

MEMORANDUM

TO: Commissioner Monica Bharel, MD, MPH
FROM: Nora Mann, Director, Determination of Need Program
CC: Rebecca Rodman, Senior Deputy General Counsel
RE: Approval of Waiver – Application by B.U. Goldman School of Dental Medicine
DATE: September 8, 2017

I. Introduction

The purpose of this memorandum is to request approval for the waiver of the requirement under 105 CMR 100.210(A)(4) that the applicant, B.U. Goldman School of Dental Medicine (Applicant or BU) submit an analysis by an independent Certified Public Accountant (CPA). The DoN Regulation at 105 CMR 100.815(A), authorizes the Commissioner of the Department of Public Health to waive any requirement of 105 CMR100.000.

II. Waiver of CPA Analysis

The DoN regulation at 105 CMR 100.210(A)(4) requires that an Applicant for a DoN provide “sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant's existing Patient Panel.” The Regulation continues, requiring that the documentation provided shall include an analysis of the Applicant's finances, completed by an independent CPA. The regulation also states that the CPA's analysis shall include a review of the Applicant's past and present operating and capital budgets; balance sheets; projected cash flow statements; proposed levels of financing for the proposed project; and any other relevant information necessary for the CPA to provide reasonable assurances to the Department that the proposed project is financially feasible and within the financial capability of the Applicant.

The Applicant has requested a waiver of the requirement of the CPA analysis, and has provided DoN staff instead with audited financial statements for Boston University for the year ending June 30, 2016. The Applicant requests the waiver because it argues that obtaining an independent CPA analysis would be unnecessary and overly burdensome given the source of the funding for the proposed project.

The project submitted by the Applicant and under consideration by DoN Staff is unique in the following ways: The Applicant is one of the 17 schools of Boston University (the University) Therefore the primary goal of BU is education and not healthcare and all of the funding for the Project will come from unrestricted University funds.¹ Therefore, unlike usual

¹ Revenue from patient care constitutes less than 0.8% of its total revenue.

DoN applications, the primary source of funding will not be revenue from patient care but rather will be University revenues including tuition, fees and room and board.

The Project described in the DoN will cost \$37 million, which is a component of a larger \$109 million University capital improvement project. We believe the Applicant has sufficient funds to support the Proposed Project, and that the Project would not have a negative impact on the Applicant's Patient Panel based on a review of the audited financial statements for the Applicant's parent organization. The University had unrestricted cash and short-term investments of \$466 million on June 30, 2016. In 2017, Moody's improved the University's credit rating from A2 to A1, which should translate to improved borrowing capacity should the University choose to fund these projects via a bond issue.

III. Conclusion

Requiring analysis of past financial reports and a five year projection from the Applicant will not further the intent of the DoN analysis nor will it meaningfully assist staff in making a recommendation as to compliance with Factor 4 of the Regulation (the availability of sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant's existing Patient Panel).

DPH staff request that the Commissioner approve a waiver of the requirement that the Applicant supplement its financial information with an independent CPA analysis. Attached is a Waiver for your signature.



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Notice of Waiver Pursuant to 105 CMR 100.815(A)

In Re: Henry M. Goldman School of Dental Medicine (Applicant)
GSDM-17040515-RE
Hospital/Clinic Substantial Capital Expenditure

Under the authority of 105 CMR 100.815(A), and based upon the analysis by and recommendation of DoN staff, which is attached hereto, I hereby approve the request by the Applicant for the waiver of the requirement under 105 CMR 100.210(A)(4) that the Applicant submit an analysis by an independent Certified Public Accountant (CPA) and I accept the Applicant's audited financial statements, submitted with the request for a waiver, as sufficient documentation for the Department to determine whether the Applicant has sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant's existing Patient Panel.

A handwritten signature in blue ink, appearing to read "MBharel", written over a horizontal line.

Monica Bharel, MD, MPH
Commissioner