

**MINUTES OF THE MEETING
HEALTH SERVICES COUNCIL**

DATE: 14 December 2004

TIME: 3:00 PM

LOCATION: Beck Conference Room

ATTENDANCE:

Council: Present: Victoria Almeida (Vice Chair), Edward F. Almon, Joseph V. Centofanti, MD, Raymond Coia, John W. Flynn, Rosemary Booth Gallogly, Catherine E. Graziano, Marvin Greenberg, Robert S.L. Kinder, MD, Robert J. Quigley DC, (Chair), Robert Ricci, Larry Ross, Reverend David Shire, Robert Whiteside, John Young

Not Present: Robert L. Bernstein, James Daley, Wallace Gernt, Maria R. Gil, John Keimig, Denise Panichas, William B. Zuccarelli

Staff: Valentina D. Adamova, Michael K. Dexter, Joseph G. Miller, Donald C. Williams

Public: (see attached)

1. Call to Order, Approval of Minutes and Conflict of Interest Forms

The meeting was called to order at 3:05 PM. The minutes of the 26 October 2004 meeting of the Health Services Council were approved as submitted. Staff noted that conflict of interest forms are available to any member who may have a potential conflict. The Chairman introduced a new member of the Health Services Council: Joseph V. Centofanti, MD.

2. General Order of Business

The first item on the agenda was the Report of the Health Services Council on the Application of Option Care, Inc. and Option Care Enterprise, Inc. for initial licensure of an Organized Ambulatory Care Facility. Staff summarized the committee discussions and deliberations on this matter.

Staff inquired as to why the applicant was not projecting serving any Medicare or Medicaid patients. Ms. Marcaccio stated that currently Medicare does not recognize infusion centers. She stated that there will be a Medicare review of this in 2005 to come up with a recognition for this type of a center and if the definitions change then the facility would service those patients. She stated that the proposed facility will provide charity care and could provide it for Medicare patients.

A motion was made, seconded and passed by a vote of fourteen in favor, none opposed (14-0) to recommend that the application be approved. Those members voting in favor of the motion were: Almeida, Almon, Centofanti, Coia, Flynn, Gallogly, Graziano, Greenberg, Kinder, Quigley, Ricci, Ross, Shire, Whiteside.

Victoria Almeida stated for the record that she is recusing herself with respect to the applications of Riverview Nursing Home, Inc. d/b/a Riverview Healthcare Community for change in effective control and certificate of need.

The next items on the agenda were the Applications of Riverview Nursing Home, Inc. d/b/a Riverview Healthcare Community for a Change in Effective Control of Laurel Foster Home, Inc. d/b/a Laurel Health Care Center and Riverview Nursing Home, Inc. d/b/a Riverview Healthcare Community for a Certificate of Need to increase its licensed bed capacity through acquisition of Laurel Foster Home, Inc. d/b/a Laurel Health Care Center. Staff stated that the applicant met with the Council on 26 October 2004 and at that meeting the Council recommended approval with two conditions 1) that the Council receive an advisory from the Office of Facilities Regulations with respect to the licensure record of Mr. Ryan, who is the principal of Riverview, and of his other facilities in this state, and 2) that certain financial issues that were discussed at that last meeting be clarified.

Staff noted that since that meeting there were some media accounts with respect to Mt. St. Francis and the Council requested a special meeting on 30 November 2004. Staff stated that Mr. Ryan was not able to appear at that meeting so that issue has been deferred to today's agenda. Staff noted the advisory from the Office of Facilities Regulations ("OFR") and read portions of it into the record:

- o Of the 9 nursing homes, Elmwood and Laurel were cited for substandard care in 2003, both were found to be in substantial compliance on revisit.**

- o Both facilities were again not in substantial compliance on the 2004 survey.**

- o However, the severity of deficiencies did not rise to the level of substandard quality care or actual harm. Both facilities were in compliance on revisit.**

- o Morgan Health Center has a survey history of minor non-compliance in 2003 and 2004.**

- o All other facilities with the exception of Morgan were found to not be in substantial compliance on annual surveys both in 2003 and 2004.**

- o In most cases each facility submitted an acceptable plan of correction and were found to be in substantial compliance upon site revisit.**

- o However, OFR did note an increase in the overall number of deficiencies cited for each facility between the years 2003 and 2004.**

- o Additionally, several facilities were not in full compliance upon revisit in 2004.**

o Given that there was no change in the survey process methodology between 2003 and 2004 it is unclear what the root cause of the increased citations are.

Staff noted that this advisory was transmitted from Raymond Rusin, Chief of the OFR, to the Office of Health Systems Development and the Health Services Council and that Mr. Rusin is here to answer any Council members' questions.

Mr. Flynn noted that at the last meeting it was reported that the other homes owned by this owner were in compliance. Staff commented that this might have been the representation by the applicant that the facilities were in good standing.

Mr. Young noted that with exception of Morgan Health Care, all of the facilities were found to be not to be in substantial compliance.

Mr. Rusin, Chief of the OFR, noted that the staff from the OFR have not had an opportunity to do an in depth analysis and this was a quick review of the survey facility history from the database system. The Chairman asked what would the in depth review entail. Mr. Rusin replied that it would mean reviewing each of those reports, looking at each of the deficiencies, and comparing them year-to-year. The Chairman asked if staffing problems or other pressing matters prevented this review. Mr. Rusin replied that the OFR is in the midst of an audit by the Joint Legislative Commission Office and there are some vacancies and some staffing issues and OFR is a little behind

the long-term care schedule. The Chairman asked if this is it something that could be done within a reasonable time. Mr. Rusin replied yes.

Mr. Whiteside noted that he understands that Mr. Ryan has generally been regarded as a good provider and a good businessman within healthcare with some very good facilities. He asked for a definition of the severity of 'not in substantial compliance'.

Mr. Rusin noted that a facility can be in what's called 'substantial compliance' and can have any number of deficiencies that don't rise to a level or potential or actual harm and so being not in substantial compliance means that their deficiencies are in the range for potential to actual harm and that this is either an isolated case or act of wide spread. He noted that one of the things that OFR is now doing is taking more of a historical view of all of the survey history, and looking at facilities that continue year after year not being in substantial compliance.

Ms. Graziano asked Mr. Rusin to explain on page 2 the last sentence in paragraph 1: 'additionally several facilities were not in full compliance upon revisit in 2004'.

Mr. Rusin replied that when a facility is not in substantial compliance OFR does a follow up revisit survey that's required by federal regulations. He noted that the facility has to give OFR a plan of

correction, tell OFR how they are going to fix it, OFR reviews that and determines if the plan of correction is acceptable or not, and will it bring the facility into compliance. He stated that in these cases every plan that they've submitted was acceptable. He stated that in 2004 OFR had several surveys where on a revisit the facilities were not in full compliance. He noted that this sets up two things, 1) concern about being not in compliance and 2) it imposes federal sanctions and enforcement action against that facility.

Ms. Graziano asked if Mr. Rusin was saying that some facilities had problem in 2003 and on a revisit in 2004 they had the same problems.

Mr. Rusin replied that the actual scenario was that OFR's staff went in 2003 and the facility submitted a plan of correction and a revisit confirmed that the facility addressed the problems for a total of 2 visits. He stated that then in 2004 some facilities had problems and after a revisit the facilities were not in compliance.

Ms. Graziano asked what comes next.

Mr. Rusin stated that from the federal prospective that puts the facilities on the termination track for their certification for Medicare and Medicaid. He stated that if the facilities are not in compliance by a date certain their participation in Medicare and Medicaid could be terminated. He noted that such facilities are also in non-compliance with state regulations, so OFR might determine the date for state

enforcement action. He stated that OFR has not done that at this point with any of these facilities.

Ms. Graziano asked if a date certain has been established.

Mr. Rusin replied that a date certain is automatically set after a survey. He stated that OFR gives a date by which the deficiencies have to be fixed by minimally, the facilities can fix them sooner and can petition for a later date if they have a reasonable reason but in general it's a maximum of 60 days from the date of the survey.

Mr. Rusin noted that if the Council wants the specific survey dates and history, it would be part of a more comprehensive analysis. Mr. Greenberg asked how long it would take for a survey to be completed so that the Council could be certain that it is not approving anything where there are deficiencies or something is out of regulation. Mr. Rusin stated that it could probably be done within a week. The Chairman asked if a month would be sufficient. Mr. Rusin said that it would be more than sufficient.

Rev. Shire noted that the Council did not have this information and that it did not make a responsible decision in the light of what it knows now. He asked what the Council's options were here to assure that it has a fully complaint facility or facilities.

Mr. Rusin stated that all of the facilities that are in this situation have

an opportunity to correct.

Mr. Young asked if the facilities submitted a plan of correction and if the Office of Facility Regulations was satisfied with the corrections.

Mr. Rusin answered yes, except for the two that were not in compliance.

Mr. Young asked about Riverview and if it has any deficiencies that were cited have been corrected to your knowledge.

Mr. Rusin replied that he did not have that answer readily available and that he put this analysis together on a fairly short notice.

Mr. Ross noted that getting additional information would be helpful and that it should probably focus in on Riverview and also Laurel. The Chairman said that the Council should have a quick look at the other facilities too. Mr. Ross agreed.

Mr. Rusin stated that with respect to the in-depth analysis, OFR's staff right now is dedicated to the survey process, and any activity outside that survey process just pulls resources away.

The Chairman noted that one thing that would be helpful to the Council in the near future is to let Mr. Rusin and OFR's staff come before the Council and let it know how the complaint and survey

processes take place, and the deficiency situation, so the Council has a better understanding.

Mr. Whiteside asked if the survey information is public information.

Mr. Rusin replied yes.

Mr. Whiteside asked if the Council members can get that information themselves, or if staff can access that information.

Staff noted that they rely on the expertise of the surveyors to put that information together in a manner that would be more understandable to the members of the Council and staff of Health Systems Development.

Mr. Whiteside said that the Council is trying to determine the extent of these deficiencies and he is a little familiar with surveys, and many of them are very minor. He asked if staff's concern in looking at the data is that the Council members would be unable to determine the severity of the deficiencies

Staff replied that would be a concern.

The Chairman stated that there is a general feeling at this table that the Council should look closer and get more information back from Mr. Rusin before it makes a decision.

Mr. Greenberg said that if what the Council is looking at is a matter of several weeks, then it should have all of the information necessary to make a determination so that the Council is not walking into this thing blind.

The Chairman noted that the Council could send this matter back to the sub-Committee for reconsideration.

Mr. Miller noted that the last vote was at the full Council so somebody that voted in favor would have to move to reconsider to have it sent back to the full Council and then the full Council can send it back to the Committee, but you have to do it in steps. He stated that the first step would be for someone that voted in favor to move to reconsider the approval that was voted on at the last meeting.

Rev. Shire moved that the Council reconsider this matter at the full Council. The Chairman asked if there is a second to that motion. Mr. Greenberg seconded the motion. The Chairman asked for discussion of this matter and called for a vote

A motion was made, seconded and passed by a vote of fourteen in favor, none opposed and one recusal (14-0-1) to recommend that the Council reconsider the approval of the recommendation. Those members voting in favor of the motion were: Almon, Centofanti, Coia, Flynn, Gallogly, Graziano, Greenberg, Kinder, Quigley, Ricci, Ross, Shire, Whiteside, Young. Almeida recused.

John Gage, administrator for Riverview, addressed the Council and stated the following:

o Riverview was surveyed on February 2nd, there were 5 areas of non-compliance.

o Plan of correction was submitted on March 1st, it was resurveyed on April 1st, and was in substantial compliance on that revisit.

o An in-depth analysis of all of 9 facilities using the survey results and a comparison of the quality measures on the CMS's website and Health Concepts ranks them very favorably in all areas.

o The instance of a revisit with non-compliance was South Kingstown Nursing and Rehab and on revisit they were in compliance in all but one of the cited deficiencies and on the second revisit they were in substantial compliance.

o In the current environment that the nursing homes are trying to operate after the Hillside debacle, while the process itself may not have changed, the environment has definitely changed and a deficiency free survey is a rarity.

o One issue of non-compliance with a potential for minimal harm to patients makes a facility non-compliant.

o 90% of the homes surveyed are not in compliance on their initial survey so it sounds worse than it actually is.

o It's not a fun business to be in anymore, it's really gotten very adversarial unfortunately but we do provide good quality care.

o There have been issues in some of our buildings and when we've had issues with the survey that weren't good we've made

management changes.

o We've put aside significant dollars for a consulting company that comes out and does pro-active mock surveys and also does chart audits that reviews our patient care.

o We are in this to take good care of people, if we didn't then Mr. Ryan wouldn't have been in business for 40 years in this business.

o This is something that is a good thing to happen for all the people that are at Laurel, it's going to provide them a much better quality of life.

The Chairman noted that a motion passed to reconsider.

Mr. Miller noted that the Council must reconsider the matter.

Mr. Young noted that at the meeting that the Council voted was an approval subject to receiving input from the OFR. He stated that today the Council is saying that the information it has is not sufficient to close that. He stated that he would move that the Council postpone consideration until the next meeting. Rev. Shire seconded the motion. The Chairman asked for any discussion on that motion.

A motion was made, seconded and passed by a vote of fourteen in favor, none opposed and one recusal (14-0-1) to recommend that the Council postpone consideration of the applications until the next Health Services Council meeting. Those members voting in favor of the motion were: Almon, Centofanti, Coia, Flynn, Gallogly, Graziano,

Greenberg, Kinder, Quigley, Ricci, Ross, Shire, Whiteside, Young. Almeida recused.

Sen. Graziano asked whether the testimony given by Mr. Gage disputed the sentence that begins, additionally several facilities were not in full compliance upon revisit in 2004.

Mr. Gage replied that there he was aware of maybe 2.

Sen. Graziano stated that in essence Mr. Gage is in opposition to that particular statement, and that there are not several facilities not in full compliance.

The Chairman asked if there are any other questions of the Council.

Mr. Young noted that the issues of financing and corporate relationship remain to be discussed.

Mr. Flynn asked which homes have been financed through Suburban.

Ms. Carragher replied Westerly Health Center, Bayberry Commons, Riverview Nursing Home, Village House, West Shore Health Center and initially South Kingstown which has been transferred to Midland Loan Services as of August 2004.

The Chairman asked how Suburban was chosen.

Mr. Ryan replied that Suburban is one of many HUD approved lenders and one has to go with a HUD approved lender. He stated that he didn't have anything to do with choosing Suburban but hired Consultants, Inc. ("Consultant") as a packager for these projects. He noted that Consultants put together the financing, including the contractors, general subcontractors, sub-contractors, Consultants are just a one stop shop. He said that we are nursing home operators, at that time we did not do any of our own consulting, we did not seek out financing and so on, we contractually obligated the Consultants to do this for us. He stated that now, as we move forward, we did a project in South Kingstown where we did all of the consulting ourselves and we hired a packager, Rockport Mortgage, to help us with the packaging. He noted that they have that capability today, at that time they did not have that capability. He stated that he would claim that nobody in the State of Rhode Island had the ability to package these projects as Consultants did.

The Chairman asked if Consultants is a Rhode Island operation.

Mr. Ryan stated yes, its president, he believes, is Antonio L. Giordano.

Mr. Ross asked at what point was Mr. Ryan aware that Mr. Giordano was financially involved with Suburban.

Mr. Ryan replied that he believes he heard it here first. He stated that he may have read about it in the paper or heard it here, but he was never aware that he was a partner, certainly he read Mr. Giordano's BM-64s, periodically he picked them up.

Mr. Greenberg noted that the tie here to Consultants and Suburban makes him very uncomfortable.

Mr. Ryan replied that as a participant in the nursing home world, it makes him very uncomfortable.

Mr. Flynn asked Mr. Ryan if he or any legal entities he owns any part of have any ownership in Suburban Mortgage.

Mr. Ryan said that other than the fact that Suburban is our mortgagor, no; Suburban provided the money.

Ms. Gallogly asked if Mr. Ryan has any other business relationships with Mr. Giordano.

Mr. Ryan replied no.

Rev. Shire asked if Mr. Ryan has any connection to Consultants, the consulting firm he used, and who are the primaries in that company.

Mr. Ryan replied Antonio Giordano and John Monticarlo.

Mr. Miller asked if Mr. Ryan had access to examine HUD papers when the mortgage was taken out because this was a privately backed up mortgage, was is not.

Mr. Ryan said yes.

Mr. Miller asked if the HUD papers made any reference to Suburban Mortgage and then Suburban Mortgage to Mr. Giordano. He asked if there are any revelations in any of the HUD papers that Mr. Ryan knows that would indicate that Suburban Mortgage, which was the lender, had Mr. Giordano as the principal in Suburban Mortgage.

Mr. Ryan stated that there was nothing, he has never read anything in those papers that would suggest that Mr. Giordano was anything in that company.

Mr. Miller asked if Mr. Ryan had a chance to, you said you read the newspaper and you found out like we did, there was an article November 16, 2004, would that be the article that you think you might be referring to.

Mr. Ryan stated I don't know.

Mr. Miller stated that article says in the letter on August 19th, 1998 to Rhode Island HUD office in Providence, Eugene A. Liberati, this is

with respect to Hillside, special counsel to Hillside, wrote that Giordano was also a stockholder in Suburban Mortgage, is that the first time that.

Mr. Ryan stated I don't know where I heard it. I couldn't specifically tell you when.

Mr. Miller noted that at least with respect to Hillside, that article clearly says that in August of 1998, the HUD mortgage documents for Hillside included a rider stating that Antonio Giordano had an interest in the mortgagor, as revealed in an agreement and certificate of limited partnership of Hillside Health Center Associates additionally has interest in Suburban Mortgage, Inc. the mortgagee. Then there was reference to it being referred to as an arms length transaction. Mr. Miller asked was there any parallel to any of that with respect to any of your nursing homes.

Mr. Ryan replied that the language that you just read is unfamiliar to me. Certainly there is nothing in my mortgage agreements that has anything, it's just not the same.

Mr. Miller asked of Mr. Ryan, so you never got a hint of Mr. Giordano at any time in the past, up until we'll say late 2003.

Mr. Ryan replied maybe the last few months.

Mr. Miller asked you never had a hint of Mr. Giordano being involved with Suburban Mortgage.

Mr. Ryan answered no.

Mr. Miller asked if Mr. Ryan had any kind of business, interest, associations, relationships with Mr. Giordano, even though not related to nursing homes.

Mr. Ryan replied no.

Mr. Miller noted that there was the letter that Mr. Ryan responded to October 23, 2004 to Mr. Dexter, on the second page of that letter there was a caption which, number four, which kind of paraphrased questions that had been sent earlier to you to respond to and the caption was number four, identification of any relationships or property interests, direct or indirect, that Antonio L. Giordano may have with Riverview Nursing Home, Inc. He stated that the answer was Mr. Giordano has no interest either directly or indirectly with Riverview Nursing Home, Inc. He noted that for some reason that answer did not address the subject matter of relationships, was that an oversight.

Mr. Ryan replied that maybe Mr. Miller should help him out here, what is Mr. Miller referring to with relationships.

Mr. Miller said that he is trying to find out why Mr. Ryan answered with respect to the word interest, and did not answer with respect to the word relationships. He stated that he is asking Mr. Ryan was that an oversight.

Mr. Ryan replied that its certainly is an oversight. He stated that there is no relationship beyond his providing the services for which he was hired.

Mr. Miller asked what services were they.

Mr. Ryan replied that I believe he did the packaging for Riverview. I believe it was an \$8 or \$9 million mortgage.

Mr. Miller asked when was that done.

Ms. Carragher replied in 1997-1998.

Mr. Miller asked what the ingredients of that packaging were.

Mr. Ryan replied that we come up with a project, we submit CON applications, he, in the person of Consultants, secures the money to build this project. He helps with the negotiations with the contractors that build the project, some of the sub-contractors that assist the contractor, there is a lot of the paper involved. He helps with requisitions on a monthly basis, how to fill out that paperwork, he

supplies a service, he is not involved in ownership.

Mr. Miller noted that he is involved in the ownership with entities that become the lenders.

Mr. Ryan replied that I don't even know that to be a fact. I don't know for a fact that he is the owner of Suburban. I have never seen anything other than in a newspaper, or heard anything other than in a brief speech that says, I don't have any evidence of that.

Mr. Miller asked if Mr. Ryan was aware of any involvement on his part with either Edmund Place or Coventry.

Mr. Ryan stated that I believe that he was a principal in Sterling Management Company that managed Edmund Place. I believe Sterling managed Coventry also. And I believe he was an owner at Coventry.

Mr. Miller asked if he found out that he was involved in Coventry and in Edmund Place.

Mr. Ryan replied yes.

Mr. Miller asked if Mr. Ryan made any inquiries of him with respect to any participation that he had with Consultants having relationship either to Edmund Place or Coventry, did you ever discuss with him

his relationship to those other places through Consultants which you engaged previously with Riverview. In other words, did that raise in your mind any kind of red flag for you to say to Mr. Giordano, well what's going on here, that kind of thing.

Mr. Ryan replied that Mr. Giordano is not a nursing home person. Mr. Giordano is a consultant, he is a packager for HUD products. The idea that he was an owner in Coventry and Coventry wasn't doing well, it never did well. That also is well known in the industry. Its also well known that he is packager for HUD programs, that he was the first packager, that I know of, for HUD programs, and he was probably the best packager for HUD programs.

Ms. Gallogly asked on all of Riverview, for example, or any of the others, did Mr. Giordano approach you with the idea and offered to package it or did you have the idea and you sought out.

Mr. Ryan replied I sought him out.

Ms. Gallogly asked at the time he was the only one.

Mr. Ryan replied yeah.

Mr. Miller asked isn't Mr. Giordano the general partner of Mt. St. Francis.

Mr. Ryan replied yes.

Mr. Miller noted that we had some discussion last week with respect to Mt. St. Francis concerning the relative right of inquiry of a limited partner concerning the activities of the general partner. And initially, as I recall it, I think that people from your end of the table, more or less, suggested, and your counsel is there, and he might have a position on it, that the limited partners are just investors and that they don't have control. Is that a fair statement of your position.

Mr. Ryan said I believe that the limited partners have to take their information from the paperwork, the accounts, from our auditors that suggest that this is an ongoing business, that the home is troubled, yes, that it will survive, that it is still a good operation and I believe that it still is a good operation. Financially we had no idea, and no reason to know that the home was going to fail.

Mr. Miller asked you had no reason to know that it was going to fail.

Mr. Ryan replied right.

Mr. Miller asked are you conceding that it is failing.

Mr. Ryan replied I believe that I heard in this room that home was tantamount to a failure.

Mr. Miller asked and is that the first time you've heard it was in this room.

Mr. Ryan said well no, we've had rumors of it, we read about it recently.

Mr. Miller asked as a limited partner under the partnership agreement you had authority to remove a general partner if indeed there was mismanagement, misrepresentation, or neglect. Did you understand that you had those rights.

Mr. Ryan said yes I did.

Mr. Miller asked didn't you know from the partnership agreement that you had a right with respect to the removal of the general partner, if there was a mismanagement of the nursing home of the general partner.

Mr. Ryan said yes sir.

Mr. Miller asked you are the general partner of the limited partnership that had 1/3 interest in Mt. St. Francis, is that correct.

Mr. Ryan said yes.

Mr. Miller asked now when you found out that it was starting to fail

did you exercise your rights as a limited partner to determine whether or not the general partner was not carrying out his responsibilities under the partnership agreement.

Mr. Ryan said I believe that we read the statements from LGC & D, our accounting people, who assured us that this was an ongoing business, that we expected it to at least make it through this year 2004, that there was no reason for me to try to act as a limited partner or in cohort with remaining limited partners to remove the general partner.

Mr. Miller asked so that was discussed.

Mr. Ryan said with LGC & D, it was mentioned in passing.

Mr. Miller asked was it discussed some months ago.

Mr. Ryan said no.

Mr. Miller asked so it was only mentioned in passing, since the last meeting.

Mr. Ryan said no, not since the last meeting, since we started coming here.

Mr. Miller asked when did you first find out that Mt. St. Francis was

having some financial troubles.

Mr. Ryan said I would say about 3 months ago.

Mr. Miller asked and did you have any warning what so ever, from anything of the records, from financial records or anything else, prior to that time.

Mr. Ryan said I know they were loosing money and that they have been loosing money.

Mr. Miller asked for what period of time.

Mr. Ryan said for years.

Mr. Miller asked do you know whether or not the situation deteriorated more severely more recently.

Mr. Ryan said no.

Mr. Miller asked did you do anything to check into the reason for this deterioration.

Mr. Ryan said no.

Mr. Miller asked you knew your investment was at stake, did you not.

Mr. Ryan said yes, also nursing homes stay in operation for decades losing money. I have a nursing home on Elmwood Avenue that's been losing money for decades. They stay in operation because the owners put money back in. Its just a very difficult kind of business. Now the idea that Mt. St. Francis was losing money, it never lost a lot of money in any one year up until recently.

Mr. Miller asked do you know whether or not anybody tried to put in any money back into that nursing home to increase its aspects of viability.

Mr. Ryan said I don't know.

Mr. Miller asked if somebody did, do you think you would have been given notice of it.

Mr. Ryan said to loan money for a nursing home, you are going to have to get permission from HUD. It has to be part of your financial disclose documents at the end of the year. I never saw any of that, that they put money in or that they needed to. Also, as a general partner of Health Facilities overseeing these homes, I did remove a general partner, at Bayberry.

Mr. Miller asked so you know how to do it.

Mr. Ryan said not only that but I did it. But it was evident at that time that the home was going to collapse. Now, its unfortunate that the general partner that I removed was my brother. So I am quite capable of removing a general partner if given reasons.

Mr. Miller asked so I am not giving you any new information, you knew about this idea and your rights.

Mr. Ryan said to say that somebody has to give us financial information necessary to legally make this move.

Mr. Miller stated I guess I am more interested in whether or not you saw fit to make any inquiries. And I guess you are telling me.

Mr. Ryan said no I didn't.

Staff asked did Mast Construction build any of your facilities.

Mr. Ryan said I believe they did. I believe they built Brantley Nursing Home back in 1976 or 1977.

Staff asked you no longer own Brantley.

Mr. Ryan replied no. That was my brother Bill and myself and I was a kind of a minor partner there and I no longer have any involvement with that.

Staff asked were you aware of Mr. Giordano's ownership of Mast Construction.

Mr. Ryan replied yes.

Mr. Flynn asked when you used Consultants to provide packages services, just taking the financial package, providing the financing, did you obtain any other legal advice or financial advice or law firm or accounting firm.

Mr. Ryan said not that I recall.

Mr. Greenberg asked when you hired Consultants did he advice you to go to anybody besides Suburban for financing. I mean did he disclose to you there is a conflict. Were there any other options given to you at that point.

Mr. Ryan said he was our consultant, this is the best deal, this is the best interest rate available. We did make other inquiries of other financial institution ourselves, to see if they were comparable.

The Chairman said I just want to remind you that financial issues, Suburban, and these issues, may also be part of our discussion at the next meeting, so I just want to alert you to that.

Mr. Flynn asked you mentioned you obtained comparisons of the interest rates, if the interest rates that you obtained at Suburban were too high, would that jeopardize your Medicare or Medicaid reimbursement. Does Medicare or Medicaid also look at interest rates obtained to see if they are comparable.

Mr. Ryan said I believe that the constraints from excessiveness of the reimbursement programs, for examples you have public property related they are only going to pay you so much no matter what you spend on interest and principal.

The Chairman noted that the next meeting would be mid to late January before the full Health Services Council.

Discussion ensued regarding licensure process and requirements for home care and home nursing care provider agencies and staffing resources.

3. Adjournment

There being no further business the meeting was adjourned at 4:40 PM.

Respectfully submitted,

Valentina D. Adamova