May 18, 2009

IN THE MATTER OF:

An Application for a Certificate of Need filed pursuant to Section 19a-638, C.G.S. by:	Notice of Final Decision Office of Health Care Access Docket Number: 08-31282-CON
Mountainside Foundation, Inc. d/b/a Mountainside Lodge and Artemis Partners, LLC d/b/a Artemis Partners	**Change in Ownership of Mountainside Foundation, Inc., Owner and Operator of Mountainside Lodge, an Inpatient Substance Abuse Treatment Facility, to Artemis Partners, LLC**
Terence R. Dougherty President, Chief Executive Officer Mountainside Foundation, Inc. d/b/a Mountainside Lodge P.O. Box 717 Canaan, CT 06018	Martin Fedor Managing Member Artemis Partners, LLC d/b/a Artemis Partners P. O. Box 1297 Canaan, CT 06018

Dear Mr. Dougherty and Mr. Fedor:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter, as provided by Section 19a-638, C.G.S. On May 18, 2009, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.

By Order of the
Office of Health Care Access

Cristine A. Vogel
Commissioner

Enclosure
CAV: lkg

Office of Health Care Access
Certificate of Need Application

Findings of Fact

Applicants:	**Mountainside Foundation, Inc. and Artemis Partners, LLC**
Docket Number:	**08-31282-CON**
Project Title:	**Change in Ownership of Mountainside Foundation, Inc., Owner and Operator of Mountainside Lodge, an Inpatient Substance Abuse Treatment Facility, to Artemis Partners, LLC**
Statutory Reference:	**Section 19a-638, Connecticut General Statutes**
Filing Date:	**February 26, 2009**
Decision Date:	**May 18, 2009**
Default Date:	**May 27, 2009**
Staff Assigned:	**Laurie K. Greci**

Project Description: Mountainside Foundation, Inc. and Artemis Partners, LLC ("Applicants") are proposing a change in the ownership of the inpatient substance abuse treatment facility, Mountainside Lodge, in Canaan, Connecticut from Mountainside Foundation, Inc. to Artemis Partners, LLC with an associated capital expenditure of $385,487.

Nature of Proceedings: On February 26, 2009, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Mountainside Foundation, Inc. and Artemis Partners, LLC ("Applicants") proposing a change in the ownership of the inpatient substance abuse treatment facility, Mountainside Lodge, in Canaan, Connecticut from Mountainside Foundation, Inc. to Artemis Partnership, LLC with an associated capital expenditure of $385,487. The Applicants are health care facilities or institutions as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

Pursuant to Section 19a-638, C.G.S., a notice to the public concerning OHCA's receipt of the Applicants' Letter of Intent was published in the *Register Citizen* (Torrington) on September 18, 2008. OHCA received no responses from the public concerning the proposal. Pursuant to Section 19a-638, C.G.S., three individuals or an individual representing an entity with five or more people had until March 19, 2009, the twenty-first calendar day following the filing of the Applicants' CON Application, to request that OHCA hold a public hearing on the proposal. OHCA received no hearing requests from the public.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-638, C.G.S. The provisions of this section as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

Findings of Fact

Clear Public Need
Impact of the Proposal on the Applicants' Current Utilization Statistics
Proposal's Contribution to the Quality of Health Care Delivery in the Region
Proposal's Contribution to the Accessibility of Health Care Delivery in the Region

1. Mountainside Foundation Inc., ("MFI") is a 501(c) (3) non-profit corporation, licensed by The Department of Public Health ("DPH") as a Facility for the Care or Treatment of Substance Abusive or Dependent Persons. *(February 3, 2009, Initial CON Submission, pages 22 and 72)*

2. MFI was originally named the Overview Foundation, Inc. In December 1995, under OHCA Docket Number 95-K5, Overview Foundation, Inc. was authorized to establish the Mountainside Lodge. In June 2006, under OHCA Docket Number 06-30739-EXM, MFI received an exemption for CON to increase its bed capacity from 50 beds to 66 beds. *(February 3, 2009, Initial CON Submission, page 125 and OHCA Certificate of Need Database)*

3. MFI's facility, also known as Mountainside Lodge, is located on over 32 acres of land and has six buildings totaling 32,032 square feet. The buildings have had ongoing structural problems, with the most serious being that the water lines and septic field are in need of costly repairs. These costs were considered as a major factor in the real estate appraisals. The fair market value of the real estate is $600,000. The fair market value[1] of a 100% equity interest in MFI, as of May 31, 2008, after accounting for MFI's debt, is $0. *(February 26, 2009, Completeness Response, pages 170, 176 and 18)*

4. MFI's facility is allowed a maximum of 66 intermediate and long term treatment and rehabilitation beds for clients 18 years of age and older who are alcohol and/or drug addicted or dependent. *(February 3, 2009, Initial CON Submission, pages 7, 14, and 72)*

[1] IRS Revenue Ruling 59-60 defines "fair market value" as "the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts."

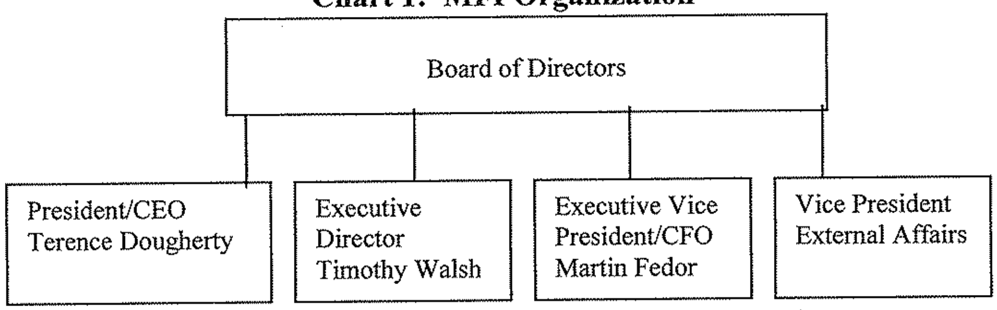
5. Artemis Partners, LLC ("Artemis") is a for-profit limited liability company established for the specific purpose of purchasing 100% of the ownership of MFI and operating it as a for-profit company. *(February 3, 2009, Initial CON Submission, page 24)*

6. The name of the facility after the change of ownership will be Mountainside Treatment Center ("Mountainside"). Artemis proposes to seek the same facility license and maintain the same number of beds. *(February 3, 2009, Initial CON Submission, pages 17 and 21 and February 26, 2009, Completeness Response, page 168)*

7. Martin Fedor, MFI's Chief Financial Officer, is the sole current member of Artemis. Mr. Fedor has been part of the MFI's senior management team for over 10 years. Mr. Fedor will become the Chief Operating Officer for Mountainside. *(February 3, 2009, Initial CON Submission, page 14)*

8. The current chart of organization for MFI is presented below:

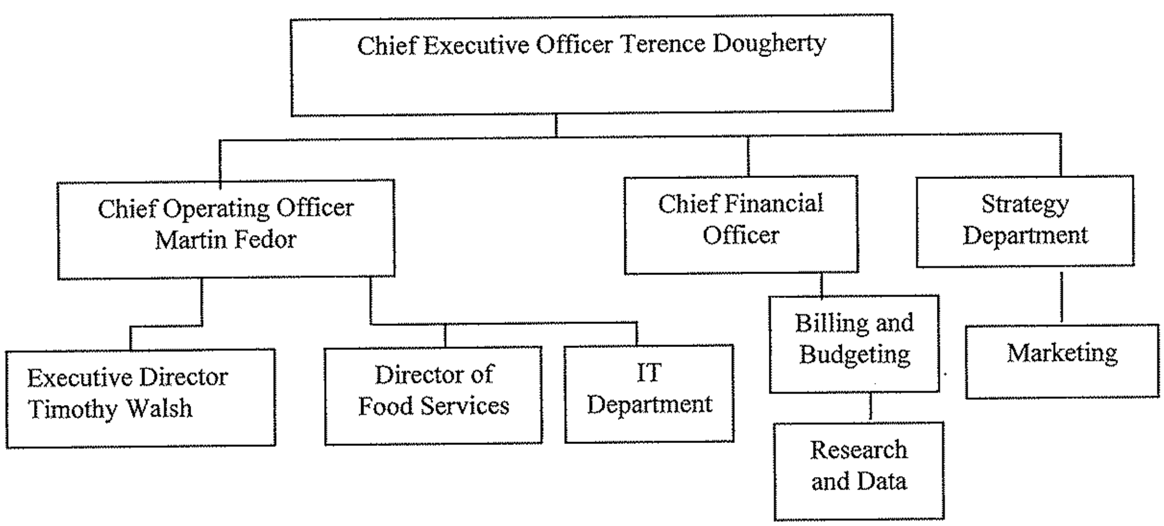
Chart 1: MFI Organization



(February 26, 2009, Initial CON Submission, page 122)

9. The proposed chart of organization for Mountainside is presented below:

Chart 2: Mountainside Organization



(February 26, 2009, Initial CON Submission, page 123)

10. The Applicants state the following:
    - For more than 10 years, Mountainside has maintained high occupancy rates demonstrating the continued and persistent demand for its services;
    - To continue to service its clients, Mountainside requires additional capital funds to address facility improvements, such as the facility's septic system, and future campus and program enhancements;
    - Charitable donations and client fees have been insufficient to meet the demands of operations and aging physical plant;
    - Contributions have decreased from $540,000 in 2002 to $143,000 in 2008; and
    - As a non-profit organization, additional debt decreases the overall borrowing capacity of Mountainside.

    (February 3, 2009, Initial CON Submission, pages 13 and 14)

11. MFI's Board of Directors agreed to sell to a for-profit entity to allow Mountainside to continue its operations and achieve additional growth. The Board approved and executed an Asset Purchase Agreement with Artemis for the sale of the facility on November 20, 2008. *(February 3, 2009, Initial CON Submission, pages 14, 135 and 136)*

12. OHCA finds that this is a unique transfer of ownership situation and that the main reason to sell to a for-profit entity is to preserve access to its unique services.

13. The results of the sale of MFI to Artemis will include:
    - Investments to maintain and improve the facility's aging physical plant;
    - The purchase and implementation of new information technology;
    - Improvement of marketing efforts; and
    - The hiring of additional employees.

    (February 3, 2009, Initial CON Submission, page 14)

14. The Applicants state that MFI provides services to individuals from throughout the State of Connecticut as well as surrounding states. Many clients seek care outside of their local area. *(February 3, 2009, Initial CON Submission, page 15)*

15. The population to be served after the change of ownership is expected to remain the same. Clients are primarily male and between the ages of 18 and 30. The overwhelming majority of those treated at MFI are polysubstance abusers. *(February 3, 2009, Initial CON Submission, page 15 and 56)*

16. OHCA finds that there will be no change in services or persons being served with the proposal.

17. The average length of stay at the facility for the past three years is 29 days. *(February 26, 2009, Completeness Response, page 166)*

18. MFI reported the following admissions information by year:

Table 1: Admissions by Calendar Year

Residency	Calendar Year			
	2005	**2006**	**2007**	**2008**
Connecticut	228	254	256	312
Other State	250	252	286	333
Total Admissions	**478**	**506**	**542**	**645**

(February 3, 2009, Initial CON Submission, page 56 and February 26, 2009, Completeness Response, page 163)

19. The following table calculates the bed utilization percent based on the number of beds available, the average length of stay of 29 days, and the reported number of admissions from Table 1:

Table 2: Bed Utilization

Calendar Year	**2005**	**2006**	**2007**	**2008**
Total Admissions	478	506	542	645
Average Length of Stay (ALOS)	29	29	29	29
Total Admissions * ALOS	13,862	14,674	15,718	18,705
Number of Beds	50	50	66	66
Available Bed Days	18,250	19,722*	24,090	24,090
Bed Utilization Percent	**76.0%**	**74.4%**	**65.2%**	**77.6%**

* Based on 50 beds for the first 9 months and 66 beds for the remaining 3 months

20. The following table reports the average daily census by month, the census at the end of the month, and the average length of stay per client for the past three calendar years:

Table 3: Patient Census Information by Calendar Year

	Beginning	**Ending**	**Average**	**Beginning**	**Ending**	**Average**	**Beginning**	**Ending**	**Average**
Jan	47	44	47	50	56	55	49	61	56
Feb	44	49	48	55	56	59	58	60	61
Mar	49	50	48	58	60	57	63	62	59
Apr	49	49	49	60	62	63	64	66	64
May	50	49	47	62	50	57	65	41	52
Jun	49	45	47	46	52	43	45	63	60
Jul	43	49	47	52	55	57	64	65	64
Aug	48	44	47	53	45	50	64	57	62
Sep	45	50	44	43	65	56	56	63	54
Oct	48	64	54	64	64	62	59	57	60
Nov	62	63	61	66	51	57	58	53	57
Dec	58	49	58	52	47	48	54	43	46

Note: On June 26, 2006, under OHCA Docket 06-30729-EXM, Mountainside was authorized to increase its bed capacity from 50 beds to 66 beds. Utilization of the additional beds began in October 2006.

(February 26, 2009, Completeness Response, pages 166 and 167)

21. The MFI's treatment program[2] contains the following elements:
    - Individual, Group and Family Counseling;
    - Nicotine Counseling and Cessation;
    - Anger Management;
    - Individual and Group Meditation;
    - Adventure Based Therapy;
    - Therapeutic Challenge;
    - 12 Step Education and Meetings;
    - Hypnosis, Meditation, Yoga; and
    - Writing, Art and Music Therapy

    (February 26, 2009, Completeness Response, page 167)

22. The Applicants state that there are 30 long term and 18 short term residential substance abuse treatment facilities in the State of Connecticut. Each facility offers some similar services to those provided by Mountainside, but each also has unique services for specialized populations such as veterans, criminal justice clients, children, and persons with co-occurring mental health and substance abuse problems. *(February 3, 2009, Initial CON Submission, page 17)*

23. MFI's program is unique due to the fact that is provides licensed and credential counselors, offers individualized treatment plans and services a self-pay client population. *(February 3, 2009,Initial CON Submission, page 17)*

24. The Applicants believe that since the program is not dependent upon reimbursement from managed care, the facility has a greater degree of flexibility to offer treatment modalities that are not generally reimbursed by managed care companies, but nevertheless are effective components of treatment. *(February 26, 2009, Completeness Response, page 167)*

25. The Applicants state that there will be no effect on existing providers. Mountainside is an ongoing concern and the proposal represents a change of ownership with no change in beds, services, or target population. *(February 3, 2009, Initial CON Submission, page 17)*

26. The following table reports the proposed utilization for the first three years of operations under the Applicants' proposal:

Table 4: Proposed Units of Service

	Calendar Year		
	2009	**2010**	**2011**
Admissions	731	740	749
Occupancy Rate	85%	86%	87%

Notes: The projected admissions and occupancy rates represent a conservative increase due to the planned investments in physical plant and marketing efforts.

(February 3, 2009, Initial CON Submission, page 17)

[2] Mountainside also operated a public restaurant for job training purposes. However, the Applicants stated that due to the required sewer repairs that could not be funded, the restaurant has been closed.

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicants' Rates and Financial Condition
Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

27. The proposal has the following major expenditure components:

Table 5: Major Cost Components

Non-Medical Equipment (Purchase)	$255,487
Legal and Consulting Fees	130,000
Total Capital Expenditure	**$385,487**

(February 3, 2009, Initial CON Submission, page 10)

28. The capital expenditure will be incorporated into the refinanced mortgage. The following table provides the information on the existing loan and the proposed loan:

Table 6: Financing Information

Terms of Loan	Existing	Proposed
Amount	$1,414,076	$2,049,576
Number of Months	60	60
Interest Rate	5.91%	5.91%
Monthly Payment	$ 7,173	$ 10,397
Annual Amount Paid	$ 86,076	$ 124,759

(February 3, 2009, Initial CON Submission, pages 25 and 161)

29. Artemis and its principal party, Martin Fedor, were approved by Wachovia on January 22, 2009, for financing to acquire Mountainside Foundation, Inc. In addition to the loan, Artemis has a line of credit of $250,000 to be repaid at an interest rate of prime plus 1%, (4.25%). Monthly payment will be $10,625. The line of credit will be used to cover four months of operating expenses. *(February 3, 2009, Initial CON Submission, pages 152 and 161)*

30. The Applicants are projecting the following incremental revenues and expenses with the proposal:

Table 7: Mountainside's Projected Incremental Revenues and Expenses

Incremental Amount	2009	2010	2011
Revenue from Operations	**$984,666**	**$899,146**	**$922,032**
Expenses			
Salaries and Fringe Benefits	147,760	437,159	402,601
Professional/Contracted Services	203,400	127,675	35,000
Supplies/Drug	43,841	28,637	19,859
Other Operating Expenses	25,000	28,500	6,510
Depreciation/Amortization	15,000	5,000	5,000
Interest Expense	(81,754)	(33,366)	(33,366)
Total Operating Expenses	**353,200**	**593,605**	**435,605**
Income before provision for Income Taxes	**$631,445**	**$305,541**	**$486,427**
Provision for Income Taxes	51,595	64,528	133,696
Net Income	**$579,850**	**$241,013**	**$352,821**

Notes: With the proposal, 5, 2, and 1 additional employees will be hired in 2009, 2010, and 2011, respectively.
In 2009, consulting services will be used to implement the new technology and provide additional training to counselors as well as for marketing material development and website overhaul services.
(February 3, 2009, Initial CON Submission, page 154)

31. Mountainside does not possess a Medicare provider number. *(February 3, 2009, Initial CON Submission, page 23)*

32. Clients admitted to Mountainside self-pay for their treatment. Mountainside bills clients directly and will continue to do so with the proposal. *(February 3, 2009, Initial CON Submission, page 23)*

33. Mountainside did not develop its program based on criteria regularly required for insurance reimbursement. The non-medical model of the Mountainside's treatment program and facility excluded it from being a participant in the networks of insurance companies. *(February 26, 2009, Completeness Response, page 168)*

34. MFI requires payment directly from clients, but will work with clients and their insurance companies to complete the necessary documentation for out-of-network reimbursement in those cases where it is available. *(February 26, 2009, Completeness Response, page 168)*

35. MFI's daily rate is all-inclusive. The daily rate is projected to be $275 in 2009, $290 in 2010, and $305 in 2011. The Applicants state that these rates are substantially below average market rates. Because the program operates as a non-medical treatment setting, it does not have the associated overhead of operating a medical and insurance reimbursement based treatment center. *(February 3, 2009, Initial CON Submission, page 28 and February 26, 2009, Completeness Response, page 169)*

36. The Applicants state that the proposal is cost effective as:
    - Mountainside will be able to continue to provide inpatient substance abuse services and continue to employ its staff;
    - The change of ownership will result in lower interest expenses to Mountainside due to the transfer and refinancing of its existing notes payable;
    - Investment in campus improvements will ensure ongoing function and stability of the physical plant to support the programs; and
    - Implementation of new technology will enhance the treatment program, marketing efforts and employee productivity.

    (February 3, 2009, Initial CON Submission, page 29)

37. There is no State Health Plan in existence at this time. *(February 3, 2009, Initial CON Submission, page 12)*

38. The Applicants have adduced evidence that the proposal is consistent with the Applicants' long-range plan. *(February 3, 2009, Initial CON Submission, page 12)*

39. The Applicants have improved productivity and contained costs through the purchase of additional computers to assist departments with tracking and efficiency. *(February 3, 2009, Initial CON Submission, page 20)*

40. The proposal will not result in any change to the Applicants' teaching and research responsibilities. *(February 3, 2009, Initial CON Submission, page 21)*

41. The Applicants state that the patient/physician mix will not change. *(February 3, 2009, Initial CON Submission, page 21)*

42. The Applicants have sufficient technical and managerial competence and expertise to provide efficient and adequate service to the public. *(February 3, 2009, Initial CON Submission, pages 62 to 70)*

Rationale

The Office of Health Care Access ("OHCA") approaches community and regional need for Certificate of Need ("CON") proposals on a case-by-case basis. CON applications do not lend themselves to general applicability due to a variety of factors, which may affect any given proposal; e.g., the characteristics of the population to be served, the nature of the existing services, the specific types of services proposed to be offered, the current utilization of services and the financial feasibility of the proposal.

Mountainside Foundation Inc., ("MFI") is a non-profit corporation that currently provides treatment for substance abusive or dependent persons at its facility known as Mountainside Lodge ("Mountainside"). The buildings have had ongoing structural problems especially with the water lines and septic field. MFI does not have the funds to make these repairs, nor does it have the financial capacity to borrow the funds. MFI's Board of Directors agreed to sell to a for-profit entity to allow Mountainside to continue its operations and achieve additional growth.

Mountainside has used a non-traditional method of treating their clients and incorporate such activities as meditation, yoga, adventure based therapy, hypnosis, and writing, art and music therapies. The Applicants believe that since the Mountainside program is not dependent upon reimbursement from managed care, the facility has had a greater degree of flexibility to offer treatment modalities that are not generally reimbursed by managed care companies, but nevertheless are effective components of treatment. The Applicants state for more than 10 years, Mountainside has maintained high occupancy rates demonstrating the demand for its services.

Artemis Partners, LLC ("Artemis"), a for-profit limited liability company, has been established for the specific purpose of purchasing MFI and operating it as a for-profit company. Martin Fedor, MFI's current Chief Financial Officer, is the sole current member of Artemis. Mr. Fedor has been part of the MFI's senior management team for over 10 years. Mr. Fedor will become the Chief Operating Officer for MTC. Artemis proposes to seek the same facility license and maintain the same number of beds. The sale to Artemis will allow for investments to be made into the improvements in the facility, hiring of additional employees, and the purchase and implementation of new information technology. OHCA finds that this is a unique transfer of ownership situation and that the main reason to sell to a for-profit entity is to preserve access to the unique services offered by Mountainside; there will be no change in services or the persons being served.

The main reason that the Applicants have presented their proposal to OHCA is that with the slow economy, the main sources of revenues for the MFI have been reduced significantly. Mountainside is dependent on donations, grants, and the fees paid by the clients in order to operate. Charitable donations and client fees have been insufficient to meet the demands of operations. Contributions to Mountainside decreased from $540,000 in 2002 to $143,000 in 2008. Under the proposal, Artemis will own and operate Mountainside Treatment Center ("MTC") as a for-profit company. The management will be persons very familiar with the currently treatment protocols. As a for-profit company, the Applicants state that Artemis will be able to obtain funding to perform the required structural improvements to the facilities.

The CON proposal's total capital expenditure of $385,487 is for the purchase of the existing non-medical equipment and legal and consulting fees. The proposal will be funded by incorporating the capital expenditure into the refinanced mortgage. Artemis projects incremental gains from operations in each of the three reported fiscal years. OHCA cannot draw any conclusions on the Applicants' number of projected client volumes and the financial projections upon which are based. However with the proposed improvements to the facility and the additional marketing efforts, both appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is financially feasible.

Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Mountainside Foundation, Inc, and Artemis Partners, LLC ("Applicants") to change the ownership of the inpatient substance abuse treatment facility, Mountainside Lodge, in Canaan, Connecticut from Mountainside Foundation, Inc. to Artemis Partners, LLC, with an associated capital expenditure of $385,487, is hereby **GRANTED**, subject to the following conditions:

1. This authorization shall expire May 18, 2010. Should the Applicants' proposal not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.

2. The Applicants shall not exceed $3,000,000 in the capital expenditure for the proposal. In the event that the Applicants learn of potential cost increases or expects that the final project costs will exceed $3,000,000, the Applicants shall notify OHCA in writing.

3. Artemis Partners, LLC must do the following within two months of the commencement date:
   a. Notify OHCA in writing of the commencement date of the operations of Mountainside Treatment Center; and
   b. Provide a copy its license, "Facility for the Care and treatment of Substance Dependent or Abusing Persons", from the State of Connecticut Department of Public Health to OHCA.

4. Should Artemis Partners LLC intend to, or plan, any change or ownership, terminate any services or establish any new services, it shall file with OHCA a Certificate of Need Determination Request or Letter of Intent regarding the intended or planned change in ownership, termination, or services.

Should the Applicant fail to comply with any of the aforementioned conditions, OHCA reserves the right to take additional action as authorized by law.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the

Office of Health Care Access

5-18-09
Date

Cristine A. Vogel
Commissioner

CAV:lkg