FRC, INC. d/b/a SPAULDING NURSING & THERAPY CENTER WEST ROXBURY

APPLICATION FOR DETERMINATION OF NEED FOR THE RELOCATION OF A NURSING FACILITY

JANUARY 9, 2017

BY

FRC, INC. 1153 Centre Street West Roxbury, MA 02130

A. DoN Application

INTRODUCTION

The purpose of the Massachusetts Determination of Need Application Kit is twofold. First, it is to provide applicants with a clear indication of the nature, scope and depth of preparations expected of them. Second, it is to provide DoN Program staff, as well as the Public Health Council, with the information necessary for fair and thorough evaluations. The kit should contribute to the speed, consistency, and predictability of reviews while increasing public involvement.

It should be noted that many of the questions presented in this kit are organized according to the factors found in 105 CMR 100.533. The questions listed under individual factors in the kit are intended to assist applicants and reviewers by gathering relevant information in a structured and convenient manner. Although questions are grouped by factors, the completed application will be viewed and evaluated in its entirety. Questions have been categorized in order to avoid unnecessary repetition of data requests rather than to limit the use of specific information to the evaluation of any particular factor or factors.

Since no general kit can be exhaustive in its data requests, it will remain the responsibility of applicants to provide all necessary information. Currently, it is often necessary for reviewers to request information not supplied in an applicant's original submission. Use of this kit is expected to substantially reduce, although not eliminate, the need for additional data requests. Statutory and regulatory changes may take place from time to time and may not be reflected in this kit. It is the duty of the applicant to be cognizant of such changes and to file an application consonant with such changes.

484589 1

GENERAL INSTRUCTIONS

Enclosed is an application form for Determination of Need. In order to complete this form, it is necessary to read and comply with the Massachusetts Determination of Need Regulation 105 CMR 100.000. An unofficial version of the regulation may be found online at the DoN website (<u>www.mass.gov/dph/don</u>) or the official version may be obtained from the State House Bookstore, Boston, MA 02133, Telephone: (617) 727-2834 (<u>http://www.sec.state.ma.us/spr/sprcat/catidx.htm</u>).

Assistance in preparing applications is available from the Determination of Need Staff (617-624-5690).

CONTENTS OF APPLICATION

Please refer to 105 CMR 100.300-100.303 and 105 CMR 100.320-100.326 regarding the required contents of the application.

Please note that 105 CMR 100.350-100.354 substantially limits the right of applicants to alter applications or to provide additional information after an application has been submitted. Therefore, applicants should not file an application unless and until all important information is included.

Please note that if a filing fee is required (See 105 CMR 100.323) it must be submitted with the application, by check, payable to the "**Commonwealth of Massachusetts**."

Please see 105 CMR 100.306 which requires documentation as to ownership and zoning. Such documentation need only be submitted with the original copy and referenced in succeeding copies.

<u>Newspaper Notice</u>: Every applicant for Determination of Need is required to publish a notice of application, as prescribed in 105 CMR 100.330-100.332, in the legal notice section of the appropriate newspaper and an identical notice at least once in some other section as well. Refer to the regulation for details of publication. Please note that the final day to request a public hearing or to register as a ten taxpayer group (following the publication) must be on a business day. Please attach a true copy of the notices of publication with date of publication, as required under the above-referenced section, immediately after page 3 of general instructions.

No application will be accepted if the requirements of 105 CMR 100.306 and 100.320-100.326 are not met, and no application will be accepted if all relevant parts of the application kit are not complete.

<u>PLEASE NOTE</u>: The Determination of Need application kit asks applicants, in some cases, to supply answers on additional sheets. Where additional sheets are used, they should be clearly labeled with the factor name, question number (and page number) to which they pertain.

DISTRIBUTION OF COPIES

(105 CMR 100.300) Applicants must submit one complete original hard copy and one electronic copy in PDF format (or one original and two additional hard copies) to:

Department of Public Health Determination of Need Program 99 Chauncy Street Boston, MA 02111 Dph.don@massmail.state.ma.us

Applicants must also submit one hard copy (or electronic copy in PDF format) to the offices listed below. An updated list of contact persons with phone numbers and email addresses is available at the DoN website (www.mass.gov/dph/don) in the "Applications" section.

Department of Public Health Regional Health Office (See 100.300 for appropriate office)

Center for Health Information and Analysis 501 Boylston Street Boston, MA 02116

Division of Medical Assistance Office of Acute and Ambulatory Care 100 Hancock Street Quincy, MA 02171

Health Policy Commission 50 Milk Street, 8th Floor Boston, MA 02109

MassHealth 1 Ashburton Place Boston, MA 02108

FILING FEE AND COMPUTATION SHEET

Every applicant, other than a government agency, filing under M.G.L. c. 111, §25C is required to accompany the application with a filing fee as indicated below:

= <u>\$54,526.35</u> Filing Fee

Minimum Filing Fee is \$250.00, regardless of maximum capital expenditure.

Applicant must attach a check or money order made payable to the "**Commonwealth of Massachusetts**" in the amount indicated above. If applicant claims an exemption from the filing fee, state here why the applicant is exempt, citing the applicable section of the regulation.

If relevant under Section 100.152:

Executive Office of Elder Affairs One Ashburton Place, 5th Floor Boston, MA 02108

If relevant under Section

100.153: Department of

Mental Health Division of Clinical & Professional Services/ Office of Policy Development 25 Staniford Street Boston, MA 02114

PARINERSS

CAL Filte-Book Thousand Five Handres Invente-Steward Statos Collars

TO THE OPDER OF S

COMMONWEALTH OF MADEACHUSETTS 20 WASHINGTON ST BOSTON MA

Bar Hall

#0005612189# #011201539# 000080056978#

.

1. Face Sheet

| ÷., | FACE SHEET |
|-----|---|
| 1a. | FILING DATE: <u>January 9, 2017</u> 1b. FILING FEE: <u>\$54,526.35</u> |
| 2. | HSA: <u>IV</u> 3. ✓ REGULAR or □ UNIQUE APPLICATION (Check one) |
| 4 | APPLICANT NAME: FRC, Inc. |
| 5. | ADDRESS: 1153 Centre Street, West Roxbury, MA 02130 |
| 6 | CONTACT PERSON: (Name) <u>Andrew S. Levine</u> (Title) <u>Attorney</u> |
| | (Mailing Address): One Beacon Street, Suite 1320, Boston, MA 02108 |
| | (Telephone) <u>(617)598-6700</u> |
| | Email:alevine@dbslawfirm.com |
| 7a. | FACILITY NAME: <u>Spaulding Nursing & Therapy Center Brighton</u> |
| 7b. | LOCATION: 100 N. Beacon Street, Boston, MA 02134 |
| 8. | FACILITY TYPE (circle one): |
| | 1) Acute Care Hospital 2) Nursing Facility 3) Ambulatory Surgery Center |
| | 4) Chronic Disease/Rehabilitation Hospital 5) Other |
| 9. | TYPE OF OWNERSHIP (circle as appropriate):1) Private non-profit3) Public2) Private for-profit4) Other |

10. BRIEF PROJECT DESCRIPTION (consistent with newspaper notice): <u>Transfer the license of the nursing facility known as Spaulding Nursing & Therapy Center West Roxbury to a newly</u> <u>acquired building that will be renovated into a 123-bed facility</u>

11. PROJECT TYPE (check one or more as appropriate):

Substantial Change in Service – The addition or expansion of or conversion to a new technology, innovative service, or ambulatory surgery by acute care or non-acute care facilities regardless of whether the expenditure minimum is exceeded; non-acute care services provided by acute care hospitals; and any increase in bed capacity by a non-acute care facility totaling more than 12 beds to the licensed bed capacity of the entire facility.

Substantial Capital Expenditure – Any capital expenditure that is at or exceeds the DoN expenditure minimums for acute care, non-acute care (including nursing homes) facilities and clinics.

Original Licensure – Original licensure of hospitals or clinics providing ambulatory surgery. This includes an original license to be issued following a transfer of ownership.

FACE SHEET

12. BEDS INVOLVED IN THE PROJECT (select all that apply):

| | Existing Number of Licensed Beds | Number of Additional Beds Requested | Number of Beds Replaced/Renovated |
|-------------------------------------|--|--|---------------------------------------|
| Acute | | | |
| Medical/Surgical | | | |
| Obstetrics (Maternity) | | | |
| Pediatrics | | | |
| Neonatal Intensive Care | · · · · · · · · · · · · · · · · · · · | | - |
| ICU/CCU/SICU | | | |
| | | | |
| Acute Rehabilitation | | | |
| Acute Psychiatric | · · · · · · · · · · · · · · · · · · · | | |
| Adult | · · · · · · · · · · · · · · · · · · · | | |
| Adolescent | | | |
| Pediatric | | | |
| Chronic Disease | | | |
| Substance Abuse | | | |
| detoxification | | | |
| short-term intensive rehabilitation | | · | |
| Skilled Nursing Facility | | | |
| Level II | 81 | 42 | 123 |
| Level III | | | · · · · · · · · · · · · · · · · · · · |
| Level IV | ······································ | | |
| Other (specify) | | | |
| | | | |
| | | | |

13. MAXIMUM CAPITAL EXPENDITURE:

\$<u>27,263,174</u>

14. ANNUAL INCREMENTAL OPERATING COST:

\$9,197,541

15. COMMUNITY HEALTH SERVICES INITIATIVES EXPENDITURE (see Factor 9)

\$ Not Applicable

2. Affidavit of Truthfulness

AFFIDAVIT OF TRUTHFULNESS AND PROPER SUBMISSION

| | | FRC, Inc. | • |
|---------------------------------------|--------------------------|---------------------------------------|--|
| | | (Name of Applic | |
| | | e Street, Jamaica P | |
| | (Address of Ap | plicant, Street, Cit | y/Town and Zip Code) |
| hereby makes an ap CMR 100.000 for | plication for a Deter | rmination of Need | under M.G.L. c. 111, §§25C or 51 and 105 |
| : | original lic | ensure | |
| · . | | I capital expenditu | Ire |
| | substantia | I change in service | 9 |
| With respect to a: | hospital | | |
| with respect to a. | Nospital | care facility | |
| | | y surgery center | |
| | other (spe | cify) | |
| | | | |
| for the development | of: <u>FRC,Inc.d/ba/</u> | | g & Therapy Center Brighton |
| | | (Name of fac | cility and/or program) |
| at the following addre | ess: 100 North Bea | con Street Bostor | n MA 02134 |
| at the joinething addit | | | Town and Zip Code) |
| | | | |
| Type of Ownership: | City | | State |
| | County | X | Private Nonprofit Organization |
| | 000 | | |
| Dropriotony | | | |
| Proprietary: | Individual | · · · · · · · · · · · · · · · · · · · | Partnership |
| | Corporation | | |

*All persons participating in joint venture DoN applications (e.g., applications with two or more corporations) should be aware that <u>each</u> person who comprises the "applicant" will have to be named on the license. In addition, any subsequent changes in ownership of any person comprising the licensee will require compliance with the relevant change of ownership procedures.

All joint venture applicants should carefully evaluate the effect these requirements will have on their future activities.

AFFIDAVIT OF TRUTHFULNESS AND PROPER SUBMISSION continued

| I, the undersigned, certify that: | |
|---|---|
| I have read 105 CMR 100.000, the Massachusetts Det I have read this application for Determination of Need i information contained therein is accurate and true. I have submitted the required copies of this application all relevant agencies (see below¹) as required. | ncluding all exhibits and attachments, and the to the Determination of Need Program and to |
| 4. I have caused notices to be published as required by 1 copies of which are enclosed, were published in the | |
| Boston Herald | on |
| (Name of Newspaper) | (Date of Publication) |
| | on(Date of Publication) |
| (Name of Newspaper) | (Date of Publication) |
| 5. The applicant is, or will be, the eventual licensee of th | e facility. |
| Signed on the <u>9</u> day of <u>Januar</u> of perjury. For Corporation: <u>Chief Executive Officer</u> | nd <u>Lett</u> , under the pains and penalties |
| Partnership: | Partners |
| Limited Partnership:Gen | eral Partner |
| Trust: | |
| | rustees |
| FORM MUST BE NOTARIZED IN THE SPACE PROV | IDED BELOW: Notary Public COMMONWEALTH OF MASSACHUSETTS My Cartinission Expires Pacibler 27, 2017 |
| ¹ Copies of the application have been submitte | d as follows: |
| ✓ Department of Public Health ✓ Regional Health Office ✓ Division of Medical Assistance (MassHealth) ✓ Health Policy Commission | ✓ Center for Health Information and Analysis ✓ Executive Office of Elder Affairs* □ Department of Mental Health** |

*Only if the project relates to long term care

3. Newspaper Notice

Public Announcement Concerning FRC, Inc.

On or about January 9, 2017, FRC, Inc., with a principal place of business at 1153 Centre Street, West Roxbury, MA 02132, intends to file an application ("Application") with the Massachusetts Department of Public Health ("Department") to obtain a Determination of Need requesting to transfer and replace the nursing facility that is currently located at 1245 Centre Street, West Roxbury, MA 02132. The replacement facility will be located at 100 North Beacon Street, Boston, MA 02134 and will have 123 Level II beds. The estimated capital expenditure for the Project is \$27,263,174. The Project involves a total of 56,839 gross square feet ("GSF") of renovated space. Any ten taxpayers of Massachusetts may register in connection with the Application by February 8, 2017, or thirty (30) days after the Application has been filed with the Department or notice of the same has been published in the newspaper, whichever is later. If requested, a public hearing shall be ordered on the Application at the request of any ten taxpayers made in writing, not later than January 29, 2017, or twenty (20) days after the date of filing or publication date, whichever is later. Such registrations or requests for public hearing shall be sent to the Department of Public Health, Determination of Need Program, Attention: Program Director, 99 Chauncy Street, Boston, MA **02116.** The Application may be inspected at such address and at the Metro Boston Regional Health Office located at The Massachusetts Hospital School, 5 Randolph Street, Canton, MA 02021.

4. Applicant Information

APPLICANT INFORMATION

- List all officers, members of the board of directors, trustees, stockholders, partners, and any other individuals who have an equity or otherwise controlling interest in the application. With respect to each of these persons, please give his or her address, principal occupation, position with respect to the applicant, and amount, if any, of the percentage of stock, share of, partnership or other equity interest. (Answer on additional sheet). <u>Exhibit A</u>
- 2. Have any of the individuals listed ever been convicted of any felony or ever been found in violation of any local, state or federal statue, regulation, ordinance, or other law which arises from or otherwise relates to that individual's relationship to a health care facility? <u>No</u>
- For all individuals listed, list all other health care facilities, within or without the Commonwealth in which they are officers, directors, trustees, stockholders, partners, or in which they hold an equity interest. <u>Exhibit B</u>
- State whether any of these individuals presently have, or intend to have, any business relationship, including but not limited to: supply company, mortgage company, etc., with the applicant. <u>Exhibit B</u>
- 5. If the applicant is a corporation, please attach a copy of your articles of incorporation to this section of your application. <u>Exhibit C</u>
- 6. Indicate here the applicant's representative in regard to this application:

| Andrew S. | Levine | |
|-----------|--------|--|
| Name | | |

617-598-6700 Telephone

Attorney Title

alevine@dbslawfirm.com Email

Donoghue Barret & Singal, PC Facility/ Organization

One Beacon Street

Suite 1320

Boston, MA 02108 Address (Street, Town/City, and Zip Code)

All written and oral communications will be directed accordingly.

Attachment/Exhibit

<u>A</u>.

.

. . . .

. a

1

.

.

.

.

•

Directors

- Name: Eugene H. Clapp Address: 50 Congress Street, Suite 410, Boston, MA 02109 Principal Occupation: Principal, Penobscot Investment Management Co., Inc. Position with Applicant: Director Equity Interest: 0%
- Name: Phillip L. Clay, PhD Address: 77 Massachusetts Avenue, Cambridge, MA 02139-4307 Principal Occupation: Professor, School of Architecture and Planning, Massachusetts Institute of Technology Position with Applicant: Director Equity Interest: 0%
- Name: Daniel G. Jones Address: 100 Federal Street, 31st Floor, Boston, MA 02110 Principal Occupation: Managing Director, Thomas H. Lee Partners, L.P. Position with Applicant: Director Equity Interest: 0%
- Name: Wendell J. Knox Address: 4 Laurel Drive, Lincoln, MA 01773 Principal Occupation: Consultant Position with Applicant: Director Equity Interest: 0%
- Name: Ben S. Levitan Address: 5335 Wisconsin Ave., NW, Suite 825, Washington, DC 20015 Principal Occupation: CEO, Metalogix Position with Applicant: Director Equity Interest: 0%
- Name: Stanley J. Lukowski Address: 265 Franklin Street, Boston, MA 02110-3120 Principal Occupation: Chairman, Emeritus, Eastern Bank Position with Applicant: Director Equity Interest: 0%
- Name: Ann Merrifield Address: 48 W. Cedar Street, Boston, MA 02114 Principal Occupation: Business Advisor Position with Applicant: Director Equity Interest: 0%

FRC, Inc. Board of Directors

8. Name: Barry Mills

Address: 175 Blossom Street, Apt. 1103, Boston, MA 02114 Principal Occupation: Retired Position with Applicant: Director Equity Interest: 0%

- Name: Michael J. Muehe Address: 51 Inman Street, 2nd Floor, Cambridge, MA 02139 Principal Occupation: Executive Director, Cambridge Commission for Persons with Disabilities Position with Applicant: Director Equity Interest: 0%
- 10. Name: Richard A. Penn Address: 408 Main Street, Hyannis, MA 02601-3904 Principal Occupation: President, Puritan Cape Cod Position with Applicant: Director Equity Interest: 0%
- 11. Name: Joan A. Sapir Address: 32 Fruit Street, Bulfinich 230C, Boston, MA 02114 Principal Occupation: Senior Vice President, Massachusetts General Hospital Position with Applicant: Director Equity Interest: 0%

12. Name: Scott A. Schoen Address: 353 Boylston Street, 9th Floor, Boston, MA 02116 Principal Occupation: Chief Executive Officer, Baylon Capital Partners Position with Applicant: Chairman Equity Interest: 0%

- 13. Name: Aneesh Bhim Singhal, MD Address: 55 Fruit Street, Wang ACC 729C, Boston, MA 02114 Principal Occupation: Director, Neurology Quality and Safety, Massachusetts General Hospital Position with Applicant: Director Equity Interest: 0%
- 14. Name: Josiah A. Spaulding, Jr. Address: 270 Tremont Street, Boston, MA 02116
 Principal Occupation: President and Chief Executive Officer, Citi Performing Arts Center
 Position with Applicant: Director
 Equity Interest: 0%

FRC, Inc. Board of Directors

15. Name: Paula Ness Spears Address: 9 Riverside Road, Weston, MA 02493 Principal Occupation: Managing Director, Health Advances Position with Applicant: Director Equity Interest: 0%

16. Name: Benaree P. Wiley

Address: 703 Boylston Street, Brookline, MA 02445 Principal Occupation: Principal, The Wiley Group Position with Applicant: Director Equity Interest: 0%

- 17. Name: John R. Wright, MD Address: 75 Francis Street, Boston, MA 02115 Principal Occupation: Physician, Department of Orthopedic Surgery, Brigham and Women's Hospital Position with Applicant: Director Equity Interest: 0%
- 18. Name: Gwill York
 Address: 16 Fayerweather Street, Cambridge, MA 02138
 Principal Occupation: Venture Capitalist
 Position with Applicant: Director
 Equity Interest: 0%

 Name: David E. Storto Address: 300 First Avenue, 8th Floor, Charlestown, MA 02129 Principal Occupation: President, Partners Continuing Care, Inc. and Spaulding Rehabilitation Hospital Position with Applicant: Ex Officio Equity Interest: 0%

Officers

- Name: Maureen Banks Address: 300 First Avenue, 8th Floor, Charlestown, MA 02129 Occupation: President, Spaulding North Shore, Spaulding Cambridge and Spaulding Cape Cod; Chief Operating Officer, Spaulding Hospital Boston Position with Applicant: President Equity Interest: 0%
- Name: Mary Shaughnessy Address: 300 First Avenue, 8th Floor, Charlestown, MA 02129 Occupation: Chief Financial Officer, Partners Continuing Care Position with the Applicant: Treasurer

Equity Interest: 0%

- Name: Melissa P. Brennan, Esq. Address: 399 Revolution Drive, Suite 660, Somerville, MA 02145 Occupation: Lawyer, Office of the General Counsel, Partners HealthCare System, Inc. Position with the Applicant: Clerk Equity Interest: 0%
- 4. Name: Donna M. Luken Address: 399 Revolution Drive, Suite 660, Somerville, MA 02145 Occupation: Senior Paralegal, Office of the General Counsel, Partners HealthCare System, Inc. Position with the Applicant: Assistant Clerk Equity Interest: 0%

Attachment/Exhibit

<u>B</u>

FRC, Inc. Board of Directors Disclosures

1. Name: Ben Levitan

Business Relationship with the Applicant: Mr. Levitan is the Chief Executive officer of Metalogix. Metalogix contracts with the Applicant and its affiliates.

2. Name: Joan Sapir

Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: Planned Parenthood of Massachusetts

3. Name: Gwill York

Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: Brigham and Women's Hospital; Partners HealthCare

Attachment/Exhibit

<u>C</u>

D PC

The Commonwealth of Massachusetts

William Francis Galvin Secretary of the Commonwealth

One Ashburton Place, Boston, Massachusetts 02108-1512

FORM MUST BE TYPED Restated Articles of Organization FORM MUST BE TYPED (General Laws Chapter 156D, Section 10.07; 950 CMR 113.35)

(1) Exact name of corporation: ______ FRC, Inc. ______ Office of the General Counsel, Partners HealthCare System, Inc.

50 Staniford Street, Suite 1000 Boston, MA 02114

(number, street, city or sown, state, zip code)

(3) Date adopted: _____ February 18, 2005 and February 28, 2005 (month, day, year)

(4) Approved by:

(check appropriate box)

(2) Registered office address:

D the directors without shareholder approval and shareholder approval was not required;

- OR
- It he board of directors and the shareholders in the manner required by G.L. Chapter 156D and the corporation's articles of organization.

(5) The following information is required to be included in the articles of organization pursuant to G.L. Chapter 156D, Section 2.02 except that the supplemental information provided for in Article VIII is not required:*

ARTICLE I

The exact name of the corporation is:

FRC, Inc.

ARTICLE II

Unless the articles of organization otherwise provide, all corporations formed pursuant to G.L. Chapter 156D have the purpose of engaging in any lawful business. Please specify if you want a more limited purpose:**

See Continuation Sheet 2A

1007950a11335 81/13/

* Changes to Article VIII must be made by filing a statement of change of supplemental information form. ** Professional corporations governed by G.L. Chapter 156A and must specify the professional activisies of the corporation.

P.C.

ARTICLE III

State the total number of shares and par value, * if any, of each class of stock that the corporation is authorized to issue. All corporations must authorize stock. If only one class or series is authorized, it is not necessary to specify any particular designation.

| WITHOUT PAR VALUE | | WITH PAR VALUE | | | |
|-------------------|------------------|-------------------------------|---------------------------------------|-----------|--|
| TYPE | NUMBER OF SHARES | TYPE NUMBER OF SHARES PAR VAL | | PAR VALUE | |
| common stock | 100 | | | | |
| | | | · · · · · · · · · · · · · · · · · · · | | |
| | | | | | |

ARTICLE IV

Prior to the issuance of shares of any class or series, the articles of organization must set forth the preferences, limitations and relative rights of that class or series. The articles may also limit the type or specify the minimum amount of consideration for which shares of any class or series may be issued. Please set forth the preferences, limitations and relative rights of each class or series and, if desired, the required type and minimum amount of consideration to be received.

Not Applicable

ARTICLE V

The restrictions, if any, imposed by the articles or organization upon the transfer of shares of any class or series of stock are:

None

ARTICLE VI

Other lawful provisions, and if there are no such provisions, this article may be left blank.

See Continuation Sheets 6A through 6C

Note: The preceding six (6) articles are considered to be permanent and may be changed only by filing appropriate articles of amendment.

*G.L. Chapter 156D eliminates the concept of par value, however a corporation may specify par value in Article III. See G.L. Chapter 156D, Section 6.21, and the comments relative thereto.

CONTINUATION SHEET 2A FRC, Inc. Restated Articles of Organization

2. The purposes for which the Corporation is formed are as follows:

(i) To own and operate subacute and/or skilled nursing facilities, and to provide such medical, educational and charitable services as may be consistent with licensure for the operation of such facilities by the Massachusetts Department of Public Health and any other relevant agency of the Commonwealth of Massachusetts; (ii) to operate the Corporation as an integral part of the comprehensive, integrated health care delivery system (the "Partners System") organized and operated by Partners HealthCare System, Inc. ("Partners"), a Massachusetts charitable corporation that includes hospital, physician, charitable, scientific, educational, research and other institutions and entities that are controlled, directly or indirectly, by Partners (collectively, the "Partners Affiliated Organizations"); (iii) to assist and support Partners and the Partners Affiliated Organizations in fulfilling their respective purposes, missions and objectives of Partners and the Partners System; and (iv) to carry on any other activity that may lawfully be carried on by a corporation formed under Chapter 156D of the Massachusetts General Laws which is exempt under Section 501(c)(3) of the Internal Revenue Code.

CONTINUATION SHEET 6A

FRC, Inc. Restated Articles of Organization

(a) The Corporation may carry on any business, operation or activity referred to in Article 2 to the same extent as might an individual, whether as principal, agent, contractor or otherwise, and either alone or in conjunction or a joint venture or other arrangement with any corporation, association, trust, firm or individual.

(b) The Corporation may carry on any business, operation or activity through a wholly or partly owned subsidiary.

(c) The Corporation may be a partner in any business enterprise which it would have power to conduct by itself.

(d) The directors may make, amend or repeal the bylaws in whole or in part, except with respect to any provision thereof which by law or the bylaws requires action by the stockholders.

(e) Meetings of the stockholders may be held anywhere in the United States.

(f) The directors may specify the manner in which the accounts of the Corporation shall be kept and may determine what constitutes net earnings, profits and surplus, what amounts, if any, shall be reserved for any corporate purpose, and what amounts, if any, shall be declared as dividends. Unless the board of directors otherwise specifies, the excess of the consideration for any share of its capital stock with par value issued by it over such par value shall be paid-in surplus. The board of directors may allocate to capital stock less than all of the consideration for any share of its capital stock without par value issued by its, in which case the balance of such consideration shall be paid-in surplus. All surplus shall be available for any corporate purpose, including the payment of dividends.

(g) The purchase or other acquisition or retention by the Corporation of shares of its own capital stock shall not be deemed a reduction of its capital stock. Upon any reduction of capital or capital stock, no stockholder shall have any right to demand any distribution from the Corporation, except as and to the extent that the stockholders shall have provided at the time of authorizing such reduction.

(h) The Corporation shall not discriminate unlawfully in administering its policies and programs or in the employment of its personnel on the basis of race, color, religion, national or ethnic origin, sex, handicap or otherwise.

(i) The Corporation shall have all powers granted to Corporations by the laws of The Commonwealth of Massachusetts, provided that no power shall include any activity inconsistent with the Massachusetts Business Corporation Act or the

CONTINUATION SHEET 6B FRC, Inc. Restated Articles of Organization

General Laws of said Commonwealth and provided, further, that the Corporation shall not engage in activity or exercise any power which would deprive it of any exemption from federal income tax which the Corporation may receive under Section 501(c)(13) of the Internal Revenue Code.

(j) No part of the assets of the Corporation and no part of any net earnings of the Corporation shall be divided among or inure to the benefit of any officer or director of the Corporation or any private individual or be appropriated for any purposes other than the purposes of the Corporation as herein set forth, and no substantial part of the activities of the Corporation shall be to carry on propaganda, or otherwise attempt, to influence legislation except to the extent that the Corporation makes expenditures for purposes of influencing legislation in conformity with the requirements of Section 501(h) of the Internal Revenue Code, and the Corporation shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office. It is intended that the Corporation shall be entitled to exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and shall not be a private foundation under Section 509(a) of the Internal Revenue Code

(k) Upon the liquidation or dissolution of the Corporation after payment of all of the liabilities of the Corporation or any provision therefor, all of the assets of the Corporation shall be disposed of to one or more organizations that are then exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code.

(1) In the event that the Corporation is a private foundation as that term is defined in Section 509 of the Internal Revenue then notwithstanding any other provisions of the articles of organization or the bylaws of the Corporation, the following provision shall apply:

The directors shall distribute the income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code.

The directors shall not engage in any act of self dealing as defined in Section 4941(d) of the Internal Revenue code; nor retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code; nor make any investments in such manner as to incur tax liability under Section 4944 of the Internal Revenue Code; nor make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code.

CONTINUATION SHEET 6C FRC, Inc. Restated Articles of Organization

(m)All references herein (i) to the Internal Revenue code shall be deemed to refer to the Internal Revenue Code of 1986, as now in force or hereafter amended; (ii) to the General Laws of The Commonwealth of Massachusetts or any chapter thereof shall be deemed to refer to said General Laws or chapter as now in force or hereafter amended; and (iii) to particular sections of the Internal Revenue Code or said General Laws shall be deemed to refer to similar or successor provisions hereafter adopted.

ARTICLEVII

The effective date of organization of the corporation is the date and time the articles were received for filing if the articles are not rejected within the time prescribed by law. If a later effective date is desired, specify such date, which may not be later than the 90th day after the articles are received for filing:

Specify the number(s) of the article(s) being amended: <u>Article II and Article VI</u>

Signed by:

□ Chairman of the board of directors,

day of

🛛 President,

Other officer,

Court-appointed fiduciary,

28±h

on this _____

February

(signature of authorized individual)

2370

2777-2 Fit 2:20

COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin Secretary of the Commonwealth One Ashburton Place, Boston, Massachusetts 02108-1512

Restated Articles of Organization (General Laws Chapter 156D, Section 10.07, 950 CMR 113.35)

I hereby certify that upon examination of these restated articles of organization, duly submitted to me, it appears that the provisions of the General Laws relative to the organization of corporations have been complied with, and I hereby approve said articles; and the filing fee in the amount of $\frac{400}{100}$ having been paid, said articles are deemed to have been filed with me this ______ day of ______, 20_05_, at 2528 a.m./p.m.

Effective date:

(must be within 90 days of date submitted)

WILLIAM FRANCIS GALVIN Secretary of the Commonwealth

Examine

Name approval

С

м

Filing fee: Minimum filing fee \$200, plus \$100 per article amended, stock increases \$100 per 100,000 shares, plus \$100 for each additional 100,000 shares or any fraction thereof.

TO BE FILLED IN BY CORPORATION Contact Information:

Elizabeth Molodovsky Office of the General Counsel, Partners HealthCare System, Inc. 50 Staniford Street, Suite 1000

Boston, MA 02114

Telephone: (617) 726-7523

Email: emolodovsky@partners.org

Upon filing, a copy of this filing will be available at www.sec.state.ma.us/cor. If the document is rejected, a copy of the rejection sheet and rejected document will be available in the rejected queue.

The Commonwealth of Massachusetts

William Francis Galvin

Secretary of the Commonwealth One Ashburton Place, Boston, Massachusetts 02108-1512

1226 32121

FORM MUST BE TYPED Articles of Amendment FORM MUST BE TYPED (General Laws Chapter 156D, Section 10.06; 950 CMR 113.34)

(1) Exact name of corporation: FRC, Inc.

(2) Registered office address: OGC, Partners HealthCare System, Inc 50 Staniford St., Boston, MA 02114 (number, street, city or town, state, zip code)

(3) These articles of amendment affect article(s): Article 3

(specify the number(s) of article(s) being amended (I-VI))

(4) Date adopted: April 28, 2008

(month, day, year)

(5) Approved by:

(check appropriate box)

 \Box the incorporators.

□ the board of directors without shareholder approval and shareholder approval was not required.

I the board of directors and the shareholders in the manner required by law and the articles of organization.

(6) State the article number and the text of the amendment. Unless contained in the text of the amendment, state the provisions for implementing the exchange, reclassification or cancellation of issued shares.

To amend Article Three (3) of the Articles of Organization of FRC, Inc. by deleting the language that states the amount of authorized shares of stock is 300,000 shares of common stock with \$1.00 par value, and replacing it with the provision that the amount of authorized shares of stock is 100 shares of common stock with no par value.

c156ds1006950c11334 01/13/05

To change the number of shares and the par value, * if any, of any type, or to designate a class or series, of stock, or change a designation of class or series of stock, which the corporation is authorized to issue, complete the following:

Total authorized prior to amendment:

| WITHOUT PAR VALUE | | | | |
|-------------------|------------------|--------|------------------|-----------|
| TYPE | NUMBER OF SHARES | TYPE | NUMBER OF SHARES | PAR VALUE |
| | | Соттоп | 300,000 | \$1.00 |
| | | | | |
| - | · | | | |

Total authorized after amendment:

| WITHOUT PAR VALUE | | WITH PAR VALUE | | |
|-------------------|------------------|-------------------------------|--|-----------|
| TYPE | NUMBER OF SHARES | TYPE NUMBER OF SHARES PAR VAL | | PAR VALUE |
| Common | 100 shares | | | |
| | | | ······································ | |
| · <u>·····</u> | | ļ | | |

(7) The amendment shall be effective at the time and on the date approved by the Division, unless a later effective date not more than 90 days from the date and time of filing is specified:

*G.L. Chapter 156D eliminates the concept of par value, however a corporation may specify par value in Article III. See G.L. Chapter 156D, Section 6.21, and the comments relative thereto.

COMMONWEALTH OF MASSACHUSETTS

Mappin

William Francis Galvin Secretary of the Commonwealth One Ashburton Place, Boston, Massachusetts 02108-1512

Articles of Amendment (General Laws Chapter 156D, Section 10.06; 950 CMR 113.34)

I hereby certify that upon examination of these articles of amendment, it appears that the provisions of the General Laws relative thereto have been complied with, and the filing fee in the amount of $\$ having been paid, said articles are deemed to have been filed with me this _____ day of _____, 20_____, at _____a.m./p.m.

time

Effective date:_

N. 1010W

(must be within 90 days of date submitted)

WILLIAM FRANCIS GALVIN Secretary of the Commonwealth

Filing fee: Minimum filing fee \$100 per article amended, stock increases \$100 per 100,000 shares, plus \$100 for each additional 100,000 shares or any fraction thereof.

TO BE FILLED IN BY CORPORATION Contact Information:

Examiner

С

М

Name approval

Telephone: _

Email: ,

Upon filing, a copy of this filing will be available at www.sec.state.ma.us/cor. If the document is rejected, a copy of the rejection sheet and rejected document will be available in the rejected queue.

| | Signed 1 | y: Joan E | Elias | |
|---|-----------|-------------------------------------|--------------------------------------|--------|
| | - | | (signature of authorized individual) | · |
| | | Chairman of the board of directors, | | |
| | | President, | | |
| | 7 | Other officer, Secretary | | |
| | | Court-appointed fiduciary, | | |
|) | | 10 | | |
| / | on this . | day of | Juley. | , 2008 |
| | on this . | day of | July | , 2008 |

 \bigcirc

 \bigcirc

•

. .



Name

Approved

The Commonwealth of Massachusetts

OFFICE OF THE MASSACHUSETTS SECRETARY OF STATE MICHAEL J. CONNOLLY, Secretary ONE ASHBURTON PLACE, BOSTON, MASSACHUSETTS 02108

ARTICLES OF AMENDMENT

General Laws, Chapter 1568, Section 72

EDERAL IDENTIFICATION NO. 22-2632121

| We | Charles F. Elizabeth | | | | | | dent/ Vice Pessi Clerk /Assiste n | • |
|--|-------------------------|--------|---------|---------|------|------|--|---|
| | Brookline | | | | | | | |
| (EXACT Name of Corporation) | | | | | | | | |
| located at: | 99 Park | Street | , Brook | line, M | 1A 0 | 2146 | | |
| (MASSACHUSETTS Address of Corporation) | | | | | | | | |

do hereby certify that these ARTICLES OF AMENDMENT affecting Articles NUMBERED: 1 & 2

(Number those articles 1, 2, 3, 4, 5 and/or 6 being amended hereby)

of the Articles of Organization were duly adopted at a meeting held on <u>May 24</u> 19 94, by vote of:

| 10 | 0 |
|-----------------|---|
| <u></u> | |
| | |
| CROSS OUT | being at least a majority of each type, class or series autstanding and entitled to vate ` thereon: - ! |
| CABLE CLAUSE | being at least two-thirds of each type; class or series outstanding and entitled to vote thereon and of each type; class or series of stock whose rights are advarsely affected rimmber - : |

For amendments adopted pursions to Chapter 1568. Section 70.
 For amendments adopted pursuant to Chapter 1568, Section 73.

Note: If the space provided under any Amendment or item on this form is insuffic 'set, additions shall be set forth an separate 8½ x 11 sheets of paper leaving a left-hand morgin of at least 1 inch for binding. Additions to more than one Amendment may be continued on a single sheet so long as each Amendment requiring each such addition is clearly indicated. **CHANGE** the number of shares and the par value (if any) of any type, class or series of stock which the corporation is authorized to issue, fill in the following:

The total presently authorized is:

WITHOUT PAR VALUE STOCKS

| NUMBER OF SHARES |
|------------------|
| |
| |
| |
| |
| |

WITH PAR VALUE STOCKS

| ТҮРЕ | NUMBER OF SHARES | PAR VALUE |
|---|------------------|--------------------------|
| COMMON; | | |
| | | ** * * * * * * * * * * * |
| PREFERRED: | | |
| ** ** * * * * * * * * * * * * * * * * * | | ••••••• |
| | <u> </u> | |

CHANGE the total authorized to:

WITHOUT PAR VALUE STOCKS

TYPE NUMBER OF SHARES COMMON: PREFERRED:

WITH PAR VALUE STOCKS

| TYPE | NUMBER OF SHARES | PA2 VALUE |
|------------|---|-----------|
| COMMON: | | |
| | • | |
| PREFERRED: | · · · · · · · · · · · · · · · · · · · | |
| 3 , | | |

VOTED:

That the name of the Corporation be and hereby is changed to FRC, Inc.

ξ.

_ JRIHER VOTED:

the sea and the set of a state of the

That the first paragraph in Article 2 of the Articles of Organization of the Corporation be and hereby is amended to read as follows:

"(a) To carry on a subacute and/or long term care inpatient medical facility in Roslindale, Massachusetts and to provide such medical, educational and charitable services as may be consistent with the license for the operation of the facility from the Department of Public Health or the Department of Mental Health or any other relevant agency of The Commonwealth of Massachusetts or as may be otherwise lawful."

The foregoing amendment will become effective when these articles of amendment are filed in accordance with Chapter 1568, Section 6 of The General Laws unless these articles specify, in accordance with the vote adopting the amendment, a later effective date not more than thirty days after such filing, in which event the amendment will become effective an such later date. LATER EFFECTIVE DATE:

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereunto signed our names this 26th day of May , in the year 1994

President/Pice Precide Clark/A eth Hanson

466420

149872

THE COMMONWEALTH OF MASSACHUSETTS

1994 1. 27 四 3: 24

, · · ,

``**`**

.

ARTICLES OF AMENDMENT

GENERAL LAWS, CHAPTER 156B, SECTION 72

I hereby approve the within articles of amendment and, the filing fee in the amount of 200^{-1} having been paid, said articles are deemed to have been filed with me this 2774 day of MAY. 19011

Michael Joseph Chally

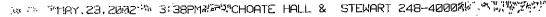
MICHAEL J. CONNOLLY Secretary of State

TO BE FILLED IN BY CORPORATION

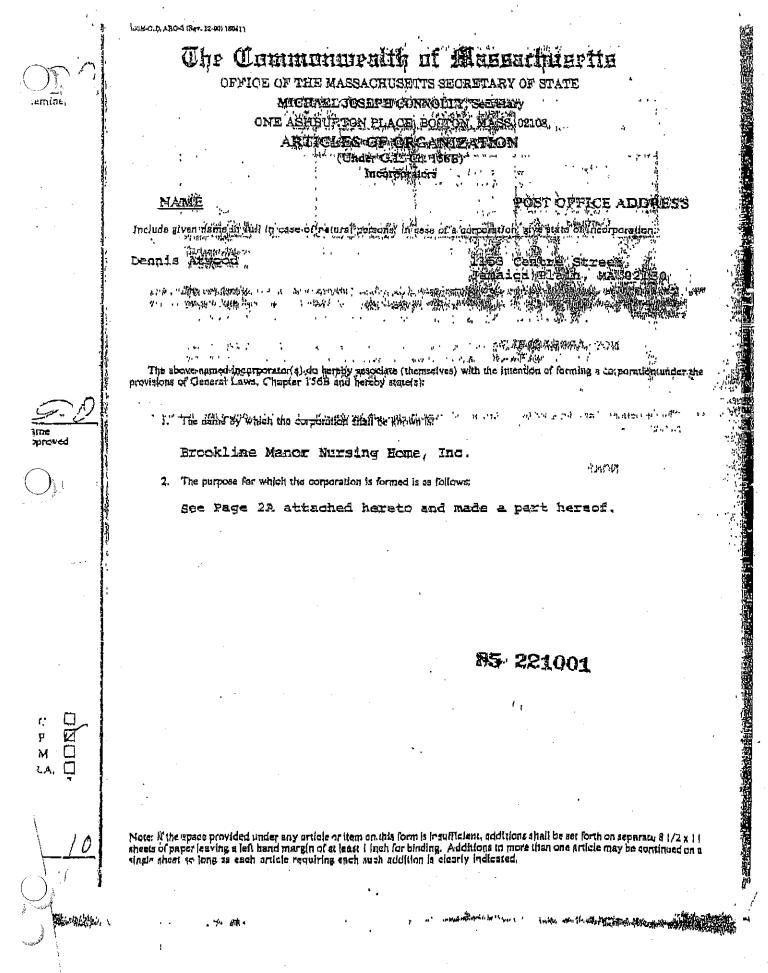
PHOTOCOPY OF ARTICLES OF AMENDMENT TO BE SENT

| TO: | Myra J. Green, Esg. |
|-----|------------------------|
| | Choate, Hall & Stewart |
| | Exchange Place |
| | 53 State Street |
| | Boston, MA 02109 |
| | |

Telephona: (617) 248-5000



RT 248-4000% " " " " 248-4000% " " SNO. 1977 BUTP. 3" " The



| CLASS OF STOCK ¹¹ Import Property of VALUE WRTH SAT SUCC CLASS OF STOCK ¹¹ Import Property of VALUE WRTH SAT SUCC Common Anti-Article Ballon-QQDA-QQDA-QDD-ARTICLES AMOUNT Common Anti-Article Ballon-QQDA-QQDA-QDD-ARTICLES Ballon-QQDA-QQDA-QDD-ARTICLES Throw their one class is quintoined: a secret point of contain the sub-articles and the property of the Articles of Company of the sub-article and the property of the Articles of Company of the sub-article and the property of the Articles of Company of the sub-article and the prove of success of the sub-article and the sub-article and the sub-article and the sub-article article articles are article article article articles are article articles are art arteneor artis are articles are are articles are are art th | | 1 | 13 | s authouizer | xoration is a | -tu | | r, of each el | par value, if any | shares and the | roati ununper | ntin . Inlini |
|---|----------------|----|--------------------------------|-------------------------------|-------------------------------------|--------------------------|-------------------------------------|--|--------------------------------------|--|---|----------------------|
| CLASS OF STOCK ¹⁶ BUMMEROFSHARES (NUMBER OF SHARES) (NUMBEROFSHARES) (| A. San | | | | • | 2 4 2 1 | ». • • • | j. | с. | 1 1 | • | ê (|
| Preferred Preferred | | | | | JE | - | WIGH | TALIZE . | WITHOUT PAR Y | | | |
| Common and but in a start of the st | | | | UNT | NOMY | ATAR ALOF | Y. | | HUMBER OF SH | Falces | | |
| Common Commo | | | | | | ¥. • | | 17 - | | erred Contractory | اظ | • |
| 4. There shall not not clear is authorized, a settingtion of ranking the setting of the set with the professional result of the profession of the setting of the setting of the set of the profession of the setting the setting the provisions. If any, for the conduct and requires of the setting the settin | | | | | | **** | | | ********* | | | ۰, |
| If more that one class is authorized, a description of pasting the interference of each term. If any, the proformines: voltage provide and any series have the proformines of the provide and any series have the class of the provide and any series in the provide and any series are as follows: NONE Other involvidons, if any, for the conduct and regulation of business and affairs of the corporation, for its voluntary dissolution of for limiting, or regulating the powers of the corporation, for its voluntary dissolution of for limiting, or regulating the powers of the corporation, or of 19 directors or stockholders. Gee pages 5A, 6E, 6C, 5D and 6E attached hereto and | | | • 1 ¹ | <u>000</u> . | <u>, 300, 101</u> | 51: " <u>A</u> A | יייין קוסעייייייי | .117. JA | here's state | IIIOI a :? (kitom: IIIvila . | | |
| 4. If increasing protocols are in authorized, a description of particular interview of most rolls. If any, the professions is a calculated and any sories have a solution of the comparison of the profession of the profesion of the profession of the profession of the profesi | | | 1.27146 | NH SA P | | ; 1 | a . Testi in Sat da | · - | 9 8 E KANVAS | "他怎么做啊。"你们 ************************************ | ي. بو بن ز | |
| NOR APPLICABLE NOR APPLICABLE The restrictions, if any, imposed by the Ardeles of Organization, upon the basisfer of shares of stock of any class are as follows: NONE NONE Other lawful provisions, if any, for the conduct and regulation of business and silving of the corporation, for its voluntary distolution, or for limiting, definite, or negulating the powers of the corporation, or of 10 directors or specificilities. or of any slass of stockholders: Gee pages 6A, 6B, 6C, 5D and 6B attached hereto and | | | nozsi'.« ₁ 1 now | y, the protein d any serie | गीमा, 15 कार, 1 स्टोल्टर्ज कार्व | | | | al or relative r | as is guthan Zed | on that one s howers a | 4, 17) Voli |
| 5. The restrictions, if any, imposed by the Articles of Organization upon the bansfer of shares of stock of any class are as follow: NONE 4. Other lawfill provisions, if any, for the conduct and regulation of business and aftern of the corporation, for its voluntary discolution, or for ilmitting, defining the powers of the corporation, or of ild directors or speckholders: 6. Other lawfill provisions, if any, for the conduct and regulation of business and aftern of the corporation, for its voluntary discolution, or for ilmitting, defining the powers of the corporation, or of ild directors or speckholders: 6. Gee pages 5A, 6E, 5C, 5D and 6E stateched hereto and | | | | · · · · · | | . 4-313al 6.2 | | τραμαίι Ελ.] 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. | | 14 PB - 1 | (lah că : | \$ 4 13 |
| 5. The restrictions, if any, imposed by the Ardeles of Organization agon the transfer of shares of stock of any class are as follows: NONE 4. Other lowful provisions, if any, for the conduct and regulation of business and affairs of the comportation, for its voluntary distribution, or for limiting, defining or regulating the powers of the comportation, or of its directors or stockholders, or of any class of stockholders: 6. Other lowful provisions, if any, for the conduct and regulation of business and affairs of the comportation, for its voluntary distribution, or for limiting, defining on regulating the powers of the comportation, for its voluntary distribution, or for limiting, defining or regulating the powers of the comportation, or of its directors or stockholders, or of any class of stockholders; 6. Gee pages 6A, 6B, 6C, 5D and 6H attached herato and | | | • | | | | • | •• | • | | | |
| NONE NONE (1) (1) (1) (1) (1) (1) (1) (1) | | 14 | • • | ۰. ۲۰ | 1 * 1 * | | · | | ragi ta t | alanna 14 a n 16 acta | ara e Meri | |
| NONE NONE (1) (1) (1) (1) (1) (1) (1) (1) | | | 41:6 45 | of any slass | sof stock of | ofshyre | pon the banafe |) canication | the Articles of C | ay, imposed by | restrictions, | 5. m |
| NONE fild) f 5. Other lawfil provisions, if any, for the conduct and regulation of business and affairs of the corporation. for its voluntary discolution, or for limiting, defining, or regulating the powers of the corporation, or of 10 directors or stockholders, or of any class of stockholders: Gee pages 5A, 6B, 5C, 5D and 6B attached herato and | | | ad a | | | | nid . | 1 | | • | WS: | foild |
| (. Other lowfird provisions, if any, for the conduct and regulation of business and affairs of the comportation, for its voluntary distortation, or for ill mitting, definiting, or regulating the powers of the comportation, or of its directors or specifielders, or of any stass of stockholders: Gee pages 6A, 6E, 6C, 5D and 6E attached herato and | | | | · · | · · · · | PS CO | | | | 3 | NO | (İ |
| 6. Other lowfill provisions, if any, for the conduct and regulation of business and affairs of the corporation, for its voluntary dissolution, or for illmiting, defining, or regulating the powers of the corporation, or of ill directors or spectholders, or of any diss of stockholders: 6. Get pages 6A, 6B, 6C, 5D and 6E attached herato and | | | | · · | '' | . 4 | a second | ', | | , | | |
| ر المعالية المحتلية المحتلي المحتلية المحتلية المحتانيييييية المحتلية المحتلية المحتلية المحتلية المحتلية ال | | | ٠ | | | | | | | | | • |
| ر المعالية المحتلية المحتلي المحتلية المحتلية المحتانيييييية المحتلية المحتلية المحتلية المحتلية المحتلية ال | 40 10 10 | | • | | | | | | | | | |
| ر المعالية المحتلية المحتلي المحتلية المحتلية المحتانيييييية المحتلية المحتلية المحتلية المحتلية المحتلية ال | | | | | | | | | | | | |
| ر المعالية المحتلية المحتلي المحتلية المحتلية المحتانيييييية المحتلية المحتلية المحتلية المحتلية المحتلية ال | u, | | | | | | | | | | | |
| 5. Other lawful provisions, if any, for the conduct and regulation of business and silairy of the corporation, for its voluntary discolution, or for illmiting, defining, or regulating the powers of the corporation, or of judirectors or spectholders: | I | | | | | | | | | | | |
| 6. Other lawful provisions, if any, for the conduct and regulation of business and affairs of the corporation, for its voluntary dissolution, or for ilmiting, defining, or regulating the powers of the corporation, or of JU directors or stockholders, or of any slass of stockholders: 6 dee pages 6A, 6B, 6C, 5D and 6B attached herato and | | k | | | | | · | | , ' , ⁴ | \$ E KO E 55% | | |
| 6 dee pages 6A, 6B, 6C, 5D and 6B attached hereto and | • | | | | ℓ_{1} | | • | | | | | |
| ee pages 6A, 6B, 6C, 6D and 6B attached hereto and made a part hereof. | | 1 | untary or of | n, far its vol Nockholden | orporation. stors or sto | n of the d of 10 dire | siness and affai corporation, er | powers of it | ne conduct and m or moulating the | iding, if 279, jort) iting, defining, c idens: | ier lawfiil prov dution or for class of stock | ο, Οι dist soy |
| | | | | to and | hereta | ched | 5 6 A att : | , 51) an | A, 6B, 6C hereof. | pages 62 e a part | දි. ආ 2 | ٠ |
| | | | | • | | | | | | | | |
| | | | | | | | | | | | | |
| If there are no provisions state "None". | | ľ | | , | | | • | | • | gs scate "Norie" | are no provis | (iherr |

¹⁰⁰¹¹⁷¹ MAY.23.2002期 3:39PM MARCHOATE HALL & STEWART 248-4000 新聞報告報告報告 1978時間 1978時間 1978時間 1978時間 1978年間
ARTICLE 2: PUPPOSES

(a) To carry on a level II nursing home in Brookline, Massachusetts and to provide such medical, educational and charitable services as new be densation with the Corporation's license from the Deputtment of Public Health or the level that of Henral Health or any other relevant agents of the Commonwealth of Messachusetts or as manual

(b) To advance, the knowledge and practice of medicina and mursing through research and endetion be strong to the care, treatment and healing of partents.

11

内治

Ä

(c) To improve mublic health in cooperation with federally state, municipal and other health dependence and officers.

1.5

 (a) The corporation may carry on any business, operation or activity referred to in Article 2 to the same extent as might an individual, whether as principal, agent, contractor of otherwise, and either alone or in conjunction or a joint venture or other arrangement with any corporation, association, trust, firm or individual.

(b) The corporation may carry on any business, operation or activity through a wholly or partly owned subsidiary.

(c) The corporation may be a partner in any business enterprise which it would have power to conduct by itself.

(d) The directors may make, amend or repeal the bylaws in whole or in part, except with respect to any provision thereof which by law or the bylaws requires action by the stockholders.

(e) Mostings of the stockholders may be held anywhere in the United States.

(f) No stockholder shall have any right to examine any property or any books, accounts or other writings of the corporation if there is reasonable ground for belief that such examination will for any reason be adverse to the interests of the corporation, and a vote of the directors refusing permission to make such examination and setting forth that in the opinion of the directors such examination would be adverse to the interests of the corporation shall be prima facie evidence that such examination would be adverse to the interests of the corporation. Every such examination shall be subject to such reasonable regulations as the directors may establish in regard thereto.

(g) The directors may specify the manner in which the accounts of the corporation shall be kept and may determine what constitutes net carnings, profits and surplus, what amounts, if any, shall be reserved for any corporate purpose, and what amounts, if any, shall be declared as dividends. Unless the board of directors otherwise specifies, the excess of the consideration for any share of its capital stock with par value issued by it over such par value shall be paid-in surplus. The board of directors may sllocate to capital stock less than all of the consideration for any share of its capital stock without par value issued by its, in which case the balance of such consideration shall be paid-in surplus. All surplus shall be available for any corporate purpose, including the payment of dividends. B. W. B. W. W. W.

The second s

ž

法规

 $\varepsilon_{\rm s}^{\rm s}$

in the second second

「ため、おうちちの一般が出たないないです」であったのである。

· 57.4

AL PRIMARY

(h) The purchase or other acquisition or retention by the corporation of shares of its own capital stock shall not be deemed a reduction of its capital stock. Upon any reduction of capital or capital stock, no stockholder shall have any right to demand any distribution from the corporation, except as and to the extent that the stockholders shall have provided at the time of authorizing such reduction.

(i) The directors shall have the power to fix from time to time their compensation. No person shall be disqualified from holding any office by reason of any interest. In the absence of fraud, any director, officer or stockholder of this corporation individually, or any individual having any interest in any concern which is a stockholder of this corporation, or any concern in which any of such directors, officers, stockholders or individuals has any interest, may be a party to, or may be pecuniarily or otherwise interested in, any contract, transaction or other act of this corporation, and

- (a) such contract, transaction or act shall not be in any way invalidated or otherwise affected by that fact;
- (2) no such director, officer, stockholder or individual shall be liable to account to this corporation for any profit or benefit realized through any such contract, transaction or act; and
- (3) any such director of this corporation may be counted in determining the existence of a quorum at any meeting of the directors or of any committee thereof which shall authorize any such contract, transaction or act, and may vote to authorize the same;

provided, however, that any contract, transaction or act in which any director or officer of this corporation is so interested individually or as a director, officer, trustee or member of any concern which is not a subsidiary or alfiliate of this corporation, or in which any directors or officers are so interested as holders, collectively, of a majority of shares of capital stock or other beneficial interest at the time outstanding in any concern which is not a subsidiary or affiliate of this corporation, shall be duly authorized or ratified by a majority of the directors who are not so interested, to whom the nature of such interest has been disclosed and who have made any findings required by law;

- 67 -

the term "interest" including personal interest and interest as a director, officer, stockholder, shareholder, trustee, member or beneficiary of any concern;

the term "concern" meaning any corporation, association, trust, partnership, film, person or other entity other than this corporation; and

the phrase "subsidiary or affiliate" meaning a concern in which a majority of the directors, trustees, partners or controlling persons is elected or appointed by the directors of this corporation, or is constituted of the directors or officers of this Corporation.

To the extent permitted by law, the authorizing or ratifying vote of the holders of a majority of the shares of each class of the capital stock of this corporation cutstanding and entitled to vote for directors at any annual meeting or a special meeting duly called for the purpose (whether such vote is passed before or after judgment rendered in a suit with respect to a '' contract, transaction or act) shall validate any contract, transaction or act) shall validate any contract, transaction or act if this corporation, or of the board of directors or any committee thereof, with regard to all stockholders of this corporation, whether or not of record at the time of such vote, and with regard to all creditors and other claimants under this corporation; provided, however, that

- A, with respect to the authorization or ratification of contracts, transactions, or acts in which any of directors, officers or stockholders of this corporation have an interest, the nature of such contracts, transactions or acts and the interest of any director, officer or stockholder therein shall be summarized in the notice of any such annual or special meeting, or in a statement or latter accompanying such notice, and shall be fully disclosed at any such meeting;
- B. the stockholders so voting shall have wade any findings required by law;
- C. stockholders so interested may vote at any such meeting except to the extent otherwise provided by law; and
- D. any failure of the stockholders to Lúthorize or ratify such contract, transaction or act shall not be deemed in any way to invalidate the same or to deprive this corporation, its directors, officers

- 80 -

or employees of its or their right to proceed with such contract, transaction or act.

No contract, transaction or act shall be avoided by reason of any provision of this paragraph (i) which would be valid but for such provision or provisions.

(j) The corporation shall have all powers granted to corporations by the laws of The Commonwealth of Massachusetts, provided no power shall include any activity inconsistent, with the Business Corporation Law or the general laws of said Commonwealth and provided, further, that the corporation shall not engage in activity or exercise any power which would deprive it of any exemption from federal income tax which the corporation may receive under Section 501(c)(3) of the Internal Revenue Code.

(k) No part of the assets of the corporation and no part of any net earnings of the corporation shall be divided among or inure to the benefit of any officer or director of the corporation or any private individual or be appropriated for any purposes other than the purposes of the corporation as herein set forth; and no substantial part of the activities of the corporation shall be to carry on propaganda, or otherwise attempt, to influence legislation except to the extent that the corporation makes expenditures for purposes of influencing legislation in conformity with the requirements of Section 501(h) of the Internal Revenue uode; and the corporation shall not participate in, or intervent in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office. It is intended that the corporation shall be entitled to exempt from federal income tax under Section SO1(c)(3) of the Internal Revenue Code and shall not be a private foundation under Section SO9(a) of the Internal Revenue Code.

(1) Upon the liquidation or dissolution of the corporation after payment of all of the liabilities of the corporation or any provision therefor, all of the assets of the corporation shall be disposed of to one or more croanizations that are then exempt from federal income tax under Section 501(c)(3) of the internal Revenus Code.

(m) In the event that the corporation is a private foundation as that term is defined in Sectino 509 of the Internal Revenue then notwithstanding any other provisions of the articles of organization or the bylaws'of the corporation, the following provision shall apply:

- 6D -

÷.,

The directors shall distribute the income for each taxable year at such time and in such manuer as not to become subject to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Gode.

The directors shall not engage in any act of self dealing an defined in Section 4941(d) of the Internal dealing as defined in Section 4941(d) of the Internal Revenue Code, nor retain any excess business holdings as defined in Section 4948(c) of the Internal Revenue Code; nor make any investments in such manner ad to incur that liability infer Section 4944 of the Internal Revenue Code, nor make any taxable code in the Internal Revenue Code, nor make any taxable code in the Internal Revenue (n), AIT references never to the Internal Revenue Code shall be deemed to refer to the Internal Revenue Code of 1955, as now in force or hereafter amended.

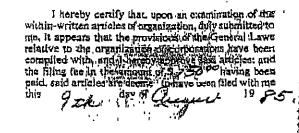
By-laws of the corporation have been duly adopted and the initial directors, president, treasurer and clerks whose names 7. 9.10 are set out below, have been duly elected. The effective date of organization of the corporation shall be the date of aling with the Secretary of the Common wealth or 8. if later date is desired, specify date, (not more than 30 days after the date of filing.) 9. The following information shall not for any purpose be treated as a periodite the follow Articles of Organization of the somoration. The post office address of the initial britten office of the composition of Adassaciuseds is: \$, 25 Aluine Street, Byoe Park, Boston, MA 02136 b. The name, relidence, and gost office address of each of the initial directors and following office aro as follows: NAME Residence [−]?©st ofi nas ves nega system fils ·• 1 (1) 法制备的保留管理主任 WARTS BY BUT BOLY M they in this President Charles 14 Wood Road Manopar Braintreé -1450 A.C.2 David Chin, 3:07" N.D 1 Corlath Stre Tressaver Needham, MA 0209 Roslindale, 1 Y Y 103 Jake Shote A Clerk: Melanie Kosich 25 Alpine dicon. ĂМ Byde 'Banks 0.20 Breit Charles F Distators: Dawid Chin Koslet Malanie c. The date initially adopted on which the corporation's fiscal year ends is: September 30 of each year, d. The date initially fixed in the by-laws for the annual meeting of stockholders of the corporation la: Second Wednesday in January in each year. The name and business address of the resident agent. If any, of the corporation is: τ. None IN WITNESS WHEREOF and under the penaltles of perjury the INCORFORATOR(S) sign(s) these Articles of Ormanization day of August chia 8th Atwood Dennis The signature of each incorporate which is not a unior "person must be a rindividual who shall show the capacity in which he acts and by signing shall represent under the penaktes of perfury that he is duly sufficient on its behalf to sign these Articles of Or Interivation. · Martinester · Martinester

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF ORGANIZATION

GENERAL LAWS, CHAPTER 1568, SECTION 12

. * 14



Effective date

14 0 1

MAY.23.2002

3:40PM

Secretary of State

PHOTO COPY OF ARTICLES OF ORGANIZATION TO BE SENT TO BE FILLED IN BY CORPORATION

TO:

Nancy F. Ator Ropes 4 Gray 225 Franklin Street 2110 Boston, Massachugatt 0 Telephone (617) 423-6100

FILING FEE: 1/20 of 1% of the total amount of the authoriz-d capital stook with par value, and one cent a share for all authorized shares without per value, but not less than \$125. General Laws, Chapter 150B Shares of slock with a par value less than one dollar shall be desmed to have par value of one dollar per share.

Cirry Motley

A TRUE

COP

WILLIAM FRANCIS GANAT

SECRETARY OF THE COMMON

A

5. Standing to Make Application

STANDING TO MAKE APPLICATION

Pursuant to 105 C.M.R. 100.306 of the Department of Public Health's Determination of Need ("DoN") regulations, attached please find documentation evidencing the Applicant's standing to make this DoN Application.

Exhibit A Evidence of Ownership

<u>Exhibit B</u>

Evidence of Zoning

Attachment/Exhibit

A

1's

Evidence of Ownership

FRC, Inc., a Massachusetts tax-exempt corporation is the record owner of the property at 100 North Beacon Street, Boston (Brighton), Massachusetts, the property at which the facility that is the subject of this application is located. Please see attached a copy of the deed into FRC, Inc. as recorded with the Suffolk County Registry of Deeds at Book 56490, Page 199.

<u>QUITCLAIM DEED</u>

WHC BOSTON, LLC, a Massachusetts limited liability company ("Grantor"), having an address of One Charles River Place, 63 Kendrick Street, Needham, Massachusetts 02494, for consideration paid in the amount of FOURTEEN MILLION SIX HUNDRED THOUSAND and 00/100 DOLLARS(\$14,600,000.00) the receipt and sufficiency of which is hereby acknowledged, hereby grants, with Quitclaim Covenants to FRC, INC., a Massachusetts corporation ("Grantee"), having an address of 800 Boylston Street, Suite 1150, Boston, MA 02199, all of Grantor's right, title and interest in and to that certain real property described on Exhibit A attached hereto and incorporated herein by this reference together with the building and improvements thereon (herein, collectively, called the "Real Property").

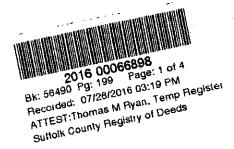
This conveyance is subject to all easements of record and the Conservation Restriction recorded with the Norfolk County Registry of Deeds in Book 19202, Page 340.

Being the same premises conveyed to Grantor by deed from CCP Properties Business Trust, dated May 13, 2016, and recorded with the Norfolk County Registry of Deeds in Book 56175, Page 251.

The Grantor is not taxed as a Corporation under Federal Income Tax Guidelines and therefore no Federal Income Tax is due.

[Signature Page Attached]

MASSACHUSETTS EXCISE TAX Sullout County District ROD # 001 Date: 07/26/2016 03:19 PM Cint 187 06740 Doc# 00066898 \$66,576.00 Cons: \$14,600,000.00



RETURN TO:

Maureen McGunigle Commonwealth Land Title Ins. 265 Franklin Street, 8th Floor Boston, MA 02110 2323 IN WITNESS WHEREOF, Grantor has hereunto set its hand and seal this 26th day of July, 2016.

liability company

WHC BOSTON, LLC, a Massachusetts limited

By: Name: Scott Schuster Title: President

Bv

Name: Tamilyn M. Levin Title: Chief Financial Officer & Treasurer

Commonwealth of Massachusetts

County of Norfolk, ss.

On this 26th day of July, 2016, before me, the undersigned Notary Public, personally appeared SCOTT SCHUSTER and TAMILYN M. LEVIN, as Authorized Real Estate Signatories of WHC BOSTON, LLC, personally known to me to be the persons whose names are signed on the preceding document, and acknowledged to me that they signed it voluntarily for its stated purpose as Authorized Real Estate Signatories of WHC BOSTON, LLC.

Notary Public: Maureen Sullivan Brinn

My commission expires: March 2, 2018



MAUREEN SULLIVAN BRINN Notary Public Commonwealth of Massachusetts My Commission Expires March 2, 2018

<u>EXHIBIT A</u>

A certain parcel of land in the Allston-Brighton Neighborhood District, Suffolk County, Massachusetts, containing approximately 130,605 square feet, which is shown on a subdivision plan of R.E. Cameron & Associates, Inc., dated February 10, 1992 and recorded with the Suffolk County Registry of Deeds in Book 18172, Page END, and which is more particularly bound and described as follows:

Beginning at a point at the northeasterly corner of North Beacon Street and that portion of the land that is 130 feet from Saunders Street;

Then southerly 236.60 feet; then curving southwesterly 306.76 feet and then continuing westerly 120.14 feet;

Then, continuing northerly 136.53 feet, westerly 105.48 feet and then northerly 228.75 feet north to the southerly side of North Beacon Street;

Then easterly along the southerly side of North Beacon Street 461.25 feet to the point of beginning.

Said premises also described as:

Beginning at a point on the South side of North Beacon Street, 88.00 feet Southwest of the intersection of Dustin Street and North Beacon Street, said point being the most Northwesterly corner of the described premises.

Thence S 70°55'33" E., 461.25 feet by North Beacon Street;

Thence S 23°25'27" W., 236.60 feet by land of Grace Ford, Frederick Lamarche, and Pomeroy Street;

Thence N 66°33'16" W., 33.77 feet by land of the Congregation of the Sisters of St. Joseph of Boston;

Thence on a curve to the left having a radius of 200.00 feet and a length of 272.99 feet by land of the Congregation of the Sisters of St. Joseph of Boston;

Thence N 68°12'24" W., 120.14 feet by land of the Congregation of the Sisters of St. Joseph of Boston;

Thence N 22°46'53" E., 136.53 feet by land of the Congregation of the Sisters of St. Joseph of Boston;

Thence N 67°13'07" W., 105.48 feet by land of the Congregation of the Sisters of St. Joseph of Boston;

Thence N 22°30'51" E., 94.27 feet by land of Pauline Cavallaro and John Annese, Sr.;

Thence N 22°41'18" E., 134.48 feet by land of John Annese, Sr. to the point of beginning.

Said premises are hereby conveyed together with the rights and easements appurtenant thereto set forth in the Sewer Easement Agreement dated February 17, 1993 and recorded with the Suffolk Registry of Deeds, Book 18053, Page 1, and the Sewer Easement taking approved April 20, 1915 and recorded in said Registry of Deeds in Book 3875, Page 626.

Commonly known as 100 N. Beacon St., Boston, MA

56175-251

Attachment/Exhibit

B

Evidence of Zoning

The use of the property owned by FRC, Inc. and located at 100 North Beacon Street, Boston (Brighton), Massachusetts is governed by the terms of a Boston Redevelopment Authority ("BRA") approved Planned Development Area designation ("PDA"), and an amendment to such PDA. The PDA provides that the facility may be used for a nursing home and accessory uses. See the attached materials of the BRA, including the BRA votes and the signed Map Amendment to the Zoning Map incorporating the terms of the PDA, all evidencing the facility's use for skilled nursing purposes.

BA AMORAL : 8/19/93 BC APPOLAL: 9/0/92 EFFECTIVE: 9/01/93

BOSTON REDEVELOPMENT AUTHORITY

Ϊ.,

August 19, 1992

DEVELOPMENT PLAN FOR

PLANNED DEVELOPMENT AREA NO. 42

WINGATE AT BRIGHTON 100 North Beacon Street Boston, Massachusetts

Bounded by North Beacon Street, by the land of the Sisters of Mount St. Joseph and by private parcels

CONTINENTAL HEALTHCARE. IV LIMITED PARTNERSHIP

1. <u>Developer and Proposed Owner</u>: Continental Healthcare IV L.P., ("CHC IV" and "the Company") 75 Central Street, Boston, MA 02109.

2. <u>Architect</u>: The Architectural Team, 50 Commandant's Way, Chelsea, MA 02150.

3. <u>Attorneys</u>: Shaevel & Krems, Suite 1250, 99 Summer Street, Boston, MA 02110.

4. <u>Description of Planned Development Area</u>: The area for which the Company applies for a Planned Development Area ("PDA") is described in <u>Exhibit 1</u> attached hereto. It encompasses the area of land at the North Beacon Street side of the property at 637 Cambridge Street, currently owned by the Congregation of the Sisters of St. Joseph of Boston (Sisters). The land is vacant and the address will be 100 North Beacon Street, Brighton, Mass.

It is bounded generally on the north by North Beacon Street and to the South by the land owned by the Sisters of St. Joseph, used as a Mother House and a high school Academy. The Sisters' remaining property would be approximately 11 acres. The area is further bounded on the east by private properties on North Beacon, Pomeroy and Saunders streets, and on the west by private properties on Dustin Street.

5. <u>General Description of Project and Project Site</u>: The Company proposes to erect on a portion of the PDA a 123 bed state of the art nursing home and rehabilitative care facility (together referred to hereinafter as the "Proposed Project"). The facility would be set on a lot consisting of 130,605 square feet (2.998 acres). The total square footage of the Proposed Project would be a 55,149 square foot building.

The site for the proposed PDA is presently used as a ballfield

and tennis courts by the students of Mt. St. Joseph's Academy. Both of these uses will be relocated to the adjacent parcel on the remaining property of the Sisters, an area that will not be part of the PDA.

6. <u>Plans; Proposed Building Elevations</u>: The relevant site plan and elevations for the project are in <u>Exhibit 2</u>.

7. <u>Proposed Location and Appearance of structures</u>: The new 123 bed nursing home facility will be a three-story, new fireproof construction structure of concrete block and plank construction. The building will have a flat roof which is sloped to drain, and the top of the roof structure will be approximately 35' above the top of ground floor elevation.

The building will be L-shaped consisting of two perpendicular wings. The wing parallel to North Beacon Street will house on the ground floor: the reception area, business office, therapy facilities, laundry, mechanical, boiler room, storage space, on the second floor: the kitchen, dining room, admissions office, hairdresser, and general activity space; and on the third floor: additional administrative and operational space.

The wing perpendicular to North Beacon Street will consist of three identical resident floors with 41 beds per floor including 3 private rooms per floor and 19 double rooms for a building total of 9 private rooms and 57 double rooms. Each floor will also be provided with a central nursing station, a resident day room, bathing areas, miscellaneous storage, and a resident/family lounge.

The exterior of the building will be principally red brick, which will be articulated with patterns of black brick and precast concrete as well as architectural fenestration. The building base is accentuated with recess brick banding and architectural detailed precast concrete underscored with a black brick pattern. Architectural precast concrete sills, jambs and arched heads border architectural fenestrations consisting of double hung and ornamental windows. Roof pediments are capped with architectural precast coping. Sloped roof areas anchoring North Beacon facade are clad with metal standing seam simulating copper clad roofs.

8. <u>Proposed location and Appearance of Open Spaces and</u> Landscaping:

a) <u>General</u>:

The Sister's property connects Cambridge Street in Brighton with North Beacon Street. The Academy and Convent buildings are located off Cambridge Street on the upland portion of the present site, while a baseball field and tennis courts are located at the North Beacon Street side, the site of the proposed PDA. Connecting

2

Cambridge Street and North Beacon Street is a narrow roadway lined with mature Norway Maple trees. These stately trees combined with the broad lawns of the playing fields create a park-like feeling to the entire North Beacon Street end of the property.

The Sisters' property was designated a Conservation Protection Subdistrict of the Allston-Brighton Neighborhood District under Article 51 to ensure that development on the site was sensitive to the significant natural features and that any new project place its building and site elements into the existing context of the Sisters' property and the neighborhood. The plan for the proposed new Wingate facility seeks to do just this. A sensitive building design with a plan to maintain the existing significant natural features by siting the building in a manner which protects the 'allee' of Norway maples, maintains and restores the shade trees at the edge along North Beacon Street, and combines a plan of protection and restoration for the Norway spruces throughout the site.

b) Siting of the Wingate facility: The L-shaped footprint of the Wingate long term care facility has been placed with the short end along North Beacon Street. This allows for the design of a primary vehicular entry gate on North Beacon Street on the easterly end. This primary entrance will serve as the only vehicular entrance to the site, used by staff, visitors and delivery people. The parking for the facility is on the interior of the site making the parked cars less visible from the street. A buffer area of twenty feet between parking areas and the Saunders Street neighbors provides room for evergreen screening.

Key to this site plan is the protection of the Norway maples 'allee'. The long end of the building is parallel to this existing significant natural feature and no portion of the Wingate facility is located closer than twenty eight feet to the centerline of the easterly row of Maple trees. This allows for a utility drainage corridor of ten feet prior to the drip line of the trees.

Along North Beacon Street the shade frees are located at the sidewalk edge and average forty feet away from the building foundation.

c) Siting the baseball field and the tennis courts for the Mount Saint Joseph Academy: Part of the overall design for the Wingate project is the relocation of the Mount Saint Joseph baseball field and two tennis courts. Three existing courts and one baseball field are presently located along North Beacon Street. The new baseball field will be oriented in a northerly direction on the large portion of the site between the Wingate facility and the Academy itself. It is well away from the Maple 'allee'. The two new tennis courts are oriented North/South and end to end to the west of the Maple 'allee'. Both new active recreation facilities will require some terracing to the site to accommodate the needed level areas. This means some architectural patterned concre walls of approximately four to seven feet high will be provide Walls, slopes, fencing and appurtenances will be integrated in the site with planting. Any slope steeper than three to one wi be stabilized. However, the baseball fields and tennis courts wi not be located within the PDA.

A paved opening connecting the rear CHC IV parking area a the roadway between the Maples has been centered between trees minimize its impact. The purpose of this opening is for emergen and minor service access. The parking area which connects to t roadway will be permanently closed by a chain and lock. Walkwa from the Wingate building have been centered between Maple trees well to reduce new pavement near the trunks of the Maple tree The long term use of the paved roadway between the maples will restricted to pedestrians with limited vehicle access. In order prevent additional vehicular traffic over the roots of the tree this 12 foot wide road was not considered as viable for vehicul site traffic.

Throughout the site similar precautions will be taken f individual trees to be saved. Specifically these include the Norway spruce trees along the Dustin Street side adjacent to the tennis courts, the Trees of Heaven at North Beacon Street and the Norway spruces which fall between the parking lot and ball field is the interior of the site.

d) <u>Restoration of trees</u>: Because the Wingate facility will require the loss of some trees, most importantly Norway spruce within the center of the site, the proposed landscape plan will specify specimen Norway spruces (8-10' in height) to be planted : configurations similar to those which exist upland at the Moun Saint Joseph Academy. These groupings of spruces will restore the pattern across the site of evergreens in lawn areas and will hel to integrate the proposed Wingate facility into the broade landscape context.

At North Beacon Street, high calibre shade trees which ca withstand urban conditions will be planted to ensure that there as long term specimen trees which have a strong street presence. The landscape plan proposes to plant a greater number of trees on the Wingate site that are lost due to its construction.

9. <u>Permitted Uses</u>: The PDA may be used for the following uses: a nursing home, and will include the following uses reception area, business office, therapy facilities, laundry, hous keeping, mechanical and storage space, a kitchen, dining room admissions office, hairdresser, general activity space, additiona administrative and operational space, nursing stations, bathir areas, parking areas and a resident family lounge. Although a nursing home use is a conditional use pursuant to Article 51, Table A, it will be an allowed use within the PDA pursuant to Article 51-39(4) and 51-38(1).

The use of the PDA as a nursing home, the other accessory uses listed in the above paragraph, and any other accessory or incidental uses associated with the operation of a nursing home shall be allowed uses within the PDA.

10. <u>Densities</u>: The total land area of the PDA is 130,605 square feet (2.998 acres). The PDA is made up entirely of land currently within a Conservation Protection Subdistrict ("CPS") of the Allston-Brighton Neighborhood District. The floor area ratios resulting therefrom are as follows:

| | Code | Proposed |
|-------------------------------|--|------------|
| | Conservation Protection <u>Subdistrict</u> | <u>PDA</u> |
| Zone Area | No Minimum | 130,605′ |
| Allowable FAR | .5 | .42 |
| Allowable Gross Floor Area | 65,302.5' | 55,149' |

11. <u>Projected number of Employees</u>: It is anticipated that CHC IV will generate about 280 construction jobs. Continental Healthcare IV, L.P. will make reasonable efforts to hire Boston and Allston-Brighton residents for construction jobs and permanent jobs for the proposed project.

Wingate at Brighton is expected to provide approximately 140 full and part time jobs of on a 7 days/week, 365 days/year basis. The Company also intends to implement a plan to attempt recruitment of Allston-Brighton residents for permanent positions.

12. <u>Proposed traffic circulation</u>: The main vehicular access will be at the northeastern corner of the site on North Beacon street. All traffic will enter the site at this location. However, the main entrance will be in the rear of the building so as to avoid the need for any use of North Beacon Street for parking, stopping or standing. A pedestrian access will also be provided adjacent to this vehicular access. A second vehicular egress will be provided by reusing the existing paved driveway and curbcut on the northwestern end of the site at North Beacon Street. This egress will be limited to emergency use and minor services.

A new decorative fence with brick piers will be provided on

North Beacon Street with a motorized gate at the main vehicular entrance. The gate is closed at night for security reasons and will be automatically operated. A manual gate will be provided at the secondary egress. The side and rear of the property will also be fenced with combinations of chain link and wood fences to provide on-site security.

The company has previously submitted to the Boston Redevelopment Authority a comprehensive Transportation and Access Plan produced by Howard/Stein-Hudson Associates.

13. <u>Proposed parking facilities</u>: The proposed project would have 70 parking spaces located on the nursing home premises, the access to which would be from North Beacon Street.

14. <u>Proposed loading facilities</u>: There will be two offstreet loading bays shielded by a brick wall from street view.

15. Access to Public Transportation: The transit service in the North Beacon Street area in the vicinity of the proposed site consists primarily of bus service. Several MBTA bus lines are within walking distance to the site to serve employees and visitors. The following bus routes access the site with the following routes:

- #57 Watertown Square to Kenmore Square via Newton Corner and Brighton Center;
- #63 Cleveland Circle to Central Square via Market Street;
- #64 Oak Square to Central Square, Cambridge or Kendall/ Massachusetts Institute of Technology (MIT) via North Beacon Street;
 - #66 Allston, Union Square to Dudley via Brookline Village
- #86 Sullivan Station to Union Square, Allston (via Harvard/Johnson Gate).

Of these bus lines, Bus #64 passes directly by the site, travelling from Oak Square to MIT during the day, connecting to the Red Line at Central Square, with a frequency of 18-30 minutes. On evenings and weekends, the bus travels only as far as Central Square and has a frequency of one hour.

16. <u>Proposed dimensions of Structures</u>: The dimensions of the Project are shown on the attached Plans, Exhibit 2.

17. <u>Financing</u>: Wingate at Brighton will be financed through Continental Health Care's sister subsidiary, Continental Wingate Associates, a HUD-approved lender under HUD's Section 232 mortgage insurance program. The mortgage will be HUD insured under the Section 232 mortgage insurance program. The mortgage insurance application has been filed with the Department of Housing and Urban Development ("HUD") under Section 232 and is awaiting final approval. .18. <u>Zoning</u>: The PDA would be located in a Conservation Protection Subdistrict ("CPS") of the Allston-Brighton Neighborhood District pursuant to Article 51 of the Boston Zoning Code. Although a nursing home is a conditional use within the CPS pursuant to Article 51, Table A, it will be an allowed use within the PDA pursuant to Article 51-39(4) and 51-38(1), and therefore will not require action by the Zoning Board of Appeals.

a. Zoning Requirements:

| Use Regulation Nursing Home | <u>BZC</u> Art. 51, Table A Conditional | Proposed Development PDA Authorized use per Art. 51-39(4) and Art. 51-38(1) |
|--------------------------------|---|--|
| Min. Lot Size | None (Art. 51) (Table H) | (N/A) 130,634′ (2.998 acres) |
| Min. Lot Width | None (Art. 51) (Table H) | 460' |
| Min. Lot Frontage | None (Art. 51) (Table H) | 460' |
| <u>Yards</u> | | |
| Front | 20' (Art. 51) (Table H) | 301 |
| Side | None (Art. 51) (Table H) | 907-0" |
| Rear | None (Art. 51) (Table H) | 41'-0" |
| FAR | .5 (Art. 51) (Table H) | .42 FAR |
| | 65,302.51 | 55,149' |
| Bld. Height | 45' (Art. 51) (Table H) | 35' |
| Stories | None (Art. 51) (Table H) | 3 |
| Max. Lot Coverage | None (Art. 51) (Table H) | N/A (±16%) |
| Min. Open Space | None (Art. 51) (Table H) | N/A (±34%) |
| | | |

7

| Parking & Loading Facilities | Determined In Art. 31 Review per Art.51-49 | Parking - 70 Spaces Loading Bays 2 |
|---------------------------------|--|---------------------------------------|
| | • | |

Signs

11-2(b) 20 sq. ft. 20 sq. ft.

19. <u>Environmental Review:</u> Anticipated permits required from other local, state, and federal entities: Note: Application for each permit listed below may be filed unless further analysis indicate that such permit is not required.

- A. Site plan and Development review pursuant to Article 51 and Article 31 of the Boston Zoning Code.
- B. Department of Public Health (Determination of Need) office has issued exemption from Certificate of Need. DON #4-6012 and DON #4-6014.
- C. Environmental Notification Form has been filed with the Massachusetts Executive Office of Environmental Affairs and an initial determination not requiring an Environmental Impact Report has been issued by the Secretary. A Notice of Project Change letter was filed with the Executive Office of Environmental Affairs on August 13, 1992, stating that there will be 70 parking spaces, and not 90, as was specified in the Company's original Pursuant to Article 51-13 Site Plan Review ENF. and Article 31 and Article 51 Development Review with the Boston Redevelopment Authority it was determined that 90 parking spaces are not necessary, and their reduction will preserve more open space on the site.
- D. Department of Environmental Quality Engineering

Division of Water Pollution Control Sewer Connection Permit if project generates more than 2,000 gallons per day of waste

E. <u>Massachusetts Water Resources Authority</u> <u>Exemption</u> possible from obtaining Industrial User Permit

Joint direct connection permit or sewer extension

permit

- F. <u>Boston Water and Sewer Commission</u> Water and Sewer Connection Permit
- G. <u>Boston Public Works Department Permits Division</u> Permits for Temporary Occupancy, Removal, and Replacement of Sidewalks, Street Openings and Curb Cuts
- H. <u>Boston Transportation Department</u> Traffic Access Plan Construction Management Plan Note: part of Article 31 review
- I. <u>Inspectional Services Department</u> Building Permit

20. Land Use: Please refer to Paragraph 7 above.

21. <u>Scheduling</u>: The CHC IV wishes to commence construction of the Project as soon as possible. The estimated time to complete construction, once commenced, is 12 to 16 months.

22. <u>Legal Information</u>: The development entity and owner of the land is Continental Healthcare IV Limited Partnership.

a. Continental Healthcare IV L.P. ownership structure is as follows:

Continental Health Care, Inc.: General partner: 1%

Gerald Schuster: Limited Partner: 84%

Scott Schuster: Limited Partner: 15%

The operator of the facility and lessee of the real estate will be Wingate at Brighton, Inc., a Mass. corporation.

b. Description of any legal judgements or actions pending concerning the project:

- none

c. History of tax arrears on property owned in Boston by developer and owner:

- none

d.

Legal description of the parcel to be developed and evidence of site control:

- the site is presently owned by the Congregation of the Sisters of St. Joseph, a tax-exempt, non-profit religious organization.

- Continental Health Care has entered into a purchase and sale agreement with the Congregation of the Sisters of St. Joseph to purchase the property. The property is shown with metes and bounds on the attached Surveyor's Plan, Exhibit 1, page 2, prepared by R.E. Cameron & Associates, registered surveyors.

23. <u>Community and abutter support</u>: As a result of numerous neighborhood public meetings, Continental Healthcare has been able to demonstrate a substantial level of community support for the proposed project, particularly from immediate abutters of the PDA. Please see Exhibit 3 for a listing of all public meetings held to date, and for a description of those supporting the proposed project.

24. Public Benefits:

a. Property Tax Increase:

The property is presently owned by a tax-exempt institution and yields no real estate tax revenues to the City of Boston. Our present estimates indicate that the proposed Wingate at Brighton, a for-profit entity, may yield tax revenues in excess of \$100,000 per year to the City of Boston.

b. Long Term Care:

Possibly the greatest benefit to the community will be the presence in the neighborhood of a new, stateof-the-art, long-term care facility. Although the Allston/Brighton community has several existing nursing homes, they are all older facilities serving primarily intermediate and rest home level patients or special populations including head injured and ventilator dependent patients. As the population continues to age, the need for skilled nursing beds is becoming increasingly important. Communities in which new long-term care facilities are developed will enjoy the benefits of nursing services in their community. This avoids the need for family, relatives, and friends to travel long distances to visit residents, and will enable residents to maintain strong ties within their community.

Long-term care facilities are prohibited from discriminating in their admission policies. However, it is the common experience in Massachusetts that most nursing homes are community-based and that a substantial portion of their residents come from the immediately surrounding community. Also many residents, if not from the immediate area, will be related to Allston Brighton residents. Seventy percent (70%) of the beds, pursuant to Department of Health Regulations, will be devoted to Medicaid patients.

c. Neighborhood stabilization:

The use of this site as a nursing home will help define North Beacon Street as the edge of a residential area. North Beacon Street's usage identity is undefined due to the mix and variety of residential, commercial, retail, wholesale, and industrial presently located on the street. The addition of a nursing home, which is primarily a residential use, will reinforce the residential single and multifamily character of the south side of the street, and clarify the separation of the residential from the commercial uses.

d. Security

The site has been abused for many years by outsiders to the detriment of the Sisters of St. Joseph and of the immediate abutters. Complaints about unauthorized and unpleasant activities on the site have been numerous and frequent. The 24-hour presence of Wingate at Brighton and the monitored fencing of the site should alleviate this ongoing neighborhood problem.

e. Employment Benefits, Please see Part 11, above.

f. Community Participatory Process

Continental Healthcare will initiate and maintain a dialogue with members of the community. It will solicit their feedback both during and after construction of the proposed project, and during the operation of the facility.

g. Conservation Restriction

A specific conservation restriction will be granted

by Continental Healthcare to the Boston Redevelopment Authority so that the area fronting on North Beacon Street from and including the "tree allee" to the western property line may be maintained as landscaped open space.

h. Neighborhood Beautification

The applicant will provide twenty-four (24) street trees at locations to be chosen by the Boston Redevelopment Authority.

i. Neighborhood Scholarship Programs

The applicant will provide scholarships to Allston-Brighton students. Please see Exhibit 4.

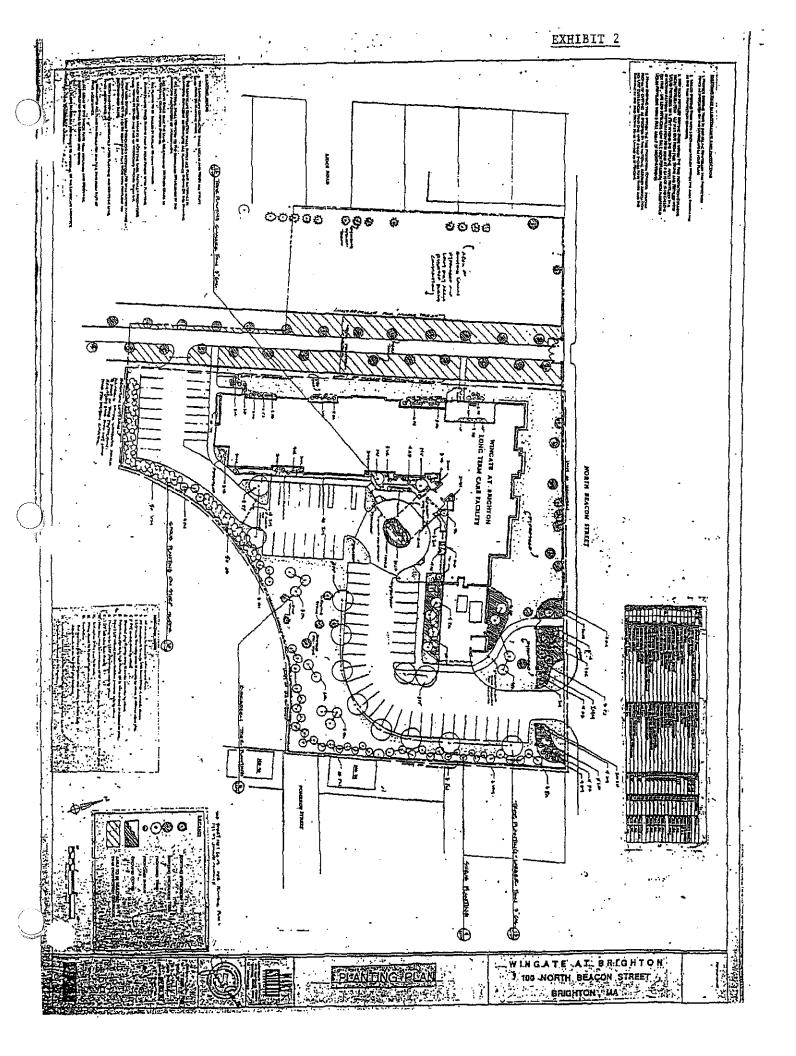
25. <u>Other conditions</u>: As part of the public participatory process, the applicant has agreed to certain conditions covering a conservation restriction, neighborhood beautification, marketing of facilities for Allston-Brighton residents, Scholarship program for Allston-Brighton students, a project community task force, reasonable efforts for employment of Boston and Allston-Brighton residents. Please see Exhibit 4.

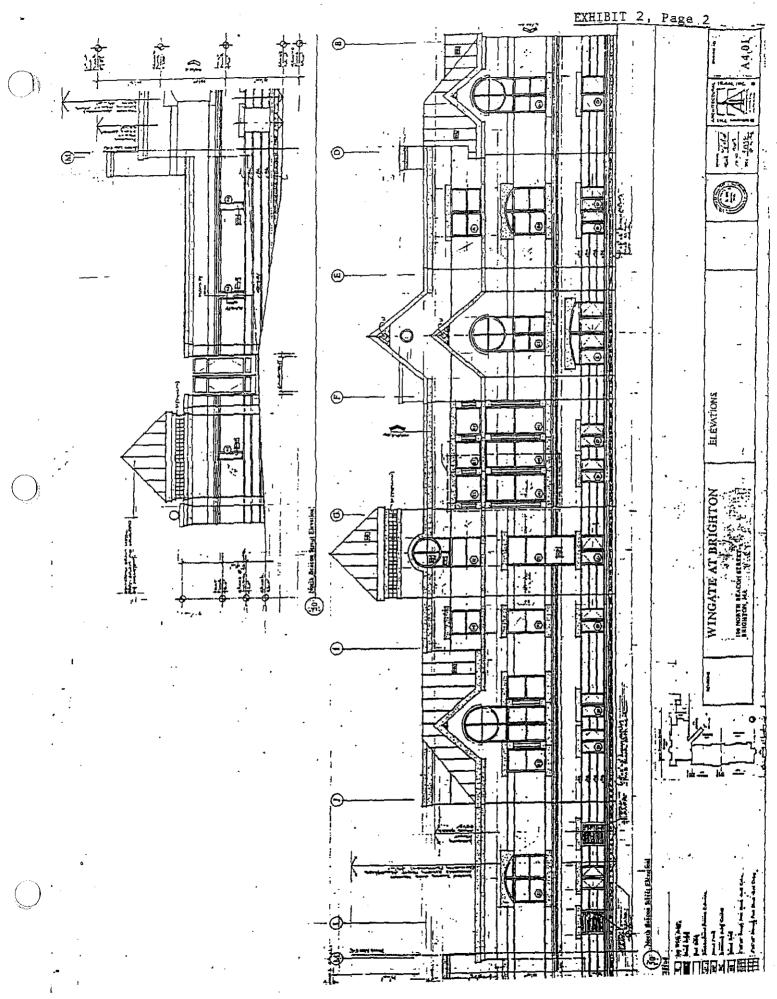
hdevel.hjc

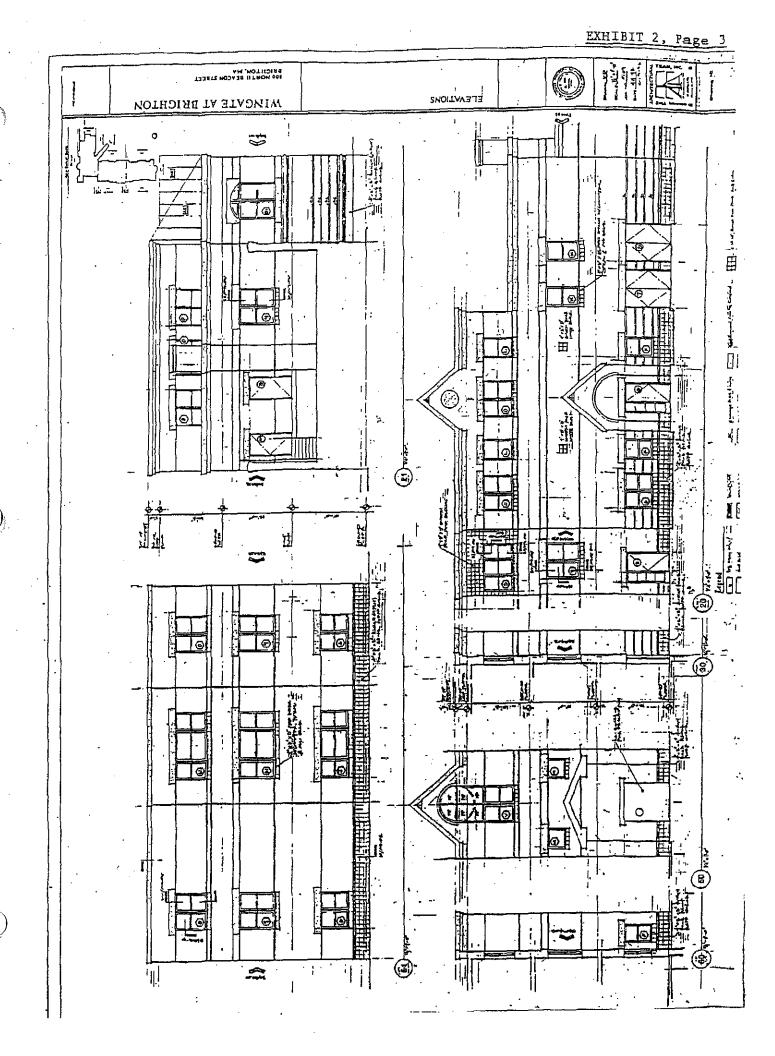
LIST OF EXHIBITS

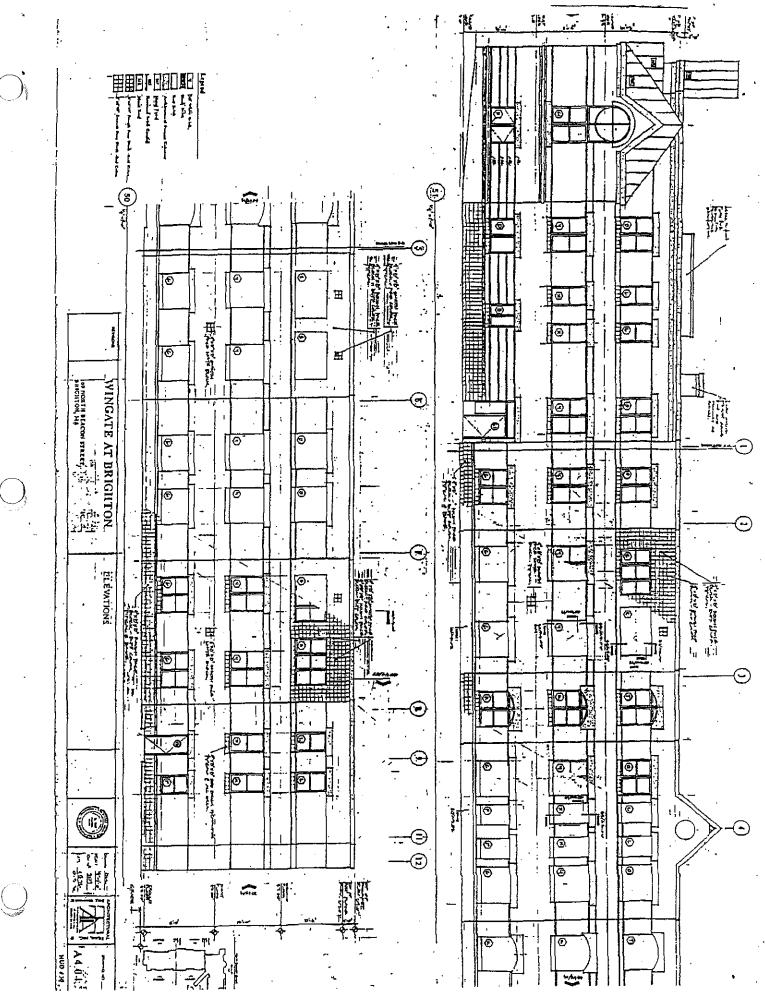
Exhibit 1 - Description of PDA By Metes & Bounds and Topographic Site Plan Exhibit 2 - Site Plan and Elevations Exhibit 3 - Community Support and Public Meetings Held

Exhibit 4 - Agreed Conditions









)

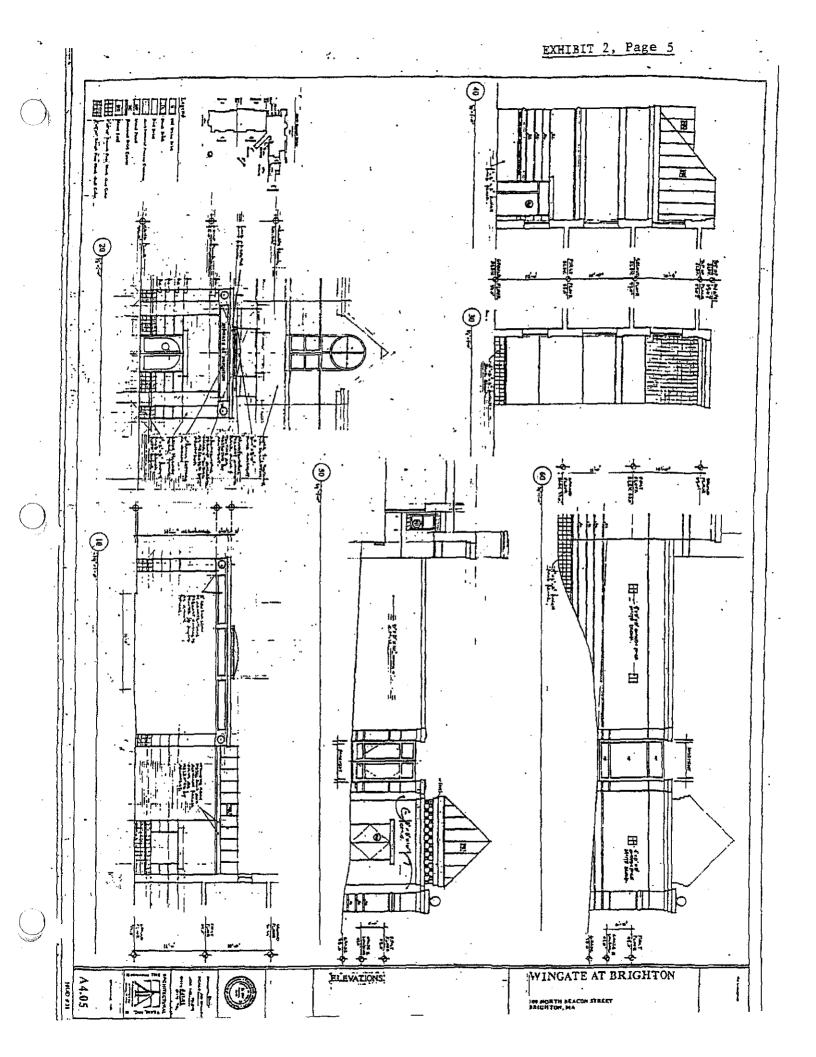


EXHIBIT 3

It should be noted that as a result of the numerous neighborhood public meetings, Continental HealthCare has been able to demonstrate a substantial level of community support for the facility, particularly from immediate abutters who continue to experience difficulty with the current unauthorized and abusive use of the property. Over 160 abutters or nearby neighbors, residential as well as commercial, have signed petitions in support of the project. Additionally, over 1300 numerous Allston/Brighton elderly residents have also signed petitions of support. Copies of some of these petitions have previously been given to the BRA.

The following is a list of public meetings held to date:

| <u>Date</u> 09/26/89 | <u>Location</u> Mt.St.Joseph Academy | <u>Group</u> General open neighborhood mtg. |
|-------------------------|---|---|
| 12/12/89 | Mt.St.Joseph Academy | Dustin Street abutters |
| 12/13/89 | Mt.St.Joseph Academy | Saunders Street abutters |
| 04/90 | Brighton Police Sta. | Brighton/Allst. Improv. Assoc. |
| 12/90 . | Mt.St.Joseph Academy | MEPA public meeting |
| 05/22/91 | McNamara House Elderly | |
| | Housing | Residents |
| 05/23/91 | Mt. St. Joseph Academy | Neighborhood meeting |
| 06/04/91 | Veronica Smith Senior | |
| | Center | Residents |
| 06/06/91 | Pat White Bld. | |
| | Elderly Housing | Residents |
| 06/12/91 | Camelot Court | · · · · · · · · · · · · · · · · · · · |
| | Elderly Housing | Residents |
| 06/14/91 | Fidelis Way | Residents |
| 06/91 | Governor apts. | |
| | Elderly Housing | Residents |
| 06/91 | Comaneu Apts. | |
| 00/04/01 | Elderly Housing | Residents |
| 06/24/91 | Mt.St.Joseph Academy VFW Post | General open neighborhood mtg. Allston Civic Association |
| 07/16/91 01/92 | Mt.St.Joseph Academy | Abutter meeting |
| 05/05/92 | Mt. St.Joseph Academy | Neighborhood meeting |
| 06/92 | Bri./Alls.Police Sta. | Brighton/Allston Improvement |
| 00/ 52 | bii./Aiis.foiice Sta. | Assoc. |
| 07/92 | Theresa Hines | Brighton Allston Improvement |
| 0.732 | THAT ADD WINGD | Assoc. |
| 07/29/92 | Brighton police Statn. | Brighton/ Allston Improvement |
| ., ., ., | | Assoc |
| 8/92 | City Hall | Brighton Allston Improvement |
| -, | | Assoc. |
| 08/04/92 | Hatherly Road | Brighton Allston Improvement |
| · · · · | | Assoc. |
| 08/05/92 | Veronica Smith Sen. | Elderly community |
| | | |

EXHIBIT 3, Page 2

Most of the above meetings were voluntarily initiated by Continental Health Care in accordance with its ongoing efforts to maintain a dialogue with the community.

WINGATE AT BRIGHTON

PROPOSED CONDITIONS OF APPROVAL

1. Open Space/Conservation Protection Area

The applicant agrees to grant a conservation restriction pursuant to M.G.L. c. 184 sections 31 through 33 to the Boston Redevelopment Authority to prevent the construction of any future buildings or structures excepting structures devoted to recreational uses or excepting drainage, utility, or emergency access uses. The specific area and specific terms of the restriction and uses allowed within the area shall be approved by the Director of the Boston Redevelopment Authority but generally will encompass the area outlined in the attached exhibit A.

2. <u>Neighborhood Improvements</u>

The applicant agrees to supply and plant a total of 24 street trees at locations in Allston/Brighton chosen by the Boston Redevelopment Authority. The Boston Redevelopment Authority shall be responsible to secure any municipal permits required to plant these trees.

3. Marketing of Facility For Allston/Brighton Residents

The Applicant will solicit patients for the facility by targeting Allston/Brighton residents. This outreach shall include efforts with hospitals and their discharge planners to encourage them to refer Allston-Brighton residents to the facility, in addition to marketing the facility to existing elderly housing developments and community-based senior service centers in order to encourage utilization by Allston/Brighton residents.

4. <u>Scholarship Program For Allston/Brighton Students</u>

The applicant will create a scholarship program to assist Allston/Brighton residents in pursuing a career in the field of health care as follows:

1) During the first year of operation, the applicant will offer financial assistance up to five Allston/Brighton residents to cover the cost of Certified Nurse Aide (CNA) Training Program and assist them in preparing for the state examination. Subject to passing the CNA state examination, Wingate at Brighton will offer the five recipients positions as Nurses Assistants in the facility.

2) The applicant shall also offer a scholarship program to an Allston/Brighton resident who has been accepted into a nursing program to prepare themselves for licensure as a Licensed Practical Nurse (LPN). Wingate at Brighton will provide to the student up to 50% of tuition and book cost per academic year, up to \$1,000 annually. This scholarship is conditioned on the student being a current employee, full or part-time, of the applicant, remaining a student in good standing and displaying a commitment to work for the applicant as an LPN for two years. Once the student has successfully completed his or her training and has successfully passed the relevant state licensure exams, the student will be offered a staff position with the applicant. This scholarship shall be renewed and awarded to subsequent students as each recipient completes his or her educational program.

5. <u>Project Task Force</u>

A Community Project Task Force representing the entire community and abutters shall be established by the Boston Redevelopment Authority. The Task Force shall be chaired by one of the abutters and will meet as necessary with the applicant to discuss issues during the construction period and community concerns regarding the operation of the nursing facility after construction.

The Community Task Force shall consist of seven persons. Three persons shall be chosen from three different Allston/Brighton Civic Associations. Three persons shall be chosen from abutters to the Nursing Home and/or abutters to the Sisters of St. Joseph's property. One person shall be chosen from the Congregation of the Sisters of St. Joseph and one person shall be from the Applicant.

6. EMPLOYMENT OPPORTUNITIES

A. <u>Construction Employment</u>

The Applicant shall undertake reasonable efforts to hire Boston and Allston/Brighton residents for construction employment. The applicant shall also request the general contractor and subcontractors to make reasonable efforts to hire Boston and Allston/Brighton residents. The applicant, upon request, shall report the results to the community project task force.

B. Permanent Employee Recruitment Plan

The applicant shall undertake reasonable efforts for recruitment of Allston/Brighton residents for permanent employment for all wage and salary levels of employment. The applicant will coordinate with Allston/Brighton job placement programs. The applicant shall also do the following:

 At the commencement of construction, a sign will be placed at the site identifying the phone number to call for information about jobs and placement in the facility.

2) A recruitment office will be set up in Brighton approximately 70 days before the completion of the project. Announcements that the office is open will be made via the local papers and community bulletin boards.

3) Help Wanted advertising will be placed in local papers and newsletters two weeks prior to ads being placed in newspapers outside of the local area. Publications such as the Allston Brighton Journal, the Tab, and local church bulletins will be used. Should certain positions not be filled by local efforts, these positions will be advertised elsewhere.

4) Recruitment staff will speak at local high schools regarding part-time positions available after school. A volunteer program will also be established to give students and community residents an opportunity to work in and learn more about Wingate at Brighton and the care of its residents before seeking employment in the facility.

5) Wingate at Brighton staff will contact the City of Boston's Office of Jobs and Community Service to identify local residents interested in employment in the facility.

6) Upon request of the Boston Redevelopment Authority, the Applicant shall provide written confirmation of efforts to promote job opportunities to residents of Allston/Brighton and shall appoint a person to ensure compliance.

wab.1

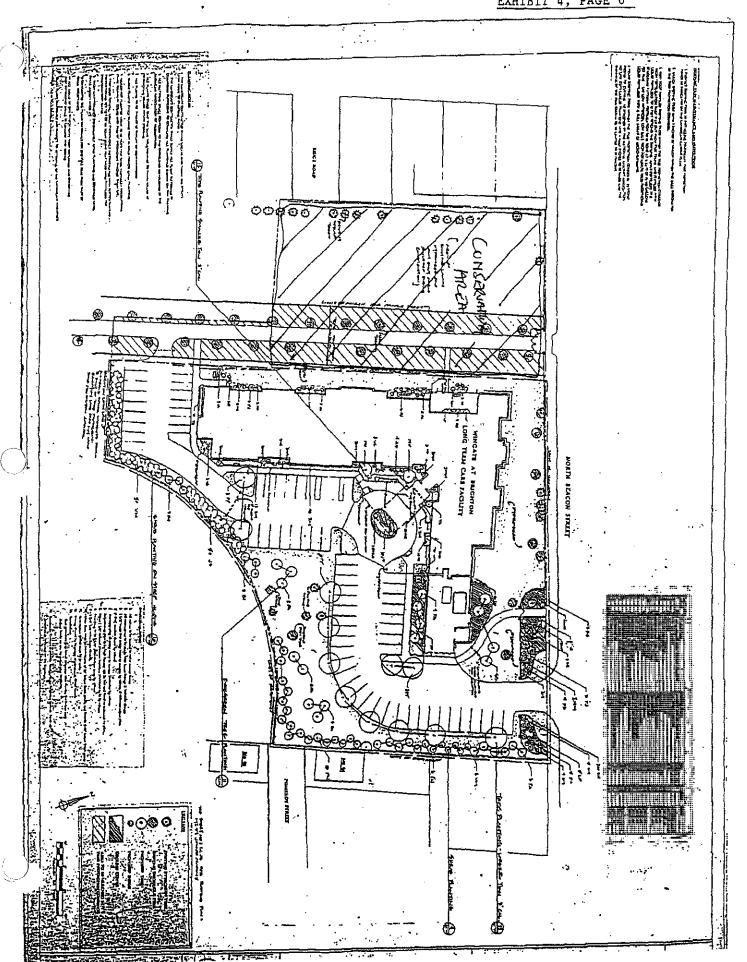


EXHIBIT 4, PAGE 6

こうにとじとし 2

Fact Sheet

8/19/92

Developer:

Development Plan for Planned Development Area No.42

Wingate At Brighton Nursing Home 100 North Beacon Street, Brighton, MA

Continental Health Care IV L.P.

Proposed Project:

New construction of a 123-bed nursing home of approximately 55,000 gross square feet on three floors in addition to a 70-space parking lot.

Site:

3 acres, bordered by North Beacon Street to the north, the campus of Mount Saint Joseph Academy to the south and residential properties located on North Beacon and Pomeroy Streets to the east and on Dustin Street to the west.

Development Cost: \$7.9 million

Benefits:

Neighborhood Beautification:

24 tree plantings along North Beacon Street

Housing:

Taxes:

Minimum of 70% Medicaid Patients - shall make every effort to admit Medicaid patients from the urban area in which it is located.

Construction Jobs: 280

Approximately \$100,000 taxes from previously tax-exempt land

Permanent Jobs: 110

Conservation Easement:

Retain open space

FAR:

.42

Underlying Zoning:

Allston-Brighton Neighborhood District, Conservation Protection Subdistrict Building Height:

3 stories, approximately 35 feet

Parking:

70-space parking lot

Necessary Approvals:

Development review (Article 31) & site plan review (article 51, Sections 51-10 through 51-13), to be combined.

Approval of Development Plan by the Boston Redevelopment Authority

Approval of Development Plan and designation of Planned Development Area by the Boston Zoning Commission

<u>Necessary Zoning</u> <u>Relief:</u>

Approval of nursing home conditional use through approval of Development Plan and Planned Development Area designation.

<u>Construction</u> <u>Timetable</u>:

Estimated Start of Construction: 1992 -IV

Estimated Completion of Construction: 1993-IV

Construction Sequence:

N/A

MEMORANDUM

Voted

AUGUST 19, 1992

- TO: BOSTON REDEVELOPMENT AUTHORITY AND THEODORE CHANDLER, ACTING DIRECTOR
- FROM: GERARD KAVANAUGH, ASSISTANT DIRECTOR FOR INSTITUTIONAL PLANNING AND DEVELOPMENT RICHARD MULLIGAN, PROJECT COORDINATOR AARON SCHLEIFER, HOUSING ANALYST
- SUBJECT: WINGATE AT BRIGHTON NURSING FACILITY, 100 NORTH BEACON STREET, BRIGHTON.
- SUMMARY: PUBLIC HEARING ON WINGATE AT BRIGHTON. THE DEVELOPER, CONTINENTAL HEALTH CARE, INC. SEEKS A PLANNED DEVELOPMENT AREA DESIGNATION FOR A PARCEL OF LAND AT 100 NORTH BEACON STREET, BRIGHTON, TO ALLOW FOR A LONG-TERM NURSING HOME.

INTRODUCTION

Continental Health Care IV Limited Partnership (CHC IV), the principals of which are Gerald Schuster and Scott Schuster, seek a Planned Development Area (PDA) designation for a parcel of land at 100 North Beacon Street, Brighton. The parcel, which consists of approximately 130,605 square feet (approximately 2.9 acres), is bounded generally by North Beacon Street, Dustin Street and Saunders Street in Brighton.

The proposed Planned Development Area is governed by Article 51 of the Zoning Code (Allston-Brighton Neighborhood District). The project site is situated within a Conservation Protection Subdistrict. The proposed project's use is classified as a Nursing Home, which is a conditional use in the Conservation Protection Subdistrict. Authorization for the Nursing Home use is sought as part of the request for approval of the Development Plan pursuant to Section 51-39 of the Code. Because the proposed project is situated within a Conservation Protection Subdistrict, it also requires site plan review pursuant to Section 51-13 of the Zoning Code. Section 51-13.3 allows site plan review to be conducted as part of the development review process, which the project will require pursuant to Section 51-43.1 and Article 31 of the Zoning Code.

PROPOSED PROJECT

The proposed project consists of a nursing facility in a single, three story structure, to be comprised of 123 beds. The facility will be L-shaped with two perpendicular wings, each approximately 35 feet in height, and will contain approximately 55,000 square feet of gross floor area. (See renderings attached)

The wing parallel to North Beacon Street will consist at the ground floor of the following: reception area, business office, therapy facilities, laundry, mechanical/boiler room, and storage space. The second floor will consist of: kitchen facilities, dining room, admissions office, hairdresser, and general activity space. The third floor will consist of administrative and operational space.

The wing perpendicular to North Beacon Street will consist of three identical resident floors with 41 beds per floor, including 3 private rooms per floor and 19 double rooms per floor for a building total of 9 private rooms and 57 double rooms. Each floor will also be provided with a central nursing station, a resident day room, bathing areas, miscellaneous storage, and a resident/family lounge.

Parking for the facility will consist of surface parking for 70 autos. The surface parking lot will be located within the interior of the site, so that the parked cars will be less visible from the street. A buffer area of twenty feet between parking areas and the Saunders Street neighbors provides ample area for evergreen screening.

PROJECT FINANCING

The projected development cost for the Wingate at Brighton Nursing Home is \$7.9 million and will be financed through Continental Health Care's sister subsidiary, Continental Wingate Associates, a HUD-approved lender under the Section 232 Mortgage Insurance Program.

DEPARTMENT OF PUBLIC HEALTH

The proposed project has secured all necessary approvals to date from the State's Department of Public Health (DPH). As required of DPH, the nursing home will maintain a 70% Medicaid census according to the current regulations, 105 CMR: Massachusetts Department of Public Health 100.610(D). The facility will be subject to audit through the Massachusetts Rate Setting Commission and the Department of Public Welfare.

COMMUNITY REVIEW

The community process in Brighton concerning the proposed project formally began in the spring of 1989. To date, twenty-two public meetings have been held in the Brighton community. The developer has presented the proposal to the Allston Civic Association, the Brighton-Allston improvement Association, and numerous abutting neighbors. The Allston Civic Association has endorsed the proposed project, as have a majority of abutters to the site. The Brighton-Allston Improvement Association still has outstanding concerns which have not yet been addressed to its satisfaction. Such concerns relate specifically to the accessibility of proposed open space and community benefits.

PUBLIC BENEFITS

A significant public benefit to the community is the retention of a large area, currently proposed to be approximately 31,000 square feet which will be placed under a conservation restriction, thereby ensuring that the land will forever remain in its natural and undeveloped state. The conservation restriction will be subject to the approval of the Boston Conservation Commission. This area will be accessible through a main secured gate and will contain benches for the quiet enjoyment of the residents of the nursing home, surrounding neighbors, and Allston-Brighton residents. Moreover, the building is sited so that it preserves existing open space and landscaping, including the noted existing "allee" of trees which publicly identifies the property.

The developer has also agreed to plant 24 street trees along North Beacon Street to improve its aesthetic quality and character.

The project as proposed will create approximately 280 construction jobs, and approximately 110 permanent employment opportunities. The developer has agreed to advertise in local Allston-Brighton newspapers to solicit local residents for permanent employment opportunities.

The developer will attempt to market the nursing home beds to Allston-Brighton residents through available mechanisms within Boston hospitals in order to maximize the benefit of the home to local residents.

The developer has agreed to provide five scholarships to Allston-Brighton residents for the completion of the Certified Nursing Assistant (CNA) training program, and 1 continuing scholarship for the completion of the Licensed Practical Nurse (LPN) Program. The developer will guarantee employment to these individuals following the completion of their educations.

TRANSPORTATION

The proposed project will generate a modest amount of increased traffic. The developer has met with the City of Boston Transportation Department and will enter into a Transportation Access Plan Agreement to mitigate any potential impacts from the project. Pursuant to the City's Construction Management Program, the developer will also enter into a Transportation Maintenance Program to manage construction traffic during the construction period.

ON-GOING COMMUNITY REVIEW

An agreement has been made that a community task force will be formed by the BRA and the Mayor's Office of Neighborhood Services. Such task force will be comprised of Allston-Brighton residents, and will oversee construction of the facility, after which it will monitor the operation of the facility.

APPROPRIATE VOTES FOLLOW:

VOTED:

That in connection with the Development Plan for 100 North Beacon Street, Brighton (the "Proposed Project"), presented at the public hearing duly held at the offices of the Authority on August 19, 1992. and after consideration of the evidence presented at that hearing, the Boston Redevelopment Authority, pursuant to Section 51-41 of the Zoning Code, finds that (1) the Development Plan complies with the provisions of Section 51-37 through 51-42 of the Zoning Code; (2) Development Plan conforms to the Allston-Brighton the Neighborhood Plan and the general plan for the City of Boston as a whole; (3) the Proposed Project described in the Development Plan is in compliance with the FAR limits set forth in Section 51-38 of the Zoning Code; and (4) on balance, nothing in the Development Plan will be injurious to the Allston-Brighton neighborhood or otherwise detrimental to the public welfare, weighing all the benefits and burdens:

AND FURTHER VOTED:

That pursuant to the provisions of Section 3-1A and Sections 51-37 through 51-42 of the Zoning Code, the BRA hereby approves the Development Plan for 100 North Beacon Street, Brighton. Said Development Plan is embodied in a written document entitled "Development Plan for Planned Development Area No. 42, Wingate at Brighton, 100 North Beacon Street, Boston, Massachusetts," dated

August 19, 1992, and in a series of plans listed in an exhibit of said document; said document and plans shall be on file in the offices of the Authority;

AND FURTHER VOTED:

That the BRA authorizes the Director to petition the Zoning Commission of the City of Boston for a Planned Development Area overlay designation for the parcel of land which is the subject of the Development Plan for the Planned Development Area and to execute in the name and on behalf of the Authority all agreements and documents required, all in the Authority's usual form, with the developer of said Planned Development Area. Such agreements and documents shall include such terms and conditions as the Director deems appropriate and in the best interests of the Authority, execution and delivery of such agreements or documents or the taking of any such action to be conclusive evidence of his determination and of the authority granted to him hereunder. Such agreements and documents shall be on file in the office of the Authority;

AND FURTHER VOTED:

That the BRA hereby authorizes the Director to certify, in the name of the Authority, that any plans submitted to the Commissioner of City of Boston Inspectional Service Department in connection with the Development Plan are consistent with the approved Development Plan, at such time as the Director determines that such plans are thus consistent, his certification of such to be conclusive evidence of his determination and of the authority granted to him hereunder:

AND FURTHER VOTED:

That the BRA hereby authorizes the Director to certify, in the name of the Authority, that the Proposed Project complies with the Development Review Requirements and site plan review requirements of the Zoning Code, at such time as the Director determines that the Proposed Project thus complies, his certification of such to be conclusive evidence of his determination and of the authority granted to him hereunder; provided, however, that final design review of the Proposed Project shall not be granted prior to the execution of a Transportation Access Plan Agreement with the Boston Transportation Department, and any other necessary agreements.

Map Amendment Application No. 344 Planned Development Area No. 42 Boston Redevelopment Authority in behalf of Congregation of Sisters of Saint Joseph of Boston and Continental Healthcare IV Limited Partnership Allston-Brighton Neighborhood District: Mount Saint Joseph Academy CPS "D" Designation at 100 North Beacon Street

MAP AMENDMENT NO. 284

THE COMMONWEALTH OF MASSACHUSETTS

EFFECTIVE SEPTEMBER 21, 1992*

CITY OF BOSTON

IN ZONING COMMISSION

The Zoning Commission of the City of Boston, acting under Chapter 665 of the Acts of 1956 as amended, after due report, notice, and hearing, and after due consideration of the findings of the Boston Redevelopment Authority adopted on August 19, 1992, does hereby approve the Development Plan for Planned Development Area No. 42, and amend "Map 7A," "Map 7B," and "Map 7D," all entitled "Allston-Brighton Neighborhood District," of the series of maps entitled "Zoning Districts City of Boston," dated August 15, 1962, as amended, as follows:

By granting the designation "D", indicating a Planned Development Area overlay district, to the parcel of land in the Allston-Brighton Neighborhood District which is bounded generally as follows: northerly by North Beacon Street; westerly by the rear lines of properties at Dustin Street from no. 111 northerly to North Beacon Street; southerly by land on which Mount Saint Joseph Academy is situated in an existing CPS Subdistrict; and easterly by the westerly lot lines of properties at 84 North Beacon Street and 39 Pomeroy Street and by the westerly end line of Pomeroy Street. Said parcel, containing approximately 130,605 square feet, is shown on a plan entitled "Topographic Site Plan North Beacon Street Boston (Brighton), Mass.," prepared by R.E. Cameron & Associates, Inc., dated January 31, 1992, and is more particularly bounded and described as follows:

*Date of public notice: August 22, 1992 (see St. 1956, c. 665) s. 5).

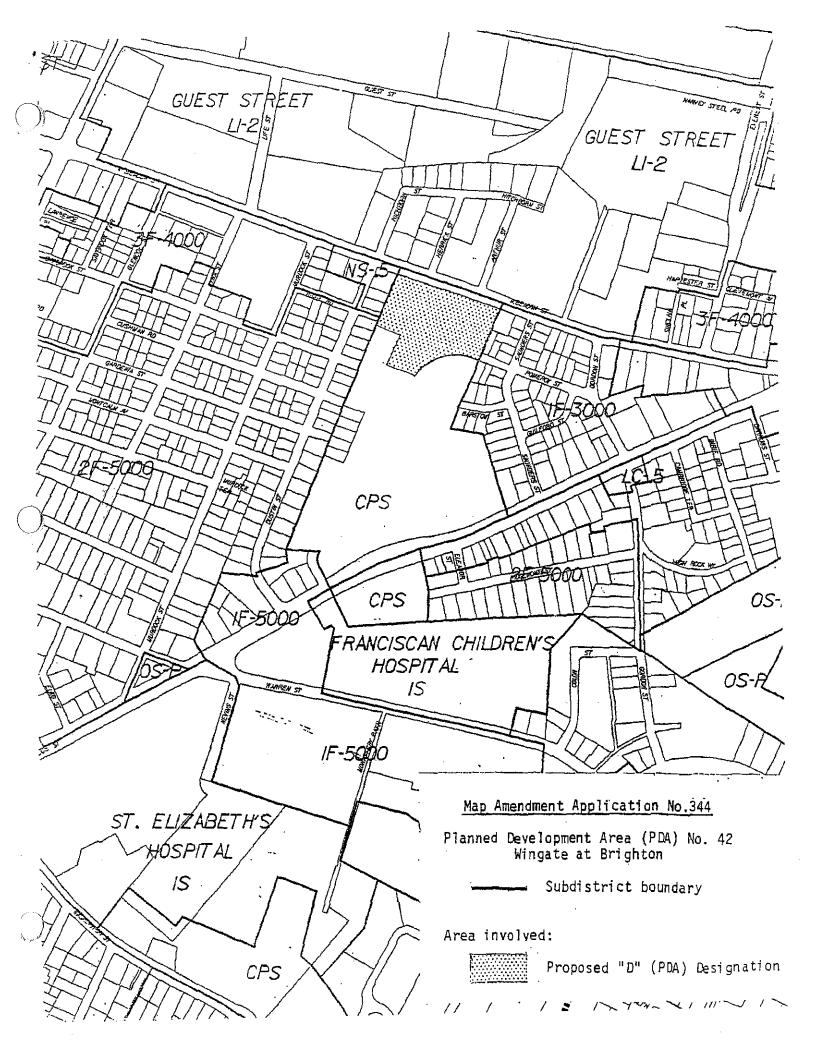
NPZ7/04.MAA 090892/1 Beginning at a point at the northeasterly corner of North Beacon Street and that portion of the land that is 130 feet from Saunders Street;

Then southerly 236.60 feet; then curving southwesterly 306.76 feet and then continuing westerly 120.14 feet;

Then, continuing northerly 136.53 feet, westerly 105.48 feet, and then northerly 228.75 feet north to the southerly side of North Beacon Street;

Then, easterly along the southerly side of North Beacon Street 461.25 feet to the point of beginning.

NPZ7/04.MAA 090892/2



Map Amendment Application No. 344

Development Plan for Planned Development Area No. 42

Chairman ie art Vice Chairman ment

In Zoning Commission

<u>_</u>11.

Adopted September 2, 1992

Attest: auch ROEIC Secretary

Map Amendment Application No. 344

Development Plan for Planned Development Area No. 42

Mayor, City of Boston

Date:

The foregoing amendment, with the said Development Plan, was presented to the Mayor on September 9, 1992, and was signed by him on September 21, 1992, whereupon it became effective on September 21, 1992, in accordance with the provisions of Section 3 of Chapter 665 of the Acts of 1956.

Attest: Secretary to the Zoning Commission

WINGATE AT BRIGHTON

FIRST AMENDMENT TO DEVELOPMENT PLAN FOR PDA NO. 42

I. <u>History</u>

Wingate at Brighton is a state of the art nursing home and rehabilitative care facility containing 123 beds on three floors. It is located at 100 North Beacon Street in Boston, Massachusetts. The project was built pursuant to the Development Plan for Planned Development Area No. 42, a copy of which is attached hereto as <u>Exhibit 1</u> (the "Existing Development Plan"). The BRA, pursuant to Boston Zoning Code (the "Code") Section 3-1A and Sections 51-44 through 51-49, on August 19, 1992, approved the Development Plan and further authorized a Planned Development Area overlay designation for the property that was the subject of the Development Plan (the "Existing PDA"). (See a copy of the Memorandum of the Vote of the BRA attached hereto as <u>Exhibit 2</u>.) The Boston Zoning Commission approved the Existing PDA and the Existing Development Plan on September 2, 1992 and these enactments became effective on September 21, 1992 (See a copy of Map Amendment No. 284 effective September 21, 1992 attached hereto as Exhibit 2A.)

The Existing Development Plan concerns a 130,605 sq. ft. lot, and approved the construction of a 55,149 sq. ft., L-shaped, 3-story building fronting on North Beacon Street (the "Existing Facility") within it. (See a metes and bounds description of the Existing PDA site (the "Site") attached hereto as <u>Exhibit 3</u>.) The Existing Development Plan provided for 70 parking spaces at the Site with access from North Beacon Street. As part of the approval process, the owner, Continental Healthcare IV Limited Partnership ("CHC IV"), voluntarily granted a 31,528 sq. ft., perpetual conservation restriction in favor of the BRA for recreational uses at the Site. (See Conservation Restriction attached hereto as <u>Exhibit 4</u>.)

The Wingate at Brighton Existing Facility was constructed in accordance with the Development Plan¹ and has been operating as a premier skilled nursing home facility since late 1993. In the past 9 years, Wingate at Brighton's medical and professional staff has significantly improved the lives of many thousands of patients in need of skilled nursing home care. In the past two years, the Allston/Brighton neighborhood has seen five separate nursing homes shutter their

¹ The as-built Existing Facility contains a 6-inch rear setback deviation from the approved Development Plan, which is hereby ratified and approved by this First Amendment to the Development Plan for PDA No. 42.

doors due to a severe economic downturn in the nursing home business. As a result, the Allston/Brighton community has lost approximately 500 beds once available for use by neighborhood residents. Wingate at Brighton now remains the only state of the art long-term care facility in the Allston/Brighton area. In order to provide the clearly needed nursing home services to the community, Wingate at Brighton is seeking to add 12 additional beds to the current 123-bed Existing Facility.

II. <u>Amendment to Existing Development Plan</u>

This First Amendment to the Development Plan for PDA No. 42 (the "First Amendment") does not affect the regulation of uses within the Existing PDA, as set forth in the Existing PDA Plan and, except as expressly provided below in this First Amendment, does not affect the dimensional limitations applicable to the buildings and other improvements as approved in the Existing PDA Plan.

A. <u>Proposed Location and Appearance of Structures</u>

The proposed 12-bed expansion will take place in two phases pursuant to the plans submitted herewith in accordance with Code Article 80C-3(1). See plans attached hereto as **Exhibit 5**, which include the following:

- 1. Site Plan/Topographic Survey showing building additions by R.E. Cameron & Associates, Inc. (Revised as of 10/24/02)
- 2. T-1.01 Title Sheet by The Architectural Team, Inc. (Dated November 20, 2002)
- 3. A2.01 Ground Floor Plan by The Architectural Team, Inc. (Dated November 20, 2002)
- 4. A2.02 First Floor Plan by The Architectural Team, Inc. (Dated November 20, 2002)
- 5. A2.03 Second Floor Plan by The Architectural Team, Inc. (Dated November 20, 2002)
- 6. A4.01 Exterior Elevations by The Architectural Team, Inc. (Dated November 20, 2002)

The first phase will consist of a 3,714 sq. ft. addition to the northwest corner of the 3-story Existing Facility, which will be divided equally along the

three floors ("Addition #1"). The second phase will add a total of 1,248 sq. ft to the southern (rear) portion of the Existing Facility, also divided equally along the three floors ("Addition #2"). (Additions #1 and 2 are collectively referred to herein as the "Proposed Project.") The total square footage of both Addition #1 and Addition #2 will be 4,962 sq. ft., which will bring the resulting building's total gross floor area to 57,914 sq. ft. The attached floor plans are subject to modification, consistent with the dimensional limitations set forth herein, depending on the final determination of the location and arrangement of the twelve beds proposed to be added hereunder.

Because the additional gross floor area is modest in scope, the proposed additions are not expected to have a significant impact on the general appearance of the Existing Facility. Because Addition #2 is in the rear of the building, it will be virtually unseen from North Beacon Street. Addition #1 will extend the footprint of the existing west façade by only 10 ft. The proposed design takes advantage of the Existing Facility's design by expanding in areas that are currently recessed into the structure. As such, both of the additions are infills that tend to minimize the overall bulk of the Proposed Project, thereby reducing its resulting visual impact.

The additional space is designed to be compatible with the existing exterior facade. The proposed roof will match the existing height and will echo the existing parapet details. The window trim is also designed to mimic the details of the existing structure. The minimal nature of the addition will result in negligible, if any, visual impact from North Beacon Street. The parking areas and access drives are not being altered, thus there will similarly be no negative impact on the open space at the Site.

The architecture of the Existing Facility was specifically designed to be compatible with the buildings in the surrounding Allston-Brighton neighborhood. The building is beautifully and sensitively sited on North Beacon Street. The Existing Facility was also designed and built with the specific purpose of maintaining the significant natural features on the Site. The new facade to be constructed in connection with the Proposed Project is designed to be compatible with the existing facade, so as to create a harmonious visual effect from both the abutting properties and North Beacon Street. The Proposed Project is also designed specifically so as not to unduly disturb the natural features on the Site. In that regard, the Proposed Project will add two new catch basins and a new drain to improve drainage along the west side of the Site closest to Addition #1. Both Addition #1 and Addition #2 are modest in scope, and will have virtually no negative impact on the Site or abutting properties.

B. Open Spaces and Landscaping

As part of the approval process for the Existing PDA and the Existing Development Plan, CHC IV voluntarily granted a 31,528 sq. ft., perpetual conservation restriction in favor of the BRA for recreational uses at the Site. (See Conservation Restriction attached hereto as <u>Exhibit 4</u>). The Existing Facility is sensitively sited and designed specifically to maintain the existing natural features within the Site, including an 'allee' of Norway maples to the west of the building. The proposed Addition #1 will extend the footprint of the Existing Facility by only ten feet to the west and will remain 21.2 feet from the centerline of the easterly row of Maple trees. Furthermore, pursuant to the Existing Development Plan, CHC IV restored shade trees at the edge along North Beacon Street and also has a plan in place which protects the Norway spruces found throughout the Site.

The remainder of the landscaping at the Site was completed and is maintained in accordance with the landscaping and planting plans, previously approved by the BRA pursuant to the Existing PDA. The approved landscaping will not be modified, and no trees will be removed in connection with, the Proposed Project.

C. <u>Proposed Uses of the Area</u>

As noted above, Wingate at Brighton is a 123-bed, state of the art, skilled nursing home. The nursing home use at the Existing Facility was approved by the Existing Development Plan. Specifically, paragraph No. 9 of the approved Development Plan provides that the PDA may be used for the following main and accessory uses: "a nursing home, [including] the following uses: reception area, business office, therapy facilities, laundry, house keeping, mechanical and storage space, a kitchen, dining room, admissions office, hairdresser, general activity space, additional administrative and operational space, nursing stations, bathing areas, parking areas and resident family lounge." This First Amendment amends the Existing Development Plan to permit expansion of the Existing Facility so as to provide 12 additional patient beds, which expansion is consistent with the allowed "nursing home" use.

D. Densities

The proposed additions together will add a total of 4,962 sq. ft. to the Existing Facility, which will bring its total gross floor area to 57,914 sq. ft. As depicted on the attached Zoning Analysis (attached hereto as <u>Exhibit 6</u>), the asbuilt Existing Facility has a Floor Area Ratio of .41. The Existing Development Plan allowed a maximum FAR of .42. The Proposed Project will result in a Floor

Area Ratio (FAR) calculation of no greater than .44. Though the Existing Development Plan provided for an FAR of .42, that plan noted, and the underlying zoning allowed (as it still does) for a maximum FAR of .5, resulting in an allowable building size of 65,302.5 square feet of gross floor area. (See Article 51, Allston Brighton Neighborhood District, Section 51-45, Table 2, and Table H, footnote 4, for projects in a Planned Development Area). In the instant matter, the Proposed Project will add only 4,962 sq. ft. to the Existing Facility, resulting in a building still significantly smaller than the maximum potentially allowed under the Code (only 57,914 total sq. ft. with the Proposed Project compared to 65,302.5 maximum sq. ft. potentially allowed under the Code. In other words, the Existing Facility, as expanded by Additions #1 and 2, will be 7,390.5 sq. ft. smaller than otherwise potentially allowed under the Code).

E. Proposed Traffic Circulation

The traffic circulation will not be modified in any way from the Existing Development Plan as a result of the proposed additions. The main vehicular access will remain at the northeastern corner of the Site on North Beacon Street. All traffic will enter the Site at this location. The main entrance of the Existing Facility is in the rear of the building, so as to avoid the need for any use of North Beacon Street for parking, stopping, or standing, and this arrangement will not change with the construction of the Proposed Project. In fact, there is, and will be, no building entrance on the North Beacon Street side of the Existing Facility, thereby discouraging any vehicular stopping, standing, or drop-offs of any kind. For emergency egress only, a second vehicular egress is available on the northwestern end of the Site at North Beacon Street.

F. Parking and Loading Facilities

The Existing Development Plan proposed 70 on-site parking spaces. The Site currently contains 70 parking spaces. The underlying zoning, Section 51-56, Table J, requires only 1 space per 1,000 sq. ft. of gross floor area. With the proposed additions, a maximum of 4,962 square feet of additional gross floor area will be added to the Existing Facility, for a total gross floor area of 57,914 square feet, resulting in a maximum parking requirement of 58 parking spaces. Given that 70 parking spaces now exist at the Site, there will be 12 spaces in excess of the required minimum following construction of the Proposed Project, and thus no further parking will be required under the Code. Moreover, it is expected that the 12-bed addition will not increase the demand for parking within the Site because the residents do not drive and the staffing increases will be minimal.

Additions #1 and 2 do not increase the required number of loading bays at the Site.

G. <u>Access to Public Transportation</u>

As submitted with the approved Development Plan, the transit service in the North Beacon Street area consists primarily of bus service. Several MBTA bus routes are within walking distance of the Site to serve both employees and visitors to the facility. The following bus routes serve the Brighton community:

MBTA #64 Oak Square - Central Square, Cambridge or Kendall/MIT Via North Beacon Street (See Bus Route attached hereto as Exhibit 7)

MBTA #86 Sullivan Square. Station. - Cleveland Circle Via Harvard/Johnston Gate

- MBTA #66N Night Owl Harvard Square Dudley Station Via Allston & Brookline Village
- MBTA #57 Watertown Square. Kenmore Station. Via Newton Corner & Brighton Center

MBTA #65 Brighton Center - Kenmore Station. Via Washington St., Brookline Village & Brookline Ave

MBTA #66 Harvard Square - Dudley Station Via Allston & Brookline Village

MBTA #501 EXPRESS BUS Brighton Center - Downtown Via Oak Sq., & Mass. Turnpike

Of these bus lines, Bus #64 passes directly by Wingate at Brighton traveling from Oak Square to the Kendall/MIT stop on the MBTA Red Line connecting through Central Square. During the day, the bus has a frequency of approximately every 20-25 minutes and will take approximately 27-35 minutes to travel from Oak Square to Kendall/MIT. On evenings and weekends, the bus travels only as far as Central Square and has a frequency of one hour.

H. <u>Proposed Dimensions of Structures</u>

The dimensions of the Proposed Project are shown on the plan attached hereto as <u>Exhibit 5</u>. By way of summary, Addition #1 to the west side of the Existing Facility will consist of 3,714 sq. ft and measure no more than 28 feet deep by 41.6 feet wide along the three floors of the building. Because the

б

addition is situated in a recess in the existing structure, the footprint of the Existing Facility will be extended by a mere ten feet to the west. Addition #2 to the southern (rear) portion of the Existing Facility will add a total of 1,248 sq. ft. and measure no more than 18 feet deep by 35 feet long in an L shape. This addition will also be divided equally along the three floors. The proposed space will be located in another recessed area of the Existing Facility, which will extend the footprint of the building by less than 10 feet to the south. Furthermore, because of the existing recess in the building, the addition will not extend the footprint of the building beyond the adjacent eastern wall of the Existing Facility. The total square footage of both Addition #1 and Addition #2 will be 4,962 sq. ft., which will bring the resulting building's total gross floor area to 57,914 sq. ft.

At the time the Existing Development Plan was originally approved, Code Article 51 contained no rear setback requirement. The Existing Development Plan established a rear setback of 41 feet. The Existing Facility, as built, is actually 40.5 feet from the rear lot line, which divergence from the Existing Development Plan is hereby ratified and approved by this First Amendment. Addition #2 proposes a rear setback of 33.6 ft., which exceeds the rear setback established by the Existing Development Plan by 7.4 ft.

The Zoning Analysis attached hereto as <u>Exhibit 6</u> indicates the underlying zoning requirements in a Conservation Protection Subdistrict both in 1992 and presently, as well as the dimensional requirements approved by the Existing Development Plan in 1992. The last two columns respectively indicate the asbuilt dimensions of the Existing Facility and the dimensions of the Wingate at Brighton facility following construction of the Proposed Project.

Pursuant to Code Section 51-45.2 "the dimensional requirements for a Proposed Project within a PDA shall be as set forth in the applicable approved Development Plan, provided that the Floor Area Ratio (FAR) for such Proposed Project shall not exceed the limits set forth in Table 2" (Table 2 refers to Table H, footnote 4, which indicates a maximum FAR of .5 for projects in a PDA).

As paragraph D above notes, the proposed additions will result in a maximum FAR of .44, which is well below the maximum allowable FAR of .5. As to the remaining dimensional requirements, in accordance with Code Section 51-45.2 the applicable dimensional requirements are those set forth in the approved development plan (in the instant case, the Existing Development Plan, as amended by this First Amendment).

I. Building Elevations, Floor Plans & Exterior Building Material

In accordance with Code 80C-3(1), CHC IV includes herewith Building Elevations (indicating exterior building materials) and Floor Plans for all three floors of the Existing Facility, as expanded by the Proposed Project. (See plans attached hereto as <u>Exhibit 5</u>.) The attached floor plans are subject to modification, consistent with the dimensional limitations set forth herein, depending on the final determination of the location and arrangement of the twelve beds proposed to be added hereunder.

III. Standards for PDA Approval

The Proposed Project is exempt from Article 80D Institutional Master Plan Review pursuant to Code Section 80D-2.3, Exemption for Small Institutions, because the combined gross floor area of the Proposed Project and the current institutional uses at the Existing Facility totals less than 150,000 square feet. Pursuant to Code Section 3-1A.a, Sections 51-44 through -46 and -49, and Section 80C-4, the Proposed Project satisfies all of the following requirements for approval of PDAs.

A. <u>Section 80C-4 Standards</u>

a. The plan is not for a location for which PDAs are forbidden.

Article 51-44 allows PDAs in Conservation Protection Subdistricts ("CPS"). The Wingate at Brighton property lies in a CPS subdistrict. The First Amendment amends an established PDA, the Development Plan for Planned Development Area No. 42, effective as of September 21, 1992.

b. The Proposed Project complies with any provisions of underlying zoning that establish use, dimensional, design, or other requirements of Proposed Projects in PDAs.

Code Section 51-45.1 states that allowed uses for a Proposed Project within a PDA are as set forth in an approved development plan. The Existing Development Plan approved a "nursing home" use at the Existing Facility, and this First Amendment extends that use to the Proposed Project. As to dimensional regulations, Section 51-45.2 provides that these requirements are as set forth in an approved development plan, except that the FAR cannot exceed the limits in Table 2, in this case, .5. The Proposed Project

increases the FAR at the Existing Facility from .42 to .44, yet this metric remains well below the potentially allowable FAR of .5. Pursuant to this First Amendment, the Proposed Project will comply with the underlying zoning in that the applicable use and dimensional requirements are those set forth in the approved development plan per Code Sections 51-45.1 and -.2. Additionally, the Proposed Project is subject to the Design Review and Site Plan Component of Small Project Review, which will be specifically addressed in a separate submission to the BRA.

c. The plan complies with any provisions of the underlying zoning that establish planning and development criteria, including public benefits, for PDAs.

See the discussion below (in Section III.B) detailing compliance with Section 51-49, Planned Development Areas: Public Benefits for Allston-Brighton Neighborhood District.

d. The plan conforms to the plan for the subdistrict in which the PDA is located and to the general plan for the City as a whole.

The Proposed Project complies with all of the substantive requirements of Code Articles 51 and 80 and conforms to the plan for the Allston-Brighton subdistrict as well as the general plan for the City as a whole.

e.

On balance, nothing in the plan will be injurious to the neighborhood or otherwise detrimental to the public welfare, weighing all the benefits and burdens.

The amended plan is modest in nature, adding less than 5,000 square feet to the Existing Facility. The 12-bed Proposed Project will substantially benefit the Brighton neighborhood by increasing access to much needed skilled nursing home care in the area. The amended plan is carefully designed to protect the significant natural features at the Site. There is nothing in the First Amendment that will in any way be detrimental to the public welfare.

B. Section 51-49 Planned Development Areas: Public Benefits

The BRA may approve a Development Plan [or Amended Development Plan] for a Proposed Project as meeting the requirement of Section 80C-4 (Standards for PDA Review) for compliance with the applicable planning and development criteria of [Article 51] if the Development Plan proposes a plan for public benefits, including, inter alia: (a) diversification and expansion of Boston's economy and job opportunities through economic activity, such as private investment in manufacturing, commercial uses, or research and development; or (b) creation of new job opportunities and establishment of educational facilities, career counseling, or technical assistance providing instruction or technical assistance in fields related to such jobs.

The Existing Facility, constructed pursuant to the Existing Development Plan, has provided significant public benefits to the Allston-Brighton Community and to the city as a whole. The benefits included increased property taxes, the addition to the community of a state of the art long term care facility (the first of its kind in Allston-Brighton), neighborhood stabilization, security, construction and long-term employment and associated benefits, a conservation restriction ensuring the protection of neighborhood open space, neighborhood beautification, and a neighborhood scholarship program.

The First Amendment offers similar public benefits to the community. First and foremost, the addition of 12 skilled nursing home beds will help to alleviate a dire nursing home bed shortage in the community. Allston-Brighton has recently seen several nursing homes shut down, creating a loss of approximately 500 beds once available to the community. Second, the additional space will translate into increased tax revenue and employment for the city. Finally, the First Amendment is designed specifically to protect the significant natural resources on the Site. Amendment and Restated Development Plan for Planned Development Area No. 42, Wingate at Brighton

Boston Redevelopment Authority on behalf of Continental Healthcare IV Limited Partnership

FIRST AMENDMENT TO THE

DEVELOPMENT PLAN

FOR PLANNED DEVELOPMENT AREA NO. 42

WINGATE AT BRIGHTON

The Zoning Commission of the City of Boston, acting under Chapter 665 of the Acts of 1956, as amended, after due report, notice and hearing, does hereby approve the First Amendment to the Development Plan for Planned Development Area No. 42, Wingate at Brighton, dated January 17, 2003, and approved by the Boston Redevelopment Authority on April 28, 2005.

Said First Amendment amends "Development Plan for Planned Development Area No. 42, Wingate at Brighton, 100 North Beacon Street, Boston," approved by the Authority on August 19, 1992, and approved by the Zoning Commission on September 2, 1992, effective, September 21, 1992. Planned Development Area No. 42 was designated on "Maps 7A, 7B and 7D, Allston-Brighton Neighborhood District" of the series of maps entitled "Zoning Districts City of Boston" dated August 15, 1962, as amended, by Map Amendment No. 284, adopted by the Zoning Commission on September 2, 1992, effective September 21, 1992. First Amendment for the Development Plan for Planned Development Area No. 42, Wingate at Brighton

lia Chairmap Vice Chairman ξ デン

In Zoning Commission

Adopted:

May 25, 2005

Attest:

First Amendment to the Development Plan Planned Development Area No. 42, Wingate at Brighton

Mayor, City of Boston

125101-5 Date:

The foregoing First Amendment was presented to the Mayor on May 35, 2005, and was signed by him on May 35, 2005, whereupon it became effective on May 35, 2005, in accordance with Section 3 of Chapter 665 of the Acts of 1956, as amended.

Attest:

e Zoning Commission to th

MEMORANDUM

APRIL 28, 2005

TO: BOSTON REDEVELOPMENT AUTHORITY AND MARK MALONEY, DIRECTOR

FROM: TOM MILLER, DIRECTOR OF ECONOMIC DEVELOPMENT JAY RUSSO, DEPUTY DIRECTOR FOR DEVELOPMENT REVIEW MAGGIE GOEDECKE, PROJECT ASSISTANT

SUBJECT: WINGATE AT BRIGHTON

SUMMARY: This Memorandum requests that the Boston Redevelopment Authority ("BRA") approve the First Amendment to the Development Plan for Planned Development Area No. 42 (the "First Amendment") in accordance with Article 80C of the Boston Zoning Code ("Code"), and to authorize the BRA Director to (1) issue a Certification of Approval for Wingate at Brighton at 100 North Beacon Street in Brighton, in accordance with Article 80E, Small Project Review of the Code; (2) issue a Certification of Consistency pursuant to Section 80C-8 of the Code for the Wingate at Brighton Project; (3) petition the Zoning Commission to approve the First Amendment to the Development Plan in substantial accord with the First Amendment to the Development Plan for Planned Development Area No. 42, as presented to the Authority at its hearing on April 28, 2005; and (4) take all actions and execute all documents deemed necessary and appropriate by the Director in connection with the foregoing, including, without limitation, executing and delivering a Cooperation Agreement.

BACKGROUND

Continental Healthcare IV Limited Partnership (the "<u>Developer</u>") proposes to construct an addition to the Wingate at Brighton nursing home and rehabilitative care facility located on an approximately 130,605 square foot lot at 100 North Beacon Street in Brighton (the "<u>Project Site</u>").

The Developer received approval of Planned Development Area No.42 (the "<u>Original</u> <u>PDA</u>") and the Development Plan for Planned Development Area No. 42 (the "<u>Original</u> <u>Plan</u>") from the BRA on August 19, 1992, and from the Boston Zoning Commission (the "<u>Zoning Commission</u>") on September 2, 1992. The Original Plan authorized the construction of an approximately 55,149 square foot L-shaped 3-story building fronting

on North Beacon Street, for use as a 123-bed nursing home and rehabilitative facility (the "Original Project").

PROPOSED PROJECT

The Original Project was completed in July 1994 as a three-story, 52,952 square foot facility, and a Certificate of Occupancy therefor was issued by the City of Boston Inspectional Services Department on July 29, 1994. The Project is used for the uses permitted under the PDA Plan, i.e., a nursing home with related accessory functions (including business offices, therapy facilities, laundry facilities, and dining facilities).

The Developer now proposes an addition to the Project, to be constructed in two phases. The first phase would consist of a 3,714 square foot addition to the northwest corner of the existing building, divided equally among the three floors. The second phase would add 1,248 square feet to the southern portion of the building, also divided equally among the three floors. The total square footage of the two additions is 4,962 square feet, bringing the resulting facility's total gross floor area to 57,914 square feet (the "Proposed Project"). The new construction will be devoted to the existing nursing home use, and will add 12 beds.

PUBLIC PROCESS

On January 17, 2003, the Developer submitted an Amended and Restated Development Plan for the PDA Area, together with an application for Small Project Review pursuant to Article 80E of the Boston Zoning Code (the "<u>Code</u>"). The public comment period ended on March 7, 2003, and a community meeting on the Proposed Project was held on February 27, 2003, at the Wingate facility.

ZONING

The Proposed Project complies with all applicable requirements of Articles 51 and 80C for Planned Development Areas. Because the total gross floor area to be occupied by the Project upon completion of the Proposed Project will not exceed 150,000 square feet, an Institutional Master Plan filing is not required pursuant to Section 80D-2.3 of the Code. No amendment of the Boston Zoning Maps is necessary because the Proposed Project is entirely contained within the Original PDA.

CONCLUSION

It is recommended that the BRA approve the First Amendment in accordance with Article 80C of the Code and as the Proposed Project complies with the requirements set forth in Article 80E of the Code for Small Project Review, staff recommends that the Director be authorized to (1) issue a Certification of Consistency pursuant to Section 80C-8 of the Code for the Wingate at Brighton Project; (2) petition the Zoning Commission to: approve the First Amendment in substantial accord with the First Amendment to the Development Plan for Planned Development Area No. 42 presented to the BRA at its hearing on April 28, 2005; (3) issue a Certification of Approval pursuant to Article 80E of the Code for the proposed development of the Proposed Project; and (4) take all actions and execute all documents deemed necessary and appropriate by the Director in connection with the foregoing, including, without limitation, executing and delivering a Cooperation Agreement.

Appropriate votes follow:

VOTED:

That the Director be, and hereby is, authorized to issue a Certification of Approval, confirming that the Proposed Project by Continental Heathcare IV Limited Partnership to construct an addition to the existing, 52,952 square foot, 123-bed nursing home facility, adding 12 beds and approximately 4,962 square feet in two phases (the "Proposed Project") has complied with the requirements of Small Project Review, pursuant to Article 80E of the Code; and

FURTHER

VOTED:

That in connection with the First Amendment presented at a public hearing duly held in the Room 900 of Boston City Hall on April 28, 2005. and after consideration of evidence presented at, and in connection with, the hearing in connection with the Proposed Project described in said First Amendment, the BRA finds, pursuant to Section 80C-4 of the Code with respect to the First Amendment, that (a) the Original Plan as amended by the First Amendment, when approved by the Zoning Commission, will not be for a location or proposed project for which Planned Development Areas are forbidden by the underlying zoning; (b) the Proposed Project complies with any provisions of the underlying zoning that establish use, dimensional, design, or other requirements for proposed projects in Planned Development Areas; (c) the Original Plan, as amended by First Amendment, complies with any provisions of the underlying zoning that establish planning and development criteria, including public benefits, for Planned Development Areas; (d) the Original Plan, as amended by the First Amendment, conforms to the plan for the district, subdistrict, or similar geographic area in which the Planned Development Area is located, and to the general plan for the City as a whole; (e) on balance, nothing in the Original Plan, as amended by the First Amendment, will be injurious to the neighborhood or otherwise detrimental to the public welfare, weighing all the benefits and burdens; and (f) the Original Plan, as amended by the First Amendment, adequately and sufficiently satisfies all other development plan criteria and specifications for a Planned Development Area as set forth in the Code; and

FURTHER

VOTED:

That, pursuant to the provisions of Sections 3-1A.a and Article 80C of the Code, the BRA hereby approves the First Amendment and authorizes the

Director to petition the Boston Zoning Commission to approve the First Amendment in substantial accord with the form submitted to the BRA Board on April 28, 2005.

FURTHER VOTED:

S

That the Director be, and hereby is, authorized to issue a Certification of Consistency for the Proposed Project in accordance with Section 80C-8 of the Code when the Director finds that: (a) the Proposed Project is described adequately in the Original Plan, as amended by the First Amendment; (b) the Proposed Project is consistent with the Original Plan, as amended by the First Amendment; (c) the Original Plan, as amended by the First Amendment, has been approved by the BRA and the Zoning Commission in accordance with the applicable provisions of Section 3-1A.a and Article 80C, Planned Area Review of the Code; and

FURTHER VOTED:

That the Director be, and hereby is, authorized to take all actions and execute and deliver any and all documents deemed necessary, appropriate, and in the best interest of the BRA by the Director in connection with the Proposed Project, including, without limitation, executing and delivering a Cooperation Agreement.

B. Project Summary

APPLICATION NARRATIVE (PROJECT SUMMARY)

Please *briefly* describe the proposed project in the space indicated below. Detailed information is requested elsewhere in the application under the Factors Applied in Determination of Need. All applicants are required to provide an Application Narrative.

I. <u>Overview</u>

FRC, Inc. (the "Applicant") is a member of the Spaulding Rehabilitation Network ("SRN") and operates two skilled nursing facilities. One facility is located at 1245 Centre Street in West Roxbury, Massachusetts ("West Roxbury Facility") and the other is located at 70 Fulton Street in Boston, Massachusetts ("North End Facility"). The Applicant hereby submits this Determination of Need ("DoN") application ("Application") to the Department of Public Health (the "Department") for substantial renovations to relocate the West Roxbury Facility license to 100 N. Beacon Street in Boston, Massachusetts ("Brighton Facility") and to renovate the Brighton Facility to meet current licensure standards. The Applicant is filing this Application in accordance with the requirements of 105 CMR 100.000 *et seq.* (the "Regulations") and the Department's DoN Guidelines for Nursing Facility Replacement and Renovation dated May 25, 1993 (the "Guidelines").

Currently, the West Roxbury Facility has 81 Level II beds and primarily provides short-term stay rehabilitation services to patients discharged from Brigham and Women's Hospital ("BWH"). A copy of the West Roxbury Facility's current license is attached at <u>Exhibit A</u>. The Applicant's North End Facility serves patients discharged from the Massachusetts General Hospital ("MGH") who are often difficult to place in a traditional nursing facility due to complex medical needs and the significant cost of providing care to such individuals. At present, the Applicant's facilities are underutilized and due to the significant operating losses incurred in caring for its unique patient population, the Applicant seeks to consolidate its services at one location. By consolidating its services at one facility, the Applicant estimates the cost savings, after five years of consolidation, to be \$26,442,041. As further detailed throughout this Application, the Applicant determined that it would need to relocate the West Roxbury Facility to a new location to accomplish this goal. The North End Facility will continue to operate under new ownership following a sale to a new operator and will primarily serve traditional long term care residents from the North End and surrounding areas.

The West Roxbury Facility is a two-story building that was constructed in 1954 with an addition constructed in 1980. The West Roxbury Facility's systems have reached the end of useful life and continued repair or replacement of such systems represents significant costs. In addition, the existing building cannot be renovated without significant new construction to accommodate the 123 beds the Applicant needs to meet the demand of patients referred for services from MGH and BWH. Consequently, the Applicant acquired the Brighton Facility, a closed nursing home located 5.5 miles from the West Roxbury Facility. The Applicant seeks to relocate the West Roxbury Facility license to the Brighton Facility because it has the infrastructure needed to accommodate the needs of the Applicant's patient population. As the Brighton Facility is now closed, the Applicant must renovate the Brighton Facility to meet current the standards for licensure.

II. Project Description

The Applicant proposes to transfer the West Roxbury Facility license and renovate the existing Brighton Facility and upgrade certain systems. Consistent with the requirements of the Guidelines, the Applicant identified the need to make certain improvements to the Brighton Facility's physical plant. Specifically,

APPLICATION NARRATIVE (PROJECT SUMMARY)

the current plumbing and mechanical systems require upgrading to provide cost savings and efficiencies. Additionally, the Applicant will replace the Brighton Facility's windows to remedy deterioration and improve the quality of life for residents. Moreover, the Applicant will replace a portion of the Brighton Facility's membrane roofing, as well as install new flashings, insulation and exterior sealant. The Project involves 56,839 GSF of renovation.

The Applicant also identified the need to address certain areas of the Brighton Facility that are unique to residential healthcare facilities. Specifically, given the Brighton Facility's age, the space configuration is not consistent with current care models, nor does it meet the operational needs of residents or staff. Accordingly, the Applicant will reconfigure approximately ten percent (10%) of the Brighton Facility to accommodate administrative offices, training space, storage and rehabilitation areas. The Applicant will also implement a robust data system that is compatible with its electronic medical record system. The implementation of this system allows clinical staff immediate access to resident records, which allows for the delivery of integrated care and improved quality outcomes for residents. Factor 2 provides a more detailed description of the various components of the Project.

III. Guideline Compliance

The Project as presented in the Application is in full compliance with the Guidelines as set forth herein. The proposed improvements are necessary and will result in material improvements to resident care. Moreover, the Project will result in improved Facility operating and cost efficiencies. A concise summary of the Applicant's compliance with the Guidelines is offered below.

A. Health Planning Process

The Applicant involved a variety of sources in the planning of this Project. Consequently, the Applicant secured approval from the Board of Trustees and senior management to pursue the Project. Additionally, Facility managers assessed physical plant and operational inefficiencies and defined areas and options for improvement.

B. <u>Health Care Requirements</u>

This Application proposes substantial renovations and needed upgrades for the Brighton Facility that is more than 25 years old. Substantial renovations include significant refurbishment and upgrades and replacements for the Facility's life safety and mechanical systems, including the fire alarm, nurse call and HVAC systems, as well as the replacement of all windows. The proposed renovations will improve the Applicant's ability to meet the complex care needs of its resident population.

C. Operational Objectives

The Applicant designed the Project to comply with the Operational Objective requirements set forth in the Guidelines. In order to obtain licensure for the 123 bed Brighton Facility, upon transfer of the West Roxbury Facility license to Brighton, the Applicant will implement the one time right to add 12 beds. In addition, the Applicant respectfully requests that the Department add an additional 30 beds to the license in recognition of the Applicant's voluntary surrender of 40 beds on the North End Facility license. This surrender of beds will result in a 100 bed North End Facility and an overall 10 bed reduction in possible bed capacity among the two facilities. In compliance with Guideline requirements, all units at the Brighton Facility will consist of forty-one (41) beds. In addition, the Applicant will continue to accept both

APPLICATION NARRATIVE (PROJECT SUMMARY)

Medicare and Medicaid. Referral arrangements are in place between the Applicant and other facilities within the Partners system, including acute care hospitals, home care and hospice affiliates.

D. <u>Standards Compliance</u>

The Project as proposed involves renovations and system replacement to the Brighton Facility. Throughout the planning processes, the Applicant developed the Project to comply with the Department's long-term care facilities physical plant standards. The Project promotes the Brighton Facility's compliance with the Americans with Disabilities Act by improving accessibility. In compliance with the Guidelines, the Applicant is the holder of a valid license to operate a long-term care facility. The Applicant is not the subject of any current or ongoing enforcement actions. The Applicant operates in compliance with all federal, state, and local requirements related to the operation of a skilled nursing and rehabilitation center.

E. Reasonableness of Costs & Financial Feasibility

The Applicant designed the Project to be financially feasible and within the Applicant's financial capability. The Project's MCE is \$27,263,174. The MCE is reasonable considering the nature of the renovations. A more detailed presentation of the Project's cost feasibility is provided in the schedules in Factor 6. The cost per GSF is below the Marshall & Swift standards for nursing home new construction and renovation in the Boston area. The renovation costs are projected at approximately \$192 per GSF. Additionally, the requested major moveable equipment costs are less than the present inflation-adjusted major moveable equipment cost per bed.

F. <u>Relative Merit</u>

The Applicant considered a variety of options for meeting its objectives of consolidating its operations into one facility that can accommodate the complex needs of its patient population. In particular, the Applicant considered continuing to operate the Facilities in their current state, renovating the West Roxbury Facility, and the Project described throughout this Application that includes the relocation of the West Roxbury Facility to a renovated Brighton Facility. The Applicant also reviewed the financial feasibility and operational efficiencies associated with each option, along with the impact each would have on residents. The Applicant concluded that the proposed Project represents the best opportunity for achieving the Applicant's operational objectives in the most cost efficient and effective manner.

IV. Conclusion

The Project proposes to relocate the West Roxbury Facility and make improvements to the Brighton Facility aimed at improving overall operational efficiency and enhancing the quality of life experienced by residents. The improvements described in this Application provide needed renovations to the Brighton Facility that will result in positive impacts on resident care. The Project complies with the requirements of the Department's Guidelines for relocation and renovations to nursing facilities and meets the standards of the Regulations and the specific requirements of the DoN Application Kit.

Attachment/Exhibit

A

4

The Commonwealth of Massachusetts

DEPARTMENT OF

PUBLIC HEALTH

LICENSE TO MAINTAIN A CONVALESCENT OR NURSING HOME

In accordance with the provisions of the General Laws, Chapter 111, Section 71, and regulations established thereunder, a license is hereby granted to

| | FRC, Inc. | |
|--|---|--|
| ······································ | Name of Licensee | |
| for the maintenance of | | |
| | Spaulding Nursing & Therapy Center - West Roxbury | |
| | Name of Home | |
| at | 1245 Centre Street, West Roxbury, MA 02132 | |
| | Address | |

Quota not to exceed 81 Beds, as follows:

| First Floor | Second Floor | Third Floor | Fourth Floor | Total |
|------------------|---------------------|-----------------|-----------------|-------------------|
| Level I: Bed | s Level I: Beds | Level I: Beds | Level I: Beds | Level I: Beds |
| Level II: 40 Bed | s Level II: 41 Beds | Level II: Beds | Level II: Beds | Level II: 81 Beds |
| Level III: Bed | s Level III: Beds | Level III: Beds | Level III: Beds | Level III: Beds |
| Level IV: Bed | | Level IV: Beds | Level IV: Beds | Level IV: Beds |

This license is valid until June 17, 2017 , subject to revocation for cause.

Commissioner of Public Health

June 18, 2015

Date Issued

LICENSE NO.

0520

POST CONSPICUOUSLY

<u>C.</u> Factors Applied

30) -

FACTORS APPLIED IN DETERMINATIONS OF NEED

Factor 1

1.1 Please provide a brief description of the annual planning process used by your institution, including the decision to undertake the proposed project. (Answer on a separate sheet)

The Applicant operates two skilled nursing facilities, one in Boston's North End and one in West Roxbury. As a member of Spaulding Rehabilitation Network ("SRN"), the Applicant's facilities and operations are evaluated on an ongoing basis to ensure the ability to provide quality care. Through this ongoing process, SRN identified the need to address physical plant limitations, outdated systems, operational inefficiencies and overall quality of life for residents at both of the Applicant's facilities. Upon identifying the need for renovations at both facilities, in order for the Applicant to continue to meet the needs of the high acuity patient population it serves, the Applicant developed a plan that would result in the consolidation of the operations of both facilities to a new location as further detailed throughout this Application.

As part of the Applicant's planning process, SRN senior management and staff explored a number of options to meet its objective of developing a facility that can accommodate the needs of its patient population. The Applicant serves a unique role in the Partners system by providing skilled nursing care to individuals whose condition makes them difficult to place in a traditional skilled nursing facility. In order to ensure that the needs of this population would be met following consolidation of its operations, the Applicant performed a detailed evaluation of the demand for its services at both facilities to determine the number of beds it would require to meet this demand. Based on this analysis, the Applicant determined that it would need to operate a 123 bed facility, representing an overall decrease in its current capacity among its two facilities.

In addition, the Applicant evaluated options for renovation of its existing facilities and concluded that a transfer of the West Roxbury Facility to a new location presented the most cost effective option of meeting the Applicant's objectives to provide its services in a setting that can accommodate its patient population. In order to identify a suitable location for the new facility, management from SRN engaged Partners Real Estate, as well as outside consultants to review options in the greater Boston area. SRN's priority was to relocate within the City of Boston. Through its extensive search, the Applicant acquired a closed nursing home located at 100 North Beacon Street in Boston with the infrastructure needed to accommodate the needs of the Applicant's resident population ("Brighton Facility"). As the home is now closed, the Department requires the Brighton Facility to meet current licensure standards. To meet these requirements, the Brighton Facility needs renovation and system upgrades.

Upon identification of the Brighton Facility as a replacement site, management engaged Levi & Wong Design Associates ("Levi & Wong") to conduct an extensive review of the Brighton Facility and determine if renovations were necessary to meet DPH licensure requirements and SRN operating objectives. Levi & Wong found that approximately twenty-five percent (25%) of the Brighton Facility needed renovations. Once areas for improvement were identified, management, together with SRN, developed a renovation design for the Brighton Facility that meets current architectural requirements and provide a facility that meets the need of the Applicant and Partners to operate an improved skilled nursing facility to care for its hard to place, high acuity patient population.

FACTOR 1: HEALTH PLANNING PROCESS

1.2 Did you consult with other providers in the primary service area of this project about the relationship of this project to existing or planned operations at their institutions?

YES X NO

- 1.2a If your answer to question 1.2 was "NO", please explain below why you did not consult with other providers.
- 1.2b. If your answer to question 1.2 was "YES", please supply the name and titles of persons with whom you consulted and results of the consultation. (use separate sheet if necessary)

In determining the need for this Project, the Applicant consulted with multiple providers in the applicable primary services area. Specifically, the Applicant analyzed the need for long term care and rehabilitative services in the area. Consultations were sought from the following individuals:

- Britain Nicholson, MD, Senior Vice President for Development, Massachusetts General Hospital
- Timothy Ferris, MD, MPH, Senior Vice President, Population Health Management, Massachusetts General Hospital
- Jeanette Ives Erickson, RN, DNP, NEA-CB, FANN, Senior Vice President and Chief Nurse, Massachusetts General Hospital
- Thomas Thornhill, MD, Professor of Orthopaedic Surgery, Harvard Medical School
- Joanne Hogan, DNP, RN, Associate Chief Nurse, Brigham and Women's Hospital
- Marky Yurkofsky, MD, CMD, Medical Director, Spaulding Nursing and Therapy Centers West Roxbury and North End
- Richard J. Waitt, Nurse Practitioner, Spaulding Nursing and Therapy Centers West Roxbury and North End
- Karla Fleming, NHA, Executive Director, Armenian Nursing & Rehabilitation Center
- William E. Ring, Jr., Administrator, Bear Hill Rehabilitation and Nursing Center
- Gregor Karr, CEO& Administrator, German Centre
- Dennis P. Lopata, Senior Executive Director, Life Care Center of Wilbraham
- Jared Bane, Executive Director, Life Care Center of the North Shore
- Stephen Buckley, NHA, Administrator, Executive Director, Aberjona Rehabilitation and Nursing Center
- Scott Ariel, Executive Director, Hebrew Rehabilitation Center and NewBridge on the Charles
- David Lewis, Executive Director, Stone Rehabilitation & Senior Living
- Amy Griffin, Campus Administrator, Wingate at Weston
- Michael Ferrick, LNHA, Leonard Florence Center for Living
- Christine Griffin, Executive Director, Disability Law Center, Inc.
- Thomas E. Nunan, Jr. Head of School, Saint Joseph Preparatory High School

FACTOR 1: HEALTH PLANNING PROCESS

| 1.3 | Since a broad range of inputs is valuable in the planning of a project, applicants are encouraged to undertake a diverse consultative process. Please indicate which, if any, of the following agencies or groups you consulted in the development of this application. |
|-----|---|
| | Determination of Need Program (DPH) YES XNO |
| | Date(s) August-December, 2016, January, 2017 |
| | Contact Person(s) <u>Nora Mann, Esq., Rebecca Rodman, Esq.</u> |
| | Department of Mental Health YESNON.AX (for mental health projects) |
| | Date(s) |
| | Contact Person(s) |
| | Executive Office of Elder Affairs YES X NO N.A. (for projects with special significance for elders) |
| | Date(s) January, 2017 |
| | Contact Person(s) Tom Lane, Director, Fee-For-Service Programs |
| | EOHHS Office of Acute and Ambulatory Care YES NON.A. X |
| | Date (s) |
| | Contact Person(s) |
| | Other Relevant Agencies or Parties YES X NO N.A. |
| | Name (s) <u>MassHealth</u> |
| | Date(s) January, 2017 |
| | Contact Person(s) David Garbarino, Director of Purchasing Strategy |
| | Name (s) |
| | Date(s) |
| | Contact Person(s) |
| | |

Factor 2

2.1 How will this project affect accessibility of services for the prospective patients who are poor, medically indigent and/or Medicaid eligible?

The Project will not affect accessibility of the Applicant's services for poor, medically indigent, and/or Medicaid eligible individuals. The Applicant has a nondiscriminatory admissions policy, and accordingly, does not consider payer status in the admissions process. Admission to the Facility is based on whether a prospective resident meets the Applicant's eligibility criteria. The Facility provides assistance in the application process to residents who require Medicaid services. As a result, underserved residents will continue to have access to the Facility's services upon completion of the Project.

2.2 Describe below and on additional sheet(s) your need analysis for this project including any special conditions for consideration. If your analysis is inconsistent with the relevant need methodology or criteria of Determination of Need Guidelines, please explain on the additional sheet(s) why you believe your methodology is more appropriate. Long-term care applications should show how they meet the criteria for bed replacement and/or substantial renovation of beds or the facility, consistent with the *May 25, 1993 Determination of Need Guidelines for Nursing Facility Replacement and Renovation.*

Introduction

The West Roxbury Facility is a licensed nursing facility with 81 Level II beds that provides both traditional skilled nursing and short-term stay rehabilitation services. The West Roxbury Facility serves a unique role within the Commonwealth and Partners HealthCare as it primarily cares for patients that are discharged from BWH who are difficult to place in traditional nursing facilities due to the cost and complexity of the care required in relation to reimbursement for nursing facility services. In addition, the Applicant also operates a 140 Level II and III bed nursing facility in Boston's North End that traditionally cares for local residents requiring long-term stays, along with hard to place patients discharged from MGH in need of skilled nursing and rehabilitation. Accordingly, the Applicant's facilities serve a unique role within the Partners system and the Commonwealth.

Due to advances in medicine, changes in care and the equipment now available to care for these patients, the Applicant's facilities are no longer able to adequately accommodate the needs of this high intensity patient population. To address the inadequacy of its facilities, the Applicant explored options for addressing these needs in an efficient and cost-effective manner. Through the Applicant's detailed analysis, the Applicant concluded that it would be more efficient to consolidate the operation of its two facilities to one location that would focus on providing services to residents with complex medical needs and short-stay rehabilitation patients requiring care following discharge from MGH and BWH.

In order to consolidate its operations to one Facility, the Applicant reviewed historical and projected demand at its facilities. The Applicant focused its analysis on meeting the demand of the high-cost, complex patients that are referred to its facilities from MGH and BWH because the North End Facility will continue to operate as a 100 bed nursing facility under new ownership, serving traditional long term stay residents. Both Facilities, currently, have excess bed capacity, with the North End Facility at 82% occupancy and the West Roxbury Facility at 73% occupancy. In addition, the overall number of long-term residents at the facilities has continually decreased in recent years. Based on this information, the Applicant concluded that it would need to operate a 123 bed facility to meet the

Brighton Facility

Due to the considerable renovations required to upgrade the West Roxbury Facility, along with the inadequate footprint to support 123 beds without new construction, the Applicant concluded that relocation represents a more efficient and cost effective option to meet its objective of consolidating its operations and relocating the right to operate from West Roxbury to Brighton. The Brighton Facility was formerly the site of a licensed nursing facility. It is located 5.5 miles from the West Roxbury Facility, thereby meeting the requirements set forth by Guidelines that a replacement facility be located within 25 miles of the original site and within a similar service area. As Brighton Facility is closed, the Applicant must renovate it in order to meet the current requirements for licensure. In addition, certain renovations are needed to address existing physical plant issues. The proposed renovations include upgrades to existing systems, work to remedy operational inefficiencies and seek to enhance the care environment for residents. The Applicant offers the following summary of the existing Facility conditions and the corresponding plans to improve the Facility through the proposed Project:

Consistent with the requirements of the Guidelines, the Applicant identified the need to make certain improvements to the Brighton Facility's physical plant. Specifically, the current mechanical systems are nearing the end of their useful life. These upgrades will also result in potential cost savings and efficiencies. Additionally, the Applicant will replace all of the Brighton Facility's windows to remedy deterioration and improve the quality of life for residents. Moreover, the Applicant will replace approximately twenty-five (25%) of the Brighton Facility's membrane roofing, as well as install new flashings, insulation and exterior sealant.

The Applicant also plans to renovate the interior finishes and lighting at the Brighton Facility. The installation of new LED lighting will replace the energy inefficient and dim lighting that currently exists. The new LED lighting system also saves energy and creates cost-efficiencies, while creating a soothing environment for patients. Additionally, the Applicant is replacing the wall, ceiling and floor finishes due to damage and deterioration.

The Applicant also identified the need to address certain areas of the Brighton Facility that are unique to residential healthcare facilities. Specifically, given the Brighton Facility's age, the space configuration is not consistent with current care models nor does it meet the operational needs of residents or staff. Accordingly, the Applicant will reconfigure approximately ten percent (10%) of the Brighton Facility to accommodate administrative offices, training space, storage and rehabilitation areas. The Applicant will also implement a robust data system that is compatible with its electronic medical record system. The implementation of this system allows clinical staff immediate access to resident records, which allows for the delivery of integrated care and improved quality outcomes for residents.

Conclusion

The Applicant's Project will result in a more cost-effective means of meeting the needs of a specific patient population that is often difficult to place in a traditional skilled nursing facility due to the complexity of the care required and the lack of adequate reimbursement to provide such care. The Applicant designed the Project to comply with the standards set forth in the Guidelines. The replacements and renovations proposed by the Applicant involve physical plant components, as well as interior and exterior upgrades. These renovations will allow the Applicant to comply with current state and local standards governing skilled nursing and rehabilitation facilities.

Factor 2: HEALTH CARE REQUIREMENTS, continued

2.3: Statistical Data--Routine Inpatient Services

Complete only for those routine inpatient cost centers, as specified by the *Hospital Uniform Reporting Manual***, in which you are requesting a change.

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------------|---|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------|
| | Cost Center | Licensed Weighted Average Bed Capacity | Occupancy Rate | Average Length of Stay | Number of Discharges | Number of Patient Days |
| 1 | | | (1993年)。 第1日 - 1993年1月日 | | | |
| 2 | 2013 Actual (A) | 81 | 75.4% | · · · · · · · · · · · · · · · · · · · | | |
| 3 | 2014 (A) | 81 | 73.1% | 19.23 | | |
| 4 | 2015 (A) | 81 | | | | |
| 5 | | | | | | |
| 6 | 2017 (P1)* | 123 | | | | |
| 7 | 2018 (P1) | 123 | | 29.47 | | 38,544 |
| 8 | 2019 (P1) | 123 | · · · · · · · · · · · · · · · · · · · | | | 38,544 |
| 9 | 2020 (P ₁) | 123 | 85.9% | 26.27 | 1,467 | 38,544 |
| 10 11 | 2017 (P ₂)* | 0 | 0 | 0 | 0 | |
| 12 | 2018 (P ₂) | 0 | | 0 | | 0 |
| 13 | 2019 (P ₂) | 0 | | 0 | | 0 |
| 14 | 2020 (P ₂) | | | 0 | · · · · · · · · · · · · · · · · · · · | |
| 15 | | | | | | |
| <u>16</u> 17 | 20 Actual (A) | | | | | |
| 18 | 20 (A) | ┝──── | | | | — — — |
| 19 | 20 (A) | | | ······ | ; | |
| 20 21 | 20 (P ₁)* | <u> </u> | | | l | |
| 22 | 20 (P ₁) | | | | | |
| 23 | 20 (P ₁) | | | | | |
| 24 25 | 20 (P ₁) | | | | | · |
| 26 | 20 (P ₂)* | | · | ·····-• | L | |
| 27 | 20 (P ₂) | | | | | |
| 28 29 | 20 (P ₂) 20 (P ₂) | | | | | |
| 30 | | | | | | |
| 31 | | | | | | |
| 32 33 | 20 Actual (A) 20 (A) | <u> </u> | | | | |
| 34 | 20 (A) | <u> </u> | | | | |
| 35 | | | | | | |
| 36 37 | 20 (P ₁)* 20 (P ₁) | [| | · · · · · · · · · · · · · · · · · · · | , | |
| 38 | 20 (P ₁) | | | | | |
| 39 | 20 (P ₁) | | | | | |
| 40 41 | 20 (P ₂)* | | | | | |
| 41 | 20 (P ₂) | <u> </u> | | <u>-</u> | | |
| 43 | 20 (P ₂) | | | | | |
| 44 | 20 (P ₂) | <u> </u> | L | | L | |

*Note: P1 assumes project is approved and P2 assumes project is denied.

**Hospital Uniform Reporting Manual is available at <u>http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf</u>.

Factor 2: HEALTH CARE REQUIREMENTS, continued

2.4: Statistical Data--Routine Inpatient Services NOT APPLICABLE

Complete only for those routine inpatient cost centers, as specified by the Division of Health Care Finance and Policy Uniform Reporting Manual**, in which you are requesting a change.

| | (1) | (2) | (3) | (4) | (5) | (6) |
|----------|--|---|---------------------------------------|--|-------------------------------------|--------------------------------|
| | Cost Center | Licensed Weighted Average Bed Capacity | Occupancy Rate | Average Length of Stay | Number of Discharges | Number of Patient Days |
| 1 | | | | | | |
| 2 | 20 Actual (A) | <u>nik u tit i u u s</u> e | <u>reach con Chairme</u> | <u>Harden te hann an air an Air</u> th | <u>왕고 한국산가 가지.</u> | [1] 一] 如何就是考虑,这个问题。 |
| 3 | 20 (A) | · · · · · · · · · · · · · · · · · · · | | | | |
| 4 | _20 (A) | | | | | |
| 5 | | | | | | |
| 6 | 20 (P1)* | | | | | |
| 7 | 20 (P ₁) 20 (P ₁) | | | | | |
| 8 9 | 20 (P ₁) 20 (P ₁) | | | | | |
| 10 | (F1) | | | | | <u> </u> |
| 11 | 20 (P ₂)* | | | ļ | | |
| 12 | 20 (P ₂) | · | | · · · · · · · · · · · · · · · · · · · | | <u>-</u> - |
| 13 | 20 (P ₂) | ···· | | | | |
| 14 | 20 (P ₂) | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | 20 Actual (A) | <u> Alexandre de la comp</u> | | | e na sel fassa ni se <u>de</u> sest | <u>et i 179, a i stata e</u> t |
| 18 | 20 (A) | , _ , | | | | |
| 19 | 20 (A) | | | ļ | | |
| 20 | | | | | | |
| 21 | 20 (P ₁)* | | | | | |
| 22 | 20 (P1) | | | | | |
| 23 | 20 (P1) | | | · | | |
| 24 | 20 (P ₁) | | · · · · · · · · · · · · · · · · · · · | <u> </u> | | |
| 25 26 | 20 (P ₂)* | | | | | |
| 20 27 | 20 (P ₂) | | | | | |
| 28 | 20 (P ₂) | | | | | |
| 29 | 20 (P ₂) | | | <u>├──</u> ─── | | |
| 30 | | | | | | |
| 31 | | | | | | |
| [] | | | | | | |
| 32 | 20 Actual (A) | | | | | |
| 33 | 20 (A) | | - | | | |
| 34 | 20 (A) | | | | | |
| 35 | | | | | | |
| 36 | 20 (P1)* | | _ | | | |
| 37 | 20 (P ₁) 20 (P ₁) | | | | | |
| 38 | 20 (P ₁) 20 (P ₁) | | | | | |
| 39 40 | <u>20 (F1)</u> | | <u> </u> | ├ ────── | <u> </u> | |
| 40 | 20 (P ₂)* | | | — — | | |
| 41 | 20 (P ₂) | | ├ | · · · · · · · · · · · · · · · · · · · | | |
| 43 | 20 (P ₂) | | <u>├</u> ───── | <u> </u> | | |
| 44 | 20 (P ₂) | | - | | | |
| | | | l | | | |

*Note: P1 assumes project is approved and P2 assumes project is denied.

**Hospital Uniform Reporting Manual is available at <u>http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf</u>.

Factor 2: HEALTH CARE REQUIREMENTS, continued

2.5: Statistical Data--Major Ancillary Services NOT APPLICABLE

Complete only for those routine inpatient cost centers, as specified by the Division of Health Care Finance and Policy Uniform Reporting Manual, in which you are requesting a change.

| | (1) | (2) | |
|----------|--------------------------------|--|--|
| | Service | Standard Units of Measure | |
| _ | | | |
| 1 | Physical Therapy | | |
| 2 | 2013(A) | | |
| 3 | 2014 (A) | | |
| 4 | 2015(A) | | |
| 5 | 2017 (P1) | | |
| 6 | 2018 (P1) | | |
| 7 | 2019 (P1) | | |
| 8 | 2020 (P1) | | |
| 9 | 2017 (P2) | | |
| 10 | 2018 (P2) | | |
| 11 | 2019 (P2) | | |
| 12 | 2020 (P2) | | |
| 13 | | | |
| 14 | Occupational Therapy | | |
| 15 | 2013 (A) | | |
| 16 | 2014 (A) | | |
| 17 | 2015(A) | | |
| 18 | 2017 <u>(</u> P1) | | |
| 19 | 2018 (P1) | | |
| 20 | 2019 (P1) | | |
| 21 | 2020 (P1) | | |
| 22 | 2017 (P2) | | |
| 23 | 2018 (P2) | | |
| 24 | 2019 (P2) | | |
| 25 | 2020 (P2) | | |
| 26 | | | |
| | Speech Pathology | | |
| 28 | 2013(A) | | <u> </u> |
| 29 | 2014 (A) | ····· | |
| 30 31 | 2015(A) 2017 (P1) | · | |
| 32 | 2017 (P1) 2018 (P1) | · · · · · · · · · · · · · · · · · · · | |
| 33 | | ······································ | |
| | 2019 (P1) | | |
| 34 35 | 2020 (P1) 2017 (P2) | <u></u> | <u> </u> |
| 36 | 2017 (P2) 2018 (P2) | | |
| 30 | 2018 (P2) 2019 (P2) | | <u> </u> |
| 38 | 2019 (P2) 2020 (P2) | ······································ | |
| 39 | | | |
| | Medical Supplies charged to pa | | |
| 41 | 2013 (A) | | |
| 42 | 2013 (A) | | <u></u> |
| 43 | 2015(A) | <u></u> | · · · · · · · · · · · · · · · · · · · |
| 44 | 2017 (P1) | <u> </u> | ······································ |
| 45 | 2018 (P1) | | |
| 46 | 2019 (P1) | | |
| 47 | 2020 (P1) | | |
| 48 | 2017 (P2) | · | |
| 49 | 2018 (P2) | <u></u> | · · · · · · · · · · · · · · · · · · · |
| 50 | 2019 (P2) | · ···································· | · · · · · · · · · · · · · · · · · · · |
| 51 | 2020 (P2) | · | · · · · · · · · · · · · · · · · · · · · |
| | | <u></u> | |

On this line, column 2, state the standard unit of measure as specified by the Division of Health Care • Finance and Policy Hospital Uniform Reporting Manual.

Factor 3

3.1 If this application proposes establishment of a new health service at your institution, do you have evidence of the clinical effectiveness of this new service? Please provide relevant documentation.

This section is not applicable as the Applicant does not propose the establishment of a new health service.

3.2 Briefly describe quality assurance mechanisms that will be used to assess the appropriateness of the health service proposed in this project.

The Applicant utilizes a variety of quality assurance mechanisms to assess the quality of skilled nursing and rehabilitation care delivered to each of its residents, as well as the appropriateness of the services provided. The Partners Continuing Care ("PCC") Quality and Compliance Committee prioritizes performance improvement goals for the Applicant and assures adequate resources for the establishment, maintenance and support of an ongoing Performance Improvement & Patient Safety Plan ("Plan") at the Facility. The PCC Quality and Compliance Committee delegates responsibility to the Applicant's Executive Director to implement its Plan. The Applicant's Performance Improvement Committee ("PIC") ensures oversight of the Plan – monitoring quality and patient safety systems within the Facility and extracting data from multiple sources. Consequently, the Applicant utilizes an electronic repository tool that integrates data and generates reports. These materials are reviewed at each PIC meeting. Moreover, the repository allows resources and data trends to be easily identified, benchmarked and analyzed. If benchmarks are not met in a timely manner, the PIC implements plans of action to identify and correct quality inefficiencies.

The PIC is a multi-disciplinary committee that meets quarterly and is comprised of the Applicant's Executive Director, Medical Director, Director of Nursing, nurse managers, the Rehabilitation Director, staff education and infection control nurses, the Director of Social Services and a quality improvement specialist. Additionally, the PIC is comprised of representatives from pharmacy, laboratory, and radiology vendors, as well as accreditation leaders from SRN. The PIC is charged with implementing the Performance Improvement & Patient Safety Plan for the organization, identifying and prioritizing areas of improvements, as well as assessing and evaluating performance. The Plan, Do, Check, Act ("PDCA") model for improvement is used by the PIC to facilitate performance improvement projects.

Additionally, the PIC has subcommittees that focus on various aspects of resident care. These committees include the Skin Care and Wound Committee, the Falls Prevention Committee, the Environment of Care Committee and the Patient Experience Committee. The Skin Care and Wound Committee's goals include: fostering the ability of clinical staff to detect the incidence of skin breakdown in residents/patients; implementing prevention techniques to reduce risk factors associated with skin breakdown; and outlining plans for treatment of patients with pressure ulcers, skin tears, and wounds based on evidence-based practices. This Committee reports quarterly to the PIC.

Next, the Falls Prevention Committee provides oversight of the Applicant's fall prevention program. The Committee monitors trends in fall prevention, fall rates and fall sentinel events, recommending improvement initiatives for fall prevention when warranted. Fall rounds are held weekly at the Facility on each unit with interdisciplinary clinical staff participation.

The Environment of Care Committee provides a functional and safe environment for patients, residents, visitors and employees. This Committee reviews regulations and standards provided by federal, state and local authorities and implements any necessary changes. Environment of Care Rounds are performed using a subset of multi-disciplinary staff to ensure the environment is safe from physical hazards. These rounds occur three times per year on each of the patient areas and once per year in the non-patient/resident areas. Rounds focus on monitoring latching doors, alarms, exits and emergency lighting, making sure patient/resident rooms are clean and safe from fall hazards, and functioning nurse call systems.

Finally, the Patient Experience Committee continuously works to improve patient satisfaction. This Committee strives to build a service culture utilizing best practices in communication, service, safety and quality. A core component of PIC is to build a sustainable service infrastructure. Accordingly, based on patient satisfaction data obtained from the patient/family satisfaction survey tool, the Committee creates facility-based action plans, monitoring and measuring progress towards the identified goals. Additionally, the Committee sets service expectations, offers staff service training and education and provides rewards and recognition to staff.

The following is a summary of the Applicant's compliance with the requirements of Factor 3 of the Guidelines:

A. <u>Unit Size</u>

The West Roxbury Facility is a skilled nursing and rehabilitation facility licensed to operate 81 Level II beds on two units. Typically, the West Roxbury Facility has an average census of approximately 61 residents. Through a transfer of site, the Applicant will seek to transfer West Roxbury Facility license to the Brighton Facility located at 110 N. Beacon Street, Allston, MA. The Brighton Facility has one hundred and twenty-three (123) Level II beds on three units with 41 beds on each unit. Of these beds, there are nine single bed rooms on each floor, for a total of 27 private rooms. Accordingly, the proposed Project will result in a one hundred and twenty-three (123) Level II bed facility composed of 3) floors with forty-one (41) beds on each floor.

B. One-Time Expansion Exemption

In order to increase the current license to 123 beds, the Project involves the use of the on time twelve (12) bed exemption. In addition, the Applicant respectfully requests that the license be increased by an additional 30 beds in recognition of the Applicant's intent to voluntarily surrender 40 beds on its North End Facility license. With this surrender under the North End Facility license and corresponding increase to the West Roxbury Facility license upon transfer to the Brighton Facility, the capacity among the Applicant's two licenses will be decreased by 10 beds.

C. Affiliation Agreements

In accordance with the provision of the Guidelines, the Applicant ensures access for its residents through its affiliates within PCC that offer home health, hospice and respite services, so that patients may be transferred within the system. These arrangements promote the coordination and delivery of institutional and non-institutional skilled nursing

hospitalization, rehabilitation and related support services for the Applicant's residents, as well as those that have been discharged into the community.

D. Medicare and Medicaid Access

The Applicant participates in the Medicare and Medicaid programs. The Applicant's longstanding mission has been to provide skilled nursing and rehabilitation services to the elderly, disabled and low income residents within the greater Boston area and the surrounding communities. The Applicant serves all residents that meet the Facility's admission eligibility criteria regardless of payment source. The Applicant has a longstanding policy of nondiscrimination in resident admissions with respect to payor status and will continue to abide by this policy. The Applicant is committed to continuing to provide services to Medicare and Medicaid patients upon project completion.

3.3

Does your institution have written referral arrangements pertaining to services covered in this application with other health care providers in the primary service area of this project? (Nursing and rest homes' applicants should have an agreement with at least one acute care hospital and one home health organization).

YES X (Please give brief descriptions of these referral arrangements)

The Applicant transfers residents/patients when necessary to other facilities within the Partners HealthCare network. These facilities include Brigham and Women's Hospital and the Massachusetts General Hospital for hospitalization and rehabilitation, as well as Partners Continuing Care for home health care.

NO _____(Please explain why you do not have referral arrangements)

Note: In addition to the above measures, all projects must meet the operational objectives of relevant service-specific guidelines.

Factor 4

FACTOR 4: STANDARDS COMPLIANCE

If this project involves renovation or new construction, please submit schematic line drawings for that construction.

Please consult the Determination of Need Program staff if you require guidance in completion of this section.

See "Square Footage" under DEFINITIONS, FACTOR 5.

Exhibit A: Schematics

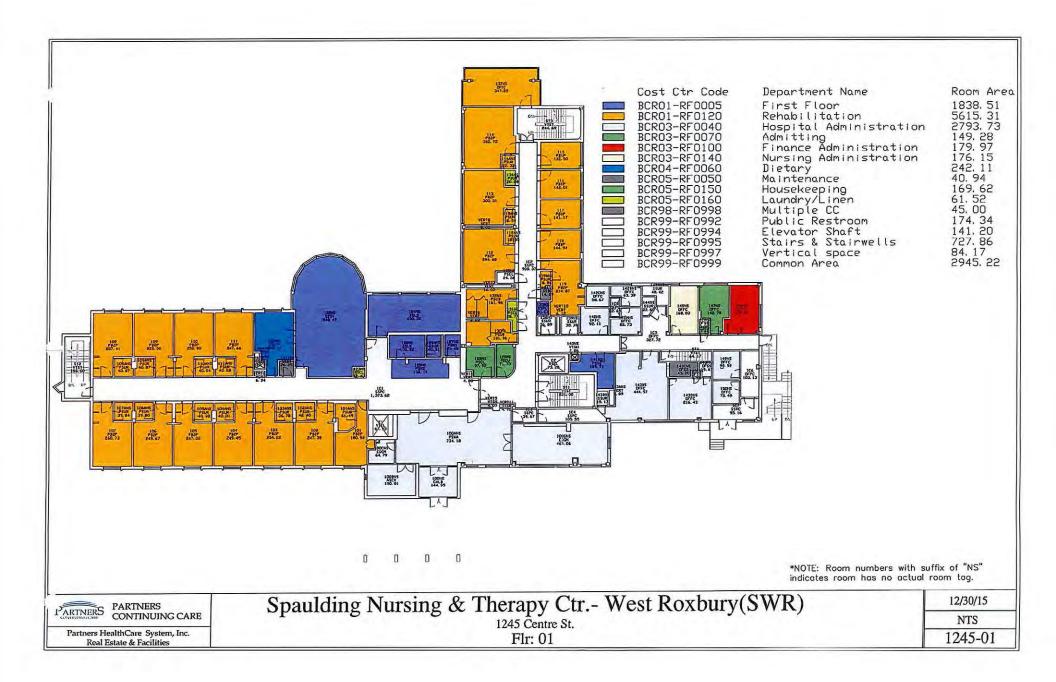
Attachment/Exhibit

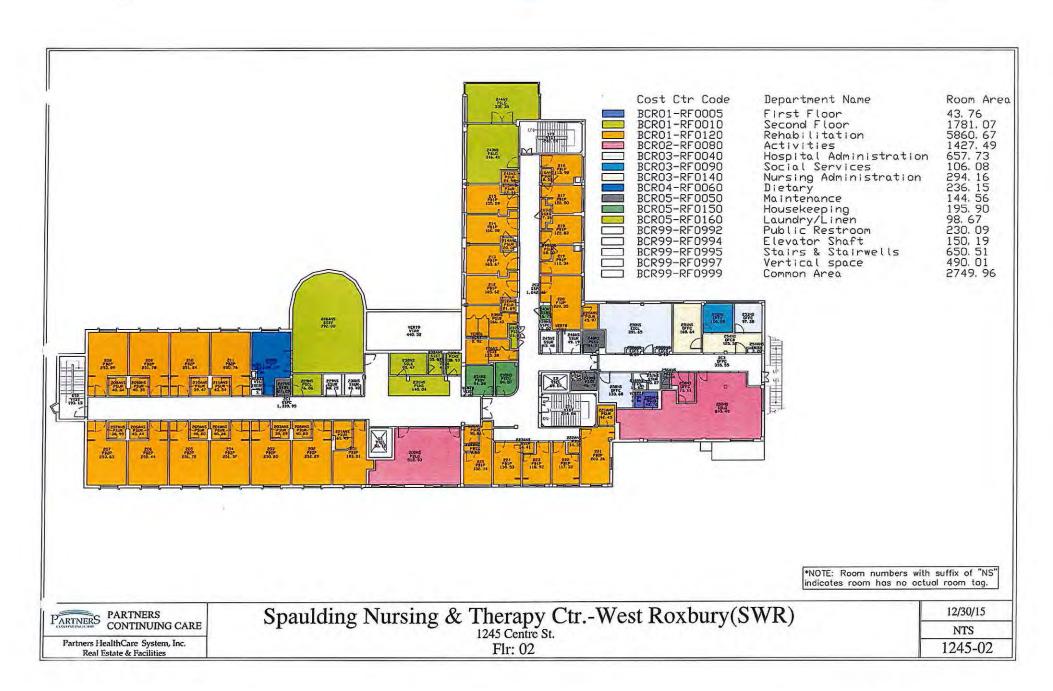
A

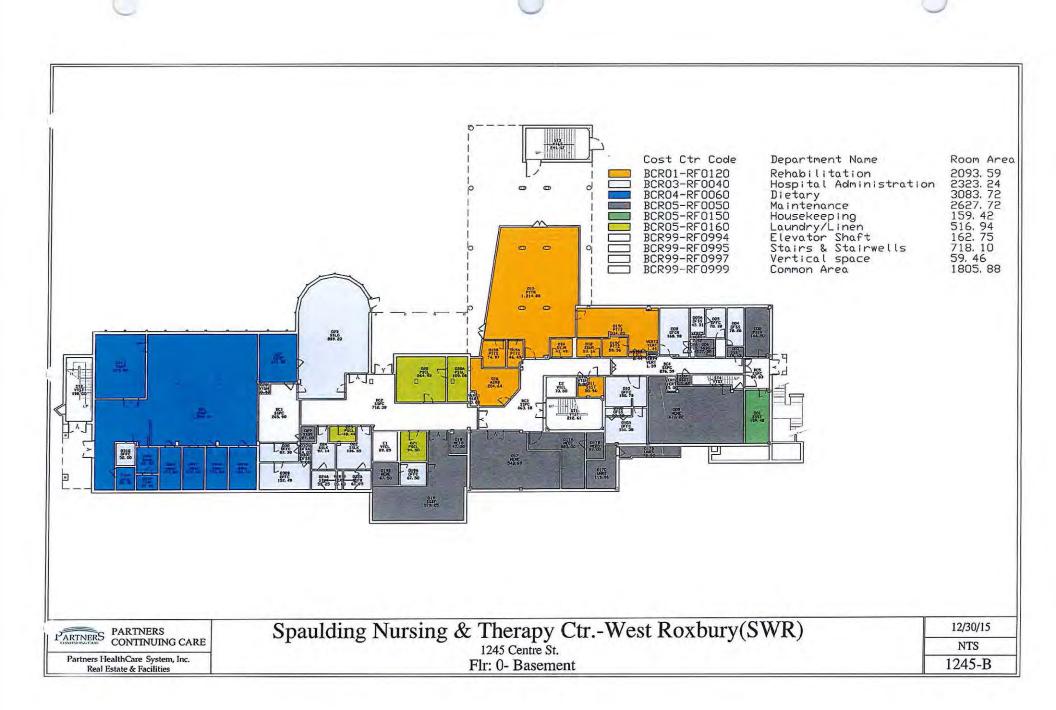
an e construction de la construction Notation de la construction de la co

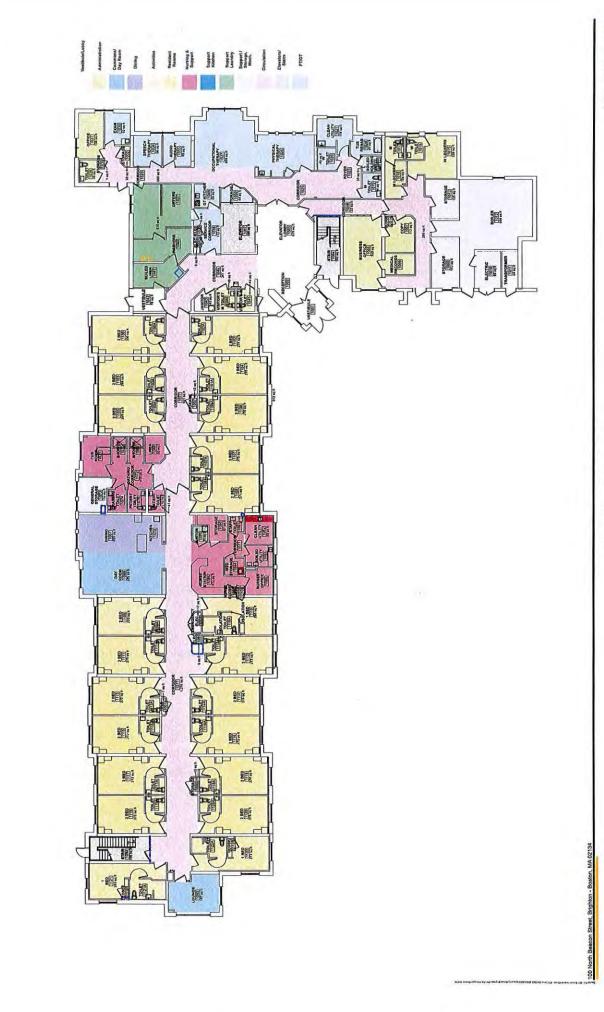
1. <u>1</u>. 1997 •

•







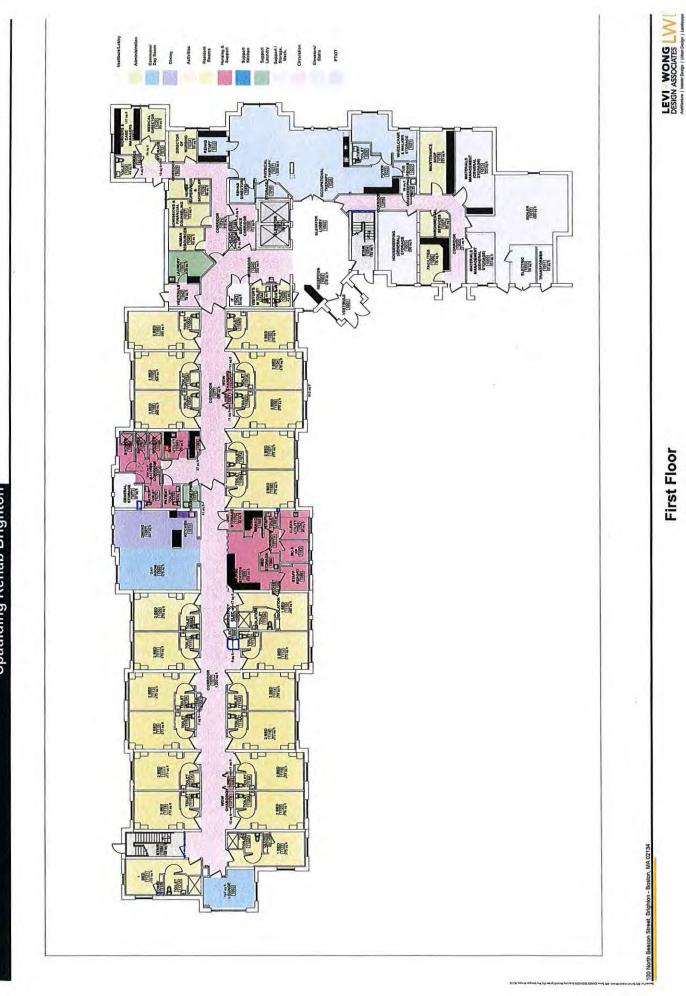


Spaulding Rehab Brighton

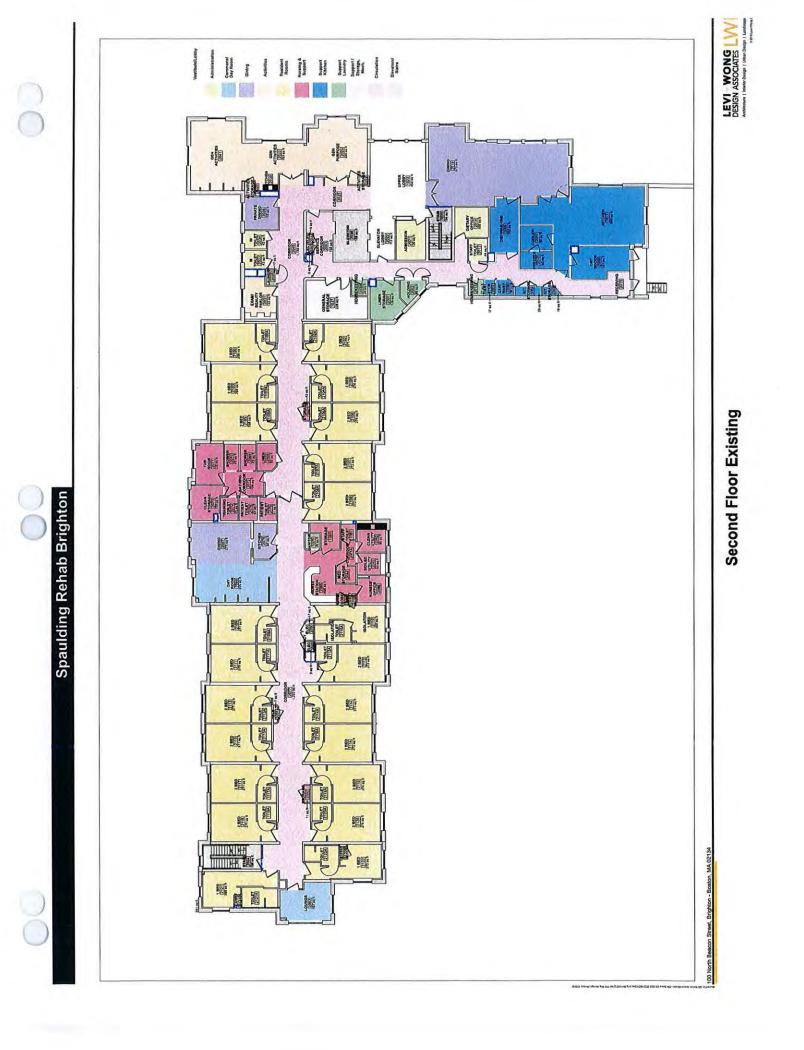
0

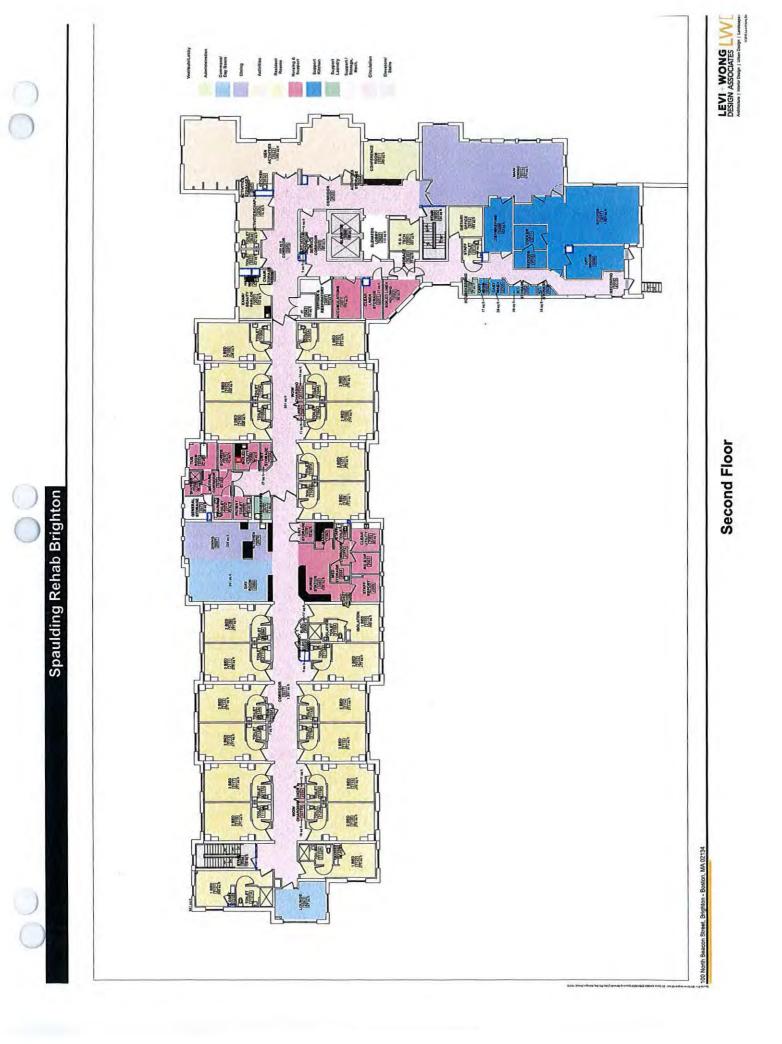
LEVI + WONG LW DESIGN ASSOCIATES LW MOMENTIA I Interfor Design I Landes

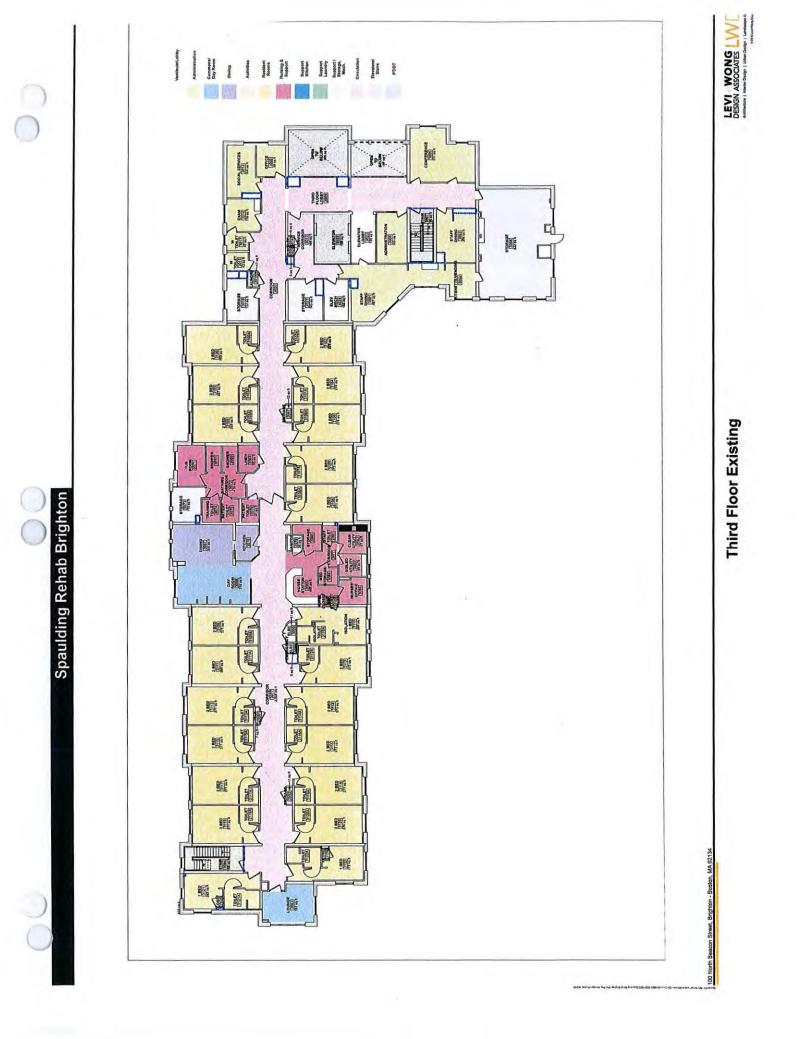
First Floor Existing



Spaulding Rehab Brighton









Factor 5

FACTOR 5: REASONABLENESS OF EXPENDITURES AND COSTS

Definitions

1. Capital Expenditure

Cost of the project expressed in a dollar amount as of the filing date (i.e., assuming the project were to commence on the filing date). (See discussion in Factor 6, Schedule D.)

2. Functional Areas

Unit of space directly related to a particular service (e.g., nursing unit, laboratory, radiology, dietary and admissions) or a space common to the operation of the entire facility (e.g., lobby, mechanical, major circulation, exterior wall).

3. Square Footage

Net Square Feet (NSF): The space associated with a particular department. It includes all functional space within a department; e.g., the interior of exam rooms, closets, utility rooms and waiting areas. Also, toilet rooms, walk-in refrigerators, and storage areas should be included if they are specifically for that department. It does not include allowances for internal partitions, departmental circulation, major circulation, shafts, ductways, general mechanical space and exterior walls.

Gross Square Feet (GSF): Includes the NSF of a Department plus circulation within the department, partitions within the department, and dedicated mechanical space (e.g., pump room for a surgical suite). The GSF for a specific functional department excludes major general mechanical space, ductwork, elevator shafts, and stairwells located within the department's boundaries; these components should instead be assigned to the GSF of a non-departmental- functional area such as "Elevators and Shafts," if they are significant.

If a department's perimeter is an interior wall, half of the thickness of the wall is allocated to the department. If the perimeter is an exterior wall, only 3 inches (i.e., half of a standard partition) of that wall's thickness is assigned to the department; the remainder belongs to the functional area "Exterior Wall."

Using these definitions, a facility's overall GSF is the sum total of the GSF of each functional area; that is, the total of the departmental GSF figures plus the area allocated to Major Circulation and Exterior Walls (i.e., the non-departmental areas.)

4. Cost per Gross Square Footage

In calculating the cost/GSF, the DoN Program adds construction contract, fixed equipment not in contract, site survey and soil investigation, and architectural and engineering costs and divide by the proposed gross square footage. However, the specific costs for these components should be included separately in Schedule D.

FRC, d/b/a SPAULDING NURSING & THERAPY CENTER BRIGHTON - FACTOR 5

Schedule 5.1 Square Footage And Cost Per Square Foot

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|----|-------------------------------|--------------|------------|---|-------------------------|--|---------------|
| | | Present Squa | re Footage | | Square F Involved in | | |
| | Functional Areas | a Net | a Gross | New Cons Net | truction Gross | Renova Net | tion Gross |
| 1 | FIRST FLOOR | | | | | | |
| 2 | Lobby | 756 | 829 | 0 | 0 | 679 | 744 |
| 3 | Administration | 1,120 | 1,228 | 0 | 0 | 1255 | 1376 |
| 4 | Commons / Day Room | 572 | 627 | 0 | 0 | 557 | 611 |
| 5 | Dining | 360 | 395 | 0 | 0 | 347 | 380 |
| 6 | Activities | 0 | 0 | 0 | 0 | 0 | (|
| 7 | Residents Rooms | 6,045 | 6,626 | 0 | 0 | 6,045 | 6,626 |
| 8 | Nursing & Support, etc. | 1,144 | 1,254 | 0 | 0 | 1,118 | 1,220 |
| 9 | PT / OT | 1,436 | 1,574 | 0 | 0 | 1,632 | 1,789 |
| 10 | Support Kitchen | 0 | . 0 | 0 | 0 | 0 | (|
| 11 | Support Laundry | 634 | 695 | 0 | 0 | 170 | 186 |
| 12 | Support / Storage, Mech, etc. | 1,309 | 1,435 | 0 | 0 | 1,795 | 1,968 |
| 13 | Sub -Total - departmental SF | 13,376 | 14,663 | 0 | 0 | 13,598 | 14,900 |
| 14 | Circulation | 3,210 | 3,518 | 0 | 0 | 2,988 | 3,275 |
| 15 | Elevator/Stairs | 478 | 524 | 0 | 0 | 478 | 524 |
| 16 | Total First Floor | 17,064 | 18,705 | 0 | 0 | 17,064 | 18,70 |
| 17 | Exterior Wall | | 925 | | 0 | | 92 |
| 18 | TOTAL | | 19,630 | | | | 19,63 |
| 19 | SECOND FLOOR | | | | | | |
| 20 | Lobby | 570 | 628 | 0 | 0 | | 123 |
| 21 | Administration | 372 | 410 | 0 | + | | 81 |
| 22 | Commons / Day Room | 542 | 597 | 0 | 0 | 568 | 62 |
| 23 | Dining | 1,446 | 1,592 | 0 | 0 | 1,329 | 1,46 |
| 24 | Activities | 1,230 | 1,354 | | · · · · · | | 1,27 |
| 25 | Residents Rooms | 6,036 | 6,645 | | | 6,036 | 6,64 |
| 26 | Nursing & Support, etc. | 1,260 | 1,387 | 0 | | 1,420 | 1,56 |
| 27 | PT/OT | 0 | 0 | C | | | |
| 28 | Support Kitchen | 1,266 | 1,394 | | C | 1,274 | 1,40 |
| 29 | Support Laundry | 269 | 296 | | C | | 7 |
| 30 | Support / Storage, Mech, etc. | 271 | 298 | | | | 29 |
| 31 | Sub -Total - Departmental SF | 13,262 | 14,601 | | 0 | | 14,28 |
| 32 | Circulation | 3,135 | 3,452 | | | <u> </u> | 3,76 |
| 33 | Elevator/Stairs | 460 | 506 | | | | 50 |
| 34 | Total Second Floor | 16,857 | 18,559 | | | | |
| 35 | Exterior wall | | 925 | |) (| <u>}</u> | 92 |
| 36 | TOTAL | | 19,484 | | | | 1948 |
| 37 | THIRD FLOOR | | | | <u> </u> | | |
| 38 | Lobby | 133 | 147 | | | the second s | |
| 39 | Administration | 1,653 | 1,831 | And the second se | | | 2,34 |
| 40 | Commons / Day Room | 503 | 557 | | | | |
| 41 | Dining | 356 | 394 | · · · · · · · · · · · · · · · · · · · | | 356 | 39 |
| 42 | Activities | 0 | 0 |) (| | | |
| 43 | Residents Rooms | 6,028 | 6,676 |) (|) (| 6,028 | 6,67 |

20

Schedule 5.1 Square Footage And Cost Per Square Foot

| (1) | | (2) | (3) | (4) | (5) | | (7) |
|-----|---------------------------------------|--------------|--------|----------|----------|-------------------------------|--------|
| | | Present Squa | | | | are Footage ved in Project | |
| | | a | a | New Cons | truction | Renova | |
| | Functional Areas | Net | Gross | Net | Gross | Net | Gross |
| 44 | Nursing & Support, etc. | 1,136 | 1,258 | 0 | 0 | 1,112 | 1,231 |
| 45 | PT/OT | 0 | 0 | 0 | 0 | 297 | 329 |
| 46 | Support Kitchen | 0 | 0 | 0 | 0 | 0 | 0 |
| 47 | Support Laundry | 17 | 19 | 0 | 0 | 67 | 74 |
| 48 | Support / Storage, Mech, etc. | 1,410 | 1,562 | 0 | 0 | 585 | 648 |
| 49 | Sub -Total - Departmental SF | 11,236 | 12,444 | 0 | 0 | 11,268 | 12,478 |
| 50 | Circulation | 3,052 | 3,380 | 0 | 0 | 3,020 | 3,345 |
| 51 | Elevator / Stairs | 964 | 1,069 | 0 | 0 | 964 | 1,068 |
| 52 | Total Third Floor | 15,252 | 16,893 | 0 | 0 | 15,252 | 16,891 |
| 53 | Exterior wall | | 834 | | 0 | | 834 |
| 54 | TOTAL | | 17,727 | | | | 17,725 |
| 55 | Total | 49,173 | 54,157 | 0 | 0 | 49,173 | 54,153 |
| 56 | Total including the exterior wall | | 56,841 | | 0 | | 56,839 |
| 57 | | | | | | | |
| 58 | | | | | | ľ | |
| 59 | | | | | | | |
| 60 | | | | | | | |
| 61 | | | | | | | |
| 62 | | | | | | | |
| 63 | | | | | | | |
| 64 | | | | | | | |
| 65 | | | | | | | |
| 66 | | | | | | | |
| 67 | | | | | | | |
| 68 | | | | | | | |
| 69 | | | | | | | |
| 70 | · · · · · · · · · · · · · · · · · · · | | | | | | |
| 71 | | [] | | | | | |
| 72 | | | | | | | |
| 73 | · · · · · · · · · · · · · · · · · · · | | | | | | ····· |

^a See the definitions on page 23.

20a

Schedule 5.1 Square Footage And Cost Per Square Foot, continued

| | | (8) | (9) | (10) | (11) | (12) | (13) |
|----|----------------------------------|------------------------------|----------------------------|---------------------|--------------|--|--------------|
| | | Resultir Square Footag | ng e ge ^a | Tota | al Cost | Cost/Squar | e Footage |
| | Functional Areas | Net | Gross | New Construction | Renovation | New Construction | Renovatio |
| 1 | FIRST FLOOR | | | | | | |
| 2 | Lobby | 679 | 744 | \$0 | 142,609.9 | \$0 | \$191.68 |
| 3 | Administration | 1,255 | 1,376 | \$0 | 263,751.68 | \$0 | \$191.68 |
| 4 | Commons / Day Room | 557 | 611 | \$0 | 117,116.48 | \$0 | \$191.68 |
| 5 | Dining | 347 | 380 | \$0 | 72,838.40 | \$0 | \$191.68 |
| 6 | Activities | 0 | 0 | \$0 | 0 | \$0 | \$191.68 |
| 7 | Residents Rooms | 6,045 | 6,626 | \$0 | 1,270,071.68 | \$0 | \$191.68 |
| 8 | Nursing & Support, etc. | 1,118 | 1,226 | \$0 | 234,999.68 | \$0 | \$191.68 |
| 9 | PT/OT | 1,632 | 1,789 | \$0 | 342,915.52 | \$0 | \$191.68 |
| 10 | Support Kitchen | 0 | 0 | \$0 | 0 | \$0 | \$191.68 |
| 11 | Support Laundry | 170 | 186 | \$0 | 35,652.48 | \$0 | \$191.68 |
| 12 | Support / Storage, Mech, etc. | 1795 | 1968 | \$0 | 377,226.24 | \$0 | \$191.68 |
| 13 | Sub -Total - departmental SF | 13,598 | 14,906 | \$0 | 2,857,182.08 | \$0 | \$191.68 |
| 14 | Circulation | 2,988 | 3,275 | \$0 | 627,752 | \$0 | \$191.68 |
| 15 | Elevator / Stairs | 478 | 524 | \$0 | 100,440.32 | \$0 | \$191.68 |
| 16 | Total First Floor | 17,064 | 18,705 | \$0 | 3,585,374.40 | \$0 | \$191.68 |
| 17 | Exterior Wall | | 925 | \$0 | 177,304 | \$0 | \$191.68 |
| 18 | Total | | 19,630 | | 3,762,678.40 | - <u>····</u> ···· | |
| 19 | SECOND FLOOR | | | | | · | |
| 20 | Lobby | 112 | 123 | \$0 | 23,576.64 | \$0 | \$191.68 |
| 21 | Administration | 744 | 819 | \$0 | 156,985.92 | \$0 | \$191.68 |
| 22 | Commons / Day Room | 568 | 625 | \$0 | 119,800 | \$0 | \$191.68 |
| 23 | Dining | 1,329 | 1,463 | \$0 | 280,427.84 | \$0 | \$191.68 |
| 24 | Activities | 1,161 | 1,278 | \$0 | 244,967.04 | \$0 | \$191.68 |
| 25 | Residents Rooms | 6,036 | 6,645 | \$0 | 1,273,713.60 | \$0 | \$191.68 |
| 26 | Nursing & Support, etc. | 1,420 | 1,563 | \$0 | 299,595.84 | \$0 | \$191.68 |
| 27 | PT/OT | 0 | 0 | \$0 | 0 | \$0 | \$191.68 |
| 28 | Support Kitchen | 1,274 | 1,403 | \$0 | 268,927.04 | \$0 | \$191.68 |
| 29 | Support Laundry | 68 | 75 | \$0 | 14,376 | | \$191.68 |
| 30 | Support / Storage, Mech, etc. | 265 | 292 | \$0 \$0 | 55,970.56 | \$0 | \$191.68 |
| 31 | Sub -Total - Departmental SF | 12,977 | 14,286 | \$0 | 2,738,340.48 | \$0 | \$191.68 |
| 32 | Circulation | 3,420 | 3,765 | \$0 | 721,675.20 | \$0 | \$191.68 |
| 33 | Elevator / Stairs | 460 | 506 | \$0 | 96,990.08 | \$0 | \$191.68 |
| 34 | Total Second Floor | 16,857 | 18,557 | \$0 | 3,557,005.76 | \$0 | \$191.68 |
| 35 | Exterior wall | , | 925 | \$0 | 177,304 | \$0 | \$191.68 |
| 36 | Total | | 19,482 | <u> </u> | 3,734,309.76 | <u>├</u> ──── [॒] [॒] ────── | \$191.68 |
| 37 | THIRD FLOOR | | | | -, | <u>∤</u> - | \$191.68 |
| | Lobby | 133 | 147 | \$0 | 28,176.96 | \$0 | \$191.68 |
| 38 | | | | | | | |

| | | (8) | (9) | (10) | (11) | (12) | (13) |
|----|-----------------------------------|---|--------|---------------------|---------------------------|--|------------|
| _ | | Resulting Square Footage ^a | | Tota | Cost | Cost/Squar | e Footage |
| | Functional Areas | Net | Gross | New Construction | Renovation | New Construction | Renovation |
| 40 | Commons / Day | 569 | 630 | \$0 | 120,758.40 | \$0 | \$191.68 |
| 41 | Dining | 356 | 394 | \$0 | 75,521.92 | \$0 | \$191.68 |
| 42 | Activities | 0 | 0 | \$0 | 0 | \$0 | \$191.68 |
| 43 | Residents Rooms | 6,028 | 6,676 | \$0 | 1,279,655.68 | \$0 | \$191.68 |
| 44 | Nursing & | 1,112 | 1,231 | \$0 | 235,958.08 | \$0 | \$191.68 |
| 45 | PT / OT | 297 | 329 | \$0 | 63062.72 | \$0 | \$191.68 |
| 46 | Support Kitchen | 0 | 0 | \$0 | 0 | \$0 | \$191.68 |
| 47 | Support Laundry | 67 | 74 | \$0 | 14,184.32 | \$0 | \$191.68 |
| 48 | Support / Storage, | 585 | 648 | \$0 | 124,208.64 | \$0 | \$191.68 |
| 49 | Sub -Total - Departmental SF | 11,268 | 12,478 | \$0 | 2,391,783.04 | \$0 | \$191.68 |
| 50 | Circulation | 3,020 | 3,345 | \$0 | 641,169,60 | \$0 | \$191.68 |
| 51 | Elevator / Stairs | 964 | 1,068 | \$0 | 204,714.24 | \$0 | \$191.68 |
| 52 | Total Third Floor | 15,252 | 16,891 | \$0 | 3,237,666.88 | \$0 | \$191.68 |
| 53 | Exterior wall | ····· | 834 | \$0 | 159,861.12 | \$0 | \$191.68 |
| 54 | Total | | 17,725 | | 3,397,528 | | |
| 55 | Total | 49,173 | 54,153 | \$0 | 10,380,047 | \$0 | |
| 56 | Total including the exterior wall | | 56,839 | \$0 | \$10,895,000 ¹ | \$0 | \$191.68 |
| 57 | | | | ······ | | | |
| 58 | | | | | | | |
| 59 | | | | | | | |
| 60 | | | | | | | |
| 61 | | | | | | | |
| 62 | | | | | | | |
| 63 | | | | | | | |
| 64 | | | | | | | |
| 65 | | | | | | | |
| 66 | | | | | | | |
| 67 | | | | | | , | |
| 68 | | | | | | | |
| 69 | | | | ` | | | |
| 70 | | | | | | ······································ | |
| 71 | | | | | | <u></u> | |
| 72 | | | | | | | |
| 73 | | | | | | | |
| | | | | | | | |
| | | | T | | | | |

^a Column 8 does not necessarily equal Columns 4 plus 6 or Columns 2 plus 4 plus 6; Column 9 does not necessarily equal Columns 5 plus 7 or Columns 3 plus 5 plus 7. This is because, for example, a) there may be demolition and b) department A may be reassigned to department. B. ^b If this does not equal the sum of Lines 3,9,10 and 11 of Schedule D, please reconcile the difference (for example,

^b If this does not equal the sum of Lines 3,9,10 and 11 of Schedule D, please reconcile the difference (for example, do the costs include site survey and soil investigation, fixed equipment not in contract, and architectural and engineering costs which are not figured into Line 9 of Schedule D).

engineering costs which are not figured into Line 9 of Schedule D)

¹ The total cost has been rounded and does not exactly match the calculation (resulting square footage x cost per square foot = total cost) due to rounding issues.

Schedule 5.2 Project Implementation

6.2 Anticipated Project Schedule

| Construction/ Renovation or Installation | Start Date | Completion Date |
|--|---------------|---------------------|
| Phase One Phase Two Phase Three Phase Four Etc. | <u>5/1/17</u> | |
| Operations | Start Date | Reach Normal Volume |
| Phase One Phase Two Phase Three Phase Four | 10/1/17 | |
| Please briefly describe the phrases cited ab | oove: | |
| Phase One_Renovation to Brighton Facility | y | |
| Phase Two | | |
| Phase Three | | |
| Phase Four | | |

6.3 If you have not already provided a listing and description of the equipment requirements (if any) of this project please do so in the space below or on an additional sheet.

See Exhibit A

6.4 Do you have any additional information, which you would like to supply concerning the reasonableness of the expenditures and costs associated with this project?

YES_____ NO__X__

If "YES", please supply this information on an additional sheet or sheets.

Attachment/Exhibit

A

•

Spaulding Rehab Brighton

- Stryker Beds
- Stryker Night Stands
- Stryker Over Bed Tables
- Oak Chairs
- Dining Room Furniture
- Lockers
- Lobby Area/Solariums furniture
- Storage Rooms
- Patient TVs
- Patient TVs for lounge and solariums and sitting rooms
- Patient Ceiling Lifts
- Patient Rooms: clocks, trash barrels, linen hampers
- Patient Rooms: blinds, cubicles, white boards
- Patient Code Carts
- Patient Scales and portable lifts
- Infection Control Bins
- Housekeeping Equipment
- Glove Holders all areas
- Soiled Linen Carts

<u>Factor 6</u>

FACTOR 6: FINANCIAL FEASIBILITY

LIST OF SCHEDULES FOR FACTOR SIX

| SCHEDULE A: | Statement of Revenues and Expenses |
|--------------|--|
| *SCHEDULE B: | Statistical/Financial Data - Revenue Producing Cost Centers |
| SCHEDULE C: | Staffing Patterns |
| SCHEDULE D: | Estimated Capital Expenditure |
| SCHEDULE E: | Depreciation Expense |
| SCHEDULE F: | Proposed Funds for Estimated Capital Expenditure |
| SCHEDULE F1: | Features of Permanent Financing of Estimated Capital Expenditure |
| SCHEDULE F2: | Application of Permanent Financing Proceeds |
| SCHEDULE G: | Fixed Charges Covered |
| SCHEDULE H: | Revenue by Payer |
| | |

The purpose of "Factor Six - Financial Feasibility" of the DoN Application is to: (1) collect evidence regarding the ability of the applicant to finance and support the operation of the proposed project; and (2) highlight the probable effects of the project, in cost and statistical terms.

It may be useful as a conceptual aid to think of the schedules that comprise "Factor Six- Financial Feasibility" as sorting into these categories:

- 1) Schedules A-C information about the likely impact of the proposed project on operations of the applicant (institution).
- 2) Schedules D-G information about the capital cost and the method of financing for the proposed project; and
- 3) Schedule H information about the applicant's recent payer mix.

The schedules request the most recent annual historical data plus two sets of three-year projections for single service projects and the most recent three years historical data plus two sets of four-year projections for capital expenditure projects. "P1" is the projection of the likely future course of operations, assuming the project under consideration is approved by the Department. "P2" is the projection of the likely future course of operations, assuming the project under considerations, assuming the project under consideration is approved by the Department.

The first projection year should be the first year following the last actual. The second, third, or fourth year projection should be the point in time when the project reaches normal volume.

The applicant must clearly explain its assumptions about costs (both operating and capital) on separate sheets to be attached to Schedule A.

Consistency is a key to the fairness and usability of "Factor Six- Financial Feasibility." If assumptions about unit costs, occupancies, or similar items differ between P1 and P2, explain the reasons for these differences on separate sheets. Since it is obvious that the approval or denial of this application will not alter demographic or economic trends in the applicant's area, it is expected that assumptions for P1 and P2 will be uniform for these items. This section uses Schedule A, the operating statement, to link the various other schedules together. This interlocking system will ensure that all comparisons of P1 and P2 will be made using consistent data, which fit smoothly into the broader financial situation of the applicant.

In order to obtain forecasts or financial and statistical impacts, it is necessary to consider the interrelationship of determination of need projects filed by an individual applicant. Therefore, if the applicant's institution has more than one DoN application pending, or expects to file additional applications within one year of the date of this application, please note the application numbers and dates of the pending applications and the nature and scope of expected applications on the "assumptions" sheet attached to Schedule A. "P1" and "P2" projections must assume approval of all pending (rather than anticipated or expected) DoN applications. For example, an institution that has one application pending consideration, by the Department, and which is now filing another application, should:

- note the first application in the assumption section of Schedule A of the new application; and
- assume approval of the first application in both the "P1" and "P2" projections of the new application.

The new application should, in effect, show the combined projections if the first application were, in fact, to be implemented on the applicant's proposed schedule.

On some schedules, hospitals are required to report financial and statistical data according to the specifications of the *Hospital Uniform Reporting Manual*.** Of course, this requirement does not apply to non-hospital applicants.

These schedules will provide necessary information about the probable impacts of determination of need actions on individual applicants. <u>Schedules A, G, and H should be completed for the whole facility and not only for the project's revenue producing cost center(s).</u>

**Hospital Uniform Reporting Manual is available at <u>http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf</u>.

Factor 6 FINANCIAL FEASIBILITY

Notes:

- 1. The financial and statistical information requested in Factor Six must be submitted on the schedules provided or on copies thereof.
- 2. Copies of audited financial statements for the most recent year must be filed with this application.
- 3. Assumptions used in projecting capital and operating costs, revenues, and demographic factors must be clearly explained on a separate sheet attached to the beginning of Factor 6.
- 4. Statistical data and projections provided in Factor Two are important for the Factor Six data and projections. Please review both Factor Two and Factor Six carefully to ensure overall consistency between them.
- 5. It is permissible to round dollar amounts to the nearest thousand, as long as such rounding does not materially affect the results. If you do so, please clearly indicate this <u>on each page</u> on which such rounding is done.
- 6(a) Use <u>constant dollars</u> for the projection years (that is, <u>do not include inflation</u>). Do <u>not</u> restate actual dollars.
- 6(b) In general, use the last complete fiscal year as the basis for constant dollars (e.g., an applicant filing May 2014 with a fiscal year ending September 2014 would state project costs in 2014 dollars).

FACTOR 6: FINANCIAL FEASIBILITY

ASSUMPTIONS

Spaulding Rehabilitation Network (SRN) currently operates two skilled nursing facilities – the 140 bed North End Facility and the 81 bed West Roxbury Facility. Due to its affiliation with MGH and BWH as members of Partners HealthCare, both facilities admit a disproportionate share of high-cost, hard-to-place SNF level patients. The resulting operating losses from serving this patient population is supported by Partners Healthcare.

Today the West Roxbury Facility has excess bed capacity, operating at 73% occupancy, with a higher mix of shortterm orthopedic patients requiring more therapy after surgical procedures, and a lower mix of long-term residents. Of the 56 current average daily census (ADC), 9 are long-term residents with an average length of stay (ALOS) that typically exceeds 244 days.

By consolidating the operations of its two aging and under capacity facilities into a more clinically appropriate and efficient facility, a higher overall occupancy rate can be achieved. P1 assumes 123 adult licensed beds operating at 86% occupancy or a 105 ADC. The proposed Brighton Facility will maintain referral arrangements with BWH and MGH. P1 assumes a 123 bed facility ADC of 105, for an ADC increase of approximately 47 as compared to the current SWR ADC alone. The increase over current SWR ADC is associated with a shift in referrals of the high-cost and hard to place patients to the Brighton Facility that traditionally were referred by MGH to the North End Facility.

P1 projected discharges reflect the following changes from the current West Roxbury Facility:

- Medically complex long-term resident ADC increases from 9 in FY15 to 40 in P1 FY17.
- Short-term rehabilitation ADC increases from 51 in FY15 to 65.6 in P1 FY17
- ALOS increases from 18.8 in FY15 to 33.5 in P1 FY17, resulting from the shift in the mix of short-term SNF patients vs long-term residents.
- In P1 the ALOS decreases in both FY18 and FY19, as the ADC of long-term residents decreases and shifts toward short-term SNF level patients. The patient mix remains constant in P1 from FY19 forward.

| | FY15 | FY17 | FY18 | FY19 | FY20 |
|------------|-------|-------|-------|-------|-------|
| Discharges | 1,135 | 1,149 | 1,308 | 1,467 | 1,467 |
| % change | | 1% | 14% | 12% | 0% |

P1 assumes the following change in discharges:

P2 assumes the West Roxbury Facility is closed.

Schedule A

Line 6 - Net Patient Service Revenue in P1 reflects increased CMI for Medicare reimbursement consistent with the increase in severity of patient mix,

Line 8 - Other Operating Revenue includes Miscellaneous Other Revenue \$0.03M

Line 13a includes salary increase for additional therapy staff as well as reductions related to decrease in inpatient census, in FY2017, 2018, 2019, and 2020, using FY15 as the basis for adjustments.

Line 15: Although Spaulding's parent does not require Spaulding to make payments of principal or interest Spaulding does take the related depreciation, as the project becomes the asset of Spaulding.

Line 16: Partners is obligated and therefore, contained in P1 FY2017-2020 is Spaulding's base interest not related to the project. P2 assumes closure.

Line 17 includes pension expense related to staffing changes in overall staffing.

Schedule A: Statement of Revenues and Expenses

The data presented here must tie to later schedules and **should be for the entire institution and not only for the project's cost center.** Explain all variances. Should your institution have another application pending (i.e. accepted and under review by the Determination of Need Program), the projections made in these schedules must assume *approval* of all pending applications.

| | (1) | (2) | (3) | (4) |
|-----|--|-----------------------|-----------------------|-----------------------|
| | | Actual <u>2013</u> | Actual <u>2014</u> | Actual <u>2015</u> |
| 1 | Gross Patient Service Revenue* | \$19,409,973 | \$20,340,415 | \$23,133,541 |
| 2 | Less: Contractuals | (\$9,368,700) | (\$10,064,694) | (\$12,379,253) |
| 3 | Provision for Doubtful Accounts | (\$35,819) | (\$43,354) | (\$12,889) |
| 4 | Free Care | \$0 | \$0 | \$0 |
| 5 | Other (Specify) | \$0 | \$0 | \$0 |
| 6 | Net Patient Service Revenue | \$10,005,454 | \$10,232,368 | \$10,741,400 |
| 7 | | | | |
| 8 | Other Operating Revenue* | \$8,123 | \$10,003 | \$35,786 |
| 9 | | | | |
| 10 | Net Operating Revenue | \$10,013,577 | \$10,242,371 | \$10,777,185 |
| 11 | | | | |
| 12 | Operating Expenses | | | |
| 13a | Salaries, Wages* and Fringe Benefits (Exclude Pension)* | \$10,470,563 | \$10,918,769 | \$10,830,930 |
| 13b | Purchased Services | \$1,592,255 | \$1,694,427 | \$2,050,049 |
| 14 | Supplies and Other Expenses | \$3,522,425 | \$3,667,614 | \$3,457,314 |
| 15 | Depreciation | \$224,491 | \$218,663 | \$207,879 |
| 16 | Interest | \$30,211 | \$26,836 | \$26,013 |
| 17 | Pension | \$302,615 | \$219,693 | \$263,326 |
| 18 | | | | |
| 19 | Total Operating Expenses* | \$16,142,560 | \$16,746,002 | \$16,835,510 |
| 20 | | | | |
| 21 | Gain (Loss) from Operations | (\$6,128,983) | (\$6,503,631) | (\$6,058,325) |
| 22 | | | | |
| 23 | Total Non-operating Revenue | (\$7,402) | \$7,843 | \$5,983 |
| 24 | | | | |
| 25 | Excess of Revenues Over Expenses | (\$865,384) | \$204,212 | (\$447,124) |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | | | | |
| 30 | | | | |

Note: For a single service project, complete the most recent year actual data and for a capital expenditure project by a hospital complete the most recent three years actual data.

Schedule A: Statement of Revenues and Expenses

| | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) |
|---------|---|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|---------------------------------------|
| | | Assum | ning Project Apr | proval | | | Assur | ning Project De | enial |
| | | Projection 2017(P1) | Projection 2018(P1) | Projection 2019(P1) | Projection 2020(P2) | Projection 2017(P2) | Projection 2018 (P2) | Projection 2019 (P2) | Projection 2020(P2) |
| 1 | Gross Patient Service Revenue* | \$37,113,333 | \$38,843,253 | \$40,440,942 | \$40,440,942 | | \$0 | \$0 | \$ |
| 2 | Less: Contractuals | (\$20,997,147) | (\$21,619,876) | (\$22,074,016) | (\$22,073,483) | \$0 | \$0 | \$0 | \$(|
| 3 | Provision for Doubtful Accounts | (\$13,367) | (\$13,863) | (\$14,377) | (\$14,911) | \$0 | \$0 | \$0 | \$0 |
| 4 | Free Care | | | | | | | | |
| 5 | Other (Specify) | | | | | | | | |
| 6 | Net Patient Service Revenue | \$16,102,819 | \$17,209,514 | \$18,352,548 | \$18,352,548 | \$0 | \$0 | \$0 | \$(|
| 7 | | | | | | | |] | _ |
| 8 | Other Operating Revenue* | \$35,786 | \$35,786 | \$35,786 | \$35,786 | | | | |
| 9 | | | | | | | | | · · · · · · · · · · · · · · · · · · · |
| 10 | Net Operating Revenue | \$16,138,604 | \$17,245,299 | \$18,388,334 | \$18,388,334 | \$0 | \$0 | \$0 | \$0 |
| 11 | | | | | | | | | |
| 12 | Operating Expenses | ·· | | | | | | | |
| 13 a | Salaries, Wages* and Fringe Benefits (Exclude Pension)* | \$15,273,537 | \$15,784,911 | \$16,289,825 | \$16,289,825 | \$0 | \$0 | \$0 | \$(|
| 13 b | Purchased Services | \$3,288,911 | \$3,442,213 | \$3,583,797 | \$3,583,797 | \$0 | \$0 | \$0 | \$ |
| 14 | Supplies and Other Expenses | \$5,546,598 | \$5,805,135 | \$6,043,910 | \$6,043,910 | \$0 | \$0 | \$0 | \$(|
| 15 | Depreciation | \$875,331 | \$875,331 | \$875,331 | \$875,331 | \$0 | \$0 | \$0 | \$(|
| 16 | Interest | \$677,339 | \$666,101 | \$654,347 | \$642,053 | \$0 | \$0 | \$0 | \$0 |
| 17 | Pension | \$371,336 | \$383,769 | \$396,045 | \$396,045 | \$0 | \$0 | \$0 | \$0 |
| 18 | | | | | | | | | |
| 19 | Total Operating Expenses* | \$26,033,051 | \$26,957,460 | \$27,843,255 | \$27,830,961 | \$0 | \$0 | \$0 | \$0 |
| 20 | | | | | | | | | |
| 21 | Gain (Loss) from Operations | (\$9,894,447) | (\$9,712,160) | (\$9,454,921) | (\$9,442,627) | \$0 | \$0 | \$0 | \$0 |
| 22 | - F | | | | | | | | · |

Schedule A: Statement of Revenues and Expenses

| | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) |
|----|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------|--------------------------------|--------------------------------|-------------------------------|
| | | Assum | ing Project App | proval | | | Assu | ming Project D | enial |
| 23 | Total Non-operating | Projection 2017(P1) \$5,983 | Projection 2018(P1) \$5,983 | Projection 2019(P1) \$5,983 | Projection 2020(P2) \$5,983 | Projection 2017(P2) \$0 | Projection 2018 (P2) \$0 | Projection 2019 (P2) \$0 | Projection 2020(P2) \$0 |
| 24 | Revenue | 1 | | | | | | | |
| 24 | | | | | | | | | |
| 25 | Excess of Revenues Over Expenses | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

*For each of these items state on a separate and attached sheet the assumptions you made in arriving at P1 (assuming project approval, columns 5-8) and P2 (assuming project denial, columns 9-12) figures.

Schedule B: Statistical/Financial Data - Revenue Producing Cost Centers

NOT APPLICABLE

Complete in detail for each revenue producing cost center affected by the project. Data for revenue-producing cost centers not affected by the project should be presented in aggregate under "Other Revenue-Producing Cost Centers". Under Other it is expected that P1 and P2 will be identical. The cost centers and standard units of measure must be those required by Hospital Uniform Reporting Manual.

(http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf

| | (1) | (2) | (3) | (4) |
|----|----------------------|--------------------------------|---|--|
| | Cost Center | Standard Unit of Measure | Gross Patient Service Revenue | Major Movable Equipment Depreciation |
| | a Physical Therapy | b Treatments | | |
| 1 | 2013 Actual (A) | | I A AM AN AN ANY MANAGE A COMPANY AND A ANY AND A ANY ANY ANY ANY ANY ANY ANY ANY ANY A | 1997-1999, <u>(† 1</u> 1997), 19977, 1997, 1997, 1997, 1997, 1997, 1997, 1997, 1997, 1997, 1997, 1997, 1997, 19977 |
| 2 | 2014 (A) | | | |
| 3 | 2015 (A) | | | |
| 4 | 20 (P1) | | | |
| 5 | 20 (P1) | | | |
| 6 | 20 (P1) | | | |
| 7 | 20 (P1) | | | |
| 8 | _20 (P2) | | | |
| 9 | 20 (P2) | | | |
| 10 | 20 (P2) | | · | |
| 11 | _20 (P2) | | | [|
| 12 | | | | a filman a ta a |
| 13 | Occupational Therapy | | | |
| 14 | 2013 Actual (A) | | | |
| 15 | 2014 (A) | | | |
| 16 | _ 2015 (A) | | | |
| 17 | 20 (P1) | | | |
| 18 | _ 20 (P1) | | | |
| 19 | _ 20 (P1) | | | |
| 20 | 20 (P1) | | | |
| 21 | 20 (P2) | | | |
| 22 | 20 (P2) | | | |
| 23 | 20 (P2) | | | |
| 24 | 20 (P2) | | | |
| 25 | | | | |
| 26 | Speech Pathology | Treatments | | |
| 27 | 2013 Actual (A) | | | |
| 28 | 2014 (A) | | | |
| 29 | 2015 (A) | | | |
| 30 | 20 (P1) | | | |
| 31 | 20 (P1) | | | |
| 32 | 20 (P1) | | | |
| 33 | 20 (P1) | | | |
| 34 | 20 (P2) | | | |
| 35 | 20 (P2) | | | |
| 36 | 20 (P2) | | | |
| 37 | 20 (P2) | | | |
| 38 | | | | <u></u> |

 b^{a} On this line state the name of the cost center (Column 1) On this line indicate the standard unit of measure (column 2) and number of units for Actual, P $and P_{1}$ and P $and P_{2}$

Note: Use copies of this sheet for additional cost centers

Schedule B: Statistical/Financial Data - Revenue Producing Cost Centers, continued

NOT APPLICABLE

| | (5) | (6) | | (7) | (8) | |
|----------|--------------------|---|---|---|---------------------------------------|----------------------------------|
| | Cost Center | Physician Compensation & Benefits* | Direct Expenses Excluding Physician Compensation & Benefits & MME Depreciation | Total Direct Expenses (Cols. 4+5+6) | Allocated Expenses | Total Expenses (Cols. 7+8) |
| | a | | | | | |
| 1 | 20 Actual (A) | | · · | | i | |
| 2 | 20 (A) | | | | | |
| 3 | 20 (A) | | | · · · · · · · · · · · · · · · · · · · | | |
| 4 | 20 (P1) | | | | | |
| 5 | 20 (P1) | | | | | |
| 6 | 20 (P1) | · · · · · · · · · · · · · · · · · · · | | | | |
| 7 | 20 (P1) | | | | · · · · · · · · · · · · · · · · · · · | |
| 8 | 20 (P2) 20 (P2) | | | | | |
| 9 10 | 20 (P2) 20 (P2) | | ···· | | <u> </u> | |
| 11 | 20 (P2) | | · | · | | |
| 12 | | ····· | | · <u>··</u> | <u> </u> | |
| 13 | | | | · · · · · · · · · · · · · · · · · · · | | |
| 14 | 20 Actual (A) | | | | | |
| 15 | 20 (A) | | ······································ | ··· | <u> </u> | <u></u> |
| 16 | 20 (A) | | | | 1 | |
| 17 | 20 (P1) | | | | | |
| 18 | 20 (P1) | | | | | |
| 19 | 20 (P1) | | | | | |
| 20 | 20 (P1) | · · · · · · · · · · · · · · · · · · · | | | | |
| 21 22 | 20 (P2) 20 (P2) | | | | <u></u> | |
| 22 | 20 (P2) 20 (P2) | | ······································ | | | |
| 24 | 20 (P2) | · | | | | <u> </u> |
| 25 | | l | | | | |
| 26 | / | <u> </u> | ! <u></u> | <u> </u> | . | <u>}</u> |
| | | | | | | |
| 27 | 20 Actual (A) | | | | | <u> </u> |
| 28 | 20 (A) | ł | | <u> </u> | | |
| 29 | 20 (A) | | | ······································ | | - <u> </u> |
| 30 | 20 (P1) | | | | | |
| 31 | 20 (P1) | | | | | |
| 32 | 20 (P1) | | | | | |
| 33 | 20 (P1) | | | | | |
| 34 | 20 (P2) | | | | | |
| 35 | 20 (P2) | ļ | ····· | | <u> </u> | <u> </u> |
| 36 | 20 (P2) | <u> </u> | ····· | | <u> </u> | <u> </u> |
| 37 38 | 20 (P2) | | | | | |
| 30 | L | L | | l | I | L |

* Include in this column fringe benefits. Note: The difference between P₁ and P₂ Schedule A, Line 19 "Total Operating Expenses" must tie to the difference between P₁ and P₂ " Schedule B, Column 9, "Total Expenses"

Schedule B: Statistical/Financial Data - Revenue Producing Cost Centers, continued

Not Applicable

| | (10) | (11) (12) (13) | | | | |
|----|--------------------------------------|--|-------------------------------------|--|--|--|
| | Cost Center | Standard Unit of Measure | Gross Patient Service Revenue | Major Movable Equipment Depreciation | | |
| | a | b | | | | |
| 1 | 20 Actual (A) | | | <u>n mengingi na</u> n munini di shire | | |
| 2 | 20 (A) | | | | | |
| 3 | 20 (A) | | | | | |
| 4 | 20 (P1) | | | | | |
| 5 | 20 (P1) | | | | | |
| 6 | <u>20</u> (P1) | | | | | |
| 7 | 20 (P1) | | | | | |
| 8 | <u>20</u> (P2) | | | | | |
| 9 | <u>20</u> (P2) | | | | | |
| 10 | 20 (P2) | | | · · · · · · | | |
| 11 | 20 (P2) | | | | | |
| 12 | | ·} | land the state of the second second | | | |
| 13 | Other Revenue Producing Cost Centers | | | | | |
| 14 | 20 Actual (A) | ······································ | <u> </u> | | | |
| 15 | 20 (A) | | | | | |
| 16 | 20 (A) | | | | | |
| 17 | 20 (P1) | | | | | |
| 18 | 20 (P1) | | | | | |
| 19 | 20 (P1) | | | | | |
| 20 | 20 (P1) | | | | | |
| 21 | 20 (P2) | | | | | |
| 22 | 20 (P2) | | | | | |
| 23 | <u>20</u> (P2) | | | | | |
| 24 | <u>20</u> (P2) | | | | | |
| 25 | | | No. No | 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | | |
| 26 | Total Revenue Producing Cost Centers | | | | | |
| 27 | 20 Actual (A) | | | | | |
| 28 | 20 (A) | | | | | |
| 29 | 20 (A) | | | | | |
| 30 | 20 (P1) | | | | | |
| 31 | <u>20</u> (P1) | | | | | |
| 32 | 20 (P1) | | | | | |
| 33 | 20 (P1) | | | | | |
| 34 | 20 (P2) | | | | | |
| 35 | 20 (P2) | | | | | |
| 36 | 20 (P2) | | | | | |
| 37 | 20 (P2) | · [| | [] | | |
| 38 | | | | | | |
| 39 | | | | | | |
| 40 | | | | | | |

^a On this line state the name of the cost center, Column 10.

^b On this line indicate the standard unit of measure, Column 11, and number of units for Actual, P $_{1}$ and P $_{2}$

Schedule C: Staffing Patterns

Complete in detail the staffing level of the service(s) that will be affected by the proposed project.

| | (1) | (2) | (3) | (4) |
|----|---|------------------------------|--------------------------|--|
| | | 1 | Number of FTEs* | |
| | | 2 <u>015ª</u> Actual Year | <u>2017</u> ⁰ P1 Year | <u>2017 ^b</u> P2 Year |
| | Service (Specify): Support Services | | | |
| 2 | All Other | 53 | 69 | |
| 3 | Total | 53 | 69 | 0 |
| 4 | | ** | | <u></u> |
| 5 | | | | |
| 6 | | | | ······································ |
| 7 | | | | |
| 8 | Service (Specify): Nursing | | | |
| 9 | RN | 28 | 36 | C |
| 10 | C NA | 40 | 67 | 0 |
| 11 | All Other | 4 | 6 | 0 |
| 12 | Total | 72 | 108 | 0 |
| 13 | | | | |
| 14 | | | | |
| 15 | Service (Specify): Therapy (Inpatient PT, OT, SLP, Resp) | | | |
| 16 | Therapy | | 22 | 0 |
| 17 | All Other | 3 | 4 | 0 |
| 18 | Total | 21 | 26 | |
| 19 | | <u>~</u> | <u>~</u> | |
| 20 | | | | |
| 21 | | | | |
| 22 | Service (Specify): All Other | | | |
| 23 | All Other | | 1 | C |
| 24 | Total | 1 | 1 | |
| 25 | · · · · · · · · · · · · · · · · · · · | | | |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | Service (specify): | | | |
| 30 | Personnel category | | | |
| 31 | | | | |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | Service (specify): | | | |
| 37 | Personnel category | | | |
| 38 | | | | |
| 39 | ···· | | | |
| 40 | | | | |
| 41 | · · · · · · · · · · · · · · · · · · · | | | |
| 42 | | | | |
| 43 | All Personnel | 147 | 204 | 0 |

*A FTE is a full-time equivalent employee. See the *Hospital Uniform Reporting Manual* for the computation of full-time equivalent.

^a For the fiscal year most recently completed.

^b The year when normal operating volume is achieved.

Schedule D: Estimated Capital Expenditure

Outlined below is a comprehensive list of all components of Estimated Capital Expenditures. Capital Expenditure as defined in the Regulations includes the site acquisition cost of land and buildings or <u>fair market value of land</u> and <u>buildings if leased (capital or operating) or donated</u>, the total cost of construction including all site improvements, the cost of all capital equipment or <u>fair market value if leased (capital or operating) or donated</u>, the total cost of all professional fees associated with the development of the project, including fees for architectural, engineering, legal, accounting, feasibility, planning and financing services, any fee associated with financing including any bond discount, and the interest cost to be incurred on funds borrowed during construction (but not including the on-going interest expense of permanent financing).

The estimate to be computed below must be based on costs and interest rates, which assume commencement and/or implementation of the project as of the date of application; therefore, the estimate should *not* include inflation up to the *anticipated actual* commencement and/or implementation date. (Where appropriate, an inflationary allowance is applied later during the DoN Staff's monitoring of the approved project.)

Because the inflation allowance is an important factor in large, costly construction projects, prospective applicants for such projects should consult the DoN Office for technical advice regarding completion of Schedule D. Do not include a special provision for contingency.

| | (1) | (2) | (3) |
|----|--|--------------|--------------|
| | Category of Expenditure | New | |
| | | Construction | Renovation |
| 1 | Land Costs: | \$ | \$ |
| 2 | Land Acquisition Cost | | |
| 3 | Site Survey and Soil Investigation | | |
| 4 | Other Non-Depreciable Land Development ^a | | |
| 5 | Total Land Costs (Lines 2 through 4) | \$0 | \$0 |
| 6 | Construction Costs: | | |
| 7 | Depreciable Land Development Cost ^b | | |
| 8 | Building Acquisition Cost | | \$14,600,000 |
| 9 | Construction Contract (including bonding cost) | | \$9,577,700 |
| 10 | Fixed Equipment Not in Contract | | \$364,800 |
| 11 | Architectural Cost (including fee, printing, supervision etc.) and | | |
| | Engineering Cost | | \$952,500 |
| 12 | Pre-filing Planning and Development Costs | | \$50,000 |
| 13 | Post-filing Planning and Development Costs | | |
| 14 | Other (specify): Campus signage improvements | | \$60,000 |
| 15 | Other (specify): System Testing and Moving Costs | | \$205,000 |
| 16 | Net Interest Expense During Construction ^c | | |
| 17 | Major Movable Equipment ^d | | \$1,236,800 |
| 18 | Total Construction Costs (Lines 7 through 17) | \$0 | \$27,046,800 |
| 19 | Financing Costs: | | |
| 20 | Cost of Securing Financing (legal, administrative, feasibility | | |
| | studies, mortgage insurance, printing, etc.) | | \$216,374 |
| 21 | Bond Discount | | |
| 22 | Other (specify): | | |
| 23 | Total Financing Costs (Lines 20 through 22) | \$0 | \$216,374 |
| 24 | Estimated Total Capital Expenditure (Line 5 + Line 18 + Line 23) | \$0 | \$27,263,174 |

Footnotes:

a. Examples of Other Non-Depreciable Land Development Costs: commissions to agents for purchase of land, attorney fees related to land, demolition of old buildings, clearing and grading, streets, removal of ledge, off-site sewer and water lines, public utility charges necessary to service the land, zoning requirements, and toxic waste removal.

 Examples of Depreciable Land Development Costs: construction of parking lots, walkways and walls; on-site septic systems; on-site water and sewer lines; and reasonable and necessary landscaping.

c. Describe assumptions used in calculating interest rates and costs.

d. Acute care hospitals need not include equipment expenditure unless for DoN regulated device (see 105 CMR 100.022, definition of Expenditure Minimum).

Schedule E: Depreciation Expense

Complete for project's estimated capital expenditure (including the fair market value for capital lease), which will be depreciated. For a given category and cost center show in aggregate the data for assets with the same useful lives. Include in the basis the asset's appropriate share of construction interest and professional fees. Use the estimates from Schedule D.

| | (1) | (2) (3) | | (4) | |
|----------|--|---------------------------|----------------|-----------------------------------|--|
| | Description of Asset | Basis for Depreciation | Useful Life | Annual Depreciation Expense | |
| 1 | Building: | | | ······ | |
| 2 | - Construction Contract (including bonding cost) | \$24,177,700 | 35 | \$690,791 | |
| 3 | - Architectural Cost (including fee, printing, supervision, etc.) and Engineering Cost | \$952,500 | 35 | \$27,214 | |
| 4 | Other Planning & Development Costs | \$110,000 | 35 | \$3,143 | |
| 5 | - Net Interest Expense During Construction | \$0 | 35 | \$0 | |
| 6 | Cost of Securing Financing | \$216,374 | 35 | \$6 <u>,</u> 182 | |
| 7 | | | | | |
| 8 | Land Improvements: | | | | |
| 9 | - Depreciable Land Development Cost | \$0 | 35 | \$0 | |
| 10 | | | | | |
| 11 | | | | | |
| 12 | | | | | |
| 13 | Building Improvements: | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | Parking Facilities: | | | | |
| 20 | | | | | |
| 21 22 | · · · · · · · · · · · · · · · · · · · | | | | |
| 22 | | | | | |
| 23 | | | | | |
| 24 | Fixed Equipment: | | | | |
| 25 | - Fixed Equipment Not in Contract | \$264,900 | 15 | \$24,320 | |
| 20 | | \$364,800 | | φ24,320 | |
| 28 | | | | | |
| 20 | | | | <u>.</u> <u>-</u> | |
| 30 | <u> </u> | | | | |
| 31 | Major Movable Equipment: | \$1,236,800 | 10 | \$123,680 | |
| 32 | - Major Movable Equipment | <u>\$1,230,000</u> | | ψ120,000 | |
| 33 | | | ··· | <u> </u> | |
| 34 | <u> </u> | · | | . <u> </u> | |
| 35 | <u> </u> | | | | |
| 36 | <u> </u> | | | | |
| 37 | Total | \$27,058,174 | | \$875,331 | |

Note: For simplicity assume first year of depreciation is a full year depreciation not one half year of depreciation. Also, if project is to be gradually phased in do not adjust for such phasing unless it significantly affects this Schedule. Explain such adjustments.

Schedule F: Proposed Funds for Estimated Capital Expenditure

| | (1) | (2) |
|----|--|---------------------|
| | Funds Available as of Application Filing Date: | |
| 1 | Plant Replacement and Expansion Fund | \$12,100,000 |
| 2 | Unrestricted Fund | |
| 3 | Endowment Fund | - |
| 4 | Specific Purpose Fund | |
| 5 | Other (specify): Partners (not FRC long term borrowing) | <u>\$15,163,174</u> |
| 6 | Subtotal | \$27,263,174 |
| | Funds to be Generated/Raised: | |
| | Internal Sources: | |
| 7 | Accumulated Gain from Operations | |
| 8 | Accumulated Non-operating Revenue ^a | |
| 9 | External Sources: Long Term Debt Proceeds ^b (available/) ^c | - |
| | month year | |
| 10 | Grants (available/) month year | |
| 11 | Unrestricted Gifts/ Bequests (available/) month vear | |
| 12 | Plant Fund Drive (available) month year | |
| 13 | Capital Lease (terms)/ rate years | |
| 14 | Subtotal | |
| 15 | Total Funds (Line 6 - Line 14) | \$27,263,174 |

Show only those funds, which are intended to finance the estimated capital expenditure.

^a Exclude unrestricted gifts and bequests. Show these on Line 11. ^b Complete Schedule F1.

^e Provide date when total amount will be available.

Schedule F1: Features of Permanent Financing of Estimated Capital Expenditure *

()

()

| 1. | a) Loan principal <u>\$15,163,174</u> b) Interest rate <u>4.5%</u> c) Term <u>30</u> yrs. |
|----|--|
| 2. | Does the proposed debt service require even periodic payments, which include interest and principal? [X] Yes [] No |
| | If No, attach a separate sheet outlining the required schedule of payments of interest and principal over the term of the loan. |
| 3. | Check anticipated source of permanent financing. ^b [] Lending Institution (specify) |
| 4. | Check anticipated debt instrument. [] Mortgage [] Mortgage Bonds [] Notes [] Taxable Bonds [X] Tax-exempt Bonds [] Bond Anticipation Note [] Other (specify) |
| 5. | Specify the loan covenants (such as required sinking fund payments, and compensating balances) associated with the proposed financing. |
| 6. | Indicate specific extent of mortgagee's proposed collateral interest in real property, gross receipts, etc. |
| 7. | Will the proposed long term loan refinance a construction loan? [] Yes [X] No |
| 8. | if Yes, complete the following: |
| | |

Complete question 8 only if the project includes refinancing of existing debt

Schedule F2: Application of Permanent Financing Proceeds

Complete only for the estimated capital expenditures of projects requiring debt financing.

| | (1) | (2) |
|----|---|------------|
| 1 | Total Estimated Land and Construction Costs | |
| | (from Schedule D, Columns 2 and 3, Line 5 + Line 18) | 27,046,800 |
| 2 | Debt Service Fund Requirement | |
| 3 | Total Financing Costs | |
| | (from Schedule D, Columns 2 and 3, Line 23) | 216,374 |
| 4 | Refinancing of Existing Debt | |
| 5 | Other (specify): | |
| 6 | Other (specify): | |
| 7 | Subtotal | 27,263,174 |
| | | |
| 8 | Less: | |
| 9 | Project Costs met by Internal Sources | |
| | (from Schedule F, Column 2, Lines 6 + 7 + 8) | 27,263,174 |
| 10 | Interest Income Earned During Construction | |
| 11 | Premium on Sale of Bonds | |
| 12 | Project Costs Met by External Sources Other than Debt | - |
| | (from Schedule F, Column 2, Lines 10 + 11 + 12) | |
| 13 | Total Deductions (Lines 9+10 + 11 + 12) | 27,263,174 |
|) | | |
| 14 | Loan Principal Required | |
| | (Line 7 - Line 13) | - |

Complete for the entire institution if the estimated capital expenditure for the project requires debt financing, including capital lease.

| | (1) | (2) | (3) | (4) |
|----|--|----------------|----------------|---------------------------------------|
| | | Actual 2013 | Actual 2014 | Actual 2015 |
| 1 | Gain (Loss) from Operations ^a | (\$6,128,983) | (\$6,503,631) | (\$6,058,325) |
| 2 | Add: Interest Expense ^a | \$30,211 | \$26,836 | \$26,013 |
| 3 | Depreciation Expense ^a | \$224,491 | \$218,663 | \$207,879 |
| 4 | Lease Payments | | | · · · · · · · · · · · · · · · · · · · |
| 5 | Cash from Operations Available for Debt Service (Lines $1 + 2 + 3 + 4$) | (\$5,874,281) | (\$6,258,132) | (\$5,824,433) |
| 6 | Debt Service Required: | | | |
| 7 | Interest on Long Term Debt (LTD) | \$30,211 | \$26,836 | \$26,013 |
| 8 | Interest on Certain Short Term Debt ^b | | | |
| 9 | Principal Payments – LTD | \$294,000 | \$311,000 | \$333,000 |
| 10 | Reduction in Short Term Debt [®] | | | |
| 11 | Lease Payments | | | |
| 12 | Net Sinking Fund Payment ^c | | | |
| 13 | Total Debt Service Required (Lines 7 + 8 + 9 + 10 + 11 + 12) | \$324,211 | \$337,836 | \$359,013 |
| 14 | Ratio: Fixed Charges Covered (Line 5 ÷ Line 13) | -18.12 | -18.52 | -16.22 |
| | | | | |
| - | | | | |

^a Must tie to Schedule A data. Explain any variances.

^b Include only short-term debt that will be rolled over or refinanced with long-term debt and any interest expense on inter-fund loans.

^c Required payment to sinking fund less payment from sinking fund.

Complete for the entire institution if the estimated capital expenditures for the project requires debt financing, including capital lease.

| | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
|----|---------------------------------------|------------------------|------------------------|---------------------------------------|------------------------|--|------------------------|---------------------------------------|
| | | Assuming Pr | oject Approval | | | Assuming P | roject Denial | |
| | Projection 2017(P1) | Projection 2018(P1) | Projection 2019(P1) | Projection 2020(P1) | Projection 2017(P2) | Projection 2018(P2) | Projection 2019(P2) | Projection 2020(P2) |
| 1 | | (\$9,712,160) | | | | | | |
| 2 | \$677,339 | | | | | | | |
| 3 | \$875,331 | \$875,331 | \$875,331 | \$875,331 | | | | |
| 4 | | | | | | · · · · · · | | |
| 5 | (\$8,341,777) | (\$8,170,729) | (\$7,925,243) | (\$7,925,243) | | | | |
| 6 | | | | | | ······································ | | |
| 7 | \$677,339 | \$666,101 | \$654,347 | \$642,053 | | | | |
| 8 | | | | | | | | |
| 9 | <u>\$2</u> 44,616 | \$255,854 | \$267,608 | \$279,902 | | | | |
| 10 | | | | = | | <u></u> | ļ | |
| 11 | | | | | | | | |
| 12 | · · · · · · · · · · · · · · · · · · · | | | | | | | |
| 13 | \$921,955 | \$921,955 | \$921,955 | \$921,955 | | | | |
| 14 | -9.05 | -8.86 | -8.60 | -8.60 | | | | · · · · · · · · · · · · · · · · · · · |
| | | | | · · · · · · · · · · · · · · · · · · · | | | | |
| L | L | L | | | | L | I | I |

Schedule H: Revenue by Payer

Complete for the entire institution: Actual for the two fiscal years most recently completed and Projected (P1 and P2) for first full year of proposed project operation.

| | | (1) | (2) | (3) | (4) |
|--------------|---|-------------------------|--------------|---------------------------|---------------------------------|
| _ | | | _ | Routine Inpatient | |
| | | _ | Total | Gross Patient | Net Patient |
| | | Payer | Patient Days | Service Revenue | Service Revenue |
| | 2014 | Actual (A) | | | <u> </u> |
| 23 | | Blue Cross | 1,326 | \$1,346,078 | \$1,169,532 |
| <u>3</u> | | Medicare MA Medicaid | 11,280 | \$11,731,688 | \$6,252,486 |
| 5 | | Other Government | 5,482 | <u>\$4,012,829</u> \$0 | <u>\$1,216,973 \$1</u> ,216,973 |
| 6 | | Worker's Comp | 47 | \$42,527 | \$0 |
| 7 | <u> </u> | Self Pay | | \$272,839 | \$85,672 |
| - / 8 | | Managed Care | 2,313 | \$1,339,238 | \$1,959,855 |
| - 0 | <u>+</u> | Uncomp Care | | \$871,245 | φ1,959,655 \$0 |
| 10 | | Commercial | 132 | \$718,386 | \$88,148 |
| 11 | <u> </u> | Other | | \$0 | <u> </u> |
| 12 | <u> </u> | TOTAL | 21,623 | \$20,334,830 | \$10,799,644 |
| 13 | | | 21,023 | ψ20,004,000 | φτ0,100,044 |
| 14 | 2015 | Actual (A) | | | ····· |
| 15 | | Blue Cross | 1,374 | \$1,539,964 | \$1,236,600 |
| 16 | | Medicare | 11,102 | \$13,998,685 | \$5,926,782 |
| 17 | | MA Medicaid | 5,864 | \$4,381,828 | \$1,931,734 |
| 18 | | Other Government | | \$0 | \$0 |
| 19 | ····- | Worker's Comp | 94 | \$102,640 | \$55,554 |
| 20 | | Self Pay | 197 | \$369,150 | \$118,163 |
| 21 | <u> </u> | Managed Care | 1,785 | \$1,732,408 | \$1,365,423 |
| 22 | , | Uncomp Care | 529 | \$539,936 | \$0 |
| 23 | | Commercial | 352 | \$727,753 | \$222,388 |
| 24 | | Other | | \$0 | \$0 |
| 25 | | TOTAL | 21,297 | \$23,392,364 | \$10,856,644 |
| 26 | <u> </u> | | | | |
| 27 | 2017 | Projections (P1) | | | |
| 28 | | Blue Cross | 1,336 | \$1,496,819 | \$1,201,955 |
| 29 | | Medicare | 10,950 | | \$5,845,637 |
| 30 | | MA Medicaid | 21,170 | \$15,819,115 | \$6,073,876 |
| 31 | | Other Government | - | \$0 | \$0 |
| 32 | | Worker's Comp | | \$99,765 | \$53,998 |
| 33 | | Self Pay | 1,095 | \$2,051,875 | \$656,794 |
| 34 | | Managed Care | 1,735 | \$1,683,872 | \$1,327,168 |
| 35 | | Uncomp Care | 1,825 | \$1,862,729 | |
| 36 | | Commercial | 342 | \$707,364 | \$216,157 |
| 37 | | Other | | \$0 | \$0 |
| 38 | | TOTAL | 38,544 | \$37,528,564 | <u>\$16,275,585</u> |
| 39 | 2017 | Projections (P2) | | | |
| 40 | | Blue Cross | | \$0 | \$0 |
| 41 | | Medicare | | \$0 | \$0 |
| 42 | L | MA Medicaid | | \$0 | \$0 |
| 43 | | Other Government | | \$0 | \$0 |
| 44 | ļ | Worker's Comp | | \$0 | \$0 |
| 45 | | Self Pay | | \$0 | \$0 |
| 46 | | Managed Care | | \$0 | \$0 |
| 47 | | Uncomp Care | | \$0 | \$0 |
| 48 | | Commercial | | \$0 | \$0 |
| 49 | | Other | | \$0 | \$0 |
| 50 | | TOTAL | | \$0 | \$0 |
| 51 | <u> </u> | | | | |
| 52 53 | | | | | |
| | 1 | | | I i | |

Factor 7

()

7.1 Please describe below and on additional sheet (if necessary) any alternatives that you have considered in the development of this project. Please also give your reasons for rejecting these alternatives.

The Applicant considered a variety of options for meeting its objectives of consolidating its operations into one facility that can accommodate the complex needs of its patient population. In particular, the Applicant considered continuing to operate the Facilities in their current state, renovating the West Roxbury Facility, and the Project described throughout this Application that includes the relocation of West Roxbury Facility to a renovated Brighton Facility. The Applicant also reviewed the financial feasibility and operational efficiencies associated with each option, along with the impact each would have on residents. The Applicant concluded that the proposed Project represents the best opportunity for achieving the Applicant's operational objectives in the most cost efficient and effective manner.

First, the Applicant explored the possibility of continuing its existing two facility operation. As further discussed in Factor 2, the Applicant's two facilities are currently underutilized and operate at a significant loss due to the inadequate reimbursement provided for the high-need patient population it serves. Because the Applicant seeks to improve the quality of care provided to this patient population and to mitigate these losses, the Applicant concluded that continued operation of two facilities is not financially prudent in this era of cost containment. Moreover, the facilities require renovations in order to meet the needs of its specific patient population. Accordingly, the Applicant determined that it would not continue the status quo.

In order to accommodate the strong desire of the North End residents and constituents for the North End Facility to continue operation at its current site, the Applicant conducted an extensive process to identify a buyer that would be interested in continuing to operate the facility. As a result, the Applicant focused on options that would allow it to utilize the West Roxbury Facility license to meet its objective of consolidating the care of its unique patient population originating from MGH and BWH at one location. To that end, the Applicant explored the potential for renovation to the existing West Roxbury Facility in order to develop a 123 bed facility that could accommodate this demand. However, the Applicant determined that it would not be able to consolidate its operations at the West Roxbury Facility due to the substantial repairs and upgrades needed to maintain existing its aged systems and to improve clinical efficiencies and quality of life. Moreover, the current facility cannot accommodate 42 additional beds without substantial new construction to build an addition. As a result, the Applicant rejected this alternative.

Finally, the Applicant explored new locations for its facility. It evaluated the potential to relocate to an existing skilled nursing facility in Brookline, but determined the facility could not meet its needs. Upon identifying the Brighton Facility, the Applicant determined the relocation to the Brighton Facility presented the best option as it previously was utilized as a skilled nursing facility and could be renovated to meet its needs. The proposed refurbishment and renovations of the Brighton Facility's will bring it into compliance with current Department standards and ensure the continued useful life of the Facility. Most importantly, the Project will enhance the overall quality of life for the Applicant's residents in a cost-effective manner.

FRC, d/b/a SPAULDING NURSING & THERAPY CENTER BRIGHTON – FACTOR 7

5529.1

Factor 8

7 N. 2

• •

į.

FACTOR 8: ENVIRONMENTAL IMPACT

I. Compliance with Massachusetts Environmental Protection Act ("MEPA")

The Massachusetts Environmental Protection Act or "MEPA" (M.G.L. c. 30 §§ 61, 62-62H) requires that state agencies take into account the environmental consequences of their actions. The issuance of a Determination of Need by the Department of Public Health is a state action subject to MEPA. MEPA regulations (301 CMR 11.00 et seq.) require environmental review of all DoN applications for projects exceeding the review thresholds set forth at 301 CMR 11.03.

DoN Applicants should familiarize themselves with the MEPA review thresholds to determine whether MEPA review will be required. MEPA regulations may be viewed online at http://www.env.state.ma.us/mepa/regs/11-03.aspx and may be obtained through the State House Bookstore (http://www.env.state.ma.us/mepa/regs/11-03.aspx and may be obtained through the State House Bookstore (http://www.sec.state.ma.us/spr/sprcat/catidx.htm). Review thresholds are divided into the following categories:

(1) Land.

(2) State-listed Species under M.G.L. c. 131A

(3) Wetlands, Waterways and Tidelands.

(4) Water.

(5) Wastewater.

(6) Transportation.

(7) Energy.

(8) Air.

(9) Solid and Hazardous Waste.

(10) Historical and Archaeological Resources.

(11) Areas of Critical Environmental Concern.

(12) Regulations.

Projects that are subject to MEPA review must circulate and file an Environmental Notification Form (ENF). A 20-day comment period ensues from publication of the ENF in the MEPA Monitor (appears bi-weekly). The proposal and site plans are reviewed, and within a total of 30 days from publication, a decision will be made on whether an environmental Impact report (EIR) is required.

If an EIR is required, a "scope" will be issued, identifying items which the EIR must address. Draft and Final EIR's each go through a 37-day review and comment period.

Certain projects that exceed specified size thresholds (301 CMR 11.03) require a mandatory EIR. The MEPA regulations allow the Secretary of Environmental Affairs to waive a mandatory EIR, or to allow a single EIR, following review of an expanded ENF. See 301 CMR 11.05(7), 11.06(8) and 11.11, and consult with the MEPA Office to discuss whether this approach would be appropriate.

Applicants are advised to consult with the MEPA Office to determine if an Environmental Notification Form must be filed for a DoN project. Address all inquiries to:

MEPA Office Executive Office of Energy and Environmental Affairs 100 Cambridge Street, Suite 900, 9th Floor Boston, MA 02114 Tel: (617) 626-9031

Please note that final approval of a DoN as well as architectural plans and specifications for a project is contingent upon compliance with MEPA regulations.

Every Applicant for Determination of Need is required to certify compliance with MEPA regulations by completing section the form provided in Section 8.1 of this Application Kit.

)

| 8.1 Certification of MEPA Compliance |
|--|
| After careful review of the MEPA regulations (301 CMR 11.00 et seq.) in effect at the time of filing this application for Determination of Need, the status of the project as proposed relative to MEPA requirements is as follows: |
| [Please check one of the following boxes] |
| The proposed project neither meets nor exceeds any of the thresholds for MEPA review. |
| The proposed project meets one or more of the MEPA review thresholds and an Environmental Notification Form (ENF) was filed on/_/ A copy of the ENF is attached to the DoN application. (mm dd yyyy) |
| The proposed project meets one or more of the MEPA review thresholds requiring both an Environmental Notification Form (ENF) and a mandatory Environmental Impact Report (EIR). A completed EIR was submitted to MEPA on/ and a copy of the EIR is submitted with this DoN application. (mm dd yyyy) |
| Name of DoN Applicant: ERC Brief Description of DoN Project: Renouation OF a 123 bed SNF |
| at 100 north Beacon St. Aliston MA 02134 |
| Signature and Printed Name of Authorized Official: <u>MAShouly</u> (Signature) |
| (Signature) |
| Title: <u>CEO/TROASULAR</u> |
| Date: $01/09/2017.$ (mm dd yyyy) |
| |

Factor 8: DoN GREEN GUIDELINES

II. Compliance with Determination of Need Guidelines for Environmental and Human Health Impact

Effective January 1, 2009 for hospitals and clinics and July 1, 2009 for long term care facilities, all Determination of Need applications involving new construction and/or gut renovation projects are required to demonstrate compliance with the Determination of Need Guidelines for Environmental and Human Health Impact ("DoN Green Guidelines"). Gut renovation is defined as construction within an existing building that requires complete demolition of all non-structural building components (After demolition, only the floor, deck above, outside walls, and structural columns would remain).

Compliance requires achievement of all of the prerequisites and at least 50% of all the possible points for the Leadership in Energy and Environmental Design – Health Care ("LEED-HC") or, with the Department's approval, its current equivalent nationally-accepted best practice standard.

Documentation of compliance with DoN Green Guidelines must be included in the submission of DoN Factor 8.

8.2 In this section, provide complete documentation of how the project, upon its implementation, will achieve compliance with the Determination of Need Guidelines for Environmental and Human Health Impact ("DoN Green Guidelines"). A completed project scorecard based upon the most current version of LEED-HC or its equivalent, as approved by the DoN Program prior to application submission, should accompany a description of the plans for compliance.

This requirement is not applicable as the Project does not include new construction or gut renovation. Rather, the Applicant will be renovating approximately 25% of the Brighton Facility. However, the Applicant will be working closely with its architectural design team – Levi & Wong Design Associates to minimize the impact of the Project on the environment. Accordingly, the Applicant is committed to working collaboratively with consultants to create a Project that will be environmentally responsible, energy efficient and sustainable.

Factor 9

(

FACTOR 9: COMMUNITY HEALTH SERVICE INITIATIVES

For detailed information regarding completion of DoN Factor 9, applicants should consult the Community Health Initiatives Policies and Procedures (Revised August 19, 2014) at <u>www.mass.gov/dph/don</u>.

The Determination of Need primary and preventive health care services and community contributions review factor is required under 105 CMR 100.533(B)(9) and described under 105 CMR 100.551(J) as follows:

- (1) the holder [of an approved DoN] shall expend, over a five-year period (or other period approved by the Department) an amount reasonably related to the cost of the project, for the provision of primary and preventive health care services necessary for underserved populations in the project's service area (or other area approved by the Department) and reasonably related to the project, in accordance with a plan submitted as part of the application process (see 105 CMR 100.533(B)(9)) and approved by the Department; and
- (2) the holder shall file reports with the Department detailing compliance with its approved plan, and to the extent practicable, an evaluation of the health effects thereof. The frequency, content and format of such reports shall be established by the Department.
- 1.1 The plan for provision of primary and preventive health services shall be developed in consultation with the Community Health Network Areas (CHNAs) and Department of Public Health's Office of Community Health Planning to identify health issues in the service areas and the community initiatives that should be directed toward them. To identify the CHNAs in your service areas please contact the <u>Office of Community Health Planning</u>.

Pursuant to 105 CMR 100.533(B)(9), long term care facilities are exempt from this Factor.

D. Other Exhibits

 \bigcirc

<u>1. Letters of Support</u>

 \bigcirc

BRIGHAM AND WOMEN'S HOSPITAL



Thomas S. Thornhill, M.D.

John B. and Buckminster Brown, Professor of Orthopaedic Surgery Harvard Medical School Chairman Emeritus, Dept. of Orthopaedic Surgery

Thomas S. Thornhill, M.D.

. September 20, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

As an Orthopedic Surgeon practicing at Brigham and Women's Hospital, I often refer my patients to Spaulding for inpatient skilled nursing and rehabilitation services, and do so because of Spaulding's excellent reputation as a care provider. However, the current buildings in West Roxbury and the North End have significant physical and accessibility limitations, and have reached a point where renovations and upgrades are no longer possible.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts. The staff at SRH West Roxbury is great with great leadership. The facility is dated.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely yours,

Thomas S. Thornhill, M.D.

75 Francis Street, Boston, MA 02115 Appts: (617) 732-5322 | Office: (617) 732-5383 Fax: (617) 738-7064

AFOUNDING MEMBER OF PARTNERS



BRIGHAM AND WOMEN'S HOSPITAL

September 16, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for the Brigham and Women's Hospital (BWH) and will ensure that the needs of our some of most complex patients requiring skilled nursing care are met.

As the BWH's Associate Chief Nurse for Care Coordination, I am very familiar with the program at Spaulding West Roxbury and our Department is the primary referral source of patients because of Spaulding's excellent reputation as a care provider. However, the current building has significant physical and accessibility limitations and has reached a point where renovations and upgrades are no longer possible.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely,

bank

Joanne Hogan, DNP, RN Associate Chief Nurse Brigham and Women's Hospital

75 Francis Street | Boston, Massachusetts 02115 www.brighamandwomens.org









Mark Yurkofsky MD CMD Medical Director Spaulding Nursing and Therapy Centers West Roxbury and North End

Date September 12, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

I am very pleased to express my strong, unconditional support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their two aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is a critical need for Spaulding, and will ensure the Commonwealth that the needs of large number of patients requiring skilled nursing care are met.

As a practicing internist and geriatrician who is a member of the Brigham and Women's Hospital Division of Aging who is also on staff at Massachusetts General Hospital I have been privileged to serve as medical director of both Spaulding skilled nursing facilities for a number of years. I provide clinical care and oversee the medical staff at both sites. I have firsthand knowledge of Spaulding's excellent reputation as a care provider and have many longstanding affiliations with physicians in our community who referred their patients to us for care.

However, the current buildings in West Roxbury and the North End have significant physical and accessibility limitations, and have reached a point where renovations and upgrades are no longer possible. We struggle with outdated room design, inadequate bathroom configurations and an antiquated heating and cooling systems.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Mark Yurkofsky MD CMD Medical Director Spaulding Nursing and Therapy Center West Roxbury and North End

Find your strength.



10/4/2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

As a nurse practitioner providing care at Spaulding West Roxbury, it is apparent building in West Roxbury has significant physical and accessibility limitations, and has reached a point where renovations and upgrades are no longer possible.

Spaulding's physicians, nurse practitioners, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely Nat, NP

Richard J. Waitt Nurse Practitioner



431 POND STREET • JAMAICA PLAIN, MA 02130 TELEPHONE: 617-522-2600 • FACSIMILE: 617-524-7024 • WEBSITE: www.armenianhome.org

August 31, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of Armenian Nursing and Rehabilitation Center, I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Armenian Nursing and Rehabilitation Center maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are overbedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely,

alla & Hemin

Karla H Fleming, NHA Executive Director



August 31, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of Bear Hill Rehabilitation and Nursing Center, I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Bear Hill Rehabilitation and Nursing Center maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are overbedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts. Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely.

William E. Ring, Administrator

Deutsches Altenheim EDELWEISS VILLAGE & GERMAN CENTRE & SENIOR PLACE

August 30, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of German Centre for Extended Care, I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities in West Roxbury and North End to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

German Centre for Extended Care maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are currently over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely, Gregory Karr

Gregory Karr CEO/ Administrator

2222 Centre Street West Roxbury, MA 02132-4097

www.germancentre.org

Main: 617•325•1230 Fax: 617•323•7523



2399 Boston Road • Wilbraham, Massachusetts 01095 (413) 596-3111 • Fax (413) 596-9072

8/31/16

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of Life Care Center of Wilbraham, I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Life Care Center of Wilbraham maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely /Dennis P./Lobata

Senior Executive Director



111 Birch Street / Lynn, Massachusetts 01902 (781) 592-9667/LCCA.COM

From: Jared Bane Executive Director, Life Care Center of the North Shore

Date: 8/29/2016

To: Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

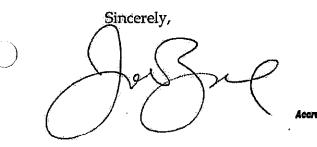
Dear Ms. Mann:

On behalf of Life Care Center of the North Shore, I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Greater Boston, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Life Care Center of the North Shore maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

In my experience, Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.



Accredited by The Jaint Commission



Aberjona Rehabilitation and Nursing Center

September 20, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

'To Ms. Nora Mann, Esq.,

My name is Stephen Buckley. I am the Administrator and Executive Director for Aberjona Rehabilitation and Nursing Center. We part of Salter Healthcare and a family owned and operated facility, located in Winchester, MA. I am writing to you as a letter of support for the merger of Spaulding North End and Spaulding West Roxbury to become Spaulding Brighton. As an Administrator of 10 years and as a professional in the industry for 20 years, I fully understand the need for high quality, modern facilities, which can adapt to the ever changing needs in our industry. As the complexity of our patients continues to evolve, so do the needs and expectations of our patients, families, practitioners, caregivers and vendors alike. Spaulding's consolidation and move to the Brighton location will eliminate the challenges of the physical and structural conditions faced in the North End and West Roxbury locations. Furthermore, the new location will provide a location which is equally distant to its Mass General and Brigham and Woman's Hospital campuses.

It is crucial that our patients in today's skilled nursing and rehabilitation environment receive the highest level of quality care in modern, conveniently located facilities. On behalf of Aberjona Rehabilitation and Nursing Center, I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Aberjona Rehabilitation and Nursing Center maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative, Mini-Collaborative and 3 Day Waiver Program and most significantly, Partners Hospitals are a major source of quality skilled nursing and rehabilitation referrals to our facility. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

> 184 Swanton St. I Winchester, MA 01890 I Tel: (781) 729-9370 www.saiterhealthcare.com



Aberjona Rehabilitation and Nursing Center

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Respectfully Submitted,

Stephen Buckley, NHA, Administrator, Executive Director Aberjona Rehabilitation and Nursing Center Salter Healthcare 184 Swanton Street Winchester, MA 01890



Hebrew Rehabilitation Center Hebrew SeniorLife

August 30, 2016

Nora Mann, Esquire Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of Hebrew Rehabilitation Center Recuperative Services Unit, (RSU), I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding and us, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Hebrew Rehabilitation Center maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely,

Scott Ariel Executive Director

1200 Centre Street Roslindale, MA 02131 617-363-8000 NEWBRIDGE ON THE CHARLES

August 30, 2016

Nora Mann, Esquire Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of Hebrew Rehabilitation Center at NewBridge on the Charles Recuperative Services Unit, (RSU), I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding and us, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Hebrew Rehabilitation Center at NewBridge on the Charles maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely,

Scott Ariel Executive Director, Health Care Services NewBridge on the Charles

7000 Great Meadow Road Dedham, MA 02026 781-234-9700



9/18/16

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of *Stone Rehabilitation and Senior Living*, I am pleased to express my support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Stone Rehabilitation and Senior Living maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Executive Director, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely

David A. Lewis Executive Director

> 277 Elliot Street | Newton Upper Falls, MA 02464 617-527-0023 Fax 617-965-7531 www.StoneRehabAndSeniorLiving.com



August 30, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of Wingate at Weston, I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Wingate at Weston maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely,

anstill

Amy M. Griffin Campus Administrator

From: Michael Ferrick, LNHA Leonard Florence Center for Living 165 Captain's Row Chelsea, MA 02150

Date 9/7/2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

On behalf of Leonard Florence, I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

Leonard Florence maintains a strong relationship with Spaulding Rehabilitation Network as part of the Partners SNF Collaborative. As a SNF Administrator, I recognize the high value patients and families place on the physical plant to support the rehabilitation and medical needs of their recovery. We are also faced with the reality that we are over-bedded in the state of Massachusetts for SNF beds. Consolidating facilities to eliminate waste will not jeopardize patient care, but rather, will enhance efficiencies and improve overall quality.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue offering its broad range of high-quality medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely, Michael Ferrick



11 Beacon Street, Suite 925 Boston, Massachusetts 02108 (617) 723-8455 Voice (800) 872-9992 Voice (617) 723-9125 Fax http://www.dlc-ma.org Western Office 32 Industrial Drive East Northampton, MA 01060 (413) 584-6337 Voice (800) 222-5619 Voice (413) 584-2976 Fax mail@dlc-ma.org

September 14, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann;

I am pleased to express my strong support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

As an advocate for persons with disabilities, I often recommend the Spaulding Rehabilitation Network for inpatient and outpatient care because of their excellent reputation and their commitment to accessibility. However, the current skilled nursing facilities in West Roxbury and the North End have significant physical and accessibility limitations, and it is my understanding that renovations and upgrades are no longer possible. As a person with a disability, I recognize the importance of an accessible care environment to ensure that staff can provide the best care and patients can achieve the best outcomes. Further, improved accessibility provides better access for family, friends and advocates with disabilities to visit patients at this facility.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs with improved accessibility is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts. While I understand

The Protection and Advocacy System for Massachusetts



change is hard for patients and staff, a more accessible facility will help residents achieve greater independence and better clinical outcomes.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely, Christine M Offfin Executive Director



September 23, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

It is my pleasure to write in support of Spaulding Rehabilitation Network's application for a Determination of Need (DON) to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding and it will ensure that the needs of some of Boston's most complex patients requiring skilled nursing care are met.

Spaulding's new location in Brighton is the former Wingate HealthCare nursing home that closed in December 2015. This property has remained vacant since February 2016. Spaulding has my strong support to renovate this site and to re-open a skilled nursing facility in this familiar location. As a close neighbor, Saint Joseph Prep warmly welcomes Spaulding to the area and to the growing Boston Landing community. With ready access to public transit and the scheduled opening of a new commuter rail station, multiple Hubway stations and ample parking, Spaulding's employees and visitors will have many commuting opportunities.

Spaulding, through its parent company Partners HealthCare and its hospital affiliates, has been a long-time partner in the Greater Boston region on community health and workforce development initiatives. Spaulding has long provided access and advocacy for the disability community of Boston with meeting space, peer support groups, and employment programs. We look forward to these relationships deepening in the Brighton community and to collaborating with Spaulding to improve the quality of life for everyone in our neighborhood.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. I know this from experience. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely,

Thomas E. Nunan, Jr

Head of School

Mrs. Mildred M. Buckley 6 Keenan Road Brighton, MA 02135

September 20, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

I am submitting this letter of support for Spaulding Rehabilitation Network's application for a Determination of Need ("DoN") to transition their aging Skilled Nursing Facilities ("SNFs") to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

As a former patient at Spaulding West Roxbury, I know firsthand how vital a resource Spaulding is to individuals needing skilled nursing care. A replacement facility for Spaulding's two SNFs will ensure that the needs of our some of most complex patients requiring skilled nursing care are met and allow Spaulding to continue to be there for the patients like myself.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely,

mrs, mildred M. Buchley

Mildred M, Buckley Former Spaulding Patient

PS I am writing this letter as I received outstanding care at West Roxbury Spaulding/

Kathryn S. Maloney

Springhouse, Apt. 222B 44 Allandale Street Jamaica Plain, MA 02130

September 20, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann;

1 am submitting this letter of support for Spaulding Rehabilitation Network's application for a Determination of Need ("DoN") to transition their aging Skilled Nursing Facilities ("SNFs") to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

As a former patient at Spaulding West Roxbury, I know firsthand how vital a resource Spaulding is to individuals needing skilled nursing care. A replacement facility for Spaulding's two SNFs will ensure that the needs of our some of most complex patients requiring skilled nursing care are met and allow Spaulding to continue to be there for the patients like myself.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely,

Kathryn S. Maloney

Kathryn S. Maloney Former Spaulding Patient

Jane Burg (former patient) 19 Cambridge Terrace Allston, Ma 02134

October 3, 2016

Norma Mann, Esc. Program Director Determination of Need Program 99 Chauncy St Boston, Ma 02111

Dear Ms. Mann,

I Jane Burg am submitting a letter of support for Spaulding Rehabilitation Network's application for a Determination of Need to transition their aging Skilled Nursing Facilities to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

As a former patient of Spaulding West Roxbury, I know firsthand how vital a resource Spaulding is to individuals needing skilled nursing care, I know this because of the condition I was told I was in by my daughter when I was sent from the Beth Israel to Spaulding in West Roxbury, as I was completely unaware of what was going on with me from the day of my operation until the Skilled Nurses, Rehabilitation Services, Physical Therapists, Speech Therapists were able to bring me back amongst the living. After spending almost a month at Spaulding West Roxbury, I was able to walk out the door, and I will forever be Thankful for the care & kindness I received to be able to do this and return home.

By moving to a new facility, I feel that it will be a great move, as the room I was in although very bright & sunny had a shared bathroom that was much too small for me to maneuver into as I began with a wheelchair, then a walker and found it impossible for me to get into the bathroom in my room, and so I asked if I could wheel down or walk down with my walker to the larger bathroom down the hail, which I did & was happy with. I feel that a new facility with bathroom accommodations for patients that are handicapped at the time will be a wonderful addition to the special care given at Spaulding.

A replacement facility for Spaulding's two Skilled Nursing Facilities will ensure that the needs of some of the most complex patients, like myself requiring skilled nursing care are met and will allow Spaulding to continue to be there for patients needing their care..

Spaulding's physicians, nurses, therapists and staff provide excellent care and I do not know where I would be today without the care that they gave to me.

A replacement facility for the Spaulding Skilled Nursing Facility is essential to assuring that Spaulding can continue to provide safe and effective medical and rehabilitation services to patients throughout Massachusetts that need the wonderful Skilled Nursing Care that Spaulding provides. Spaulding's application for a Determination of Need has my full and Strong Support.

Thank you in advance for your consideration.

Sincerely,

Jane Burg Former Spaulding Patient

(from former patient)

Mark Koris M.D. 11 Heath Hill Brookline Mass. 02445

J,

October 4, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann:

I am submitting this letter of support for Spaulding Rehabilitation Network's application for a Determination of Need ("DoN") to transition their aging Skilled Nursing Facilities ("SNFs") to 100 North Beacon Street in Brighton. This is an important project for Spaulding, and will ensure the Commonwealth that the needs of patients requiring skilled nursing care are met.

As a former patient at Spaulding West Roxbury, I know firsthand how vital a resource Spaulding is to individuals needing skilled nursing care. A replacement facility for Spaulding's two SNFs will ensure that the needs of our some of most complex patients requiring skilled nursing care are met and allow Spaulding to continue to be there for the patients like myself.

I had a brain-stem stroke, after finishing the last case of the day at Brigham and Women's operating room, on January, 2007, the 28th year of my practice as an orthopedic surgeon. The quick diagnosis and emergency care that I received for my hemmorhagic stroke, first at the Brigham, and then at Spaulding Rehabilitation Hospital West Roxbury, made the difference between living and dying. After a prolonged stay at Spaulding including a long course of PT, I began a course of hippotherapy (therapeutic horseback riding) at home, as initial treatment for my stroke. After 2 weeks of the hippotherapy, one day I was riding as usual, became separated from my assistant, fell from the horse, and fractured my distal tibia in a tri-malleolar fracture. At the Brigham, one of the senior residents (at the time) who I had instructed on how to fix this kind of fracture, did the repair. It healed well, and then I went back to Spaulding again for rehabilitation. My experience at Spaulding Rehab in West Roxbury was again excellent. PT, OT and wound care, all were delivered with a high degree of competency, much to my liking, as an advanced experienced orthopedic surgeon.

Spaulding's physicians, nurses, therapists and support staff provide excellent care. A replacement facility for the Spaulding SNFs is essential to assuring that Spaulding can continue

to provide safe and effective medical and rehabilitation services to SNF patients throughout Massachusetts.

Spaulding's application for a Determination of Need has my full and strong support. Thank you in advance for your consideration.

Sincerely, *Mark Koris M.D.* Mark Koris M.D. Former Spaulding Patient Ms. Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Dear Ms. Mann,

As a former patient at Spaulding's West Roxbury facility I can attest to the need for a new facility. Having previously been a patient at the old Spaulding Hospital even that was better.

While it is true that the quality of care will always be most important, the facility itself can contribute to a patient's rehabilitation.

At West Roxbury Christine Rielly is what makes it all work. A new facility medical and rehab equipment will only enhance the outstanding results she already achieves. The plan for a new facility has my full support.

Sincerely,

David R. Johmston 161 Albatross Road Quincy Ma 02169 david <u>-jane@comcast.net</u>

MAY 1, 2013

DEAR CHRISTINE.

PLEASE ACCEPT MY DEEPEST APPRECIATION TO R THE OUTSTANDING TREATMENT I RECEIVED DURING MY BRIEF STAY AT SPAULDING, WEST ROXBURY.

MY DECISION TO CONTINUE MY REHAB AT WEST ROLBURY WAS BASED ON YOUR REPUTATION FOR EYCELLENCE. AS ONE THERAPIST AT BOSTON JAID "WEST ROLBURY IS YOUR ONLY CHOICE."

IT WASN'T LONG AFTER MY ARRIVAL THAT I KNEW WHY I MADE THE RIGHT DECISION.

WHILE YOU CLEARLY DO NOT HAVE THE SOPHISTICATED EQUIPMENT OFFERED AT SPALLDING BOSTON YOUR THERAPISTS USE WHAT THEY PO HAVE AND INVENT WAYS TO GET SIMULAR RESULTS. OH, SO HOW POES IT WORK? PUT SIMPLY IT ALL STARTS AT THE TOP. I CAN'T COUNT THE NUMBER OF TIMES YOU AND THOSE WHO SERVE AT YOUR DIRECTIONS ASKED HOW THINGS WERE GOING, AND IF THERE WAS A NEED FOR IMPROVEMENT, IT HAPPENED.

AS YOU OFTEN SAID WE CAN'T IMPROVE IF WE DON'T KNOW WHERE IMPROVEMENT IS NEEDED. GOOD ADMINISTRATORS SPEND THEIR TIME ON WHAT WILL MAKE THEIR PROGRAMS BETTER

NO ONE WANTS TO BE IN REHAB BUT THE LITTLE THINGS THAT YOU DO HELP. FLOWERS AND SPECIAL EVENTS LIKE YOUR RED SOX DAY HELP TAKE THE PATIENTS MINDS OFF OF THEIR OWN NEEDS. AS A RETIRED APMINISTRATOR I APPRECIATED THE MODEL YOU SHOWED YOUR STAFF

ν, τ. γ[™]ν, ι_α

> MOST IMPORTANT CHRISTINE, WAS THE FEELING I HAD WHILE UNDER YOUR CARE THAT I COULDN'T HAVE BEEN GIVEN BETTER CARE IF I WAS YOUR FRIEND OR RELATIVE.

YOU MAY NOT HAVE ALL THE WHISTLES AND BELLS OF LARGER FACILITIES, BUT THEY DO NOT HAVE CHRISTINE REILLY. NOW I KNOW WHY SPAULDING WEST ROYBURY WAS MY ONLY CHOICE

I HAVE INCLUDED A SMALL TOKEN OF MY APPRECIATION. I KNOW YOU WILL DO SOMETHING NICE FOR A STAFF MEMBER OR PATIENT.

SINCERELY. dave-

DAVID R. JOHN STON RIVER BAY CLUB #231 99 BRACKETT STREET QUINCY MA 02169

MARK S. GRANGER GRANGER LEGAL CONSULTING PO BOX 487 1134 US Rt. 9 Suite 4 Schroon Lake, NY 12870 P: 518-532-7459 C: 617-872-3228 F: 518-532-7454 <u>mgranger@mgrangerlaw.com</u> Admitted to practice in MA and NY

October 3, 2016

Nora Mann, Esq. Program Director Determination of Need Program 99 Chauncy Street Boston, MA 02111

Re: Determination of Need for Spaulding Rehabilitation Center in Brighton

Dear Ms. Mann:

· e. . 1

I am writing to you to strongly support the application of Spaulding Rehabilitation Hospital to establish an inpatient skilled nursing facility in Brighton. Since 2007 I have been involved with Spaulding as an in-patient, out-patient and as a patient at their West Roxbury skilled nursing facility.

To start, it would be instructive for you to read the attached letter I sent in June 2011 after being a patient at their West Roxbury Skilled Nursing Facility. At that time I said: "I hope that you will take the steps to bring the facility up to the level of quality and care that your staff provides." The new Brighton Facility will make that possible.

I am the independent, full-time employed, productive member of the community thanks to the assistance and care of Spaulding. I cannot say enough positive things about them. Over the years I have remained involved with Spaulding as a Peer Visltor and as a member of its Patient and Family Advisory Committee. Until I moved to Upstate New York in the Fall of 2012 I was in weekly touch with Spaulding and its Staff and Administration.

I am elated to learn that Christine Reilly will head the new Brighton Facility. She is a wonderful person and administrator. This new facility will shine! I have very high hopes and expectations for the new facility.

NORA MANN/SPAULDING 10/3/2016

...

2

Everything I said in June of 2011 remains true. They now have a wonderful new hospital in Charlestown where their excellent staff can continue to provide outstanding care. The same will be true of the new Brighton skilled nursing facility.

Please feel free to contact me with any questions or for further information

Thank you very much.

Very truly yours,

Mark S. Granger

Mark S. Granger

MARK S. GRANGER 64 HASTINGS STREET WEST ROXBURY, MASSACHUSETTS 02132

June 16, 2011

VIA HAND DELIVERY

David Storto, President Spaulding Rehabilitation Hospital 125 Nashua Street Boston, MA 02114 Timothy Lynch, VP Skilled Nursing Division Spaulding Rehabilitation Hospital 1575 Cambridge Street Cambridge, MA 02138

RE: May 2011 Hospitalization of Mark Granger Spaulding Nursing and Therapy Center, West Roxbury

Dear Mr. Storto and Mr. Lynch:

I am writing to you to express my great appreciation for the wonderful care and experience I had at the Spaulding Nursing and Therapy Center in West Roxbury, Massachusetts, during my recuperation from spinal surgery in May 2011. It was an entirely positive experience and I believe it made for an excellent start on my recovery.

Let me start by introducing myself to you, although I believe I have met Mr. Storto. I first became involved with Spaulding when my son, Andrew, was hospitalized in 1997 at Spaulding as an 11 year old with bacterial meningitis. He was totally right-side paralyzed and the 6^{th} floor pediatrics unit at that time got him walking and fully functional again in about four weeks.

I myself became a patient at Spaulding when I suffered a stroke in November of 2007. I was mostly right-side paralyzed and was walking and able to go back to work shortly after my three weeks at the main Spaulding Hospital on Nashua Street on the 6^{th} floor.

I also a patient at Spaulding on two other occasions on the 5th floor recuperating from knee surgery being hospitalized over two months for those two surgeries.

As a result of my experience on the 6th floor, I became a Peer Visitor on the 6th floor Stroke Unit working with Jane Burke. I also had extensive experience with Spaulding Outpatient Rehabilitation after my inpatient visits.

Finally, I serve on the Patient and Family Advisory Committee (PFAC). I have been involved with this over the past year and will continue in 2011/2012. As you can see, I am very knowledgeable about Spaulding and how it operates.

June 16, 2011 Page 2

My latest surgery was on May 3, 2011, when I was operated on at Massachusetts General Hospital to relieve bony incursions on my spine at several levels on the cervical and thoracic spine. After a week at Mass-General inpatient, we began the process of moving mentor rehabilitation. I strongly requested and appealed to Blue Cross Blue Shield to send me to Spaulding at Nashua Street. After multiple appeals, they refused and insisted on sending me to West Roxbury. I went reluctantly.

My reluctance was almost immediately dispelled. From the very beginning I was very impressed with the quality and caring nature of the staff. Early on, I met Christine Reilly, the Executive Director, and her enthusiasm and interest in patients is clearly carried throughout her staff. I truly had a remarkable and wonderful experience at Spaulding West Roxbury. The nursing staff was excellent, particularly Anna the day chargo nurse on the 2^{nd} floor. The nursing assistants and other staff on the 2^{nd} floor were just great. I also really liked Dr. Buxbaum and his nurse practitioner. No only did the staff encourage me in my rehabilitation, but they provided a positive and "sunny" atmosphere that made my almost three weeks stay there very much worthwhile.

I cannot say enough good things about my physical therapist and my occupational therapist. Quing and Katie on physical therapy were wonderful and pushed me hard but also encouraged me. Shonali as my occupational therapist was amazing. It was so refreshing to see young talented people, enthusiastic about their jobs, and so anxious to help a person help themselves. Everyone I met there seemed to have a sunny attitude and an interest in helping the patients. It was certainly the most pleasurable hospitalization experience I have ever had.

I would strongly recommend the West Roxbury facility to anyone thinking about having rehabilitation, and I must say that Cristine has done a marvelous job with her people.

With all that said, let me offer at least some constructive criticism. The West Roxbury facility is old and rundown. The people that work there deserve a facility that matches the quality of their care. Right now it does not. The facility is worn, old and can be depressing but for the staff. I understand that you are undergoing tremendous financial costs in building a new hospital but I must say that some money well spent at the West Roxbury facility to modernize it and make it brighter and more appealing would be money very well spent. Frankly, your staff there deserves a better facility.

I would also urge you to consider opening an outpatient facility in West Roxbury, perhaps on the same grounds. The towns of Brookline, West Roxbury, Hyde Park, Roslindale and Jamaica Plain really have no facility near them that is run by Spaulding. I have to go to Dedham to get support because Nashua Street is just too busy to follow up quickly with discharges from your hospital programs.

Fri

June 16, 2011 Page 3

It would be a great way to spend money to modernize the West Roxbury facility and also open an outpatient operation there.

In short, you have a jewel in West Roxbury that really deserves a better physical plant. I hope that you will take steps to bring the facility up to the level of quality and care that your staff provides.

I am happy to write this letter on behalf of Christine and her people, and hope that you will both recognize their quality and also do things to make that facility better.

I will be glad to discuss this with you further at your convenience. I am back to work full time and can be reached at 617-439-7518.

Thank you very much.

trul YOUTS. Mark S. nger

MSG/bm cc: Christine Reilly

2. Audited Financial Statements

Partners HealthCare System, Inc. and Affiliates

Consolidated Financial Statements September 30, 2015 and 2014

Partners HealthCare System, Inc. and Affiliates Index September 30, 2015 and 2014

Page(s)

| Independent Auditor's Report | .1 |
|--|----|
| Financial Statements | |
| Consolidated Balance Sheets | 2 |
| Consolidated Statements of Operations | 3 |
| Consolidated Statements of Changes in Net Assets | 4 |
| Consolidated Statements of Cash Flows | 5 |
| Notes to Consolidated Financial Statements | 7 |



Independent Auditor's Report

To the Board of Directors of Partners HealthCare System, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Partners HealthCare System, Inc. and Affiliates (Partners HealthCare), which comprise the consolidated balance sheets as of September 30, 2015 and 2014 and the related consolidated statements of operations, changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 our 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, we consider internal control relevant to Partners HealthCare'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 Partners HealthCare's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements are used and the 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 Partners HealthCare System, Inc. and Affiliates at September 30, 2015 and 2014, and the results of their operations, their changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Primotechouse Coopers 11P

December 11, 2015

PricewaterhouseCoopers LLP, 101 Seaport Boulevard, Suite 500, Boston, MA 02210 T: (617) 530 5000, F: (617) 530 5001, www.pwc.com/us

| (in thousands of dollars) | 2015 | 2014 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and equivalents | \$ 621,568 | \$ 457,244 |
| Investments | 1,354,636 | |
| Current portion of investments limited as to use Patient accounts receivable, net of allowance for bad debts | 1,590,203 | 2,120,057 |
| (2015 - \$112,630; 2014 - \$117,212) | 878,033 | 876,214 |
| Research grants receivable | 121,775 | |
| Other current assets | 447,188 | |
| Receivable for settlements with third-party payers | 60,374 | |
| Total current assets | 5,073,777 | 5,463,958 |
| Investments limited as to use, less current portion | 2,832,744 | |
| Long-term investments | 1,061,176 | 1,026,538 |
| Pledges receivable, net and contributions receivable from trusts, | | |
| less current portion | 209,064 | , - |
| Property and equipment, net | 5,328,782 | |
| Other assets | 564,898 | |
| Total assets | <u>\$ 15,070,441</u> | <u>\$ 14,731,092</u> |
| Liabilities and Net Assets Current liabilities | | |
| Current portion of long-term obligations | \$ 398,990 | \$ 238,204 |
| Accounts payable and accrued expenses | 646,355 | 645,999 |
| Accrued medical claims and related expenses | 232,268 | 254,480 |
| Accrued compensation and benefits | 710,929 | |
| Current portion of accrual for settlements with third-party payers | 53,066 | |
| Unexpended funds on research grants | 202,137 | 183,222 |
| Total current liabilities | 2,243,745 | i 2,055,780 |
| Accrual for settlements with third-party payers, less current portion | 34,725 | |
| Accrued professional liability | 482,640 | |
| Accrued employee benefits | 1,705,287 | |
| Interest rate swaps liability | 404,062 | , |
| Accrued other | 153,146 | , |
| Long-term obligations, less current portion | 3,994,034 | |
| Total liabilities | 9,017,639 | 7,787,605 |
| Commitments and contingencies | | |
| Net assets | A 707 000 | E 800 750 |
| Unrestricted Temporarily restricted | 4,707,662 | |
| Permanently restricted | 765,562 | |
| - | | |
| Total net assets | 6,052,802 | |
| Total liabilities and net assets | \$ 15,070,441 | \$ 14,731,092 |

The accompanying notes are an integral part of these consolidated financial statements.

Partners HealthCare System, Inc. and Affiliates Consolidated Statements of Operations Years Ended September 30, 2015 and 2014

| (in thousands of dollars) | | 2015 | | 2014 |
|---|---------|------------|----|----------------|
| Operating revenue Net patient service revenue, net of provision for | | | | |
| bad debts (2015 - \$129,051; 2014 - \$129,492) | \$ | 7,317,918 | \$ | 7,042,558 |
| Premium revenue | Ŧ | 2,034,420 | Ŧ | 1,622,392 |
| Direct academic and research revenue | | 1,316,283 | | 1,225,782 |
| Indirect academic and research revenue | | 354,942 | | 352,911 |
| Other revenue | | 642,082 | | 662,410 |
| Total operating revenue | | 11,665,645 | _ | 10,906,053 |
| Operating expenses | | | | |
| Employee compensation and benefit expenses | | 5,655,073 | | 5,428,352 |
| Supplies and other expenses | | 2,325,085 | | 2,226,663 |
| Medical claims and related expenses | | 1,652,538 | | 1,463,972 |
| Direct academic and research expenses | | 1,316,283 | | 1,225,782 |
| Depreciation and amortization expenses | | 493,505 | | 463,039 |
| Interest expense | | 116,703 | | <u>119,849</u> |
| Total operating expenses | | 11,559,187 | | 10,927,657 |
| Income (loss) from operations | | 106,458 | | (21,604) |
| Nonoperating gains (expenses) | | | | |
| (Loss) income from investments | | (37,258) | | 227,357 |
| Change in fair value of interest rate swaps | | (110,315) | | (109,275) |
| Gifts and other, net of fundraising and other expenses | | (39,468) | | (67,242) |
| Academic and research gifts, net of expenses | <u></u> | (11,406) | | 90,609 |
| Total nonoperating gains (expenses), net | | (198,447) | | 141,449 |
| (Deficit) excess of revenues over expenses | | (91,989) | | 119,845 |
| Other changes in net assets | | | | |
| Change in net unrealized appreciation on marketable investments | | (224,616) | | (3,309) |
| Change in fair value of hedging interest rate swaps | | - | | 45,624 |
| Funds utilized for property and equipment | | 38,288 | | 39,058 |
| Change in funded status of defined benefit plans | | (639,167) | | (387,698) |
| Other | | 1,387 | _ | 5,173 |
| Decrease in unrestricted net assets | \$ | (916,097) | \$ | (181,307) |

The accompanying notes are an integral part of these consolidated financial statements.

.

Partners HealthCare System, Inc. and Affiliates Consolidated Statements of Changes in Net Assets Years Ended September 30, 2015 and 2014

| (in thousands of dollars) | U | nrestricted | | mporarily estricted | rmanently estricted | Total |
|--|----|-------------|-------------|------------------------|------------------------|----------------------|
| Net assets at October 1, 2013 | \$ | 5,805,066 | \$ | 792,769 | \$ 412,209 | \$ 7,010,044 |
| Increases (decreases) | | | | | | |
| Loss from operations | | (21,604) | | - | - | (21,604) |
| Income from investments | | 227,357 | | 36,897 | 30 | 264,284 |
| Gifts and other | | (67,242) | | 51,250 | 49,877 | 33,885 |
| Academic and research gifts, net of expenses | | 90,609 | | - | - | 90,609 |
| Change in net unrealized appreciation on | | | | | | |
| marketable investments | | (3,309) | | (11,209) | 1,706 | (12,812) |
| Change in fair value of interest rate swaps | | | | | | |
| Nonhedging | | (109,275) | | - | - | (109,275) |
| Hedging | | 45,624 | | - | - | 45,624 |
| Funds utilized for property and equipment | | 39,058 | | (12,814) | - | 26,244 |
| Change in funded status of defined benefit plans | | (387,698) | | - | - | (387,698) |
| Other | _ | 5,173 | | (939) | (48) | 4,186 |
| Change in net assets | | (181,307) | | 63,185 | 51,565 | (66,557) |
| Net assets at September 30, 2014 | | 5,623,759 | | 855,954 | 463,774 | <u>6,943,487</u> |
| Increases (decreases) | | | | | | |
| Income from operations | | 106.458 | | - | - | 106,458 |
| (Loss) income from investments | | (37,258) | | (46,460) | 55 | (83,663) |
| Gifts and other | | (39,468) | | 8,029 | 116,449 | 85.010 |
| Academic and research gifts, net of expenses | | (11,406) | | · - | · - | (11,406) |
| Change in net unrealized appreciation on | | | | | | |
| marketable investments | | (224,616) | | (36,351) | (2,313) | (263,280) |
| Change in fair value of interest rate swaps | | (110,315) | | - | - | (110,315) |
| Funds utilized for property and equipment | | 38,288 | | (17,151) | - | 21,137 |
| Change in funded status of defined benefit plans | | (639,167) | | | - | (639,167) |
| Other | | 1,387 | | 1,541 | 1,613 | 4,541 |
| Change in net assets | _ | (916,097) | | (90,392) | 115,804 | (890,685) |
| Net assets at September 30, 2015 | \$ | 4,707,662 | \$ | 765,562 | \$ 579,578 | \$ 6,052,802 |

X

The accompanying notes are an integral part of these consolidated financial statements.

Partners HealthCare System, Inc. and Affiliates Consolidated Statements of Cash Flows Years Ended September 30, 2015 and 2014

| (in thousands of dollars) | | 2015 | | 2014 |
|---|-------------|-------------|----------|-------------------|
| Cash flows from operating activities | | | | |
| Change in net assets | \$ | (890,685) | \$ | (66,557) |
| Adjustments to reconcile change in net assets to net cash | | | | • • • • • • |
| provided by operating activities | | | | |
| Change in funded status of defined benefit plans | | 639,167 | | 387,698 |
| Loss on refunding of debt | | 9,649 | | 1,002 |
| Change in fair value of interest rate swaps | | 110,315 | | 63,651 |
| Depreciation and amortization | | 493,505 | | 463,039 |
| Provision for bad debts | | 129,051 | | 129,492 |
| Loss (gain) on disposal of property | | 196 | | (13,275) |
| Net realized and change in unrealized appreciation on investments | | 307,782 | | (342,608) |
| Restricted contributions and investment income | | (172,749) | | (102,660) |
| Cash premium upon issuance of bonds | | 39,969 | | 14,337 |
| Increases (decreases) in cash resulting from a change in | | | | |
| Patient accounts receivable | | (127,108) | | (192,322) |
| Research grants receivable | | (5,989) | | (6,078) |
| Other current assets | | (71,428) | | (51,7 1 6) |
| Pledges receivable and contributions receivable from trusts | | (3,987) | | (35,930) |
| Other assets | | (34,545) | | (6,433) |
| Accounts payable and accrued expenses | | (10,101) | | (44,947) |
| Accrued medical claims and related expenses | | (22,212) | | 132,647 |
| Accrued compensation and benefits | | 25,006 | | 53,005 |
| Settlements with third-party payers | | (48,318) | | 20,750 |
| Unexpended funds on research grants | | 18,915 | | 22,554 |
| Accrued employee benefits and other | | 23,922 | <u> </u> | 42,902 |
| Net cash provided by operating activities | | 410,355 | _ | 468,551 |
| Cash flows from investing activities | | | | |
| Purchases of property and equipment | | (1,198,031) | | (835,019) |
| Proceeds from sale of property | | 182 | | 13,713 |
| Purchase of investments | | (2,772,478) | | (3,145,588) |
| Proceeds from sales of investments | | 3,173,950 | | 2,921,288 |
| Purchases of businesses, net of cash acquired | | (23,343) | | |
| Net cash used for investing activities | | (819,720) | | (1,045,606) |
| Cash flows from financing activities | | | | |
| Borrowings under line of credit | | - | | 45,000 |
| Repayments under line of credit | | - | | (45,000) |
| Payments on long-term obligations | | (71,353) | | (60,031) |
| Proceeds from long-term obligations, net of financing costs | | 612,359 | | 783,348 |
| Decrease in auction rate securities holdings | | - | | 23,830 |
| Deposits into refunding trusts | | (140,066) | | (286,830) |
| Restricted contributions and investment income | | 172,749 | | 102,660 |
| Net cash provided by financing activities | | 573,689 | | 562,977 |
| Net increase (decrease) in cash and equivalents | | 164,324 | | (14,078) |
| Cash and equivalents | | | | |
| Beginning of year | | 457,244 | | 471,322 |
| End of year | \$ | 621,568 | \$ | 457,244 |
| • | , | | , | |

The accompanying notes are an integral part of these consolidated financial statements.

_

1. Organization and Community Benefit Commitments

Partners HealthCare System, Inc. (PHS) is the sole member of The Massachusetts General Hospital (MGH), Brigham and Women's Health Care, Inc. (BWHC), NSMC HealthCare, Inc. (NSMC), Newton-Wellesley Health Care System, Inc. (NWHCS), Partners Continuing Care, Inc. (PCC), Partners HealthCare International, LLC (PHI) and Neighborhood Health Plan, Incorporated (NHP). The two physicians who serve as the President and Chief Executive Officer of PHS (PHS CEO) and the Chief Clinical Officer of PHS are the members of Partners Community Physicians Organization, Inc. (PCPO) formerly known as Partners Community HealthCare, Inc. The individual serving as the PHS CEO is the sole member of Partners Medical International, Inc. (PMI). PHS, together with all of its affiliates, is referred to as "Partners HealthCare."

Partners HealthCare currently operates two tertiary and seven community acute care hospitals in Massachusetts, one facility providing inpatient and outpatient mental health services and three facilities providing inpatient and outpatient services in rehabilitation medicine and long-term care. Partners HealthCare also operates physician organizations and practices, a home health agency, nursing homes and a graduate level program for health professions. Partners HealthCare provides services to patients primarily from the Greater Boston area as well as New England and beyond. In addition, Partners HealthCare is a nonuniversity-based nonprofit private medical research enterprise and is a principal teaching affiliate of the medical and dental schools of Harvard University. Partners HealthCare also operates a licensed, not-for-profit managed care organization that provides health insurance products to the Medical Assistance Program (Medicaid), Commonwealth Care (a series of health insurance plans for adults who meet income and other eligibility requirements) and commercial populations.

PHS and substantially all of its affiliates are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC). NHP is a tax-exempt organization under Section 501(c)(4) of the IRC. Accordingly, no provision for income taxes related to these tax-exempt entities has been made. PCPO applied to become a tax-exempt organization under Section 501(c)(3) of the IRC on October 1, 2015. As a result of this anticipated conversion, PCPO recognized income tax expense of \$1,200 within supplies and other expenses.

Community Benefit

Partners HealthCare's community benefit programs include working with communities to address a number of public health issues including racial disparities, alcohol and substance abuse among young people, infant mortality, domestic violence and cancer. Partners HealthCare provides economic opportunity for low income Boston residents by helping people advance into nursing and other healthcare careers through its public school partnerships and workforce development programs. In addition, twenty community health centers are licensed by or affiliated with Partners HealthCare entities and provide high quality, culturally competent primary care and access to Partners HealthCare's hospitals. Partners HealthCare invests in these health centers' infrastructure, programming and operation and also helps with relocation, renovation and other capital requirements.

Partners HealthCare System, Inc. and Affiliates Notes to Consolidated Financial Statements September 30, 2015 and 2014

(in thousands of dollars)

The Massachusetts Attorney General's Community Benefits Guidelines direct nonprofit acute care hospitals and health maintenance organizations to prepare annual reports documenting the status and level of their community benefit programs and initiatives. These annual reports serve the important purpose of providing the public with access to useful information about these programs and initiatives. Partners HealthCare files its report annually with the Massachusetts Attorney General. The report summarizes community benefit activities on a system-wide basis. In addition, each of the acute care hospitals within Partners HealthCare has a community benefit planning and service delivery structure and files separate community benefit reports. NHP also files a community benefit report annually.

Uncompensated Care

Partners HealthCare provides care to all patients regardless of their ability to pay. The cost of providing that care is reflected in the statements of operations. The cost related to those patients for which Partners HealthCare receives either partial or no reimbursement for healthcare services provided is summarized as follows:

State Programs

Charity care services are partially reimbursed to acute care hospitals through the statewide Health Safety Net Trust Fund (HSN) established by the Massachusetts Health Care Reform Law (Chapter 58 of the Acts of 2006 or Chapter 58). A portion of the funding for the HSN is paid by hospitals through a statewide acute care hospital assessment that has been set by the Massachusetts Legislature, beginning in 2014, at \$160,000 plus 50% of the estimated cost of administering the HSN and related assessments, as determined by the Secretary of Administration and Finance. All acute care hospitals in the state are assessed their share of this total statewide hospital assessment amount (\$165,000 in 2015 and \$164,708 in 2014) based on each hospital's charges for private sector payers. Partners HealthCare's acute care hospitals report this assessment as a deduction from net patient service revenue.

Acute care hospitals are reimbursed for charity care based on claims for eligible patients and eligible services that are submitted to and adjudicated by the HSN. Rates of payment are based on Medicare rates and payment policies. The HSN was under-funded by approximately \$41,327 and \$86,836 in 2015 and 2014, respectively. This shortfall is allocated to hospitals based on their share of total statewide patient care costs with approximately \$10,881 and \$25,571 in 2015 and 2014, respectively, allocated to Partners HealthCare's acute care hospitals. Each hospital's share of the overall state shortfall cannot exceed its total charity care reimbursement. Hospitals with a high proportion of charity care and government funding receive more favorable reimbursement, including limiting their shortfall allocation to no more than 15% of their payments for charity care. In aggregate, Partners HealthCare's acute care hospitals received uncompensated care funding covering 68% of the estimated cost of charity care provided in 2015 and 47% of the estimated cost of charity care provided in 2015, excluding the assessment.

Medicaid

Medicaid is a means-tested health insurance program jointly funded by state and federal governments. States administer the program and set rules for eligibility, benefits and provider payments within broad federal guidelines. The program provides health care coverage to low-income children and families, pregnant women, long-term unemployed adults, seniors and persons with disabilities. Eligibility is determined by a variety of factors, which include income relative to the federal poverty line, age, immigrant status and assets.

Partners HealthCare System, Inc. and Affiliates Notes to Consolidated Financial Statements September 30, 2015 and 2014

(in thousands of dollars)

Medicaid payments to Partners HealthCare providers do not cover the full cost of services provided. In aggregate, reimbursement from Medicaid covered 62% and 61% of the estimated cost of services provided in 2015 and 2014, respectively. In addition, Medicaid premium revenue paid to NHP for the care of Medicaid patients enrolled in NHP did not cover the medical expense and administrative costs of care for these enrollees. In aggregate, the premium revenue paid to NHP by Medicaid, excluding the impact of premium deficiency reserves, was \$72,549, or 4.6%, less than the cost of care in 2015, and \$108,655, or 8.6%, less than the cost of care in 2014.

Federal Program

Medicare

Medicare is a federally sponsored health insurance program for people age 65 or older, under age 65 with certain disabilities and any age with End-Stage Renal Disease. For many years, Medicare payments have not kept pace with increases in the cost of care provided at many hospitals. Additionally, payments to physicians have seen little or no increases over the past several years. Compounding this shortfall in payments is the shift of care from higher paying inpatient services to lower paying outpatient services.

Consequently, Medicare payments to Partners HealthCare providers do not cover the full cost of services provided. In aggregate, reimbursement from Medicare covered approximately 73% and 74% of the estimated cost of services provided in 2015 and 2014, respectively.

For charity care, Medicaid and Medicare, the total estimated cost of services provided by Partners HealthCare exceeded the net reimbursement received under these programs by \$1,229,790 and \$1,148,200 for the years ended September 30, 2015 and 2014, respectively. The estimated cost of services provided is either obtained directly from a costing system or based on an entity specific ratio of cost to gross charges. In the latter case, cost is derived by applying this ratio to gross charges associated with providing care to charity care, Medicaid and Medicare patients. The following summarizes, by program, the cost of services provided, net reimbursement and cost of services in excess of reimbursement for each year:

| | Years Ended September 30, | | | | |
|---|---------------------------|-----------|----|-----------|--|
| | | 2015 | | 2014 | |
| Cost of services provided Charity care, including assessment payments to HSN of | | | | | |
| \$56,716 and \$60,372 in 2015 and 2014, respectively | \$ | 136,276 | \$ | 140,641 | |
| Medicaid | | 1,008,882 | | 886,706 | |
| Medicare | | 2,824,890 | | 2,634,533 | |
| | \$ | 3,970,048 | \$ | 3,661,880 | |
| Net reimbursement | | | | | |
| Charity care | \$ | 40,906 | \$ | 29,808 | |
| Medicaid | | 625,761 | | 542,078 | |
| Medicare | | 2,073,591 | | 1,941,794 | |
| | \$ | 2,740,258 | \$ | 2,513,680 | |
| Cost of services in excess of reimbursement | | | | | |
| Charity care | \$ | 95,370 | \$ | 110,833 | |
| Medicaid | | 383,121 | | 344,628 | |
| Medicare | | 751,299 | | 692,739 | |
| | \$ | 1,229,790 | \$ | 1,148,200 | |

Bad Debts

In addition to charity care and inadequate funding from the Medicaid and Medicare programs, there are significant losses related to self-pay patients who fail to make payment for services rendered or insured patients who fail to remit co-payments and deductibles as required under the applicable health insurance arrangement. The provision for bad debts represents charges for services provided that are deemed to be uncollectible and was \$129,051 and \$129,492 in 2015 and 2014, respectively. The estimated cost of providing these services was approximately \$48,347 and \$48,699 for 2015 and 2014, respectively.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of PHS and its affiliates. Significant interaffiliate accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of patient accounts receivable, research grants receivable, investments, receivables and accruals for settlements with third-party payers, accrued medical claims and related expenses, accrued professional liability, accrued compensation and employee benefits, interest rate swaps and accrued other.

Fair Value of Financial Instruments

The fair value of financial instruments approximates the carrying amount reported in the consolidated balance sheets for cash and equivalents, certain investments and investments limited as to use, patient accounts receivable, research grants receivable, accounts payable and accrued expenses and interest rate swaps. More information can be found in Note 6, Fair Value Measurements.

Cash and Equivalents

Cash and equivalents represent cash, registered money market funds and highly liquid debt instruments with a maturity at the date of purchase of three months or less. Partners HealthCare's banking cash and equivalents are maintained with several national banks and from time to time cash deposits exceed federal insurance limits. It is Partners HealthCare's policy to monitor these banks' financial strength on an ongoing basis and no losses have been experienced to date.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities (marketable investments) are measured at fair value based on quoted market prices. The change in net unrealized appreciation on these marketable investments is excluded from excess of revenues over expenses.

Alternative investments, including hedge funds and private equities, do not have readily ascertainable market values. Investments in securities sold short or traded on a national securities exchange are valued based on quoted market prices. Investments in securities that are not traded and restricted securities of public companies are valued based on amounts reported by the fund manager and evaluated by management. The reported value of these investments represents the amount Partners HealthCare would expect to receive if it liquidated its investments at the balance sheet date on a nondistressed basis. Investments in hedge funds, private equity, private debt and other private partnerships (collectively, private partnerships) for which Partners HealthCare owns more than 5% of the overall investment are generally recorded as equity method investments. The change in value of equity method investments. All other investments, including alternative investments, are recorded at cost.

Income from investments (including realized gains and losses, change in value of equity method investments, interest, dividends and endowment income distributions) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Income from investments is reported net of investment-related expenses.

Investments whose cost exceeds fair value are reviewed each quarter to determine whether these investments are other-than-temporarily impaired. Externally managed marketable investments with fair value below cost are considered to be other-than-temporarily impaired and, accordingly, the unrealized depreciation is recognized as realized losses through a write-down in the cost basis of these investments. All other investments are subject to a further review, which considers factors including the anticipated holding period for the investment and the extent and duration of below cost valuation. A similar write-down is recorded when the impairment on these investments has been judged to be other-than-temporary.

Depending on any donor-imposed restrictions on the underlying investments, the amount of the write-down is reported as a realized loss in either temporarily restricted net assets or in excess of revenues over expenses as a component of income from investments, with no adjustment in the cost basis for subsequent recoveries.

Partners HealthCare has an endowment spending policy for pooled endowment funds. A fixed distribution rate for spending is determined each year which will come from either income and/or net accumulated appreciation.

Investments Limited as to Use

Investments limited as to use primarily includes assets whose use is contractually limited by external parties as well as assets set aside by the boards (or management) for identified purposes and over which the boards (or management) retain control such that the boards (or management) may, at their discretion, subsequently use such assets for other purposes. Certain investments corresponding to deferred compensation are accounted for such that all income and appreciation (depreciation) is recorded as a direct addition (reduction) to the asset and corresponding liability.

Derivative Instruments

Derivatives are recognized on the balance sheet at fair value. As of September 30, 2014, Partners HealthCare elected to stop applying hedge accounting treatment for interest rate swap contracts (swap contracts). As a result of the election to stop applying hedge accounting treatment, changes in the fair value are recorded in excess of revenue over expenses. Previously, Partners HealthCare designated at inception whether the swap contracts were considered hedging or nonhedging for accounting purposes. For hedges, Partners HealthCare formally documented at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various accounting hedges. Partners HealthCare uses its swap contracts as cash flow hedges. Changes in the fair value of swap contracts designated for hedging activities that were highly effective as hedges were excluded from excess of revenues over expenses. Hedge ineffectiveness, if any, was recorded in excess of revenues over expenses.

Patient Accounts Receivable

Partners HealthCare receives payments for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care payers, commercial insurance companies and patients. Patient accounts receivable are reported net of contractual allowances and reserves for denials, uncompensated care and doubtful accounts. The level of reserves is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental and private employer health care coverage and other collection indicators.

Research Grants Receivable

Partners HealthCare receives research funding from departments and agencies of the U.S. Government, industry and other foundation sponsors. Research grants receivable include amounts due from these sponsors of externally funded research. These amounts have been billed or are billable to the sponsor, or in limited circumstances, represent accelerated spending in anticipation of future funding. Research grants receivable are reported net of reserves for uncollectible accounts.

Other Current Assets

Other current assets include prepaids, nonpatient receivables, current portion of pledges receivable, premiums receivable and reinsurance recoveries.

Property and Equipment

Property and equipment is reported on the basis of cost less accumulated depreciation. Donated items are recorded at fair value at the date of contribution. All research grants received for capital are recorded in the year of expenditure as a change in unrestricted net assets. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Depreciation of property and equipment is calculated by use of the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to fifty years. Interest costs incurred on borrowed funds-during the period of construction of capital assets are capitalized, net of any interest earned, as a component of the cost of acquiring those assets.

Asset Retirement Obligations

Asset retirement obligations, reported in accrued other, are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Partners HealthCare records changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original liability estimate. Partners HealthCare reduces these liabilities when the related obligations are settled.

Other Assets

Other assets consist of long-term receivables, deferred financing costs, intangible assets, prepaid ground rent, malpractice insurance receivables (Note 14), investments in healthcare related limited partnerships and benefit assets for over-funded defined benefit plans. Deferred financing costs are amortized over the terms of the related obligations. The carrying value of other assets is evaluated for impairment if the facts and circumstances suggest that the carrying value may not be recoverable.

Compensated Absences

In accordance with formal policies concerning vacation and other compensated absences, accruals of \$259,470 and \$254,803 were recorded as of September 30, 2015 and 2014, respectively.

Unexpended Funds on Research Grants

Research grants received in advance of corresponding grant expenditures are accounted for as a direct addition to investments limited as to use and unexpended funds on research grants.

Self-Insurance Reserves

Partners HealthCare is generally self-insured for employee healthcare, disability, workers' compensation and certain other employee benefits. These costs are accounted for on an accrual basis to include estimates of future payments for claims incurred prior to year end.

Net Assets

Permanently restricted net assets include the historical dollar amounts of gifts and the income and gains on such gifts which are required by donors to be permanently retained. Temporarily restricted net assets include gifts and the income and gains on permanently restricted net assets which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (capital projects, pledges to be paid in the future, life income funds) or by interpretations of law (gains available for appropriation but not appropriated in the current period). Unrestricted net assets include all of the remaining net assets of Partners HealthCare. More information can be found in Note 16, Net Assets.

Realized gains and losses are classified as unrestricted net assets unless they are restricted by the donor or law. Unless permanently restricted by the donor, realized gains and net unrealized appreciation on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by Partners HealthCare in accordance with policies established by Partners HealthCare and the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA). Net losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value of these funds exceeds historical cost.

Gifts

Unconditional promises to give cash and other assets to Partners HealthCare are reported at fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted gifts in the accompanying financial statements.

Gifts of long-lived assets with explicit restrictions that specify use of assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to temporarily restricted net assets if the assets are not placed in service during the year.

Grants

Grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Partners HealthCare recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is based on predetermined rates for U.S. Government grants and contracts and negotiated rates for other grants and contracts.

Contributed Securities

Partners HealthCare's policy is to sell securities contributed by donors upon receipt, unless prevented from doing so by donor request. For the years ended September 30, 2015 and 2014, contributed securities of \$36,742 and \$45,058, respectively, were received and liquidated. Donors restricted the proceeds received from the sale of these contributed securities of \$14,163 and \$8,737 for long-term purpose for the years ended September 30, 2015 and 2014, respectively.

Statement of Operations

All activities of Partners HealthCare deemed by management to be ongoing, major and central to the provision of healthcare services, teaching, research activities and health insurance are reported as operating revenue and expenses. Other activities are deemed to be nonoperating and include unrestricted gifts (net of fundraising expenses), external community benefit program support, net change in unexpended academic and research gifts, change in fair value of interest rate swaps, substantially all income (ioss) from investments and interest on advanced borrowings. Academic and research gifts largely consist of donor contributions (and the related investment income including realized gains and losses) designated to support the clinical, teaching or research efforts of a physician or department as directed by the donor. These gifts are reported as unrestricted, net of related support expenses, when donor restrictions are of a general nature that are inherent in the normal activities of the organization.

Partners HealthCare recognizes changes in third-party payer settlements and other estimates in the year of the change in estimate. For the years ended September 30, 2015 and 2014, adjustments to prior year estimates resulted in an increase to income from operations of \$22,381 and \$14,642, respectively.

Effective October 1, 2007, the Centers for Medicare and Medicaid Services (CMS) adopted the MS-DRG patient classification system (MS-DRGs) for inpatient services to better recognize severity of illness in Medicare payment rates for acute care hospitals. The adoption of MS-DRGs resulted in the expansion of the number of diagnosis related groups (DRGs), a system of classifying patients for purposes of inpatient reimbursement. By increasing the number of DRGs and more fully taking into account patients' severity of illness in Medicare payment rates for acute care hospitals, the use of MS-DRGs encourages hospitals to improve their documentation and coding of patient diagnoses. CMS has determined that the adoption of the MS-DRGs has increased aggregate payments to hospitals due to additional documentation and coding without a corresponding increase in actual patient severity of illness.

CMS is required by its enabling statute to maintain budget neutrality by prospectively adjusting the Medicare payment rate to eliminate the effect of changes in DRG classification that do not reflect real changes in case-mix. CMS requires Congressional authority, however, to recoup any overpayments made in prior years. In 2007, Congress granted CMS the authority to recoup overpayments made to hospitals in 2008 and 2009 resulting from increased coding and documentation, which CMS did through rate reductions in 2011 and 2012. Subsequently, under the American Taxpayer Relief Act of 2012, Congress granted CMS the authority to recoup overpayments made to hospitals in 2010 through 2012 through rate reductions in 2014 through 2017.

In 2013, Partners HealthCare recorded the estimated overpayment amounts received in 2010 through 2012 of \$79,020 as deferred revenue to be amortized into net patient service revenue in 2014 through 2017 to offset the rate reductions. Management believes this accounting treatment better reflects the financial impact of this rate methodology and more accurately presents the recognition of revenue. For the years ended September 30, 2015 and 2014, amortization of these overpayments amounted to \$15,192 and \$6,893, respectively. Partners HealthCare anticipates amortizing the remaining overpayments in 2016 of \$23,900 and in 2017 of \$33,035.

The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, include change in net unrealized appreciation on marketable investments, change in fair value of effective hedging interest rate swaps (prior to the change in accounting policy), contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for acquisition of such assets) and change in funded status of defined benefit plans.

Net Patient Service Revenue

Partners HealthCare maintains agreements with CMS of the United States Department of Health and Human Services under the Medicare program, the Commonwealth of Massachusetts (the Commonwealth) under the Medicaid program and various managed care payers that govern payment for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on discounted charges for inpatient care and discounted charges or fee schedules for outpatient care. Certain contracts also provide for payments that are contingent upon meeting agreed upon quality and efficiency measures.

Partners HealthCare recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, Partners HealthCare recognizes revenue on the basis of its standard rates (subject to discounts) for services provided. On the basis of historical experience, a significant portion of Partners HealthCare's uninsured patients are unable or fail to pay for the services provided. Consequently, Partners HealthCare records a provision for bad debts related to uninsured patients in the period the services are provided. For the years ended September 30, 2015 and 2014, patient service revenue net of contractual allowances and discounts (before the provision for bad debts) is as follows:

| | 2015 | 2014 |
|--|-----------------|-----------------|
| Patient service revenue (net of contractual allowances and discounts) | | |
| Third-party payers | \$ 7,156,435 | \$ 6,906,051 |
| Uninsured patients | 290,534 | 265,999 |
| Total all payers | \$ 7,446,969 | \$ 7,172,050 |

Net patient service revenue includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. Contracts, laws and regulations governing the Medicare, Medicaid and uncompensated care programs (Note 1) and managed care payer arrangements are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. A portion of the accrual for settlements with third-party payers has been classified as long-term because such amounts, by their nature or by virtue of regulation or legislation, will not be paid within one year.

Partners HealthCare provides either full or partial uncompensated care to patients who cannot afford to pay for their medical services based on income and family size. Uncompensated care is generally available to qualifying patients for medically necessary services. Partners HealthCare reports certain bad debts related to emergency services as uncompensated care. Uncompensated care is reported at gross charges with an offsetting allowance, as there is no expectation of collection. Accordingly, there is no net patient service revenue related to uncompensated care.

Medical Claims and Related Expenses

NHP contracts with various community health centers, hospital-based primary care physician practices and other health care providers for the delivery of services to its members and compensates these providers on a capitated, fee-for-service or per diem basis.

The cost of contracted health care services is accrued in the period in which services are provided and include certain estimated amounts. The estimated liability for medical claims and related expenses is actuarially determined based on analysis of historical claims-paid experience, modified for changes in enrollment, inflation and benefit coverage. The liability for medical claims and related expenses represents the anticipated cost of claims incurred but unpaid at the balance sheet date. The estimates for claims expense may be more or less than the amounts ultimately paid when claims are settled. Such changes in estimates are reflected in the current period in the consolidated statements of operations.

In the normal course of business, NHP identifies and recoups overpayments through reductions in future payments made to providers and hospitals. Such overpayments are the result of, among other things, coordination of benefits and provider claim audits. For the years ended September 30, 2015 and 2014, NHP identified approximately \$53,396 and \$44,100, respectively, of recoveries related to claim overpayments made for both current-year and prior-year paid claims, which are reflected as a reduction to medical claims and related expenses in the consolidated statements of operations. As of September 30, 2015 and 2014, NHP's accounts receivable include \$1,723 and \$2,049, respectively, related to such overpayments.

Premium Revenue

Premiums are due monthly and recorded as earned during the period in which members are eligible to receive services. Premiums received prior to the first day of the coverage period are recorded as unearned premiums in accounts payable and accrued expenses.

Reinsurance

Reinsurance premiums are reported in medical claims and related expenses and reinsurance recoveries are reported as reductions in medical claims and related expenses.



Settlements

NHP contracts with the Executive Office of Health and Human Services (EOHHS) and certain providers based on historical and anticipated experience. These methods of reimbursement result in settlements based on actual versus anticipated experience which could result in either payments due from (to) these providers. Settlements receivable of \$78,969 and \$21,197 were recorded as of September 30, 2015 and 2014, respectively. Settlements payable of \$3,697 and \$14,654 were recorded as of September 30, 2015 and 2015 and 2014, respectively. The settlements are intended to include both reported and unreported incurred claims as of September 30, 2015 and 2014.

In 2014, the Affordable Care Act introduced new settlements related to a risk adjustment program, risk corridor program and reinsurance program designed to mitigate the transitional impact on insurers for new members. NHP's estimated net receivable due from the federal government for these programs was \$23,687 and \$5,761 at September 30, 2015 and 2014, respectively. Similar to the federal program, EOHHS has a risk corridor program and NHP's estimated net receivable due from EOHHS is \$75,910 and \$17,842 at September 30, 2015 and 2014, respectively.

Premium Deficiency Reserve

Premium deficiency reserves are assessed and recognized on a product line basis based upon expected premium revenue, medical expense and administrative expense levels, and remaining contractual obligations using historical experience. As of September 30, 2015 and 2014, premium deficiency reserves total approximately \$32,636 and \$91,555, respectively, and are included in accrued medical claims and related expenses in the accompanying consolidated financial statements.

Claims Adjustment Expenses

Claims adjustment expenses (CAE) are those costs expected to be incurred in connection with the adjustment and recording of health claims. NHP has recorded an estimate of unpaid CAE associated with incurred but unpaid claims, which is included in medical claims and related expenses in the accompanying consolidated statements of operations. Management believes the amount of the liability for unpaid CAE as of September 30, 2015, is adequate to cover NHP's cost for the adjustment and recording of unpaid claims; however, actual expenses may differ from those established estimates. Adjustments to the estimates for unpaid CAE are reflected in operating results in the period in which the change in estimate is identified (Note 9).

Other Revenue

Other revenue includes institutional revenue (for example, billing for services provided to other healthcare providers), parking, nonpatient pharmacy and tuition revenue.

Recent Accounting Pronouncements

Partners HealthCare adopted ASU 2015-07, Disclosures for Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as the practical expedient. The adoption of ASU 2015-07 did not have a material effect on Partners HealthCare's financial statements.

3. Acquisitions

Multiple physician practices were acquired during the year ended September 30, 2015 for a combined purchase price of \$46,917. In accordance with accounting standards, the purchase price was allocated first to tangible assets, then identifiable intangible assets and the remaining allocated to goodwill.

Assets, liabilities, and net assets assumed as of the acquisition dates are as follows:

| Assets | |
|---------------------------------------|--------------|
| Cash and cash equivalents | \$ 5,257 |
| Patient accounts receivable, net | 3,762 |
| Property plant and equipment | 3,201 |
| Other assets | 34,697 |
| Total assets acquired | \$ 46,917 |
| Liabilities | |
| Note payable | \$ 2,693 |
| Accounts payable and accrued expenses | 10,457 |
| Accrued compensation and benefits | 5,087 |
| Accrued professional liability | 80 |
| Total liabilities assumed | 18,317 |
| Net assets | |
| Unrestricted | 28,600 |
| Total net assets | 28,600 |
| Total liabilities and net assets | \$ 46,917 |
| | |

A summary of the financial results of the acquired physician practices from the respective dates of acquisition is included in the consolidated statements of operations and changes in net assets is as follows:

| Total operating revenue | \$ 88,325 |
|-------------------------------------|--------------------|
| Total operating expenses | 103,431 |
| Loss from operations | (15,106) |
| Nonoperating gains (expenses), net | 2 |
| Deficit of revenues over expenses | (15,104) |
| Other changes | 1,000 |
| Decrease in unrestricted net assets | <u>\$ (14,104)</u> |

A summary of the consolidated financial results of Partners HealthCare for the year ended September 30, 2015, as if the transactions had occurred on October 1, 2014 is as follows (unaudited):

| Total operating revenue Total operating expenses | \$ 11,696,236 11,592,219 |
|---|-----------------------------|
| Income from operations | 104,017 |
| Nonoperating gains (expenses), net | (198,447) |
| Deficit of revenues over expenses | (94,430) |
| Pension related changes Other changes | (639,167) (186,096) |
| Decrease in unrestricted net assets | \$ (919,693) |

4. Levels of Capital and Surplus

Risk-based capital (RBC) is a methodology adopted by the National Association of Insurance Commissioners (NAIC) for determining the minimum level of capital and surplus deemed necessary for an insurer based upon the types of assets held and business written. Pursuant to a guaranty entered into by PHS when it acquired NHP in 2012 (the RBC Guaranty), PHS has committed to maintain NHP's capital and surplus at a specified minimum level, measured quarterly in accordance with an RBC methodology permitted by the Massachusetts Division of Insurance (DOI). The RBC Guaranty may be enforced by the DOI. PHS provided capital to NHP of \$117,100 and \$86,000 in 2015 and 2014, respectively.

In accordance with accounting guidance, NHP recognized premium deficiency reserves of \$32,636 and \$91,555 at September 30, 2015 and 2014, respectively. The premium deficiency reserves are estimates of anticipated losses in fiscal 2016 and 2015, respectively, related to NHP's MassHealth and CommCare contracts. In order to comply with its obligations under the RBC Guaranty PHS transferred \$40,300 to NHP in November 2015.

NHP's current contract with EOHHS requires NHP to maintain a minimum net worth and/or financial insolvency insurance in an amount equal to the Minimum Net Worth calculation as defined in Massachusetts General Law 176G, Section 25. At December 31, 2014 and 2013 (NHP's fiscal and statutory year end), the minimum net worth requirement, as determined in accordance with EOHHS guidelines, was \$114,300 and \$78,800, respectively. NHP's statutory net worth was \$128,700 and \$97,200 at December 31, 2014 and 2013, respectively, and thus exceeded the EOHHS requirements by \$14,400 and \$18,400, respectively.

5. Investments and Investments Limited as to Use

Investments are either separately invested or included in pooled investment funds within the Partners HealthCare System Pooled Investment Accounts (Partnership). The Partnership is structured as a single general partnership composed of three investment pools, with PHS and substantially all of its affiliates participating in the pools as partners. Each partner's interest in the Partnership is based on its underlying investments in one or more of the three separate pools. Amounts included in the investment pools are accounted for using the fair value method whereby each partner is assigned a number of units based on the fair value of the assets of a pool at the time of entry of the funds into the pool. Current fair value is used to determine the number of units allocated to additional amounts placed in a pool and to value withdrawals from a pool. Income from investments of the pools, including realized gains and losses, is allocated on a unitized basis to a partner based on the partner's share of units in a pool.

Among other investments, the Partnership invests in private partnerships whose assets include equity, fixed income and other investments. As of September 30, 2015, the Partnership has unfunded commitments of approximately \$470,498 which will be drawn down by the various general partners over the next several years. The maximum annual drawdown is expected to be less than 2% of investments and investments limited as to use.

Investments and investments limited as to use are recorded in the balance sheet as follows:

| | September 30, | | | | |
|---|---------------|-----------|----|--------------------|--|
| | | 2015 | | 2014 | |
| Current assets | | | | | |
| Investments | \$ | 1,354,636 | \$ | 1,474,058 | |
| Current portion of investments limited as to use | | 1,590,203 | | 2,120,057 | |
| | | 2,944,839 | | 3,594,115 | |
| Long-term assets | | | | | |
| Investments limited as to use, less current portion | | 2,832,744 | | 2,927,360 | |
| Long-term investments | | 1,061,176 | | 1, <u>0</u> 26,538 | |
| | \$ | 6,838,759 | \$ | 7,548,013 | |

Investments limited as to use consist of the following:

| | | September 30, 2015 | | | September 30, 2015 Septemb | | | | er 3(|), 2014 |
|--|----|--------------------|----|---------------------|----------------------------|--------------------|----|---------------------|-------|---------|
| | | Current Portion | L | ong-Term Portion | | Current Portion | Ĺ | ong-Term Portion | | |
| Internally designated funds | | | | | | | | | | |
| Reserved for capital expenditures | \$ | 863,703 | \$ | - | \$ | 1,010,371 | \$ | - | | |
| Unexpended academic and research gifts | | - | | 2,311,685 | | - | | 2,449,470 | | |
| Deferred compensation | | - | | 226,627 | | - | | 216,553 | | |
| Other | _ | 394,756 | | 263,764 | | 863,371 | | 224,310 | | |
| | | 1,258,459 | | 2,802,076 | | 1,873,7 4 2 | | 2,890,333 | | |
| Externally limited funds | | | | | | | | | | |
| Unexpended funds on research | | 202,137 | | - | | 183,222 | | - | | |
| Contributions held for others | | 1,269 | | - | | 3,991 | | - | | |
| Professional liability trust fund | | - | | 30,668 | | - | | 37,027 | | |
| Held by trustees under debt and other | | | | | | | | | | |
| agreements | _ | 128,338 | | - | | 59,102 | | | | |
| | | 331,744 | | 30,668 | | 246,315 | | 37,027 | | |
| | \$ | 1,590,203 | \$ | 2,832,744 | \$ | 2,120,057 | \$ | 2,927,360 | | |

Investments and investments limited as to use are reported at either fair value or on the equity or cost methods of accounting. The composition of these investments, segregated between pooled investments and those that are separately invested, is as follows:

| | September 30, 2015 | | | | | | | |
|--------------------------------|--------------------|------------------|----------|---------------------|----|-------------------|----|-----------|
| | | At Fair Value | (| On Equity Method | | On Cost Method | | Total |
| Pooled investments | | | | | | | | |
| Invested cash equivalents | \$ | 34,049 | \$ | - | \$ | - | \$ | 34,049 |
| Separately managed investments | | 1,834,357 | | - | | - | | 1,834,357 |
| Mutual funds | | 365,035 | | - | | - | | 365,035 |
| Commingled funds | | 1,157,965 | | - | | - | | 1,157,965 |
| Private partnerships | | - | | 744,139 | | 1,991,206 | | 2,735,345 |
| | | 3,391,406 | <u> </u> | 744,139 | | 1,991,206 | | 6,126,751 |
| Separately invested | | | | | | | | |
| Invested cash equivalents | | 135,640 | | - | | 16 | | 135,656 |
| Equities | | 6,247 | | - | | 46,237 | | 52,484 |
| U.S. Government and domestic | | | | | | | | |
| fixed income securities | | 32,330 | | - | | - | | 32,330 |
| Mutual funds | | 397,539 | | - | | - | | 397,539 |
| Other | | 17,416 | | | | 76,583 | | 93,999 |
| | | 589,172 | | | | 122,836 | | 712,008 |
| | \$ | 3,980,578 | \$ | 744,139 | \$ | 2,114,042 | \$ | 6,838,759 |

Separately managed investments include cash and equivalents of \$212,882, equities of \$612,948 and fixed income securities of \$1,008,527 as of September 30, 2015.

| | September 30, 2014 | | | | | | | |
|--------------------------------|--------------------|------------------|----|---------------------|----|-------------------|----|-----------|
| | | At Fair Value | | On Equity Method | | On Cost Method | | Total |
| Pooled investments | | | | | | | | |
| Invested cash equivalents | \$ | 43,396 | \$ | - | \$ | - | \$ | 43,396 |
| Separately managed investments | | 2,301,880 | | - | | | | 2,301,880 |
| Mutual funds | | 549,948 | | - | | ~ | | 549,948 |
| Commingled funds | | 1,151,708 | | - | | - | | 1,151,708 |
| Private partnerships | | - | | 804,445 | | 2,013,552 | | 2,817,997 |
| | | 4,046,932 | | 804,445 | | 2,013,552 | | 6,864,929 |
| Separately invested | | | | | | | | |
| Invested cash equivalents | | 127,785 | | - | | 741 | | 128,526 |
| Equities | | 14,062 | | - | | 23,937 | | 37,999 |
| U.S. Government and domestic | | | | | | | | - |
| fixed income securities | | 32,427 | | - | | - | | 32,427 |
| Mutual funds | | 360,417 | | - | | - | | 360,417 |
| Other | | 47,018 | | | _ | 76,697 | | 123,715 |
| | | 581,709 | _ | • | | 101,375 | | 683,084 |
| | \$ | 4,628,641 | \$ | 804,445 | \$ | 2,114,927 | \$ | 7,548,013 |

Separately managed investments include cash and equivalents of \$193,406, equities of \$930,884 and fixed income securities of \$1,177,590 as of September 30, 2014.

For the private partnerships reflected in the balance sheet at cost, the difference (unrecorded net unrealized appreciation) between the value reported by the investment managers and the cost for these investments was \$863,084 and \$883,174 as of September 30, 2015 and 2014, respectively.

The fair value and gross unrealized depreciation of investments and investments limited as to use, with a fair value less than cost, that are not deemed to be other-than-temporarily impaired as of September 30, 2015 are as follows:

J

| | | Less than 12 Months | | | | reater | | | | | | | | |
|--|---------------|---------------------|----|----------|----|---------|---------|----------|-------------------------------------|--|-----------------|--|-------------------------------------|--|
| | Fair Value | | | | | | Fair Un | | Gross Unrealized Depreciation | | Unrealized Fair | | Gross Unrealized Depreciation | |
| Pooled investments | | | | | _ | | - | | | | | | | |
| Separately managed investments Mutual funds | \$ | 1,051 | \$ | (137) | \$ | 189 | \$ | (9) | | | | | | |
| Commingled funds | | 734,450 | | (84,501) | | 169,374 | | (45,212) | | | | | | |
| | | 735,501 | | (84,638) | | 169,563 | | (45,221) | | | | | | |
| Separately invested | | | | | | | | | | | | | | |
| Equities | | - | | - | | 10 | | (4) | | | | | | |
| Fixed income securities | | - | | | | | | | | | | | | |
| Mutual funds | | 104,407 | | (7,866) | | 27,628 | | (5,113) | | | | | | |
| External trusts | | - | | | | 93 | | (12) | | | | | | |
| | | 104,407 | | (7,866) | | 27,731 | | (5,129) | | | | | | |
| · | \$ | 839,908 | \$ | (92,504) | \$ | 197,294 | \$ | (50,350) | | | | | | |

In addition, for certain private partnerships recorded at cost, gross unrealized depreciation amounted to \$23,118 as of September 30, 2015, with \$20,478 of that amount unrealized for 12 months or greater.

Based on management's quantitative and qualitative assessment, investments whose cost exceeds fair value are not considered to be other-than-temporarily impaired as of September 30, 2015. Management believes these investments will recover their values and there is no intention to liquidate these positions.

Investment income and gains (losses) from cash and equivalents, investments, investments limited as to use and beneficial interests in perpetual trusts are comprised of the following:

| | Years Ended Sept | | | ember 30, | |
|--|------------------|-----------------------|----|--------------------|--|
| | | 2015 | · | 2014 | |
| Unrestricted | | | | | |
| Dividends, interest and other income | \$ | 59,941 | \$ | 62,576 | |
| Endowment income distributions, net of reinvested gains | | 39,059 | | 35,564 | |
| Net realized gains (losses) on investments | | 450 400 | | 040.044 | |
| Realized gains | | 158,402 | | 313,244 | |
| Other-than-temporary impairment Change in value of equity method investments | | (139,474) (46,860) | | (55,636) 33,832 | |
| Recovery on endowment funds | | (11,045) | | 55,852 91 | |
| Total investment activity included in excess of | | (11,010) | | | |
| revenues over expenses | | 60,023 | | 389,671 | |
| Change in net unrealized appreciation on marketable | | | | | |
| investments | | (224,616) | | (3,309) | |
| Total unrestricted investment activity | | (164,593) | | 386,362 | |
| Temporarily restricted | | | | | |
| Dividends and interest income | | 5,286 | | 14,857 | |
| Endowment income distributions | | (47,133) | | (41,823) | |
| Net realized gains (losses) on investments | | 21 800 | | 62 505 | |
| Realized gains Other-than-temporary impairment | | 31,890 (24,558) | | 63,595 (10,468) | |
| Other-than-temporary impainment | | (34,515) | | 26,161 | |
| | | | | | |
| Change in value of equity method investments | | (11,945) | | 10,736 | |
| Change in net unrealized appreciation on marketable investments | | (47,396) 11,045 | | (11,118) | |
| Recovery on endowment funds | · | | | (91) | |
| | | (48,296) | | (473) | |
| Total temporarily restricted investment activity | | (82,811) | | 25,688 | |
| Permanently restricted | | | | | |
| Dividends and interest income | | (3) | | 4 | |
| Net realized gains on investments | | 58 (0. 319) | | 26 | |
| Change in net unrealized appreciation on marketable investments Change in value of beneficial interests in perpetual trusts | | (2,313) (970) | | 392 1,314 | |
| - | | (3,228) | | 1,736 | |
| Total permanently restricted investment activity | | | | | |
| | \$ | (250,632) | \$ | 413,786 | |

Investment income included in operating results and excess of revenues over expenses is comprised of the following:

| | Years Ended September 30, | | | | | |
|--|---------------------------|--------------------|----|--------------------|--|--|
| | | 2015 | - | 2014 | | |
| Investment income included in operations and reported in other revenue Investment income included in nonoperating gains | \$ | 11,841 | \$ | 13,692 | | |
| and reported in (Loss) income from investments Academic and research gifts, net of expenses | | (37,258) 85,440 | | 227,357 148,622 | | |
| Total investment activity included in excess of revenues over expenses | \$ | 60,023 | \$ | 389,671 | | |

6. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as exit price). Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

Fair Value Hierarchy

A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the reporting entity's assumptions about the inputs market participants would use. The fair value hierarchy requires the reporting entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In addition, for hierarchy classification purposes, the reporting entity should not look through the form of an investment to the nature of the underlying securities held by an investee.

The hierarchy is described below.

- Level 1 Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment. Level 1 assets and liabilities primarily include debt and equity securities that are traded in an active exchange market.
- Level 2 Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities primarily include debt securities with quoted prices that are traded less frequently than exchange-traded instruments as well as debt securities and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 Valuations using unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the reporting entity's assumptions about the assumptions market participants would use as well as those requiring significant management judgment.

Valuation Techniques

Pooled investments (except for private partnerships, which are reported on either the equity method or cost method of accounting), separately invested cash equivalents and debt and equity securities are classified within Level 1 or Level 2 of the fair value hierarchy as they are valued using quoted market prices, broker or dealer quotations, or other observable pricing sources. Certain types of investments are classified within Level 3 of the fair value hierarchy because they have little or no market activity and therefore have little or no observable inputs with which to measure fair value.

The valuation of interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

The following tables summarize fair value measurements as of September 30, 2015 and 2014 for financial assets and liabilities measured at fair value on a recurring basis:

| | Fair Value Measurements Using | | | | | | | |
|--------------------------------|---|-----------|---|-----------|--|--------|---------|-------------------------------------|
| | Quoted Prices in Active Markets for Identical Items (Level 1) | | Significant Other Observable inputs (Level 2) | | Significant Unobservable Inputs (Level 3) | | | air Value at ptember 30, 2015 |
| Assets | | | | | | | | |
| Pooled investments | | | | | | | | |
| Invested cash equivalents | \$ | 33,027 | \$ | 1,021 | \$ | - | \$ | 34,048 |
| Separately managed investments | | 1,331,564 | | 502,793 | | - | | 1,834,357 |
| Mutual funds | | 365,034 | | - | | - | | 365,034 |
| Commingled funds | | | | 1,157,967 | | ~ | | 1,157,967 |
| | | 1,729,625 | | 1,661,781 | | - | | 3,391,406 |
| Separately invested | | | | | | | | |
| Invested cash equivalents | | 135,640 | | - | | - | | 135,640 |
| Equities | | 6,247 | | - | | - | | 6,247 |
| U.S. Government and domestic | | | | | | | | |
| fixed income securities | | 32,330 | | - | | - | | 32,330 |
| Mutual funds | | 397,539 | | - | | - | | 397,539 |
| Other | | <u> </u> | | | | 17,416 | | 17,416 |
| | | 571,756 | | - | | 17,416 | <u></u> | 589,172 |
| | \$ | 2,301,381 | \$ | 1,661,781 | \$ | 17,416 | \$ | 3,980,578 |
| Liabilities | | | | | | | | |
| Interest rate swaps | | | \$ | 404,062 | | | \$ | 404,062 |



| | Fair Va | s Using | | |
|---|---|---|--|---|
| | Quoted Prices in Active Markets for Identical Items (Level 1) | Significant Other Observable inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at September 30, 2014 |
| Assets Pooled investments | | | | |
| Pooled investments Invested cash equivalents Separately managed investments Mutual funds Commingled funds | \$ 9,702 1,700,305 549,948 2,259,955 | \$ 33,694 601,575 <u>1,151,708</u> 1,786,977 | \$ - - - - | \$ 43,396 2,301,880 549,948 1,151,708 4,046,932 |
| Separately invested | | | | |
| Invested cash equivalents | 127,785 | - | - | 127,785 |
| Equities U.S. Government and dornestic | 9,708 | 4,354 | - | 14,062 |
| fixed income securities | 17,224 | 15,203 | - | 32,427 |
| Mutual funds | 360,417 | - | - | 360,417 |
| Other | <u> </u> | 36,280 | 10,738 | 47,018 |
| | 515,134 | 55,837 | 10,738 | 581,709 |
| | \$ 2,775,089 | <u>\$ 1,842,614</u> | <u>\$ 10,738</u> | \$ 4,628,641 |
| Liabilities Interest rate swaps | | \$ 295,656 | | <u>\$ </u> |

As of and for the years ended September 30, 2015 and 2014, the fair value of the assets and change in the value of the assets measured using significant unobservable inputs (Level 3) were related to beneficial interests in perpetual assets.

7. Pledges Receivable and Contributions Receivable From Trusts

Pledges receivable represent unconditional promises to give and are net of allowances for uncollectible amounts. Pledges are recorded at the present value of their estimated future cash flows. Pledges collectible within one year are classified as other current assets, net of allowances, and total \$87,229 and \$94,331 as of September 30, 2015 and 2014, respectively. Estimated cash flows due after one year are discounted using published treasury bond and note yields that are commensurate with estimated collection risks. The blended discount rate was 1.0% and 0.8% for 2015 and 2014, respectively. Pledges are expected to be collected as follows:

| | | September 30, | | | | |
|--------------------------------------|------|---------------|----|---------|--|--|
| | 2015 | | | 2014 | | |
| Amounts due | | | | | | |
| Within one year | \$ | 108,865 | \$ | 110,668 | | |
| In one to five years | | 138,411 | | 161,764 | | |
| In more than five years | | 56,120 | | 19,300 | | |
| Total pledges receivable | | 303,396 | | 291,732 | | |
| Less: Unamortized discount | | 6,840 | | 5,348 | | |
| | | 296,556 | | 286,384 | | |
| Less: Allowance for uncollectibles | | 26,711 | | 23,460 | | |
| Net pledges receivable | | 269,845 | | 262,924 | | |
| Contributions receivable from trusts | | 26,448 | | 29,382 | | |
| | \$ | 296,293 | \$ | 292,306 | | |

8. Property and Equipment

Property and equipment consists of the following:

| | September 30, | | | | | |
|-------------------------------------|---------------|-------------|----|-------------|--|--|
| | <u> </u> | 2015 | | 2014 | | |
| Land and land improvements | \$ | 179,954 | \$ | 172,924 | | |
| Buildings and building improvements | | 5,955,908 | | 5,558,974 | | |
| Equipment | | 1,826,766 | | 1,427,800 | | |
| Construction in progress | | 1,098,134 | | 900,180 | | |
| | | 9,060,762 | | 8,059,878 | | |
| Accumulated depreciation | | (3,731,980) | | (3,443,970) | | |
| Property and equipment, net | \$ | 5,328,782 | \$ | 4,615,908 | | |

Depreciation expense for the years ended September 30, 2015 and 2014 was \$487,980 and \$454,512, respectively. Interest costs, net of interest earned, aggregating \$35,063 and \$30,744 were capitalized in 2015 and 2014, respectively.

For the years ended September 30, 2015 and 2014, fully depreciated assets with an original cost of \$199,970 and \$235,966, respectively, were written off.

9. Accrued Medical Claims and Related Expenses

Liabilities for accrued medical claims and related expenses include estimates of expected trends in claims severity, frequency, and other factors, which could vary as the claims are ultimately settled and are based principally upon historical experience. As a result of changes in estimates of insured events in prior years and recoveries, the liability on claims existing on October 1, 2014 and 2013, (decreased) increased (\$27,221) and \$13,332, respectively, in the years ended September 30, 2015 and 2014, respectively. Increases (decreases) of this nature occur as the result of claim settlements and recoveries during the current year and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Ongoing analysis of the recent loss development trends is also taken into account in evaluating the overall adequacy of the reserves.

| | 2015 | | 2014 |
|---|---|------------|--|
| Balance at beginning of year | \$ 254,480 | \$ | 121,833 |
| Less: Premium deficiency reserve Medical loss ratio rebate payable Accrual for claims adjustment expenses Claim recoveries Plus: Settlements payable, net | (91,555) (611) (4,381) (7,567) 22,020 | | (6,494) (4,701) (2,855) (1,991) 23,555 |
| Net balance at beginning of year | 172,386 | | 129,347 |
| Incurred related to Current year Prior years Total incurred | 2,007,380 (27,221) 1,980,159 | . <u> </u> | 1,597,866 <u>13,332</u> 1,611,198 |
| Paid related to Current year Prior years Total paid | 1,822,513 144,996 1,967,509 | | 1,431,205 136,954 1,568,159 |
| Net balance at end of year | 185,036 | | 172,386 |
| Plus: Premium deficiency reserve Medical loss ratio rebate payable Accrual for claims adjustment expenses Accrued medical payables - other Claims recoveries Less: Settlements payable, net | 32,636 4,877 14,477 8,300 (13,058) | | 91,555 611 4,381 7,567 (22,020) |
| Balance at end of year | \$ 232,268 | \$ | 254,480 |

Medical claims and related expenses in the accompanying consolidated statements of operations include these amounts along with other nonclaims related costs. These nonclaims related expenses were for directly delivered services and medical cost risk sharing and incentives, totaling approximately \$17,422 and \$14,792 for the years ended September 30, 2015 and 2014, respectively.

10. Long-Term Obligations

Long-term obligations issued by PHS and its affiliates consist of the following:

| | | Septemb | | 30, |
|--|----|------------------|----|-----------|
| | | 2015 | | 2014 |
| Massachusetts Health and Educational Facilities Authority (Authority) Revenue Bonds | | | | |
| Partners HealthCare System Series D, issued in multiple subseries, variable interest rate | | | | |
| of 0.01% and 0.02% at September 30, 2015 and 2014, respectively, final maturity in 2017 | \$ | 1,940 | \$ | 11,490 |
| Partners HealthCare System Series F, issued in multiple subseries, average fixed interest | | | | |
| rate of 5.00%, variable interest rate of 0.29% and 0.24% at September 30, 2015 and 2014, | | | | |
| respectively, final maturity in 2040 | : | 246,209 | | 273,458 |
| Partners HealthCare System Series G, issued in multiple subseries, average fixed interest | | | | |
| rate of 4.93%, variable interest rate of 0.24% at September 30, 2015 and 2014, | | | | |
| final maturity in 2047 Restored Line in Contact Sector (Line and Line working a sector in the interact set | | 319,614 | | 438,054 |
| Partners HealthCare System Series H, issued in multiple subseries, variable interest rate | | 474 470 | | 474 465 |
| of 0.08% and 0.08% at September 30, 2015 and 2014, respectively, final maturity in 2042 | | 171,170 | | 171,185 |
| Partners HealthCare System Series I, issued in multiple subseries, average fixed interest rate of 4.80%, variable interest rate of 0.01% and 0.03%, at September 30, 2015 and | | | | |
| 2014, respectively, final maturity in 2044 | | 168,686 | | 171,996 |
| Partners HealthCare System Series J, issued in multiple subseries, average fixed interest | | 100,000 | | 17,1,880 |
| rate of 5.00%, final maturity in 2039 | | 442,110 | | 456,746 |
| Partners HealthCare System Series P, issued in multiple subseries, variable interest rate | | | | 400,140 |
| of 0.01% and 0.04% at September 30, 2015 and 2014, respectively, final maturity in 2027 | | 150,000 | | 150,000 |
| Massachusetts Development Finance Agency (Agency) Revenue Bonds | | | | |
| Partners HealthCare System Series K, issued in multiple subseries, average fixed interest | | | | |
| rate of 4.86%, variable interest rate of 0.02% and 0.04% at September 30, 2015 and 2014, | | | | |
| respectively, final maturity in 2048 | | 342,219 | | 352,836 |
| Partners HealthCare System Series L, average fixed interest rate of 4.94%, | | | | |
| final maturity in 2041 | | 340,347 | | 351,264 |
| Partners HealthCare System Series M, issued in multiple subseries, average fixed interest | | | | |
| rate of 4.95%, variable interest rate of 0.34% and 0.36% at September 30, 2015 and 2014, | | | | |
| respectively, final maturity in 2048 Definers HealthCore System Series N. issued in multiple subsector, veriable interest rate | | 507,533 | | 509,100 |
| Partners HealthCare System Series N, issued in multiple subseries, variable interest rate of 0.65% and 0.62% at September 30, 2015 and 2014, respectively, final maturity in 2044 | | 139, 4 00 | | 444.050 |
| Partners HealthCare System Series O, issued in multiple subseries, average fixed rate of | | 139,400 | | 141,350 |
| 4.60%, variable interest rate of 0.50% at September 30, 2015, final maturity in 2050 | | 356,517 | | |
| Partners HealthCare System Series 2007 taxable bonds, fixed interest rate of 6.26%, | | 000,011 | | - |
| final maturity in 2037 | | 100,000 | | 100,000 |
| Partners HealthCare System Series 2011 taxable bonds, fixed interest rate of 3.44%, | | , | | 100,000 |
| final maturity in 2021 | | 250,000 | | 250,000 |
| Partners HealthCare System 2012 Taxable Senior Notes, fixed interest rate of 4.11%, | | • | | , |
| final maturity in 2052 | | 400,000 | | 400,000 |
| Partners HealthCare System 2014 Taxable Senior Notes, fixed interest rate of 4.73%, | | | | |
| final maturity in 2044 | | 150,000 | | 150,000 |
| Partners HealthCare System Series 2015 taxable bonds, fixed interest rate of 4.12%, | | | | |
| final maturity in 2055 | | 300,000 | | - |
| Other obligations | | 8,092 | | 6,454 |
| Capital lease obligations | | 1,187 | | 2,229 |
| Total long-term obligations including unamortized discounts and premiums | 4, | ,393,024 | | 3,936,142 |
| Less: Current portion | | 398,990 | | 238,204 |
| | | 994,034 | | |

Aggregate maturities and payments of long-term obligations during the next five years and thereafter, and other amounts classified as current liabilities, are as follows:

| | Bonds Supported by Bonds Partners Supported by Scheduled HealthCare Bank Maturities Liquidity Facilities | | Totai | | |
|------------|--|-----------|---------------|--------------|-----------------|
| 2016 | \$ | 64,860 | \$ 246,780 | \$ 87,350 | \$ 398,990 |
| 2017 | | 61,979 | - | - | 61,979 |
| 2018 | | 68,162 | - | - | 68,162 |
| 2019 | | 69,392 | - | - | 69,392 |
| 2020 | | 71,959 | - | - | 71,959 |
| Thereafter | · | 3,722,542 | - | - | 3,722,542 |
| | \$ | 4,058,894 | \$ 246,780 | \$ 87,350 | \$ 4,393,024 |

The scheduled maturities represent annual payments as required under debt repayment schedules. The current portion of long-term obligations includes the payments scheduled to be made in 2016 along with bonds supported by Partners HealthCare liquidity and bonds supported by bank facilities (standby bond purchase agreements or letters of credit) with financial institutions that expire prior to September 30, 2016. The bonds supported by Partners HealthCare liquidity provide the bondholder with an option to tender the bonds to Partners HealthCare. Accordingly, these bonds are classified as a current liability. The bonds supported by bank facilities provide the bondholder with an option to tender the bonds to the liquidity provider. Generally accepted accounting principles require bonds backed by bank facilities expiring within one year of the balance sheet date to be classified as a current liability.

The fair value of long-term obligations was \$4,611,382 and \$4,152,828 as of September 30, 2015 and 2014, respectively, and would be classified as Level 2. The carrying amount of the variable rate debt is a reasonable estimate of its fair value. The fair value of the fixed rate debt is estimated based on guoted market prices for the same or similar issues.

Interest expense paid during the years ended September 30, 2015 and 2014 was \$165,844 and \$149,942, respectively.

Taxable Bonds and Notes

In March 2014, PHS issued \$150,000 of Partners HealthCare System Taxable Senior Notes. Proceeds from the notes were used to finance certain capital projects.

In January 2015, PHS issued \$300,000 of Partners HealthCare System Taxable Bonds. Proceeds from the bonds were used to finance certain capital projects.

Revenue Bonds

In January 2014, PHS issued \$496,040 of Partners HealthCare System Series M Revenue Bonds, plus bond premium of \$14,337. The bond proceeds, net of issuance costs of \$4,042, were used to refund portions of Series D Bonds (\$71,665) and Series K Bonds (\$73,815) and to finance certain capital projects (\$360,855).

In August 2014, PHS issued \$141,350 of Partners HealthCare System Series N Revenue Bonds. The Series N Bonds were privately placed with two banks. The bond proceeds were used to refund portions of Series F Bonds (\$91,350) and Series I Bonds (\$50,000).

In January 2015, PHS issued \$317,615 of Partners HealthCare System Series O Revenue Bonds, plus bond premium of \$39,969. The bond proceeds, net of issuance costs of \$2,814, were used to refund portions of Series F Bonds (\$20,865) and Series G Bonds (\$119,201) and to finance certain capital projects (\$214,704).

Partners HealthCare bonds are general obligations of PHS supported by guarantees from BWHC, The Brigham and Women's Hospital, Inc. (BWH), MGH and The General Hospital Corporation (the General) which may be suspended under certain conditions.

PHS bond agreements contain certain covenants, including a minimum debt service coverage ratio and limitations on additional indebtedness and asset transfers.

Credit Agreement

Partners HealthCare maintains a \$150,000 Credit Agreement (the Agreement) that provides access to same day funds. Advances under the Agreement bear a variable rate of interest based on the London Interbank Offered Rate (LIBOR). As of September 30, 2015, there were no amounts outstanding under the Agreement. The Agreement expires in June 2017.

11. Derivatives

Interest Rate Swaps

Partners HealthCare utilizes swap contracts to manage fluctuations in cash flows resulting from interest rate risk on certain of its variable rate bonds. These bonds expose Partners HealthCare to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of its interest payments. To meet this objective and to take advantage of low interest rates, Partners HealthCare entered into various swap contracts involving the exchange of fixed rate payments by Partners HealthCare for variable rate payments from several counterparties based on a percentage of LIBOR.

By using swap contracts to manage the risk of changes in interest rates, Partners HealthCare exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the swap contracts. When the fair value of a swap contract is positive, the counterparty has a liability to Partners HealthCare, which creates credit risk. Partners HealthCare minimizes its credit risk by entering into swap contracts with several counterparties and requiring the counterparty to post collateral for the benefit of Partners HealthCare based on the credit rating of the counterparty and the fair value of the swap contract. When the fair value of a swap contract is negative, Partners HealthCare has a liability to the counterparty and, therefore, it does not possess credit risk, but under certain circumstances, Partners HealthCare may be required to post collateral for the benefit of the counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The following is a summary of the outstanding positions under these swap contracts as of September 30, 2015:

| Effective Date | - | Notional Amount | Maturity | Rate Paid | Rate Received |
|-------------------|----|--------------------|----------|-----------|-------------------|
| 5/1/03 | \$ | 150,000 | 7/1/35 | 4.40 % | 67% 1-month LIBOR |
| 7/1/05 | | 150,000 | 7/1/40 | 3.63 % | 67% 1-month LIBOR |
| 7/1/05 | | 38,600 | 7/1/25 | 5.11 % | 67% 6-month LIBOR |
| 7/1/07 | | 150,000 | 7/1/42 | 3.46 % | 67% 1-month LIBOR |
| 7/1/09 | | 100,000 | 7/1/44 | 3.71 % | 67% 1-month LIBOR |
| 7/1/11 | | 100,000 | 7/1/46 | 3.74 % | 67% 1-month LIBOR |
| 7/1/13 | | 100,000 | 7/1/48 | 3.80 % | 67% 1-month LIBOR |
| 7/1/15 | | 50,000 | 7/1/50 | 3.80 % | 67% 1-month LIBOR |
| 4/1/16 | | 50,000 | 7/1/50 _ | 3.93 % | 67% 1-month LIBOR |
| 4/1/16 | | 50,000 | 7/1/52 | 3.59 % | 67% 1-month LIBOR |
| 7/1/17 | | 50,000 | 7/1/52 | 3.74 % | 67% 1-month LIBOR |
| | | | | | |

As of September 30, 2014, Partners HealthCare elected to stop applying hedge accounting treatment for its swap contracts; accordingly, changes in the fair value of interest rate swaps are recognized as nonoperating gains (expenses). As a result of this election and in accordance with accounting guidance for derivative instruments, losses of \$81,600 which were previously recognized as a change in unrestricted net assets were reclassed to nonoperating gains (expenses) in the consolidated statement of operations.

Previously, for swap contracts designated as cash flow hedges, the change in fair value of the effective portion of the hedge was reflected as a change in unrestricted net assets and the ineffective portion of the hedge was reflected as a component of nonoperating gains (expenses) in the consolidated statements of operations. For nonhedging swap contracts, the change in fair value was recorded as a component of nonoperating gains (expenses) in the consolidated statements of operations.

The fair value of swap contracts is recorded in the interest rate swap liability.

The effects of swap contracts on the consolidated statements of operations are as follows:

| | Amount of Gain (Loss) Recognized in Changes in Unrestricted Net Assets Years Ended September 30, | | | Amount of Gain (Lc Recognized in Exc of Revenues Over Expenses Years Ended Septemb | | | Excess es ses | |
|--|--|----|----|--|----|-----------|---------------------|--------------|
| · · · · · | 201 | 15 | | 2014 | | 2015 | | 2014 |
| Statement of operations location Swap contracts designated as hedging instruments Change in fair value of hedging interest rate swaps | \$ | - | \$ | 44.806 | \$ | - | \$ | _ |
| Amortization of swaption premiums Hedge ineffectiveness | • | - | Ŧ | - | · | - | • | 1,112 771 |
| Swap contracts not designated as hedging instruments Change in fair value of nonhedging interest rate swaps Amortization of net asset balance upon hedge | | - | | - | | (110,315) | | (110,340) |
| de-designation | | - | | 818 | | - | | (818) |
| | \$ | - | \$ | 45,624 | \$ | (110,315) | \$ | (109,275) |

Partners HealthCare's swap contracts contain provisions that require collateral to be posted if the fair value of the swap exceeds certain thresholds. The collateral thresholds reflect the current credit ratings issued by major credit rating agencies on Partners HealthCare's and the counterparty's debt. Declines in Partners HealthCare's or the counterparty's credit ratings would result in lower collateral thresholds and, consequently, the potential for additional collateral postings by Partners HealthCare or the counterparty. As of September 30, 2015 and 2014, Partners HealthCare had posted collateral of \$128,208 and \$58,944, respectively. Partners HealthCare has established procedures to ensure that liquidity and securities are available to meet collateral posting requirements.

Upon the occurrence of certain events of default or termination events identified in the swap contracts, either Partners HealthCare or the counterparty could terminate the contracts in accordance with their terms. Termination results in the payment of a termination amount by one party that attempts to compensate the other party for its economic losses. If interest rates at the time of termination are lower than those specified in the swap contract, Partners HealthCare would make a payment to the counterparty. Conversely, if interest rates at such time are higher, the counterparty would make a payment to Partners HealthCare.

Derivatives - Other

Partners HealthCare also enters into options and futures primarily as hedges on securities and indices primarily related to foreign currency. Forward contracts are used as currency hedges. These agreements are limited in use and generally do not exceed one year and are included in separately invested investments.

12. Commitments

Leases

Partners HealthCare has capital and noncancelable operating leases for certain buildings and equipment. Minimum future lease commitments under noncancelable leases for the next five years and thereafter are as follows:

| | Capital Leases | | Operating Leases |
|---|-------------------|----|---------------------|
| 2016 | \$ 437 | \$ | 239,337 |
| 2017 | 437 | | 172,736 |
| 2018 | 396 | | 145,392 |
| 2019 | - | | 103,959 |
| 2020 | - | | 83,541 |
| Thereafter | | | 382,176 |
| Total lease payments | 1,270 | \$ | 1,127,141 |
| Less: Amount representing interest | 83 | | |
| Capital lease obligations at September 30, 2015 | \$ 1,187 | | |

Rental expense under operating leases approximated \$196,946 in 2015 and \$190,827 in 2014.

Construction Projects

BWH is constructing a building (the Brigham Building for the Future or BBF). The BBF will expand research and clinical space on the BWH campus, with a focus on the Neuroscience and Musculoskeletal programs, and increase flexibility for future campus redevelopment while allowing for lease consolidation. The associated land is leased to BWH by the Commonwealth through 2105. Phase 1 of the project, which involved the construction of two smaller facilities to be used by the Commonwealth, was completed in 2012. Phase 2 of the project, which involves the site preparation and construction of BBF, is ongoing. As of September 30, 2015, accumulated costs incurred related to the BBF approximated \$284,830 with approximately \$77,605 in outstanding construction contracts. Phase 2 costs are expected to be approximately \$511,500, with occupancy scheduled for late 2016.

Partners HealthCare is constructing a building and parking garage as part of the mixed-use development project at Assembly Row in Somerville, MA. This building will primarily be administrative space and allow for consolidation of multiple locations into a single cost- effective location. As of September 30, 2015, accumulated costs incurred related to the new administrative project are approximately \$127,392 with approximately \$182,500 in outstanding commitments. The total cost of the project is expected to be approximately \$467,000, with occupancy scheduled for summer 2016.

13. Pension and Postretirement Healthcare Benefit Plans

Substantially all employees of Partners HealthCare are covered under various noncontributory defined benefit pension plans and various defined contribution pension plans. In addition, certain affiliates provide subsidized healthcare benefits for retired employees on a self-insured basis, with the benefit obligation being partially funded. These retiree healthcare benefits are administered through an insurance company and are accounted for on the accrual basis, which includes an estimate of future payments for claims incurred.

Total expense for these plans consists of the following:

| | Years Ended September 30, | | | | | |
|---|---------------------------|---------|----|---------|--|--|
| | 2015 | | | 2014 | | |
| Defined benefit plans | \$ | 233,670 | \$ | 181,748 | | |
| Defined contribution plans | | 150,745 | | 144,747 | | |
| Postretirement healthcare benefit plans | <u> </u> | 4,368 | | 7,029 | | |
| | \$ | 388,783 | \$ | 333,524 | | |

Information regarding benefit obligations, plan assets, funded status, expected cash flows and net periodic benefit cost follows within this footnote.

Benefit Obligations

| - | Defined Benefit Pension Plans | | | | Postretirement Healthcare Benefit Plans | | | | |
|--|----------------------------------|-----------|----|-----------|--|---------|----|----------|--|
| | | 2015 | | 2014 | | 2015 | | 2014 | |
| Change in benefit obligations | | | | | | | | | |
| Benefit obligations at beginning of year | \$ | 5,102,117 | \$ | 4,260,555 | \$ | 136,502 | \$ | 138,329 | |
| Service cost | | 267,328 | | 221,631 | | 5,059 | | 5,373 | |
| Interest cost | | 231,953 | | 221,702 | | 4,966 | | 5,777 | |
| Plan amendments | | 5,045 | | 1,825 | | - | | - | |
| Actuarial (gain) loss | | 204,937 | | 507,350 | | 7,622 | | (15,438) | |
| Benefits paid | | (126,127) | | (105,475) | | (5,301) | | (5,077) | |
| Expenses paid | | (6,565) | | (5,672) | | - | | - | |
| Employee contributions | _ | 187_ | | 201 | | 8,027 | | 7,538 | |
| Benefit obligations at end of year | \$ | 5,678,875 | \$ | 5,102,117 | \$ | 156,875 | \$ | 136,502 | |

The accumulated benefit obligation for all defined benefit pension plans at the end of 2015 and 2014 was \$5,371,220 and \$4,806,399, respectively.

| | | i Benefit n Plans | | nt Healthcare it Plans |
|--|---------------|----------------------|---------------|---------------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Weighted-average assumptions used to determine end of year benefit obligation | | | | |
| Discount rate | 4.50% | 4.40% | 3.00% - 4.55% | 3.05% - 4.40% |
| Rate of compensation increase | | | | |
| Professional staff | 4.45% | 4.45% | N/A | N/A |
| Other than professional staff | 3.00% - 3.50% | 3.00% - 4.00% | N/A | N/A |
| Healthcare cost trend rate for next year | N/A | N/A | 7.00% | 7.00% |
| Rate to which the cost trend rate is to decline | N/A | N/A | 5.00% | 5.00% |
| Year that rate reaches the ultimate trend rate | N/A | N/A | 2020 | 2020 |

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effect:

| | One-Percentage-F Increase | Point | One-Percentage-Point Decrease | | |
|---|------------------------------|-------|----------------------------------|-------|--|
| Effect on postretirement benefit obligation | \$ | 986 | \$ | (914) | |

Plan Assets

| | Defined Benefit Pension Plans | | | | Postretirement Healthcare Benefit Plans | | | |
|--|--------------------------------------|----|-----------|----|--|----|---------|--|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| Change in plan assets | | | | | | | | |
| Fair value of plan assets at beginning of year | \$ 4,365,566 | \$ | 3,925,818 | \$ | 68,438 | \$ | 56,761 | |
| Actual return on plan assets | (147,938) | | 366,240 | | (3,003) | | 5,212 | |
| Employer contributions | 246,972 | | 184,454 | | 5,044 | | 4,004 | |
| Employee contributions | 187 | | 201 | | 8,027 | | 7,536 | |
| Benefits paid | (126,127) | | (105,475) | | (5,301) | | (5,077) | |
| Expenses paid | (6,565) | | (5,672) | _ | - | | | |
| Fair value of plan assets at end of year | \$ 4,332,095 | \$ | 4,365,566 | \$ | 73,205 | \$ | 68,438 | |

The assets of the defined benefit pension plans are aggregated in a single master trust (Master Trust) and managed as one asset pool. The investment objective for the Master Trust is to achieve the highest reasonable total return after considering (i) plan liabilities, (ii) funding status and projected cash flows, (iii) projected market returns, valuations and correlations for various asset classes and (iv) Partners HealthCare's ability and willingness to incur market risk.

Oversight of the management of Partners HealthCare's investable assets, including the Master Trust, is provided by the Investment Committee of the PHS Board of Directors which seeks to add incremental returns by manager selection and asset allocation (increasing/decreasing allocations within allowable ranges based on current and projected valuations). The Committee is supported by a professional staff, an outside investment consultant and a pension actuarial consultant.

Partners HealthCare utilizes a target allocation policy that balances projected returns, correlations and volatility of various asset classes within the overall risk tolerance. Asset allocations are managed based on relative valuations among and within asset classes and the perceived ability of managers to outperform passive benchmarks. Exposure by asset class is the sum of the net exposures reported by each manager. Asset allocation can and will deviate from target exposures and is regularly monitored for rebalancing opportunities.

The following table presents the capital allocations, reported exposures of the allocations and policy benchmarks by manager mandate within the Master Trust. Some managers, particularly real assets and less market sensitive managers, invest allocated capital among multiple policy benchmark asset classes.

| | | Se | ptember 30, 201 | 15 | September 30, 2014 | | | | | |
|--------------------------------------|----|-----------|-----------------|-----------|--------------------|-----------|-----------|-----------|--|--|
| | _ | | Reported | Policy | _ | | Reported | Policy | | |
| | | Dollars | Exposures | Benchmark | | Dollars | Exposures | Benchmark | | |
| Global equity | \$ | 205,596 | 4% | 7% | \$ | 204,952 | 4 % | 4 % | | |
| Traditional U.S. equity | | 537,524 | 12 | 10 | | 610,856 | 14 | 13 | | |
| Traditional foreign developed equity | | 585,803 | 14 | 12 | | 601,744 | 14 | 13 | | |
| Traditional emerging markets equity | | 552,140 | 13 | 11 | | 571,868 | 13 | 13 | | |
| Private equity | | 368,336 | 9 | 8 | | 329,329 | 8 | В | | |
| Real assets | | 264,808 | 7 | 7 | | 334,631 | 8 | 8 | | |
| Less: Market sensitive managers | | 1,502,556 | 35 | 36 | | 1,404,996 | 32 | 31 | | |
| Fixed income managers | | 275,332 | 6 | 9 | | 307,190 | 7 | 10 | | |
| | \$ | 4,332,095 | 100 % | 100 % | \$ | 4,365,566 | 100 % | 100 % | | |

Within the Master Trust, assets are allocated to managers with investment mandates that may range from a single sub-asset class to very broad mandates; with restrictions that range from long-only to unconstrained; and with management structures ranging from separately managed funds to mutual/commingled funds to private partnerships. Less market sensitive managers employ absolute return, long/short equity and diversified strategies, which in the aggregate are expected to generate positive returns on a consistent basis. Other exposures include currency and volatility based strategies. Inflation defensive strategies include investments in real estate assets, commodities, timber and inflation protection bonds. Investment risks (concentration, correlation, valuation, liquidity, leverage, mandate compliance, etc.) are measured at the manager level as well as the pool level.

The postretirement healthcare benefit plans assets are commingled funds, with the objective of achieving returns to satisfy plan obligations and with a level of volatility commensurate with Partners HealthCare's overall financial profile.

The following table presents plan assets, by form of ownership, as of September 30, 2015 and 2014 measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

| | Fair Value Measurements Using | | | | | | | | |
|---|-------------------------------|---|----|---|----|---|----|---------------------------------------|--|
| | | Quoted Prices in Active Markets for Identical Items (Level 1) | | Significant Other Observable inputs (Level 2) | | Investments Valued Using NAV as a Practical Expedient | | Fair Value at eptember 30, 2015 | |
| Defined benefit pension plans | | | | | | | | | |
| Invested cash equivalents | \$ | 43,315 | \$ | - | \$ | - | \$ | 43,315 | |
| Separately managed investments | | 366,713 | | 201,603 | | - | | 568,316 | |
| Mutual funds | | 257,734 | | - | | - | | 257,734 | |
| Commingled funds | | - | | 1,072,581 | | - | | 1,072,581 | |
| Private partnerships | | - | | - | | 2,390,149 | | 2,390,149 | |
| | | 667,762 | | 1,274,184 | | 2,390,149 | | 4,332,095 | |
| Postretirement healthcare benefit plans | | | | | | | | | |
| Commingled funds | | 9,980 | | 56,325 | | 6,900 | | 73,205 | |
| Total plan assets | \$ | 677,742 | \$ | 1,330,509 | \$ | 2,397,049 | \$ | 4,405,300 | |

| | Fair Value Measurements Using | | | | | | | |
|---|---|---------|---|-----------|---|-----------|----|---|
| | Quoted Prices in Active Markets for Identical Items (Level 1) | | Significant Other Observable Inputs (Level 2) | | Investments Valued Using NAV as a Practical Expedient | | | ^s air Value at eptember 30, 2014 |
| Defined benefit pension plans | | | | | | | | |
| Invested cash equivalents | \$ | 2,169 | \$ | - | \$ | - | \$ | 2,169 |
| Separately managed investments | | 536,940 | | 221,807 | | - | | 758,747 |
| Mutual funds | | 419,479 | | - | | - | | 419,479 |
| Commingled funds | | - | | 977,778 | | - | | 977,778 |
| Private partnerships | | | | - | | 2,207,393 | | 2,207,393 |
| | | 958,588 | | 1,199,585 | | 2,207,393 | | 4,365,566 |
| Postretirement healthcare benefit plans | | | | | | | | |
| Commingled funds | | 671 | | 60,892 | | 6,875 | | 68,438 |
| Total plan assets | \$ | 959,259 | \$ | 1,260,477 | \$ | 2,214,268 | \$ | 4,434,004 |

In evaluating the Level at which Partners HealthCare's private partnerships have been classified within the fair value hierarchy, management has assessed factors including, but not limited to price transparency, the ability to redeem these investments at net asset value at the measurement date, and the existence or absence of certain restrictions at the measurement date. Investments in private partnerships generally have limited redemption options for investors and, subsequent to final closing, may or may not permit subscriptions by new or existing investors. These entities may also have the ability to impose gates, lockups and other restrictions on an investor's ability to readily redeem out of their investment interest in the fund. As of September 30, 2015 and 2014, Partners HealthCare has excluded all assets from the fair value hierarchy for which fair value is measured at net asset value per share using the practical expedient.

Funded Status

The funded status of the plans recognized in the balance sheet and the amounts recognized in unrestricted net assets follows:

| | | Defined Benefit Pension Plans | | | Postretirement Healthcare Benefit Plans | | | |
|--|----|----------------------------------|----|--------------------------|--|----|------------------------------|--|
| | | 2015 | | 2014 | 2015 | | 2014 | |
| End of year | | | | | | | | |
| Fair value of plan assets at measurement date Benefit obligations at measurement date | \$ | 4,332,095 (5,678,875) | \$ | 4,365,566 (5,102,117) | \$ 73,205 (156,875) | \$ | 68, 4 38 (136,502) | |
| Funded status | \$ | (1,346,780) | \$ | (736,551) | \$ (83,670) | \$ | (68,064) | |
| Amounts recognized in the balance sheet consist of | | | | | | | | |
| Noncurrent assets | \$ | - | \$ | - | \$ - | \$ | 348 | |
| Current liabilities | | (2,116) | | (4,272) | (3,586) | | (3,299) | |
| Long-term liabilities | _ | (1,344,864) | | (732,279) | (80,084) | | <u>(65,113)</u> | |
| | \$ | (1,346,780) | \$ | (736,551) | \$ (83,670) | \$ | (68,064) | |
| Amounts not yet recognized in net periodic benefit cost and included in unrestricted net assets consist of | | | | | | | | |
| Actuarial net loss (gain) | \$ | 1,850,126 | \$ | 1,227,732 | \$ 11,730 | \$ | (4,551) | |
| Prior service cost (credit) | | 9,852 | | 9,360 | - | | | |
| | \$ | 1,859,978 | \$ | 1,237,092 | \$ 11,730 | \$ | (4,551) | |
| Amounts recognized in unrestricted net assets consist of | | | | | | | | |
| Current year actuarlal (gain) loss | \$ | 698,377 | \$ | 449,880 | \$ 15,746 | \$ | (16,404) | |
| Amortization of actuarial gain (loss) | | (75,983) | | (44,183) | 535 | | 33 | |
| Current year prior service cost (credit) | | 4,402 | | 1,354 | - | | - | |
| Amortization of prior service (cost) credit | | (3,910) | | (3,002) | | | 20 | |
| | \$ | 622,886 | \$ | 404,049 | \$ 16,281 | \$ | (16,351) | |

At the end of 2015 and 2014, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets were as follows:

| | 2015 | 2014 |
|---|-----------------|-----------------|
| Accumulated benefit obligation in excess of plan assets | | |
| Projected benefit obligation | \$ 5,678,875 | \$ 5,102,117 |
| Accumulated benefit obligation | 5,371,220 | 4,806,399 |
| Fair value of plan assets | 4,332,095 | 4,365,566 |

Expected Cash Flows

Information about the expected cash flows for the defined benefit and postretirement healthcare benefit plans is as follows:

| | Defined Benefit Pension Plans | Postretirement Healthcare Benefit Plans | | | | | |
|--------------------------------------|--|--|--------|----|---------------------|--|--|
| Expected employer contributions | | | | | | | |
| 2016 | \$ 287,515 | \$ | 6,739 | | | | |
| | | | | | Medicare Subsidy | | |
| Expected benefit payments (receipts) | | | | | | | |
| 2016 | \$ 226,494 | \$ | 6,997 | \$ | (258) | | |
| 2017 | 253,603 | | 7,997 | | (239) | | |
| 2018 | 267,380 | | 9,002 | | (222) | | |
| 2019 | 283,947 | | 10,036 | | (204) | | |
| 2020 | 308,479 | | 11,084 | | (185) | | |
| 2021-2025 | 1,779,566 | | 70,975 | | (654) | | |

Net Periodic Benefit Cost

| | Defined Benefit Pension Plans | | | | Postretirement Healthcare Benefit Plans | | | | |
|--|---------------------------------------|----|---------------------------------|----|--|----|---------------------------|--|--|
| | 2015 | | 2014 | | 2015 | | 2014 | | |
| Service cost Interest cost Expected return on plan assets Amortization of | \$ 267,328 231,953 (345,504) | \$ | 221,631 221,702 (308,770) | \$ | 5,059 4,966 (5,123) | \$ | 5,373 5,777 (4,247) | | |
| Prior service cost (credit) Actuarial net (gain) loss | 3,910 75,983 | | 3,002 44,183 | | - (534) | | (20) 146 | | |
| Net periodic benefit cost | \$ 233,670 | \$ | 181,748 | \$ | 4,368 | \$ | 7,029 | | |

Amounts expected to be amortized from unrestricted net assets into net periodic benefit cost during the year ending September 30, 2015 are as follows:

| | Defined Benefit Pension Plans | Postretirement Healthcare Benefit Plans | | |
|-----------------------------|--|--|-------|--|
| Actuarial net loss (gain) | \$ 90,109 | \$ | 1,266 | |
| Prior service cost (credit) | 3,566 | | - | |

ł

| | | Benefit n Plans | | nt Healthcare t Plans |
|---|-----------------|--------------------|-----------------|--------------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Weighted-average assumptions used to determine net periodic pension and postretirement cost | | | | |
| Discount rate | 4.40 % | 5.05 % | 3.05 % - 4.40 % | 3 15 % - 5.05 % |
| Expected return on plan assets | 8.00 % | 8.00 % | 7.50 % | 7.50 % |
| Rate of compensation increase | | | | - |
| Professional staff | 4.45 % | 4.45 % | N/A | N/A |
| Other than professional staff | 3.00 % - 3.50 % | 3.00 % - 4.00 % | N/A | N/A |
| Healthcare cost trend rate for this year | N/A | N/A | 7.00 % | 6.50 % |
| Rate to which the cost trend rate is to decline | N/A | N/A | 5.00 % | 5.00 % |
| Year that rate reaches the ultimate trend rate | N/A | N/A | 2021 | 2017 |

Partners HealthCare uses a long-term return assumption which is validated annually by obtaining long-term asset return, volatility and correlation projections for relevant asset class indexes; modifying volatility and correlations to reflect the actual historical experience of the active managers; calculating the expected return using benchmark weights and indexes; and comparing the return assumption to the sum of the expected return and the historical outperformance of the actual return versus the benchmark. Partners HealthCare regularly monitors the active risk of the Master Trust by a statistical regression of the return series of the actual portfolio to that of the policy benchmark.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effect:

| | 0 | ne-Perce | ntage-F | Point |
|-------------------------------------|-----|----------|---------|--------|
| | Inc | rease | De | crease |
| Effect on service and interest cost | \$ | 40 | \$ | (37) |

14. Professional Liability Insurance

Partners HealthCare insures substantially all of its professional and general liability risk on a claims-made basis in cooperation with other healthcare organizations in the Greater Boston area through a captive insurance company, Controlled Risk Insurance Company Ltd. (CRICO). PHS owns 10% of CRICO. The investment is accounted for on the cost basis of accounting. The policies cover claims made during their respective terms, but not those occurrences for which claims may be made after expiration of the policy, except for certain tail liabilities which CRICO has assumed on an occurrence basis through December 31, 2015. Management intends to renew its coverage on a claims-made basis and has no reason to believe that it will be prevented from such renewal. During 2015, CRICO announced and paid a dividend to member organizations. As a result, Partners HealthCare recognized a dividend of \$54,779 as a nonoperating gain.

Partners HealthCare follows the accounting policy of establishing reserves to cover the ultimate costs of medical malpractice claims, which include costs associated with litigating or settling claims. The liability also includes an estimated tail liability, established to cover all malpractice claims incurred but not reported to the insurance company as of the end of the year. The total malpractice liability of \$482,640 and \$455,463 as of September 30, 2015 and 2014, respectively, is presented as an accrued professional liability in the consolidated balance sheets. These reserves have been recorded on a discounted basis using an interest rate of 3.50% and 3.25% as of September 30, 2015 and 2014, respectively.

Partners HealthCare also recognizes an insurance receivable from CRICO, at the same time that it recognizes the liability, measured on the same basis as the liability, subject to the need for a valuation allowance for uncollectible amounts. The insurance receivable of \$397,958 and \$370,311 as of September 30, 2015 and 2014, respectively, is reported as a component of other assets in the consolidated balance sheets.

Management is not aware of any claims against Partners HealthCare or factors affecting CRICO that would cause the expense for professional liability risks to vary materially from the amount provided.

15. Concentration of Credit Risk

Financial instruments that potentially subject Partners HealthCare to concentration of credit risk consist of patient accounts receivable, research grants receivable, pledges receivable, premiums receivable, certain investments and interest rate swaps.

Partners HealthCare receives a significant portion of its payments for services rendered from a limited number of government and commercial third-party payers, including Medicare, Medicaid, Blue Cross and Blue Shield of Massachusetts, Harvard Pilgrim Health Care and Tufts Health Plan. Research funding is provided through many government and private sponsors. NHP receives a significant portion of its premium revenue from the Commonwealth. Pledges receivable are due from multiple donors. Partners HealthCare assesses the credit risk for pledges based on history and the financial wherewithal of donors, most of which are individuals or organizations well known to Partners HealthCare.

Investments, which include government and agency securities, stocks and corporate bonds, and private partnerships and other investments are not concentrated in any corporation or industry or with any single counterparty. Alternative investments are less liquid than Partners HealthCare's other investments. The reported values of the alternative investments may differ significantly from the values that would have been used had a ready market for those securities existed. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments and nondisclosure of portfolio composition.

Partners HealthCare minimizes the credit risk it is exposed to under interest rate swap agreements by utilizing several counterparties and requiring the counterparties to post collateral for the benefit of Partners HealthCare when the fair value of the swap is positive. Partners HealthCare minimizes its counterparty risk by contracting with six counterparties, none of which accounts for more than 30% of the aggregate notional amount of the swap contracts.

16. Net Assets

Restricted net assets are available for the following purposes:

| | September 30, | | | | |
|--------------------------------------|---------------|---------|----|----------------|--|
| | 2015 | | | 2014 | |
| Temporarily restricted | | | | | |
| Charity care | \$ | 89,032 | \$ | 98,170 | |
| Buildings and equipment | | 89,990 | • | 102,109 | |
| Clinical care, research and academic | | 586,540 | | 655,675 | |
| | \$ | 765,562 | \$ | 855,954 | |
| Permanently restricted | | | | | |
| Charity care | \$ | 20,550 | \$ | 19,763 | |
| Buildings and equipment | | 2,444 | | 2,433 | |
| Clinical care, research and academic | | 556,584 | | <u>441,578</u> | |
| | \$ | 579,578 | \$ | 463,774 | |

Endowment

Partners HealthCare's endowment consists of numerous individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the boards to function as endowment.

Partners HealthCare has interpreted UPMIFA as requiring the preservation of the value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Partners HealthCare classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Partners HealthCare in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Partners HealthCare considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include: the duration and preservation of the fund: the purposes of the organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the organization; and the investment policies of the organization.

Endowment Funds with Deficits

From time to time, the value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When such endowment deficits exist, they are classified as a reduction to unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$11,292 and \$247 as of September 30, 2015 and 2014, respectively. These deficits resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions or subsequent endowment additions.

The following presents the endowment net asset composition by type of fund as of September 30, 2015 and 2014 and the changes in endowment assets for the years ended September 30, 2015 and 2014:

| | Unrestricted | | Temporarily Restricted | | Permanently Restricted | | | Total |
|--|--------------|---------------------------|---------------------------|------------------------|---------------------------|--------------------|----|--------------------------|
| Endowment net asset composition by type of fund as of September 30, 2015 | | | | | | | | |
| Donor-restricted endowment funds Board-designated endowment funds | \$ | (11,292) 885,380 | \$ | 410,816 | \$ | 558,507 | \$ | 958,031 885,380 |
| Total funds | \$ | 874,088 | \$ | 410,816 | \$ | 558,507 | \$ | 1,843,411 |
| | Unrestricted | | Temporarily Restricted | | Permanently Restricted | | | Total |
| Changes in endowment net assets Endowment net assets at September 30, 2014 | \$ | 942,119 | \$ | 498,238 | \$ | 447,607 | \$ | 1,887,964 |
| Investment return | Ψ | 342,113 | | 430,230 | <u>φ</u> | 447,007 | φ | 1,007,904 |
| Investment income Net realized and unrealized | | 3,856 | | 4,588 | | (1) | | 8,443 |
| appreciation (depreciation) | | (51,213) | | (40,005) | | (30) | | <u>(9</u> 1,248) |
| Total investment return | | (47,357) | | (35,417) | | (31) | | (82,805) |
| Contributions Appropriation of endowment assets | | 5,898 | | (172) | | 116,449 | | 122,175 |
| for expenditure Other changes | | (40,515) | | (49,813) | | - | | (90,328) |
| Total changes | <u> </u> | <u>13,943</u> (68,031) | | (2,020) (87,422) | | (5,518) 110,900 | | <u>6,405</u> (44,553) |
| Endowment net assets at | | (00,001) | | (01,422) | | 110,300 | | (44,000) |
| September 30, 2015 | \$ | 874,088 | \$ | 410,816 | \$ | 558,507 | \$ | 1,843,411 |
| | Unrestricted | | | mporarily estricted | Permanently Restricted | | | Total |
| Endowment net asset composition by type of fund as of September 30, 2014 | | | | | | | | |
| Donor-restricted endowment funds Board-designated endowment funds | \$ | (247) 942,366 | \$ | 498,238 | \$ | 447,607 | \$ | 945,598 942,366 |
| Total funds | \$ | 942,119 | \$ | 498,238 | \$ | 447,607 | \$ | 1,887,964 |

| | Unrestricted | | Temporarily Restricted | | | rmanently estricted | Total | | |
|---|--------------|----------------------|---------------------------|-------------------|----------|------------------------|----------|---------------------------|--|
| Changes in endowment net assets Endowment net assets at October 1, 2013 | <u>\$</u> | 903,255 | \$ | 468,273 | \$ | 397,472 | \$ | 1,769,000 | |
| Investment retum Investment income Net realized and unrealized | | 4,894 | | 14,570 | | 13 | | 19,477 | |
| appreciation (depreciation) Total investment return | | 76,199 81,093 | | 51,383 65,953 | <u> </u> | <u> </u> | <u> </u> | <u>127,873</u> 147,350 | |
| Contributions Appropriation of endowment assets | | 8,509 | | 5,566 | | 49,877 | | 63,952 ~ | |
| for expenditure Other changes | | (39,258) (11,480) | | (41,234) (320) | | - (46) | | (80,492) (11,846) | |
| Total changes | | 38,864 | | 29,965 | | 50,135 | | 118,964 | |
| Endowment net assets at September 30, 2014 | \$ | 942,119 | \$ | 498,238 | \$ | 447,607 | \$ | 1,887,964 | |

Conditional Pledge

During 2009, the General signed an agreement (Ragon Agreement) with The Massachusetts Institute of Technology (MIT), The President and Fellows of Harvard College (Harvard) and The Phillip T. and Susan M. Ragon Foundation (Ragon Foundation) to establish the Phillip T. and Susan M. Ragon Institute (Ragon Institute) as a joint research center of the General, MIT and Harvard with the purpose of harnessing the potential of the immune response to combat and conquer human diseases, integrating biomedical research with emerging engineering technologies (with the main initial focus being the development of an AIDS vaccine) and educating and training scientists. The Ragon Foundation committed to provide funding for the Ragon Institute of \$100,000 over ten years through the General (as the administrative home for the Ragon Institute). beginning retroactively on January 1, 2008. The Ragon Foundation has the ability to slow, suspend or eliminate funding based on restrictions described in the Ragon Agreement. Additionally, any funding not paid by December 31, 2017 would no longer be due by the Ragon Foundation. In February 2014, an amendment was signed (Ragon Amendment) that noted that the current agreement would be completed by December 2018 and that an additional \$50,000 of funding would be committed by the Ragon Foundation over five years beginning in 2019. Due to the conditions within the Ragon Agreement, funding is recognized when received, with no pledge receivable recorded for the balance of the amended commitment.

Through September 30, 2015, total funding of \$84,891 was received, with \$10,891 received for the year ended September 30, 2015 (including \$891 of endowment earnings distributed), and total net expenses of \$70,912 were incurred, including \$10,417 for the year ended September 30, 2015. As of September 30, 2015, unspent funding of \$13,979 has been recorded as temporarily restricted net assets, to be released to unrestricted net assets after qualifying expenses have been incurred.

17. Functional Expenses

Total operating expenses by function are as follows:

| | Years Ended September 30, | | | |
|-------------------------------------|---------------------------|------------|----|------------|
| | | 2015 | | 2014 |
| Healthcare services | \$ | 7,167,823 | \$ | 6,852,795 |
| Research and academic | | 1,671,225 | | 1,578,693 |
| Medical claims and related expenses | | 1,652,538 | | 1,463,972 |
| General and administrative | | 1,067,601 | _ | 1,032,197 |
| | \$ | 11,559,187 | \$ | 10,927,657 |

18. Contingencies

Partners HealthCare is subject to complaints, claims and litigation which arise in the normal course of business. In addition, Partners HealthCare is subject to reviews and investigations by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. Governmental review of compliance by healthcare institutions, including Partners HealthCare, has increased.

19. Subsequent Events

Partners HealthCare has assessed the impact of subsequent events through December 11, 2015, the date the audited financial statements were issued. During this period, there were no subsequent events that require adjustment to the audited financial statements.