256	6,996	(1,260)	48,644	56,440	7,796
Supplies-Non-food	6,544	7,354	8,367	7,291	6,485	(806)	60,594	55,017	(5,577)
Supplies-Medical	26,761	40,455	34,945	29,310	28,171	(1,139)	273,361	234,734	(38,627)
Supplies-Office	5,764	5,679	5,293	5,930	6,194	264	56,206	52,542	(3,664)
Supplies-Pharmacy-OTC	6,148	4,462	3,575	5,364	4,781	(583)	38,916	39,739	823
Supplies-Pharmacy-Rx	8,615	38,909	13,084	14,970	9,854	(5,116)	118,338	84,081	(34,257)
Supplies-Program	5,578	3,420	6,819	4,756	6,033	1,277	43,619	46,718	3,099
Supplies-Resident Decor/Linens	2,017	2,064	1,396	1,640	1,982	342	14,966	16,813	1,847
Taxes & Licenses-Business	100	100	3,270	100	522	422	28,620	49,218	20,598
Taxes & Licenses-Other	400				167	167	1,650	242,478	240,828
Taxes & Licenses-Provider	245,098	235,241	269,302	273,877	250,300	(23,577)	2,044,381	2,016,948	(27,433)
Taxes & Licenses-Transport	145	245	9		352	352	1,667	4,976	3,309
Telephone-Cell Phones	6,830	6,664	8,503	7,084	5,910	(1,174)	63,415	48,530	(14,885)
Telephone-Regular & Pagers	9,021	9,160	9,514	9,187	7,854	(1,333)	82,551	65,540	(17,011)
Telephone-Long Distance	329	211	315	248	308	60	2,975	2,772	(203)
Transportation-Gas, Oil, Detail	13,579	12,847	16,172	15,434	17,079	1,645	120,577	135,539	14,962
Travel-Airfare	505				50	50	505	3,125	2,620
Travel-Lodging	4,063	5,704	2,819	5,478	3,225	(2,253)	35,756	28,745	(7,011)
Travel-Meals & Entertainment	1,192	1,894	798	968	956	(12)	10,049	10,405	356
Travel-Mileage	9,261	7,077	9,730	8,664	5,396	(3,268)	62,283	47,827	(14,456)
Travel-Parking, Tolls, Auto	44	47	136	17	182	165	339	1,568	1,229
Utilities-Cable	5,317	4,651	5,038	4,747	4,373	(374)	39,525	36,074	(3,451)
Utilities-Electric	36,789	43,113	45,863	38,137	43,082	4,945	352,863	382,726	29,863
Utilities-Gas	956	862	1,007	951	2,454	1,503	15,316	22,282	6,966
Utilities-Propane					2,961	2,961	1,711	16,224	14,513
Utilities-Septic	1,100	1,100	1,100	1,100	1,100		9,900	9,900	
Utilities-Water & Sewer	12,059	13,905	14,675	13,980	12,350	(1,630)	113,447	110,572	(2,875)
Integra - Cost of Operations	38,960	37,244	35,476	37,436	44,276	6,840	351,398	384,655	33,257
Integra - Management Fee	231,702	240,865	240,865	240,865	240,868	3	1,982,778	1,979,520	(3,258)
TOTAL	1,290,245	1,281,270	1,340,931	1,324,378	1,310,046	(14,332)	10,908,680	11,095,219	186,539

UNAUDITED

Open Arms Care Corporation
Summary of All Units
Trended Income Statement
For the Nine Months Ending Saturday, September 30, 2017

	June ACTUAL	July ACTUAL	August ACTUAL	September ACTUAL	September BUDGET	September Var	YTD ACTUAL	YTD BUDGET	YTD Var
ALLOCATIONS									
Day Services					14,796	14,796		67,080	67,080
Support Office Services					9,243	9,243		41,920	41,920
Central Support Services			2	(2)	4,438	4,440		20,137	20,137
TOTAL			2	(2)	28,477	28,479		129,137	129,137
TOTAL OPERATING EXPENSE	***3,897,578***	***3,971,487***	***4,136,819***	***4,139,229***	***4,215,824***	***76,595***	***33,586,526***	***34,549,232***	***962,706***
OPERATING MARGIN	***574,222***	***879,503***	***656,165***	***532,586***	***252,077***	***280,509***	***4,673,038***	***2,174,441***	***2,498,597***
CAPITAL									
Depreciation	729	729	729	23,163	733	(22,430)	28,995	6,597	(22,398)
Rent Expense	205,506	297,173	297,173	344,695	286,819	(57,876)	2,389,166	2,372,724	(16,442)
Rent Expense (add'l)	18,725	18,725	18,725	18,725	21,176	2,451	188,371	176,640	(11,731)
TOTAL	224,960	316,627	316,627	386,583	308,728	(77,855)	2,606,532	2,555,961	(50,571)
Net Surplus/(Deficit)	***$349,262***	***$562,876***	***$339,538***	***$146,003***	***($56,651)***	***$202,654***	***$2,066,506***	***($381,520)***	***$2,448,026***

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Table of Contents

	Page
Independent Auditors' Report	1 - 2
Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets (Deficit)	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 13
Supplementary Information:	
Supplemental Schedule - Consolidating Balance Sheet	14
Supplemental Schedule - Consolidating Statement of Operations and Changes in Net Assets (Deficit)	15

LBMC MAKE A GOOD BUSINESS BETTER

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Open Arms Care Corporation Inc., and Affiliates:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Open Arms Care Corporation Inc., and Affiliates (collectively the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Open Arms Care Corporation Inc., and Affiliates as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 14-15 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, and cash flows of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

LBMC, PC

Brentwood, Tennessee
February 23, 2017

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Balance Sheets

December 31, 2016 and 2015

Assets

	2016	2015
Current assets:		
Cash and cash equivalents	$ 3,398,645	$ 3,549,844
Funds held in custody for others	353,022	408,915
Patient accounts receivable, less allowance for doubtful accounts of approximately $89,000 in 2016 and 2015	3,814,893	3,335,673
Prepaid expenses and other current assets	264,017	114,277
Total current assets	7,830,577	7,408,709
Property and equipment, net	29,010	13,305
Other Assets:		
Other long-term assets	173,429	44,360
Notes receivable	1,914,895	1,914,895
Total other assets	2,088,324	1,959,255
Total assets	$ 9,947,911	$ 9,381,269

Liabilities and Net Assets (Deficit)

Current liabilities:		
Accounts payable and accrued expenses	$ 954,990	$ 731,906
Funds held in custody for others	353,022	408,915
Accrued rent expense	3,396,412	2,131,415
Accrued salaries and benefits	868,776	710,118
Accrued interest	20,000	20,000
Total current liabilities	5,593,200	4,002,354
Long-term debt	2,000,000	2,000,000
Deferred gain on sale-leaseback transaction	2,993,018	4,490,938
Total liabilities	10,586,218	10,493,292
Net deficit	(638,307)	(1,112,023)
Total liabilities and net deficit	$ 9,947,911	$ 9,381,269

See accompanying notes to the consolidated financial statements.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets (Deficit)

Years ended December 31, 2016 and 2015

	2016	2015
Unrestricted revenues:		
Net patient service revenues	$ 43,216,565	$ 39,099,602
Investment income	21,469	45,024
Net special events revenue	24,386	24,299
Other revenues	53,019	134,621
Total unrestricted revenues	43,315,439	39,303,546
Expenses:		
Salaries and wages	23,047,918	22,436,496
Employee benefits	4,242,309	4,161,858
Professional services	1,582,597	1,810,130
Supplies	4,630,525	4,651,741
Maintenance and repairs	587,440	603,660
Utilities	686,144	679,885
Insurance	522,538	520,503
Depreciation and amortization	6,067	418,026
Interest expense	240,818	403,840
Gain on disposal of property and equipment	(5,575)	(7,330)
Taxes and licenses	2,438,084	2,270,324
Provision for doubtful accounts	40	333
Rent	3,481,279	2,724,706
Amortization of deferred gain	(1,497,920)	(1,274,622)
Management fee and related costs of operations	2,879,459	2,190,610
Total expenses	42,841,723	41,590,160
Excess of revenues over expenses (expenses over revenues)	473,716	(2,286,614)
Net assets (deficit) at beginning of year	(1,112,023)	1,174,591
Net deficit at end of year	$ (638,307)	$ (1,112,023)

See accompanying notes to the consolidated financial statements.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Excess of revenues over expenses (expenses over revenues)	$ 473,716	$ (2,286,614)
Adjustments to reconcile excess revenues over expenses (expenses over revenues) to net cash used by operating activities:		
Net losses on investments and trusteed funds	-	10,785
Depreciation and amortization	6,067	418,026
Provision for doubtful accounts	40	333
Gain on disposal of property and equipment	(5,575)	(7,330)
Amortization of deferred gain	(1,497,920)	(1,274,622)
(Increase) decrease in operating assets:		
Patient accounts receivable	(479,260)	125,367
Prepaid expenses and other current assets	(149,740)	(63,620)
Other assets	(129,069)	(15,185)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	223,084	40,938
Accrued rent expense	1,264,997	2,131,415
Accrued salaries and benefits	158,658	(73,469)
Accrued interest	-	(214,698)
Net cash used by operating activities	(135,002)	(1,208,674)
Cash flows from investing activities:		
Proceeds from the sale of investments and trusteed funds, net	-	1,791,252
Proceeds from the sale of property and equipment	5,575	7,741
Purchase of property and equipment	(21,772)	-
Net cash provided (used) by investing activities	(16,197)	1,798,993
Cash flows from financing activities:		
Proceeds from long-term debt	-	2,000,000
Principal payments of long-term debt	-	(25,683)
Cash paid for transaction costs related to sale-leaseback transaction	-	(391,726)
Net cash provided by financing activities	-	1,582,591
Increase (decrease) in cash and cash equivalents	(151,199)	2,172,910
Cash and cash equivalents at beginning of year	3,549,844	1,376,934
Cash and cash equivalents at end of year	$ 3,398,645	$ 3,549,844
Supplemental disclosure of cash flow information -		
Cash paid for interest	$ 240,818	$ 618,538
Noncash activity related to sale-leaseback transaction:		
Issuance of note receivable	$ -	$ (1,914,895)
Decrease in trusteed funds	-	2,625,141
Proceeds from sale of property and equipment	-	11,514,298
Repayment of long-term debt	-	(11,716,068)
Transaction costs	-	(508,476)
	$ -	$ -

See accompanying notes to the consolidated financial statements.

(1) Organization

The accompanying consolidated financial statements of Open Arms Care Corporation Inc., and Affiliates (collectively the "Company") include the transactions and accounts of Open Arms Care Corporation, Inc., Open Arms Care Foundation ("Foundation"), and Open Arms Health System, LLC ("Clinic").

Open Arms Care Corporation, Inc. operates intermediate care facilities for persons with intellectual and developmental disabilities. The facilities are located in Chattanooga, Knoxville, Memphis, and Nashville, Tennessee. In 2005, the Foundation was formed to support non-Medicaid allowable expenses and capital projects through charitable donations for the benefit of the Open Arms Care Corporation, Inc.'s clients. In 2013, Open Arms Health System, LLC ("OAHS") was formed to provide routine clinic services to the clients and employees of Open Arms Care Corporation, Inc. In 2016, the Company executed leases for nine new homes which are due to be put into operation in 2017. The rent amounts for the nine new homes are subject to final construction costs and the associated annual debt service payable by the landlord.

(2) Summary of significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of Open Arms Care Corporation, Inc., Open Arms Care Foundation, Inc., and Open Arms Care Health Services, LLC. All significant intercompany accounts and transactions have been eliminated.

(b) Cash and cash equivalents

The Company considers cash and highly liquid investments having a maturity date at acquisition of 90 days or less to be cash and cash equivalents.

(c) Property and equipment

Property and equipment are stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Buildings and improvements are generally depreciated over ten to twenty five years and vehicles over three to five years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(d) Deferred gain on sale-leaseback

The deferred gain is being amortized over the life of the leases as discussed at Note 13.

(e) Performance indicator

The revenues over expenses (expenses over revenues) as reflected in the accompanying statements of operations is a performance indicator.

(f) Federal income taxes

Open Arms Care Corporation, Inc. is an organization recognized as exempt from federal income tax under Section 501(c)(3) and as a public charity under Section 509(a)(1) and as a hospital described in Section 170(b)(1)(A)(iii). Open Arms Care Foundation is an organization recognized as exempt from federal income tax under 501(c)(3) and as a public charity under Section 509(a)(1) and as a publicly supported organization under Section 170(b)(1)(A)(vi). The Internal Revenue Service has determined that the Company is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Open Arms Health System, LLC is a single member limited liability company and for tax purposes, is treated as a disregarded entity of Open Arms Care Corporation, Inc.

Under generally accepted accounting principles, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax purposes not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

As of December 31, 2016, the Company has accrued no interest and no penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company files Federal Form 990 informational tax returns. The Company is currently open to audit under the statute of limitations for years ended December 31, 2013 through 2016.

(g) Revenue recognition

Net patient service revenue is recognized at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

(h) Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements in order to conform to the 2016 presentation. These reclassifications have no effect on the excess of expenses over revenues or net assets as previously reported.

(j) Events occurring after reporting date

The Company has evaluated events and transactions that occurred between December 31, 2016 and February 23, 2017, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

(3) Credit risk

The Company may maintain cash and cash equivalents on deposit at banks in excess of federally insured amounts. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk related to cash and cash equivalents.

(4) Medicaid program

Services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Company is reimbursed at a rate determined prospectively based on its filed cost reports. Final determination of amounts to be received is subject to audit by Medicaid.

The State of Tennessee passed legislation, effective July 1, 1994, which imposed a provider tax on Intermediate Care Facilities for persons with intellectual and developmental disabilities at a rate of 6% of gross receipts, as defined. During 2008, this rate was reduced to 5.5%. The consolidated statements of operations include approximately $2,353,000 and $2,156,000 of Tennessee provider tax expense for 2016 and 2015, respectively.

Substantially all net patient service revenues in 2016 and 2015 relate to services provided to patients covered by the Medicaid program. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. The Company believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

(5) Note receivable

In 2015, the Company received a promissory note receivable for $1,914,895 from Woodbine Community Organization, Inc. ("Woodbine") in connection with the sale-leaseback transaction discussed at Note 13. Interest was paid in semi-annual installments at a fixed rate of 1%, which was reduced to 0% effective November 1, 2016. Principal on the note is to be paid on April 27, 2030. The note is subject to certain principal payment requirements or conditions as defined in the agreement. The Company recognized interest income of $16,489 and $14,362 in 2016 and 2015, respectively, that is included in investment income in the consolidated statements of operations.

(6) Long-term debt

Long-term debt consists of the following:

	2016	2015
Note payable to related party; monthly interest only payments at 12% per annum with principal due September 30, 2022.	$ 2,000,000	$ 2,000,000

In 2015, the Company borrowed $2,000,000 at a fixed interest rate equal to 12% per annum from Integra Resources, LLC ("Integra"). The note is secured by substantially all assets of the Company and is subordinated to certain required rent payments discussed in Note 13. The note is payable in monthly interest-only payments with principal due September 30, 2022. Should the management agreements be extended (see Note 10), the due date of this note is automatically extended to the termination date of the management agreement. The note is subject to a call provision should the management agreement be terminated and would be due in 16 monthly installments starting 30 days after such termination.

In 2015, the Company entered into a $1,000,000 revolving line of credit with Integra. Borrowings bear interest at a fixed rate equal to 8% per annum. The line of credit is payable in monthly interest-only payments with principal due September 30, 2022. The note is secured by substantially all assets of the Company and is subordinated to certain required rent payments discussed in Note 13. The line of credit is subject to a call provision should the management agreement be terminated and would be due 30 days after such termination. The Company had no outstanding borrowings on the line of credit as of December 31, 2016 and 2015.

(7) Investment income

Investment income during 2016 and 2015 was comprised of the following:

	2016	2015
Interest and dividends	$ 21,469	$ 55,809
Realized gain	-	128,558
Change in unrealized loss	-	(139,343)
	$ 21,469	$ 45,024

(8) Commitments and Contingencies

Operating Lease Commitments

Future minimum annual rental payments under noncancelable operating lease and service agreements, excluding the facility leases discussed in Note 13, as of December 31, 2016 are as follows:

Year	
2017	$ 417,000
2018	126,000
2019	78,000
2020	9,000
2021	7,000
	$ 637,000

Total rental expense under noncancelable operating leases and service agreements, which includes amounts applicable to short-term leases, was approximately $882,000 and $874,000 for 2016 and 2015, respectively. The expense is higher than the future commitments due to vehicle leases that have cancellation features at the Company's option.

Healthcare Regulation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation became effective in 2014. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Company's operations.

Insurance

The Company maintains claims made basis professional and occurrence basis general liability insurance for primary coverage. The Company also maintains excess insurance coverage.

Litigation

The Company is subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the Company's financial position.

(9) Related party transactions

The Company incurred professional fees and expenses totaling approximately $8,000 and $33,000 in 2016 and 2015, respectively, for services provided by certain board members.

(10) Management agreement

Concurrent with the sale-leaseback transaction (see Note 13), the Company borrowed $2,000,000 and entered into a management agreement with Integra. See Note 6 for terms of the $2,000,000 borrowing. The management agreement provides general management services to all facilities. The management agreement expires on March 31, 2024 with automatic extensions up to seven years. Integra charges a management fee that is a combination of a fixed monthly fee per facility, 5% of the OAHS gross revenues and the salary and expenses of the facility directors. For the years ended December 31, 2016 and 2015, Integra charged management fees and related costs of operations of $2,879,459 and $2,190,610, respectively, to the Company.

(11) Functional expenses

The Company provides intermediate care services to individuals with intellectual and developmental disabilities within certain geographic locations. Expenses related to providing these services are as follows:

	2016	2015
Intellectual and developmental services	$ 38,342,575	$ 37,310,068
General and administrative	4,473,800	4,262,255
Fundraising	25,348	17,837
	$ 42,841,723	$ 41,590,160

(12) Retirement plan

The Company has a defined contribution 403(b) retirement plan for employees who have two years of service. For the years ended December 31, 2016 and 2015, the Company contributed approximately 1.0% of each participants' compensation, subject to Internal Revenue Code limitations. The Company contributed approximately $146,000 and $145,000 to the plan in 2016 and 2015, respectively.

(13) Sale-leaseback transaction

During April 2015, the Company sold substantially all of its property and equipment to an unrelated party for approximately $11.5 million. The Company received cash of approximately $9.6 million and a note receivable for $1.9 million (see Note 5). The Company used the cash proceeds and certain trusteed funds to retire substantially all of the Company's long-term debt. The gain, which was net of transaction costs, was approximately $5,765,000, has been deferred and is being recognized over the term of the lease in proportion to certain rental payments as discussed below. In conjunction with the transaction, the Company entered into individual lease agreements to leaseback the property and equipment from the buyer. The leases are for terms of 15 years and can be extended at the option of the Company for two additional 5 year terms.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2016 and 2015

Rent expense under these leases totaled approximately $3,481,000 and $2,725,000 during 2016 and 2015, respectively. The lease agreements allow for certain property improvements to be passed along to the Company as incremental increases in rent payments. For the years ended December 31, 2016 and 2015, the Company expensed approximately $230,000 and $11,000, respectively, in additional rent related to property improvements. A summary of approximate future lease payments under the leases and related amortization of the deferred gain as of December 31, 2016 is as follows:

		Amortization		
Years	Rent	Gain	Transaction Costs	Total
2017	$ 2,881,000	$ (1,363,000)	$ 184,000	$ (1,179,000)
2018	2,197,000	(928,000)	125,000	(803,000)
2019	1,618,000	(581,000)	79,000	(502,000)
2020	989,000	(195,000)	26,000	(169,000)
2021	791,000	(93,000)	12,000	(81,000)
Thereafter	4,450,000	(300,000)	41,000	(259,000)
	$ 12,926,000	$ (3,460,000)	$ 467,000	$ (2,993,000)

As of December 31, 2016 and 2015, there was approximately $3,396,000 and $2,131,000, respectively, of rent payments accrued on the consolidated balance sheet. These amounts are paid subsequent to the annual cost report filing for the Company. Should there be changes to the allowed facility rental reimbursement in the annual cost report, there are remedies within the lease agreements that permit changes to the rent payments subject to an annual floor as defined in the agreements.

The Company has implemented a plan to replace substantially all facilities over a five year period. The rent payments are structured to match the expected facility replacement at each location and the related reimbursement. As the facilities are replaced, the lease agreements discussed above are subject to termination and the Company will enter into new leases related to the replacement facilities. Based on management's plans to replace all facilities over the next five years and the expected termination of the leases discussed above, the rent expense is being recognized when due, rather than on a straight-line basis over 15 years. The related deferred gain on the sale-leaseback is being amortized in a similar manner.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Supplemental Schedule - Consolidating Balance Sheet

December 31, 2016

	Chattanooga	Greeneville	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Current Assets:											
Cash and cash equivalents	$ 4,000	$ -	$ 5,000	$ 5,000	$ 5,000	$ 2,997,789	$ 3,016,789	$ 89,622	$ 3,106,411	$ 292,234	$ 3,398,645
Funds held in custody for others	95,559	-	54,792	47,478	155,193	-	353,022	-	353,022	-	353,022
Patient accounts receivable, net	959,233	522	962,739	1,014,733	845,420	32,246	3,814,893	-	3,814,893	-	3,814,893
Prepaid expenses and other current assets	53,403	800	47,737	4,383	8,938	148,756	264,017	-	264,017	-	264,017
Total current assets	1,112,195	1,322	1,070,268	1,071,594	1,014,551	3,178,791	7,448,721	89,622	7,538,343	292,234	7,830,577
Property and equipment, net	-	-	6,566	5,245	17,199	-	29,010	-	29,010	-	29,010
Other assets:											
Other long-term assets	15,151	100,863	38,880	14,360	3,675	500	173,429	-	173,429	-	173,429
Notes receivable - noncurrent portion	-	-	-	-	-	1,914,895	1,914,895	-	1,914,895	-	1,914,895
Total other assets	15,151	100,863	38,880	14,360	3,675	1,915,395	2,088,324	-	2,088,324	-	2,088,324
Total assets	$ 1,127,346	$ 102,185	$ 1,115,714	$ 1,091,199	$ 1,035,425	$ 5,094,186	$ 9,566,055	$ 89,622	$ 9,655,677	$ 292,234	$ 9,947,911
Current liabilities:											
Accounts payable and accrued expenses	$ 177,676	$ 303	$ 229,639	$ 187,037	$ 207,579	$ 142,410	$ 944,644	$ -	$ 944,644	$ 10,346	$ 954,990
Funds held in custody for others	95,559	-	54,792	47,478	155,193	-	353,022	-	353,022	-	353,022
Accrued rent expense	584,614	-	877,288	1,225,045	709,465	-	3,396,412	-	3,396,412	-	3,396,412
Accrued salaries and benefits	249,582	-	209,177	202,015	205,803	2,199	868,776	-	868,776	-	868,776
Accrued interest	-	-	-	-	-	20,000	20,000	-	20,000	-	20,000
Total current liabilities	1,107,431	303	1,370,896	1,661,575	1,278,040	164,609	5,582,854	-	5,582,854	10,346	5,593,200
Intercompany payable/(receivable)	(1,910,245)	101,882	119,243	(443,077)	(1,149,684)	3,281,881	-	-	-	-	-
Long-term debt	-	-	-	-	-	2,000,000	2,000,000	-	2,000,000	-	2,000,000
Deferred gain on leaseback	-	-	-	-	-	2,993,018	2,993,018	-	2,993,018	-	2,993,018
Total liabilities	(802,814)	102,185	1,490,139	1,218,498	128,356	8,439,508	10,575,872	-	10,575,872	10,346	10,586,218
Net assets (deficit), unrestricted	1,930,160	-	(374,425)	(127,299)	907,069	(3,345,322)	(1,009,817)	89,622	(920,195)	281,888	(638,307)
Total liabilities and net assets (deficit)	$ 1,127,346	$ 102,185	$ 1,115,714	$ 1,091,199	$ 1,035,425	$ 5,094,186	$ 9,566,055	$ 89,622	$ 9,655,677	$ 292,234	$ 9,947,911

See accompanying independent auditors' report

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Supplemental Schedule - Consolidating Statement of Operations and Changes in Net Assets (Deficit)

For the year ended December 31, 2016

	Chattanooga	Greeneville	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Unrestricted revenue:											
Net patient services revenue	$ 11,139,083	$ -	$ 10,990,565	$ 11,150,105	$ 9,936,812	$ -	$ 43,216,565	$ -	$ 43,216,565	$ -	$ 43,216,565
Investment income	-	-	-	-	-	21,469	21,469	-	21,469	-	21,469
Net special events revenue	-	-	-	-	-	-	-	-	-	24,386	24,386
Intercompany revenue	3,000	-	11,872	17,003	12,941	-	44,816	-	44,816	(44,816)	-
Other revenues	1,151	-	-	-	1,809	37	2,997	-	2,997	50,022	53,019
Total unrestricted revenues	11,143,234	-	11,002,437	11,167,108	9,951,562	21,506	43,285,847	-	43,285,847	29,592	43,315,439
Expenses:											
Salaries and wages	5,972,078	-	5,933,067	5,749,542	5,223,020	170,211	23,047,918	-	23,047,918	-	23,047,918
Employee benefits	1,189,849	-	1,150,693	966,826	919,733	15,208	4,242,309	-	4,242,309	-	4,242,309
Professional services	205,002	-	304,802	585,549	271,109	215,085	1,581,547	-	1,581,547	1,050	1,582,597
Supplies	1,087,170	-	1,089,807	1,072,219	1,075,149	312,303	4,636,648	-	4,636,648	(6,123)	4,630,525
Maintenance and repairs	134,356	-	179,645	136,337	136,271	831	587,440	-	587,440	-	587,440
Utilities	183,388	-	159,503	153,809	188,945	499	686,144	-	686,144	-	686,144
Insurance	123,613	-	128,085	118,064	122,202	30,574	522,538	-	522,538	-	522,538
Depreciation and amortization	-	-	827	667	4,573	-	6,067	-	6,067	-	6,067
Interest expense	114	-	229	419	56	240,000	240,818	-	240,818	-	240,818
Gain on disposal of property and equipment	-	-	(4,875)	(700)	-	-	(5,575)	-	(5,575)	-	(5,575)
Taxes and licenses	621,507	-	612,592	618,385	557,150	27,854	2,437,488	410	2,437,898	186	2,438,084
Provisions for doubtful accounts	-	-	-	20	20	-	40	-	40	-	40
Rent	640,474	-	869,907	1,228,799	742,099	-	3,481,279	-	3,481,279	-	3,481,279
Management fee and related costs of operations	684,331	-	684,948	739,094	771,086	-	2,879,459	-	2,879,459	-	2,879,459
Amortization of deferred gain	-	-	-	-	-	(1,497,920)	(1,497,920)	-	(1,497,920)	-	(1,497,920)
Intercompany expense	247,767	-	247,762	247,767	247,765	(991,061)	-	-	-	-	-
Total expenses	11,089,649	-	11,356,992	11,616,797	10,259,178	(1,476,416)	42,846,200	410	42,846,610	(4,887)	42,841,723
Increase (decrease) in net assets (deficit)	53,585	-	(354,555)	(449,689)	(307,616)	1,497,922	439,647	(410)	439,237	34,479	473,716
Net assets (deficit) at beginning of year	1,876,575	-	(19,870)	322,390	1,214,685	(4,843,244)	(1,449,464)	90,032	(1,359,432)	247,409	(1,112,023)
Net assets (deficit) at end of year	$ 1,930,160	$ -	$ (374,425)	$ (127,299)	$ 907,069	$ (3,345,322)	$ (1,009,817)	$ 89,622	$ (920,195)	$ 281,888	$ (638,307)

See accompanying independent auditors' report

Attachment B - Contribution to the Orderly Development of Health Care - D2

Statement of Deficiencies

Vicki Cox
Open Arms Care Corporation
P. O. Box 341185
Memphis, TN 38134

Ms. Cox:

Enclosed with this letter you will find a Licensure Notice of Non-Compliance and Plan of Compliance form. This form describes the results and findings of the unannounced inspection of your facilities. The unannounced inspection was conducted by this office on 9/12-15 2017, to determine your compliance with standards for licensure of the Tennessee Department of Intellectual and Developmental Disabilities.

Once you have read the Licensure Notice of Non-Compliance and plan of Compliance Form and have written your plan(s) of correction, the form must be signed, dated and returned to the West Tennessee Regional Office of Licensure and Review no later than **October 7, 2017**

If you have any questions, please do not hesitate to contact me.

Sincerely,

Gale Carter,
West TN Licensure Coordinator

West TN Office of Licensure • 225 Dr. Martin Luther King Drive • 4th Floor, Tower B
Jackson, TN 38301
Tel: 731-426-1811 • Fax: 731-426-1824 • gale.carter@tn.gov

LICENSURE NOTICE OF NON-COMPLIANCE AND PLAN OF COMPLIANCE FORM STATE OF TENNESSEE DEPARTMENT OF INTELLECTUAL AND DEVELOPMENTAL DISABILITIES	Page 1 Date of notice 9/25/2017	NOTICE OF NON-COMPLIANCE TO: (Licensee's Name & Address) Open Arms Care Corporation 5120 Yale Rd. Memphis TN 38134
NAME AND ADDRESS OF DIDD LICENSURE OFFICE SENDING NOTICE: DIDD Licensure Office (WEST) 225 Dr. Martin Luther King Drive 4th Floor, Tower B Jackson, TN 38301	EVENT & DATE RESULTING IN NOTICE: 9//15/2017	NAME AND LOCATION OF FACILITY IN NON-COMPLIANCE
		YOUR PLAN OF COMPLIANCE MUST BE RETURNED NO LATER THAN: **10/7/2017**

(Do Not Write in Space Below)

Policy	SUMMARY OF THE FINDINGS OF NON-COMPLIANCE WITH THE RU LES REFERENCED	P.O.C. Review Code*	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	Date of Completion
0465-02-05-03	.Maintain in safe manner- 1.4240 Raleigh Millington Rd-During a fire drill door on left-(bedroom) did not close. 2. Leak in the boiler room-around the elbow. 3. Strip on cabinet door needs replacing. 4254- Raleigh Millington- 1.Cabinets drawer in kitchen had no knobs. 2.Bath mat needs replacing-(1) bedroom-on the right. 3. During the fire drill bedroom (2)door did not close completely. 4. Microwave needs cleaning. 5. Sink in kitchen need a water regulator. 4695 Allendale Drive 1. Baseboard in WO room-molded.		0465-02-05-03 Correction: All issues cited will be corrected by 10/06/17. Identification: No other issues regarding fire safety doors, water leaks, cabinetry, appliances, baseboards or bath mats were noted at any location. Preventative Measures: Environmental Checks will be performed at all locations monthly to ensure compliance with Licensure regulations. Monitoring: The Home Manager (HM) will monitor the site weekly. Should there be any noted issues, requests for maintainence will be documented for immediate correction.	10/06/17 110

SIGNATURE OF DIDD REVIEWER OF P.O.C. Gale Carter, West Licensure Coordinator Josh Fowlkes, Facility Surveyor	DATE OF REVIEW: 9/7/2017	SIGNATURE OF LICENSEE OR AUTHORIZED AGENT: Vicki Cox	DATE OF SIGNATURE: 10/06/17

*P.O.C. Review Codes: (See Review & Approval Status Form For Explanations.) A=Approved. AE=Approved With Exception. RR=Rejected-Resubmit. RS=Rejected-Sanction.

LICENSURE NOTICE OF NON-COMPLIANCE AND PLAN OF COMPLIANCE FORM (Continuation Page)	DATE OF NOTICE:	NOTICE OF NON-COMPLIANCE TO: (Licensee's Name)
	Page 2 of 2 Page(s)	NAME OF FACILITY IN NON-COMPLIANCE:

(Do Not Write in Space Below)

Policy	SUMMARY OF THE FINDINGS OF NON-COMPLIANCE WITH THE RU LES REFERENCED	P.O.C. Review Code*	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	Date of Completion
0465-02-05-03	4707-Allendale Dr. 1. Cracked wall socket. 1457 Greendale Ave- 1. Cable line hanging outside. 2. Shower rod needs replacing-rusted 3. Storage room door need a handle 4. Emergency light not attached to wall 5330*Bengestown Rd. *5350 . 1. Ants crawling in bathroom sink. 2.Shower curtain needs replacing. 3. Lawn needs mowing 5170 Yale Road- 1. Blinds needs replacing in social area. 2. Light bulb out in the attic. 3. Panel off of the hot water tank in the attic. 4. Refrigerator need cleaning in the kitchen area (on the outside of the refrigerator).		0465-02-05-03 Correction: All issues cited will be corrected by 10/6/17. Identification: No other issues regarding wall sockets, emergency lights, shower rods, doors, insects, lawn care, blinds or appliances were noted at any location. Preventative Measures: Environmental Checks will be performed at all locations monthly to ensure compliance with Licensure regulations. Monitoring: The Home Manager (HM) will monitor the site weekly. Should there be any noted issues, requests for maintainence will be documented for immediate correction.	10/06/17

111

SIGNATURE OF DIDD REVIEWER OF P.O.C.: Gale Carter	DATE OF REVIEW 9/12-15/2017	SIGNATURE OF LICENSEE OR AUTHORIZED AGENT: Vicki Cox	DATE OF SIGNATURE: 10/06/17

*P.O.C. Review Codes: (See Review & Approval Status Form For Explanations.) A = Approved. AE = Approved With Exception. RR = Rejected-Resubmit. RS = Rejected-Sanction.

TN Department of Intellectual & Developmental Disabilities | Office of Risk Management & Licensure

October 25, 2017

Ms. Vicki Cox
Open Arms Care Corporation
P. O. Box341185
Memphis, TN 38184

Dear Ms. Cox:

Attached are Full Licenses issued to Open Arms Care Corporation to operate facilities/services at the addresses listed herein. These licenses are effective September 01, 2017 and will expire on August 31, 2018. This Full License indicates that this facility/service has been found to be in full compliance with applicable Licensure rules.

Allendale Drive Home 1 - Memphis at 4695 Allendale Drive, Memphis, TN 38128
Attached: L000000016965 - ID & DD Institutional Habilitation Facility, Capacity: 8

Allendale Drive Home 2 - Memphis at 4707 Allendale Drive, Memphis, TN 38128
Attached: L000000016966 - ID & DD Institutional Habilitation Facility, Capacity: 8

Benjestown Home 1 - Memphis at 5350 Benjestown Road, Memphis, TN 38127
Attached: L000000016967 - ID & DD Institutional Habilitation Facility, Capacity: 8

Benjestown Home 2 - Memphis at 5380 Benjestown Road, Memphis, TN 38127
Attached: L000000016968 - ID & DD Institutional Habilitation Facility, Capacity: 8

Greendale Home 1 - Memphis at 1445 Greendale Avenue, Memphis, TN 38127
Attached: L000000016969 - ID & DD Institutional Habilitation Facility, Capacity: 8

Greendale Home 2 - Memphis at 1457 Greendale Avenue, Memphis, TN 38127
Attached: L000000016970 - ID & DD Institutional Habilitation Facility, Capacity: 8

Raleigh Millington Home 1 - Memphis at 4240 Raleigh Millington Road, Memphis, TN 38128
Attached: L000000016971 - ID & DD Institutional Habilitation Facility, Capacity: 8

Raleigh Millington Home 2 - Memphis at 4254 Raleigh Millington Road, Memphis, TN 38128
Attached: L000000016972 - ID & DD Institutional Habilitation Facility, Capacity: 8

A program evaluation of each facility/service will be conducted prior to the license expiration date.

Your cooperation with the licensure program is appreciated. Please call on us if we may be of assistance to you.

Sincerely,

Lee Vestal
Director of Risk Management and Licensure
Department of Intellectual and Developmental Disabilities

Affidavit

FEB 9 '18 PM 8:32

AFFIDAVIT

STATE OF Tennessee

COUNTY OF Williamson

George Stevens, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

SIGNATURE/TITLE

Sworn to and subscribed before me this 9th day of February (Month), 2018 (Year) a Notary Public in and for the County/State of Williamson/Tennessee.

NOTARY PUBLIC

My commission expires 8-27 (Month/Day), 2019 (Year).

DENISE ANN PAINE
STATE OF TENNESSEE
NOTARY PUBLIC
WILLIAMSON COUNTY

Supplemental #1 (Copy)

Open Arms Care Corporation d/b/a Shelby Co. #5

CN1802-008

Supplemental #1
February 23, 2018
10:26 A.M.

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax:615/532-9940

February 23, 2018

Michael Brent
Attorney
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application CN1802-008
Open Arms Care Corporation d/b/a Shelby County #5

Dear Mr. Brent:

This will acknowledge our February 9, 2018 receipt of your application for a Certificate of Need for the relocation of an 8 licensed bed ICF/IID home from 4240 Raleigh Millington Road, Memphis (Shelby County), TN to an unaddressed 1.9 acre parcel near the northeast corner of the intersection of Pisgah Road and Latting Road, Cordova, TN 38016. The 1.9 acre lot site is a portion of the property described as Parcel D0209 00179 in the records of the Shelby County Tax Assessor.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon, Tuesday February 27, 2017. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

1. **Section A, Executive Summary, Item 3.A. Overview, Page 2**

   What is the square footage and lot size of the current ICF/IID home located at 4240 Raleigh Millington Road, Memphis?

   Response: The home is 3,600 square feet and the lot is 39,200 square feet.

   The applicant's $3,370,000 project cost for a newly constructed 4,400 SF home in a non-duplex configuration with an annual lease cost of $110,000 for 30 years ($3,300,000) is noted. However, the estimated project cost of $5,130,000 for Open Arms Care Corporation d/b/a Shelby County #4, CN1801-004 is at a higher project cost than the applicant, and pending applications Open Arms Care, CN1710-031 and Open Arms Care, CN1710-030 all with estimated project costs of $3,370,000. It appears the homes with a $5,130,000 project cost will be constructed in a duplex

Supplemental #1
February 23, 2018
10:26 A.M.

configuration with each half consisting of 2,800 for a total of 5,600 SF resulting in annual lease cost of $168,333 for 30 years ($5,050,000). In addition, the homes with a $3,370,000 project cost will be newly constructed 4,400 SF homes in a non-duplex configuration with an annual lease cost of $110,000 for 30 years ($3,300,000). Please clarify the reasons Open Arms is constructing two different types of homes in Shelby County that have different room configurations and different project costs.

Response: Open Arms is constructing two different types of homes in Shelby County with different room configurations and different project costs, due to the differences in the needs of the individuals served and TennCare's concern about containing ICF/IID costs, as the reimbursement rate for a combination of two 4-bed buildings in a "duplex" configuration, with private bedrooms, is higher than a single 8-bed home, with semi-private bedrooms. Care needs and behavior issues for some residents can make placement in one type of building more appropriate than the other type (due to the aging and acuity of certain residents driving a limited need for private bedrooms). Since the single building 8-bed homes are more cost-effective than the 8-bed homes consisting of two 4-bed buildings in a "duplex" configuration, the Applicant wanted to maintain the current economics of the Medicaid system as much as possible.

2. **Section A, Project Details, Item 5 Management Agreement, Page 7**

Please provide a brief overview of Integra Resources, Inc. and their experience in managing an ICF/IID home.

Response: Integra Resources, LLC ("Integra") manages all of Open Arms' ICF/IID facilities, which were listed in Attachment A – 4 of the application. Integra is equally owned by SMI Group, LLC and Flatrock Investors, LLC. In turn, SMI Group, LLC is equally owned by George Stevens and Jeff Mastroleo, while Flatrock Investors, LLC is equally owned by Joseph Torrence and Richard Brown. The only relationship between Open Arms and Integra is the parties' existing contractual relationship for management of Open Arms' facilities. Further, Jeff Mastroleo, Joseph Torrence, Richard Brown, and George Stevens do not have ownership interests in, or governance positions with respect to, Open Arms.

George Stevens, Jeff Mastroleo, Joseph Torrence, and Richard Brown have directly applicable experience in areas including healthcare operations, affordable housing operations, financing and management, government service in the areas of mental health and affordable housing, and executive-level management of healthcare providers. Please see more information about Integra's principals attached hereto in Supplemental Attachment – Integra.

3. **Section A, Project Details, Item 6.B (1) Plot Plan, Page 9**

The plot plan is noted. However, please submit a supplemental plot plan that includes the labeling of the location of the proposed project and the labeling of the proposed ICF/IID that is slated to be constructed in the adjoining lot.

Response: Please see the requested plot plan attached hereto as Supplemental Attachment – Plot Plan.

4. **Section B, Need Item E, Page 24**

The table representing Shelby County ICF/IID utilization on page 21 that answers the need question on page 24 is noted. However, please revise the table to reflect the years 2014-2016 and submit a replacement page 21.

In addition, please provide an address for Raleigh Millington Home 1 and Raleigh Millington Home 2.

Response: Please see R-21 in Supplemental Attachment – Replacement Pages.

5. **Section B. Need Item F., Page 24**

Please provide occupancy for the latest three years for the applicant.

Response: The occupancy for the facility was 99.5% in 2015, 2016 and 2017.

6. **Section B, Economic Feasibility, Item A. Project Cost Chart, Page 26**

The applicant notes on the top of page 27 the facility lease cost is $3,370,000. However, the facility lease cost on the Project Cost Chart is $3,300,000 in line B.1. Please clarify.

Response: Please see a R-27 attached hereto in Supplemental Attachment – Replacement Pages, for a corrected amount.

7. **Section B, Economic Feasibility, Item A. Project Cost, Page 27**

The list of components of development and construction costs in the amount of $1,130,000 on page 27 is noted. Please clarify if all the listed items are included in the Lease Agreement.

Response: The list of components of development and construction costs in the amount of $1,130,000 on page 27 includes all such needed items, including predominately new furnishings and furniture to be purchased for the new home (only a small amount of furnishings and furniture will be transferred from the existing home to the new home), which are accounted for in the lease amount.

Please clarify the reason there are two contingency funds, one for $50,000 on page 27 and $35,733 in the Project Cost Chart.

Response: The contingency funds of $50,000 in the breakdown on page 27 is for potential cost overruns in the estimates of development and construction costs, while the contingency funds of $35,733 in the Project Cost Chart is for potential increases in the items identified on the Project Cost Chart.

8. **Section B, Economic Feasibility, Item D. (Projected Data Chart)**

Rent in the amount of $244,444 in Year One is noted in the Projected Data Chart. However, the Option to Lease Agreement between FDG, LLC and Open Arms Care Corporation notes the annual rent will not exceed $110,000 per year. Please clarify.

Response: Rent of $244,444 in Year One is correct as noted in the Projected Data Chart and the language in the Option to Lease Agreement (the "Option") that average rent shall not exceed $110,000 per year is also correct. This language in the Option refers to the average annual rent over the course of the lease's 30 year term as opposed to a guarantee with respect to any specific year's annual rent amount. The annual rent will be on a declining balance rather than an equal amortization over the 30 year term in order to correspond with FDG's anticipated financing, which will also be a declining balance as opposed to equal amortization.

The management fee of $74,760 is noted in Year One and Year Two in the Projected Data Chart. However, the management fee in the management agreement reflects $73,560.00 on page 10. Please clarify.

Response: Please find the revised management agreement attached hereto as Supplemental Attachment – Replacement Management Agreement.

9. **Section B, Economic Feasibility, Item E (1) Average Gross Charge, Average Deduction from Operating Revenue, and Average Net Charge, Page 29**

The chart on the top of page 29 is noted. However, it appears the chart is incorrect. Please use the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Historical Data Chart for the previous year and current year and the Projected Data Chart for Year One and year Two. Please revise and submit a revised page 29 (R-29).

If the applicant revises the chart on page 29, please also revise the $498.48 per patient day currently referenced in the responses for E. 2 and E.3 on page 29.

Response: Please see R-29 attached hereto in Supplemental Attachment – Replaceement Pages.

10. **Section B, Economic Feasibility, Item F (3) Capitalization Ratio, Page 31**

The Net Operating Margin Ratio is noted. However, it appears the Projected Net Operating Margin Ration for Year One and Year Two is .019 and .0069, respectively. Please verify.

Response: Based on the formula, Earnings Before Interest, Taxes and Depreciation / Net Income, the Projected Net Operating Margin Ratio is correctly stated for both years, as the net income is projected to be $0 for each year.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application, the sixtieth (60th) day after written Notification is Friday, April 20, 2018. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Resubmittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be

Supplemental #1
February 23, 2018
10:26 A.M.

deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. ɜ 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip M. Earhart
Health Services Development Examiner

PME/Enclosure

Additional Information (Copy)

Open Arms Care Corporation d/b/a Shelby County #5

CN1802-008

Supplemental #1
February 26, 2018
3:22 P.M.

Michael D. Brent
Partner
mbrent@bradley.com
615.252.2361 direct
615.252.6361 fax

Bradley

February 26, 2018

Mr. Phillip Earhart
Health Services & Development Agency
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

Re: Certificate of Need Application CN1802-008
Open Arms Care Corporation d/b/a Shelby County #5

Dear Phillip:

Thank you for your recent voicemail. You are correct, in that the answer in our supplemental response contained an error, and should have read as follows:

10. Section B, Economic Feasibility, Item F (3) Capitalization Ratio, Page 31

The Net Operating Margin Ratio is noted. However, it appears the Projected Net Operating Margin Ration for Year One and Year Two is .019 and .0069, respectively. Please verify.

Response: Based on the formula, Earnings Before Interest, Taxes and Depreciation / Net Operating Revenue, the Projected Net Operating Margin Ratio for Year One and Year Two is .019 and .007, respectively.

Additionally, there was an error on page R-29, and a further revised page R-29 is attached to this letter.

Please let me know if you have any further questions or comments.

Very truly yours,

Bradley Arant Boult Cummings LLP

Michael D. Brent

MDB/ced
Enclosure

Supplemental #1
February 26, 2018
3:22 P.M.

FEB 26 '18 PM 3:22

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

Michael D. Brent, being first duly sworn, says that I am the attorney for the manager of applicant named in this Certificate of Need application, or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

By: _____
Michael D. Brent

Sworn to and subscribed before me, a Notary Public, this the 26th day of February, 2018, witness my hand at office in the County of Davidson, State of Tennessee.

_____
NOTARY PUBLIC

CYNTHIA A. EVANS
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires SEPT. 7, 2021

My commission expires Sept 7, 2021

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
Phone: 615-741-2364 Fax: 615-741-9884

FEB 7 '18 PM 12:11

LETTER OF INTENT

The Publication of Intent is to be published in The Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before February 7, 2018, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Open Arms Care Corporation, a Georgia non-profit corporation qualified to do business in Tennessee, intends to file an application for a Certificate of Need for the replacement and relocation of an eight-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"), managed by Integra Resources, LLC, a Tennessee limited liability company. The facility is currently located at 4240 Raleigh Millington Road, Memphis (Shelby County), Tennessee, and will be will be relocated to a rectangular parcel of approximately 1.9 acres, fronting on Latting Road, which currently does not have a separate street address. The western boundary of the 1.9 acre parcel will be approximately 300 feet east of the center line of the right of way of Pisgah Road, near the northeast corner of the intersection of Pisgah Road and Latting Road, Cordova, Tennessee, and the south boundary of the 1.9 acre parcel will run east from such western boundary starting point approximately 240 feet along Latting Road, with a depth of approximately 344 feet running north from Latting Road. The 1.9 acre parcel is a portion of the property identified as Parcel D0209 00179 in the records of the Shelby County Tax Assessor. The estimated project cost is $3,370,000.00.

The anticipated filing date of the application is on or before February 12, 2018. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@bradley.com.

(Signature)	Feb. 7, 2018 (Date)	mbrent@bradley.com (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

RULES
OF
HEALTH SERVICES AND DEVELOPMENT AGENCY

CHAPTER 0720-11
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA

TABLE OF CONTENTS

0720-11-.01 General Criteria for Certificate of Need

0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED. The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

(1) Need. The health care needed in the area to be served may be evaluated upon the following factors:

(a) The relationship of the proposal to any existing applicable plans;

(b) The population served by the proposal;

(c) The existing or certified services or institutions in the area;

(d) The reasonableness of the service area;

(e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;

(f) Comparison of utilization/occupancy trends and services offered by other area providers;

(g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.

(2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:

(a) Whether adequate funds are available to the applicant to complete the project;

(b) The reasonableness of the proposed project costs;

(c) Anticipated revenue from the proposed project and the impact on existing patient charges;

(d) Participation in state/federal revenue programs;

(e) Alternatives considered; and

(f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.

(Rule 0720-11-.01, continued)

(3) Quality. Whether the proposal will provide health care that meets appropriate quality standards may be evaluated upon the following factors:

(a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

(b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

(c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;

(d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

(e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;

(f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;

(g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:

(i) Those having the same accrediting standards as the licensed hospital of which it will be a department, for a Freestanding Emergency Department;

(ii) Accreditation Association for Ambulatory Health Care, and where applicable, American Association for Accreditation of Ambulatory Surgical Facilities, for Ambulatory Surgical Treatment Center projects;

(iii) Commission on Accreditation of Rehabilitation Facilities (CARF), for Comprehensive Inpatient Rehabilitation Services and Inpatient Psychiatric projects;

(iv) American Society of Therapeutic Radiation and Oncology (ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO), National Cancer Institute (NCI), or a similar accrediting authority, for Megavoltage Radiation Therapy projects;

(v) American College of Radiology, for Positron Emission Tomography, Magnetic Resonance Imaging and Outpatient Diagnostic Center projects;

(Rule 0720-11-.01, continued)

(vi) Community Health Accreditation Program, Inc., Accreditation Commission for Health Care, or another accrediting body with deeming authority for hospice services from CMS or state licensing survey, and/or other third party quality oversight organization, for Hospice projects;

(vii) Behavioral Health Care accreditation by the Joint Commission for Nonresidential Substitution Based Treatment Center, for Opiate Addiction projects;

(viii) American Society of Transplantation or Scientific Registry of Transplant Recipients, for Organ Transplant projects;

(ix) Joint Commission or another appropriate accrediting authority recognized by CMS, or other nationally recognized accrediting organization, for a Cardiac Catheterization project that is not required by law to be licensed by the Department of Health;

(x) Participation in the National Cardiovascular Data Registry, for any Cardiac Catheterization project;

(xi) Participation in the National Burn Repository, for Burn Unit projects;

(xii) Community Health Accreditation Program, Inc., Accreditation Commission for Health Care, and/or other accrediting body with deeming authority for home health services from CMS and participation in the Medicare Quality Initiatives, Outcome and Assessment Information Set, and Home Health Compare, or other nationally recognized accrediting organization, for Home Health projects; and

(xiii) Participation in the National Palliative Care Registry, for Hospice projects.

(h) For Ambulatory Surgical Treatment Center projects, whether the applicant has estimated the number of physicians by specialty expected to utilize the facility, developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

(i) For Cardiac Catheterization projects:

1. Whether the applicant has documented a plan to monitor the quality of its cardiac catheterization program, including but not limited to, program outcomes and efficiencies;

2. Whether the applicant has agreed to cooperate with quality enhancement efforts sponsored or endorsed by the State of Tennessee, which may be developed per Policy Recommendation; and

3. Whether the applicant will staff and maintain at least one cardiologist who has performed 75 cases annually averaged over the previous 5 years (for an adult program), and 50 cases annually averaged over the previous 5 years (for a pediatric program).

(j) For Open Heart projects:

(Rule 0720-11-.01, continued)

1. Whether the applicant will staff with the number of cardiac surgeons who will perform the volume of cases consistent with the State Health Plan (annual average of the previous 2 years), and whether the applicant will maintain this volume in the future;

2. Whether the applicant will staff and maintain at least one surgeon with 5 years of experience;

3. Whether the applicant will participate in a data reporting, quality improvement, outcome monitoring, and peer review system that benchmarks outcomes based on national norms, with such a system providing for peer review among professionals practicing in facilities and programs other than the applicant hospital (demonstrated active participation in the STS National Database is expected and shall be considered evidence of meeting this standard);

(k) For Comprehensive Inpatient Rehabilitation Services projects, whether the applicant will have a board-certified physiatrist on staff (preferred);

(l) For Home Health projects, whether the applicant has documented its existing or proposed plan for quality data reporting, quality improvement, and an outcome and process monitoring system;

(m) For Hospice projects, whether the applicant has documented its existing or proposed plan for quality data reporting, quality improvement, and an outcome and process monitoring system;

(n) For Megavoltage Radiation Therapy projects, whether the applicant has demonstrated that it will meet the staffing and quality assurance requirements of the American Society of Therapeutic Radiation and Oncology (ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO), National Cancer Institute (NCI), or a similar accrediting authority;

(o) For Neonatal Intensive Care Unit projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system; whether the applicant has documented the intention and ability to comply with the staffing guidelines and qualifications set forth by the Tennessee Perinatal Care System Guidelines for Regionalization, Hospital Care Levels, Staffing and Facilities; and whether the applicant will participate in the Tennessee Initiative for Perinatal Quality Care (TIPQC);

(p) For Nursing Home projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives;

(q) For Inpatient Psychiatric projects:

1. Whether the applicant has demonstrated appropriate accommodations for patients (e.g., for seclusion/restraint of patients who present management problems and children who need quiet space; proper sleeping and bathing arrangements for all patients), adequate staffing (i.e., that each unit will be staffed with at least two direct patient care staff, one of which shall be a nurse, at all

times), and how the proposed staffing plan will lead to quality care of the patient population served by the project;

2. Whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system; and

3. Whether an applicant that owns or administers other psychiatric facilities has provided information on satisfactory surveys and quality improvement programs at those facilities.

(r) For Freestanding Emergency Department projects, whether the applicant has demonstrated that it will satisfy and maintain compliance with standards in the State Health Plan;

(s) For Organ Transplant projects, whether the applicant has demonstrated that it will satisfy and maintain compliance with standards in the State Health Plan; and

(t) For Relocation and/or Replacement of Health Care Institution projects:

1. For hospital projects, Acute Care Bed Need Services measures are applicable; and

2. For all other healthcare institutions, applicable facility and/or service specific measures are applicable.

(u) For every CON issued on or after the effective date of this rule, reporting shall be made to the Health Services and Development Agency each year on the anniversary date of implementation of the CON, on forms prescribed by the Agency. Such reporting shall include an assessment of each applicable volume and quality standard and shall include results of any surveys or disciplinary actions by state licensing agencies, payors, CMS, and any self-assessment and external peer assessment processes in which the applicant participates or participated within the year, which are relevant to the health care institution or service authorized by the certificate of need. The existence and results of any remedial action, including any plan of correction, shall also be provided.

(v) HSDA will notify the applicant and any applicable licensing agency if any volume or quality measure has not been met.

(w) Within one month of notification the applicant must submit a corrective action plan and must report on the progress of the plan within one year of that submission.

(4) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:

(a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);

(b) The positive or negative effects attributed to duplication or competition; and

(Rule 0720-11-.01, continued)

(c) The availability and accessibility of human resources required by the proposal, including consumers and related providers.

(5) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

(c) Quality of Health Care to be provided. The applicant should show the quality of health care to be provided will be served at least as well as the original site.

(d) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

(6) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

Authority: *T.C.A. §§ 4-5-202, 4-5-208, 68-11-1605, 68-11-1609, and 2016 Tenn. Pub. Acts Ch. 1043.* ***Administrative History:*** *Original rule filed August 31, 2005; effective November 14, 2005. Emergency rule filed May 31, 2017; effective through November 27, 2017.*

Department of Intellectual & Developmental Disabilities

MEMORANUM

TO: Melanie Hill, Executive Director, Health Services and Development Agency

FROM: Theresa Sloan, Assistant Commissioner and General Counsel; Theresa Sloan
Tennessee Department of Intellectual and Developmental Disabilities

DATE: March 20, 2018

RE: Review and Analysis of Certificate of Need Application, Open Arms Care Corporation CN1802-008

Pursuant to, and in accordance with, Tennessee Code Annotated (TCA) § 68-11-1608 and Rules of the Health Services and Development Agency including the Criteria and Standards for Certificate of Need (2000 Edition, Tennessee's Health Guidelines for Growth, prepared by the Health Planning Commission) [hereinafter Guidelines for Growth], staff of the Tennessee Department of Intellectual and Developmental Disabilities (DIDD), the licensing agency, have reviewed and analyzed the above referenced application for a Certificate of Need.

Attached is the DIDD report. At a minimum, and as noted in TCA § 68-11-1608, the report provides:

(1) Verification of application-submitted information;
(2) Documentation or source for data;
(3) A review of the applicant's participation or non-participation in Tennessee's Medicaid program, Tenncare or its successor;
(4) Analyses of the impact of a proposed project on the utilization of existing providers and the financial consequences to existing providers from any loss of utilization that would result from the proposed project;
(5) Specific determinations as to whether a proposed project is consistent with the state health plan;
(6) Further studies and inquiries necessary to evaluate the application pursuant to the rules of the Agency.

If there are any questions, please contact me at (615) 253-6811.

cc:
Debra K. Payne, Commissioner, DIDD
Jordan Allen, Deputy Commissioner, DIDD
C.J. McMorran, WTR Director, DIDD
Lee Vestal, Director of Risk Management and Licensure, DIDD

CON Application #CN 1802-008

Office of General Counsel · Citizens Plaza · 400 Deaderick St. 10th Floor · Nashville, TN 37243
Tel: 615-253-3800 · Fax 615-253-7996 · TN.gov/DIDD

CN1802-008

Opening Remarks on the Project

Pursuant to, and in accordance with, Tennessee Code Annotated (TCA) § 68-11-1608 and Rules of the Health Services and Development Agency including the Criteria and Standards for Certificate of Need (2000 Edition, Tennessee's Health Guidelines for Growth, prepared by the Health Planning Commission) [hereinafter Guidelines for Growth], staff of the Tennessee Department of Intellectual and Developmental Disabilities (DIDD), the licensing agency, have reviewed and analyzed the application for a Certificate of Need submitted by Michael D. Brent (Attorney for Open Arms Care Corporation) on behalf of Open Arms Care Corporation to relocate an eight bed Intermediate Care Facility for individuals with Intellectual Disabilities (ICF/IID) from 4240 Raleigh Millington Road, Memphis, Tennessee to a lot of approximately 1.9 acres, which does not currently have a separate street address, and which has frontage on Latting Road, Cordova, Tennessee. The report has (3) parts:

A. Summary of Project
B. Analysis – in four (4) parts:

Need	Economic Feasibility	Contribution to the Orderly Development of Health Care	Health Care that Meets Appropriate Quality Standards
Evaluated by the following general factors: A. Relationships to any existing applicable plans; B. Population to be served; C. Existing or Certified Services or institutions; D. Reasonableness of the service area; E. Special needs of the service area population (particularly women, racial and ethnic minorities, and low-income groups); F. Comparison of utilization/ occupancy trends and services offered by other area providers; G. Extent to which Medicare, Medicaid, and medically indigent patients will be served; and H. Additional factors specified in the Tennessee's Health Guidelines for Growth publication for this type of facility.	Evaluated by the following general factors: A. Whether adequate funds are available to complete the project; B. Reasonableness of costs; C. Anticipated revenue and the impact on existing patient charges; D. Participation in state/federal revenue programs; E. Alternatives considered; F. Availability of less costly or more effective alternative methods; and G. Additional factors specified in the Tennessee's Health Guidelines for Growth publication.	Evaluated by the following general factors: A. Relationship to the existing health care system (i.e. transfer agreements, contractual agreements for health services, and affiliation of the project with health professional schools); B. Positive or negative effects attributed to duplication or competition; C. Availability and accessibility of human resources required; D. Quality of the project in relation to applicable governmental or professional standards; and E. Additional factors specified in the Tennessee's Health Guidelines for Growth publications.	Evaluated by the following general factors:

C. Conclusions

A: Summary of Project

Submission of Application

Michael D. Brent (Attorney for Open Arms Care Corporation) on behalf of Open Arms Care Corporation to relocate an eight bed Intermediate Care Facility for individuals with Intellectual Disabilities (ICF/IID) from 4240 Raleigh Millington Road, Memphis, Tennessee to a lot of approximately 1.9 acres, which does not currently have a separate street address, and which has frontage on Latting Road, Cordova, Tennessee. This relocation is necessary to provide a new structure, the current home is more than 30 years old, and the new home, a one-story, fully accessible family home of approximately 4, 400 square will also provide more space for the persons and their specialized equipment than what is currently available at the Allendale Drive home.

The Applicant Profile indicates that the type of institution is "Intellectual Disability Institutional Habilitation Facility (ICF/IDD)" (Item 7.G.) and the purpose of review is "Change of Location" (Item 8.H.)

Applicant Profile, Ownership, Management, and Licensure

As previously noted, the Applicant Profile indicates that the type of institution is "Intellectual Disability Institutional Habilitation Facility (ICF/IID)" (Item 7.G.) and the purpose of review is Change of Location (item 8.H). The Applicant Profile also shows that the Owner of the Facility, Agency or Institution is Open Arms Care Corporation. Open Arms Care Corporation will operate the facility in all aspects. The Applicant Profile shows the bed complement as noted previously: eight ICF/IID beds all of which are the number of proposed beds and beds at completion since this project is for the relocation of a current eight bed Residential Habilitation Facility.

In Section B Project Description the Applicant explains and details the project as being a relocation of an eight bed Residential Habilitation Home with the existing management staff managing the new home. Open Arms Care Corporation has financial resources to open this home as shown in the Open Arms Care Corporation Financial Statements with Supplemental Financial Information.

Since the Applicant is applying for a relocation of a current Residential Habilitation Facility, there is a current Intellectual Disability Residential Habilitation license issued by DIDD. If the project is approved, the current license would be surrendered to DIDD and a new license for an "Intellectual Disability Institutional Habilitation Facility (ICF/IID)" would be issued by DIDD.

Scope of Proposed Project

As noted, the Applicant seeks to relocate a current eight bed ICF/IID Residential Habilitation Home. The new facility will serve individuals with severe Intellectual Disabilities who require institutional level of care. These individuals have multiple special needs including health care, assistance with hygiene, dietary services, physical therapy, and activities of daily living. Open Arms Care is a private, not-for-profit Corporation which currently operates ICF/IID services licensed by and under contract with DIDD.

Operations

The proposed service area identified by the applicant is Shelby County in West Tennessee.

The need for the relocation of the eight bed ICF/IID home comes as a result of the need to relocate eight individuals who are currently living in a thirty year old institutional habilitation facility. The eight individuals who live at the Raleigh Millington Road home have increased in acuity level as they age as a result more space is needed for the residents and their specialized equipment than what the current home can provide. Also, the neighborhood where the current home is located has changed over the past thirty years to a more commercial based area and is no longer appropriate for this type of residential home. Therefore, it has been determined the best way to allow these individuals to continue to live together with the space that they need in an appropriate neighborhood is to is to construct a new eight bed residential habilitation facility and move the individuals into this new location.

Project costs are estimated at $1,130,000 for construction of a new facility as described above. No major medical equipment is contained within this project. The projected date of completion of the project and the initiation of services is March 2019.

B: Analysis

The Guidelines for Growth include a population-based estimate of the total need for ICF/IID facilities of 0.032 percent of the general population. This estimate is based on the estimate for all Intellectual Disabilities of 1 percent of the general population. Of the 1 percent estimate, 3.2 percent are estimated to meet level1 criteria and be appropriate for ICF/IID services. The applicant identified the proposed service area for this project as Shelby County as stated above, since that is where this relocated eight bed ICF/IID facility will be located. According to population estimates from the Tennessee Department of Health, the 2017 population estimate for the service area is 964,804. This project involves the

relocation of eight ICF/IID beds from one location in Shelby County to another location within the same county, therefore, this request does not result in an increase or decrease in the number of beds in the service area. Thus the number of ICF/IID beds for the service area remain the same making the Guidelines for Growth non applicable in this situation.

Economic Feasibility

The anticipated construction cost for this project is $1,130,000 for relocation of the current facility as described above. Based on information submitted by the applicant a commercial loan will be used to fund the construction of this project. This project will be financed through a commercial loan that will be repaid using the applicant's lease payments. The project involves the relocation of a residential habilitation home located from 4240 Raleigh Millington Road, Memphis, Tennessee to a lot of approximately 1.9 acres, which does not currently have a separate street address, and which has frontage on Latting Road, Cordova, Tennessee. The newly constructed home will be a constructed as a one-story single family home, approximately 4,400 square feet, with four bedrooms, combination living/dining room, kitchen, laundry, office and associated storage areas. The home will have two large, fully accessible bathrooms, one half bath, and a residential sprinkler system. Open Arms Care Corporation projects an occupancy rate of 100% for this project for both year 1 and year 2, since the beds are currently filled and this is simply a relocation of those beds. Occupancy rates for all other ICF/IID homes in Shelby County have been between 99% and 100% the past three years. Based on this information, the projected occupancy rate appears to be reasonable. Net operating revenue is anticipated of $1,788,661 the first year of operation and $1,774,764 the second year of operation. Applicant anticipates that 96% of the facilities revenue will be from Medicaid with the other 4% coming from the individuals SSI income. The average gross charge is expected to be $614.66 per day the first year of operation and $612.41 per day the second year. The per diem rates for ICF/IID facilities are set by the State of Tennessee Comptroller's Office, based on the "Intermediate Care Facility Statement of Reimbursable Cost" form submitted annually by ICF/IID providers.

Contribution to the Orderly Development of Healthcare

Open Arms Care Corporation, plans to fill the eight ICF/IID beds associated with this project by relocating eight residents from a current eight person ICF/IID operated by Open Arms Care Corporation. Since this is a relocation of eight current ICF/IID beds in Shelby County, this proposal should have zero impact on other providers. Open Arms Care Corporation will provide complete support services for residents of this facility based on their individual care plans. Open Arms Care Corporation has working relationships with all area hospitals.

The proposed staffing pattern reported by the applicant provides for: 14.86 FTE hours for Direct Support Professionals and 2.23 FTE for nursing staff. This appears to be a sufficient number of nurses and direct support professionals to staff the eight bed home.

This Open Arms Care, ICF/IID facility would be licensed by the Tennessee Department of Intellectual and Developmental Disabilities as an Intellectual Disability Institutional Habilitation Facility (ICF/IID). The applicant already operates Intellectual Disability Institutional Habilitation Facilities (ICF/IIDs) and, therefore, is familiar with the licensing requirements for this type of facility.

Health Care that Meets Appropriate Quality Standards

Open Arms Care Corporation is a long-standing provider in Tennessee of ICF/IID services. During the years of operation of Open Arms Care Corporation, in Tennessee, it has continued to meet the Quality Standards of ICF/IID services as evidenced by their ICF survey The ICF survey reflects that Open Arms Care Corporation is operating to the standards established by the Centers for Medicare and Medicaid Services. Open Arms Care Corporation is also in good standing with DIDD's licensure. Open Arms Care Corporation through their contract for ICF/IID services with TennCare, must also adhere to DIDD's Protection from Harm system in reporting all allegations of abuse, neglect, and exploitation to DIDD and is meeting these standards and requirements.

C: CONCLUSIONS:

As noted above, the Department of Intellectual and Developmental Disabilities (DIDD) is the agency responsible for licensing Intellectual Disabilities Institutional Habilitation Facilities, which provide ICF/IID service and is also the department that is responsible for the provision of services for individuals with intellectual disabilities. Therefore, DIDD as the experts in the field of intellectual and developmental disabilities has reached the following conclusion regarding this Open Arms Care Corporation Certificate of Need application for relocation of an eight bed ICF/IID facility in Shelby County to serve eight individuals being relocated from another Open Arms Care Corporation ICF/IID facility in Shelby County.

The Need for the approval of an eight bed ICF/IID operated by Open Arms Care Corporation is supported by the Guidelines for Growth population-based formula. The cost of the project appears to be reasonable, and provide more space and the potential for greater community integration for the eight persons relocating to this home. The project can be completed in a timely manner. Adequate funding is available and projected utilization and revenue should be sufficient to ensure the economic feasibility of the project.

This project would contribute to the orderly development of healthcare by allowing the eight individuals to relocate to a home with more space and potential for greater community integration. Open Arms Care Corporation also meets the fourth criteria for approval of their CON application, Health Care that Meets Appropriate Quality Standards. Open Arms Care Corporation has demonstrated during their time as a provider of ICF/IID services that the services provided

have meet all applicable quality standards of both state and federal regulations.

In conclusion, the Department of Intellectual and Developmental Disabilities supports approval of Open Arms Care Corporation Certificate of Need application for the relocation of an eight bed ICF/IID in Shelby County Tennessee.