REVIEW OF THE WILDFLOWER COURT CERTIFICATE OF NEED APPLICATION TO ADD EIGHT NURSING HOME BEDS

July 15, 2008

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Background

Wildflower Court (WFC) is a private, non-profit corporation, governed by a seven-member volunteer board, and is the only nursing home in Juneau. In 1977, Catholic Community Services opened the first nursing home in Juneau by converting the vacated St. Ann's Hospital into a 45-bed nursing facility. The current Wildflower Court facility opened in a new building in May 2001 and initially operated 44 nursing home beds, an 11-bed assisted living area, (Salmonberry Village), and had plans for Adult Day Care that were never implemented. In 2002, Wildflower Court submitted a CON application to convert the assisted living unit to nursing home beds. Although the CON application was denied to preserve the assisted living unit, WFC was approved to build a 6–bed nursing wing on the southeast side of the facility. WFC then built five of the approved nursing home beds, which increased WFC to its current capacity of 49 nursing home beds.

Wildflower Court was built using the "Northwest Cottage" style architecture to create a home-like atmosphere that supports the "Eden Alternative" philosophy of senior care. Wildflower Court is an Eden Alternative™ certified long-term care facility. Medical services provided at WFC include orthopedic care for muscle, joint and bone problems; respiratory support; support after surgery; rehabilitation; intravenous therapy and antibiotics; wound care; parenteral nutrition; and ostomy care. In the past these services were only available in hospitals and rehabilitation centers. In spite of the department's efforts to keep the assisted living unit open, it was closed in 2004. The vacant assisted living space and space intended for the Adult Day Care program have been leased to Bartlett Regional Hospital.

WFC is connected to Bartlett Regional Hospital by a covered walkway, which permits direct access for laboratory, pharmacy, radiology, speech therapy, dietary, and physician services. Connection of the two facilities allows shared dietary, information services, telephone, materials management, and laundry. Wildflower contributes an on-duty physician sleep room space for hospital physicians and a classroom used by the University of Alaska for CNA and nursing classes.

Project Description

Wildflower Court proposes to convert existing space into eight skilled nursing/long-term care beds at a cost of $17, 419. Although the project is below the $1.2 million threshold that normally triggers the CON review requirement, under AS 18.07 031(b), any facility that converts space to new nursing home beds is required to go through the CON process regardless of the cost. Conversion of this space, which is currently leased to Bartlett Regional Hospital but originally used for assisted living, will increase their total number of nursing home beds from 49 to 57.

This remodel will require purchase of new furnishings, demolition of dividing walls, and removal of leasehold improvements such as built-in desks that were installed by Bartlett Regional Hospital. No other construction or renovation is required. As part of this conversion, one existing two-bed room will be converted to a private room with one bed. This will make all rooms at WFC private (single-

occupancy) rooms. If approved, the project is expected to be completed by third quarter of 2008 or shortly thereafter when the space leased to Bartlett Regional Hospital is vacated.

REVIEW STANDARDS

GENERAL REVIEW STANDARDS

General Review Standard #1- Documented Need: ***The applicant documents need for the project by the population served, or to be served, including, but not limited to, the needs of rural populations in areas having distinct or unique geographic, socioeconomic, cultural, transportation, and other barriers to care.***

Although the total WFC service area population declined by 1.7% from 2000 to 2006, the senior population grew by 38.4% and is expected to continue to grow. Projections for the service area indicate that the senior population age 65 and over will grow from 2,997 in 2006 to 3,495 by 2010.

CON Standards require that facilities must have had occupancy rates of 90% or more during the preceding three years. WFC exceeds this requirement since their occupancy rate has averaged over 98% annually for the last three years. WFC maintains a waiting list of those who could not be admitted due to lack of vacancies. The WFC waiting list averaged 15.4 individuals in 2006.

WFC plans to use the new eight bed unit for a special population with memory and/or cognitive impairments. To meet their needs, the atmosphere on the unit will be toned-down to create a less stimulating environment. Based on the information provided above and the review methodology results, General Review Standard #1 has been met and a need for new beds has been demonstrated.

General Review Standard #2 – Relationship to Applicable Plans: ***The applicant demonstrates that the project, including the applicant's long-range development plans, augments and integrates with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery. A demonstration under this standard should show that the applicant has checked with the department regarding any relevant state plan, with appropriate federal agencies for relevant federal plans, and with appropriate communities regarding community or regional plans.***

The application references JCAHO guidelines, the Alaska State Plan for Senior Services, and the Certificate of Need Review Standards and Methodologies documents. No other planning documents are mentioned. The Administrator, Millie Duncan, had phone conversations with Denise Daniello, Executive Director for the Alaska Commission on Aging. It is stated that Denise agreed that the plan to add beds at WFC was in accord with the goals and ideals being formulated in the Alaska State Plan for Senior Services.[1] JCAHO guidelines are mentioned as the reason for eliminating multiple occupancy rooms and having only private rooms. This project integrates well with existing services within the

[1] Letter to Eric Peter from Millie Duncan. May 19, 2008. Page 3.

community since there are a sufficient number of lower level services in Juneau, and the assisted living beds are operating at a high occupancy rate (91.3% last year). The applicant has met General Review Standard #2.

General Review Standard #3 – Stakeholder Participation: ***The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.***

The applicant has documented that some stakeholders were involved in planning for the design and execution of services. Information provided shows that some health care and social services providers in Juneau, the WFC board, Bartlett Regional Hospital staff and board, staff of the Alaska Commission on Aging, and a local social services group called the "Community Resource Network (CRN)" were all contacted and informed of the project to add more beds. Letters of intent from these sources indicate they support the project. There is evidence that staff of Bartlett Regional Hospital were involved in a discussion for the execution of services at WFC because they lease a portion of the building that will be converted to nursing home beds. Support for the expansion by the Juneau Commission on Aging demonstrates evidence of stakeholder participation in planning for the project. The addition of these beds involved very little design work because this project is a conversion of existing space that was formerly used for assisted living. General Review Standard #3 has been met.

General Review Standard #4 – Alternatives Considered: ***The applicant demonstrates that they have assessed alternative methods of providing the proposed services and demonstrates that the proposed services are the most suitable approach.***

Only two alternatives were discussed (the project and doing nothing) in very minimal detail. The applicant states that the alternative of doing nothing would require residents needing long-term and skilled nursing services to leave the community. WFC considers the proposed project to be highly cost effective due to the low cost of placing the beds in operation ($17, 419) and the economies of scale of spreading administrative and ancillary cost over a larger number of beds.

Two alternatives to nursing home care that were not discussed were the need for more assisted living beds and more home care. Both of these alternatives should have been discussed in detail, but were not mentioned. As a result, General Review Standard #4 is considered to be met, but only minimally. This project appears to be reasonable given the projected growth of the senior population by 2010, the size of the waiting lists, and high occupancy rates at both WFC and the Pioneer Home.

General Review Standard #5 – Impact on the Existing System: ***The applicant briefly describes the anticipated impact on existing health care systems within the project's service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.***

The applicant states there are no other comparable services in the community, and that the services to be expanded are cost effective, accessible and acceptable. It is also stated that WFC cooperates with Bartlett Regional Hospital, Sitka Community Hospital (the closest facility with nursing home beds), Juneau Pioneer Home, The Bridge Adult Day Care, and home health agencies. The applicant did not discuss the impact on the nursing home system statewide or the impact on the local long-term care system including home and community based services such as assisted living or the potential to serve some nursing home residents in lower levels of care. Although this information was lacking, this is a small project and there are more assisted living beds in the community than there are nursing home beds. Therefore, it is expected that there will not be a large impact on the continuum of care. General Review Standard #5 is met.

General Review Standard #6 – Access: ***The applicant demonstrates that the project's location is accessible to patients and clients, their immediate and extended families and community members, and to ancillary services. This includes the relocation of existing services or facilities.***

Most current residents of WFC (96.3%) are admitted from a community in Southeast Alaska, including Juneau, Haines, Skagway, Hoonah, Angoon, Elfin Cove, Gustavus, Kake, Pelican, Tenakee, Sitka, Ketchikan, Petersburg, Thorne Bay, Wrangell, and Yakutat. The applicant demonstrated Juneau's accessibility by describing the location, flights, and ferry sailings. The facility, centrally located in Juneau, is on the municipal bus route, next door to Bartlett Regional Hospital, and only four miles from the airport, and nine miles from the ferry terminal. General Review Standard #6 has been met by the applicant, and access for patients, families, friends and community has been demonstrated.

REVIEW STANDARDS SPECIFIC TO LTC FACILITIES

LTC Specific Review Standard #1: ***A new freestanding long-term nursing facility will not be approved unless the applicant has demonstrated a need for a minimum of 40 beds.***

Wildflower Court is a 49-bed facility that was built in 2001, so this standard does not apply.

LTC Specific Review Standard #2: ***New long-term care nursing units co-located with hospitals will not be approved unless the applicant has demonstrated a need for a minimum of 15 beds. The department may approve a smaller number of beds if the applicant documents use patterns, and submits data and analysis that justify a smaller unit.***

Wildflower Court is not co-located with a hospital and therefore this standard does not apply.

LTC Specific Review Standard #3: ***To be considered for approval to expand licensed capacity, a freestanding long-term nursing care facility must have an average annual occupancy of at least 90%, and co-located long-term nursing care units must have an average annual occupancy rate of at least 80%, during the preceding three years***.

WFC is considered to be a freestanding nursing care facility so it must meet the 90% occupancy rate for the past three years. The applicant states that the average occupancy rate from 2004 to 2007 was 98.58%. Therefore, this standard was met.

LTC Specific Review Standard #4: ***In a service area with more than one long-term nursing care facility, all facilities must have had an average annual occupancy of at least 90% during the preceding three years before additional beds are approved***

This standard does not apply because Wildflower Court is the only nursing home in the service area.

LTC Specific Review Standard #5: ***In the interest of serving individuals in the most cost-effective, least-restrictive setting possible, there must be a combination of at least one assisted living bed or adult day care slot for each existing and proposed new long-term nursing care bed. For a community with a population of 10,000 or less, the department may approve beds on a case-by-case basis.***

The WFC service area includes the Juneau Borough, Haines Borough, and Skagway-Yakutat-Angoon Census areas. The total population of the service area was projected to be 35,563 in 2007. Since the population is over 10,000, WFC must meet the standard that requires there be no more nursing home beds than there are assisted living beds and adult day care slots combined. There are currently a total of 70 assisted living beds/adult day slots including 48 assisted living beds at the Juneau Pioneer home, 7 assisted living beds in homes in the community, and 15 adult day care slots at the Bridge Adult Day Care Program. Since the total number of nursing home beds proposed is 57, this standard has been met. Not only are there enough assisted living beds/day care slots, it is important to note that the assisted living beds are being filled at a high rate. The Juneau Pioneer Home, which serves assisted living residents over age 65, had an average occupancy rate of 91.3% from 2005-2007 and had an active waiting list of 50 people during 2007.

DETERMINATION OF NEED SUMMARY

The eight long term care beds proposed to be added by Wildflower Court fall within the estimated need for the primary service area (City and Borough of Juneau, Haines Borough and Skagway, Hoonah, Angoon Census Area). Wildflower Court has provided the age-specific use data for 1996 through 2007, permitting the CON staff to use the age-specific use rate methodology specified in the Standards and Methodologies (regulations adopted by reference). These data confirm that the use rates increase with age, so the projected increases in population in each age group (65-74, 75-84, 85 and over) result in increased demand that would justify approval of as many as 17 additional beds by the five-year planning horizon of 2013. The detailed data and results of calculations accomplished according to the methodology are included in Appendix B.

FINANCIAL FEASIBILITY

WFC is not considered a financially strong facility, but according to Medicaid, is "financially stable" at the current time. From 2002 to 2007, the facility had negative income statements including a loss of $248,019 during 2007. The facility did have positive cash flows for 2002, and 2005-2007. There was a negative cash flow in 2003 and there would have been a negative cash flow in 2005 except for an infusion of cash ($675,000) from the State of Alaska in the form of Exceptional Relief. Since 2005, WFC has not requested Exceptional Relief and is currently meeting the reserve requirements of its financing covenants. WFC auditors have not expressed any issues of concern, it has a very high percentage of Medicaid residents that will continue to be a source of revenue, and the facility projects excess revenues over expenses of $50-69,000 annually for the three years after this expansion.[2] Based on these facts, WFC is expected to continue to be viable over the long term as long as there are no unusual events that would cause its occupancy to drop drastically. If that were to happen, it would have to make serious adjustments to stay viable. The cost of this project is small, only $17,419. The cost will be financed from the WFC cash fund balance which was $1million at the end of 2007. Operation of the facility will be financed through revenues derived from third-party insurance, of which Medicaid will be the largest segment.[3] The project appears to be financially feasible.

Analysis from the Office of Rate Review states that while the costs associated with the construction and purchase of equipment will not impact the Medicaid payment rate until 2012 there will be an increase in Medicaid payments to the facility due to increased patient days of an average of $1,732,735 annually for the next 4 years.

PUBLIC COMMENT

The written public comment period was held from May 30 to June 30, 2008. Twenty letters of support were submitted with the CON application. No other written comments were received before the written comment period expired. A public meeting was held at the City-Borough Assembly Chambers, 155 South Seward Street, Juneau, from 5:00 PM to 6:30 PM on Thursday, June 26, 2008. Staff from Wildflower Court provided a Power Point presentation and discussed the need for the additional beds. A total of 13 people attended the public meeting. Everyone at the meeting had a known connection to WFC in one way or another, either as staff or related to staff. Four WFC staff members and the presenter Millie Duncan provided comments in favor of the project. Justification for the increased bed capacity was primarily related to the number of individuals on the waiting list. No written comments were received during the written public comment period.

RECOMMENDATION

[2] Jack Nielson email. June 6, 2008.
[3] Certificate of Need application. Page 16.

It is recommended that Wildflower Court be approved to convert existing space and purchase furnishings for an additional eight nursing home beds and to convert all existing double occupancy rooms to single occupancy rooms. The total approved cost should be $17, 419, with an approved completion date of July 1, 2009. The facility is approved for a total of 57 nursing home beds once the project is complete.

APPENDIX A:

VI. Long-Term Nursing Care: Review Standards and Methodology

(Source: Alaska Certificate of Need Review Standards and Methodologies December 9, 2005. Pages 21-22)

Review Standards

After determining whether an applicant has met the general review standards in Section I of this document, the department will apply the following service-specific review standards in its evaluation of an application for a certificate of need for long-term nursing care services:

1. A new freestanding long-term nursing facility will not be approved unless the applicant has demonstrated a need for a minimum of 40 beds.

2. New long-term care nursing units co-located with hospitals will not be approved unless the applicant has demonstrated a need for a minimum of 15 beds. The department may approve a smaller number of beds if the applicant documents use patterns, and submits data and analysis that justify a smaller unit.

3. To be considered for approval to expand licensed capacity, a freestanding long-term nursing care facility must have an average annual occupancy of at least 90%, and co-located long-term nursing care units must have an average annual occupancy rate of at least 80% during the preceding three years.

4. In a service area with more than one long-term nursing care facility, all facilities must have had an average annual occupancy of at least 90% during the preceding three years before additional beds are approved.

5. In the interest of serving individuals in the most cost-effective, least-restrictive setting possible, there must be a combination of at least one assisted living bed or adult day care slot for each existing and proposed new long-term nursing care bed. For a community with a population of 10,000 or less, the department may approve beds on a case-by-case basis.

Additional Considerations for Concurrent Review of More than one Application

In completing a concurrent review of two or more applications under 7 AAC 07.060, in addition to applying the standards set out above to each application, the department will approve an otherwise equivalent proposal if the applicant is a facility operated by a Native organization operating under a compact or contract with the federal government to provide health services to IHS beneficiaries under P.L. 93-638.

Review Methodology

The department will use the following formula to determine need for long-term nursing home beds:

►**STEP ONE:** Determine the projected long-term nursing care caseload using the formula:

C = CASU

C (caseload) = the average daily census of long-term nursing care patients five years from the project implementation date
Average Daily Census = patient days per year/365[4]
CASU (composite age specific use) = defined as the cumulative average daily census of long-term nursing care patients per 1,000 persons for the age groups: 0 – 64 years, 65 to 74 years, 75 to 84 years, and 85 years and over, five years from implementation of the project, calculated as follows:

CASU = (UR<65 x **PP<65**) + (**UR65•74** x **PP65•74**) + (**UR75•84** x **PP75•84**) + (**UR>85** x **PP>85**)
where:

UR<65 = the average nursing home bed use rate of the service area population aged 0 to 64 years for the preceding three years

PP<65 = the projected population aged 0 to 64 years for the fifth year from the project implementation date

UR65•74 = the average nursing home bed use rate of the population aged 65 to 74 years for the preceding three years

PP65•74 = the projected population between 65 and 74 years of age for the fifth year from the project implementation date

UR75•84 = the average nursing home bed use rate of the population aged 75 to 84 years for the preceding three years

PP75•84 = the projected population between 75 and 84 years of age for the fifth year from the project implementation date

UR>85 = the average nursing home bed use rate of the population 85 years of age and older for the preceding three years

PP>85 = the projected population 85 years of age and older for the fifth year from the project implementation date

►**STEP TWO:** Determine the projected number of nursing home beds required to meet projected demand using the formula:

$$\mathbf{PBN = C / NHTO}$$

PBN = projected nursing home bed need
C (caseload) = the average daily census of long-term nursing care patients five years from the project completion date
TO = nursing home target occupancy, defined as 90% (0.90)

►**STEP THREE:** For service area bed need projections, multiply projected bed need by the current service area share of the population to be served aged 65 and over:

$$\mathbf{PBN_{sa} = PBN \times SAS}$$

SAS (service area share) = the proposed service area's current share of the population to be served, as of the most recent geographic population estimates. If there is public information about service area population changes expected over the planning horizon, such as a military base closing, or a major economic project such as a new mine, the service area share estimate may be modified with explanation to reflect the expected change. Determine unmet nursing home bed need, if any, by subtracting the number of existing licensed and CON-approved beds from the number of beds projected to be needed in the proposed service area.

APPENDIX B:

Analysis of the LTC Bed Need

Population Projections								
	Skagway-Hoonah-Angoon		Haines		Juneau		North SE (Jun, Hai, Sk-H-A)	
Year	**2010**	**2015**	**2010**	**2015**	**2010**	**2015**	**2010**	**2015**
Age								
0-64	2,503	2,172	1,771	1,549	28,879	28,110	33,153	31,831
65-74	244	341	189	287	1,818	2,794	2,251	3,422
75-84	85	113	95	105	684	832	864	1,050
85+	30	31	40	37	310	342	380	410
Total	2,862	2,657	2,095	1,978	31,691	32,078	36,648	36,713

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Demographics Unit

AkSubStatePopProj.xls: http://www.labor.state.ak.us/research/pop/projections/AkSubStatePopProj.xls

Long Term Care Facility Name: Wildflower Court						July 1 Census Count
Bed Days per Calendar Year						
Year	**Total**	**Age 0-64**	**Age 65-74**	**Age 75-84**	**Age 85+**	**(Patients)**
2007	17,757	4,081	4,803	3,500	5,373	49
2006	17,726	6,418	3,408	3,015	4,885	48
2005	17,756	4,531	3,024	3,803	6,398	48
2005-2007	53,239	15,030	11,235	10,318	16,656	145
avg days	17746.33	5010	3745	3439.33	5552	48.33

Wildflower Court Service Area Long Term Care Bed Use 2005-2007						July 1 Census Count
	Bed Days for Calendar Year by age group					(Patients)
Year	Total	Age 0-64	Age 65-74	Age 75-84	Age 85+	
2007	17757	4081	4803	3500	5373	48.65
2006	17726	6418	3408	3015	4885	48.56
2005	17756	4531	3024	3803	6398	48.65
2005-2007	53239	15030	11235	10318	16656	48.62
average/year	17746	5010	3745	3439	5552	48.62

Source: Wildflower Court LTC Utilization Reports to Alaska CON Program

Northern Southeast Alaska (Haines, Skagway-Hoonah-Angoon and Juneau) Long Term Care Bed Need Forecasts to 2013						
A	B	C	D	E	F	G
Age Group	Population Estimate* 2005-2007	Avg Bed Days/Year 05-07	Avg Bed days per person 05-07	Population Projection** 2013	Forecast Bed Days = D x E	**Forecast 2013 Bed Need 90% Occupancy**
0-64	33100	5010	0.151	32360	4898	14.9
65-74	1742	3745	2.150	2954	6351	19.3
75-84	868	3439	3.961	976	3864	11.8
85+	333	5552	16.689	398	6642	20.2
Total	36042	17746	0.492	36687	21756	**66.2**

*Estimates from http://www.labor.state.ak.us/research/pop/estimates/07CAGE05x.xls,
http://www.labor.state.ak.us/research/pop/estimates/07CAGE06x.xls,
and http://www.labor.state.ak.us/research/pop/estimates/07CAGE07x.xls
Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Demographics Unit
http://www.labor.state.ak.us/research/pop/projections/AkSubStatePopProj.xls

APPENDIX C:

Estimated Cost to Medicaid – Office of Rate Review

STATE OF ALASKA

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DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF RATE REVIEW

MEMORANDUM

Date: June 4, 2008

To: David Pierce
CON Coordinator

From: Jack Nielson
Executive Director

Subject: Certificate of Need (CON) Review for Wildflower Court

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Wildflower Court is a freestanding Long-Term Care facility located in Juneau, Alaska. It is currently licensed for 49 beds. The facility is proposing to add eight skilled nursing/long-term care beds. The area to be used is the facility's former assisted living home, which closed in 2004. The facility currently owns approximately one-quarter of the furniture and equipment necessary to furnish the eight new skilled nursing rooms. Additional furniture and equipment to purchase are estimated to cost $17,419.

During the period from 2002 through 2007 the facility has had negative net income. They also project that in 2008 the facility will have negative net income. Although having negative net income, the facility did have overall positive cash flows for years 2002, 2004, 2005, 2006, and 2007. There was an overall negative cash flow for 2003 and there would have been negative cash flow in 2005 except for the infusion of cash from the State in the form of Exceptional Relief. The facility is projecting positive net income in the $50-69,000 range after their expansion for 2009-2011.

Overall utilization based on bed available days is currently running at 99% and expected by the faciltiy to continue at that level after the expansion of 8 beds. Impact of reduced census amounts on the facility's financial status cannot be determined. It is very unusual for an Alaska nursing facility to operate at a 99% overall occupancy level. Even a brief turnover of patients during a year can rapidly reduce the overall occupancy level. The facility also projects 95%+ Medicaid patients in the future. The statewide average Medicaid occupancy percentage for 2006 was 83%. It is also very unusual for a facility's Medicaid population to exceed 95% of its whole patient population. Staff would like to stress that per 7 AAC 43.070(i) "Approval of a certificate of need does not imply any guarantee of federal, state, or private money, including Medicaid payments or grant awards, and does not imply any guarantee of profitability."

In 2005 the facility requested Exceptional Relief in the amount of $2,163,622. After a thorough review by the Department, Exceptional Relief in the amount of $675,000 was awarded to the facility. There have been no further requests for Exceptional Relief since that time.

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The cost of the furniture and equipment for the expansion is minimal and will not impact the Medicaid payment rate until 2012. Because the cost of the equipment and furniture is below the $5M threshold, there would not be an add-on to the current Medicaid rate for the CON. The impact on the program will be in the form of increased Medicaid patient days. Below is the estimated cost to the program due to increased Medicaid utilization estimated by the facility:

	2008	2009	2010	2011	2012
Projected Medicaid Days	18,239	19,651	19,672	19,676	Rebased
Average Base Medicaid Days (Avg of 2005-2007)	16,430	16,430	16,430	16,430	Rate
Increase in Medicaid Days	1,809	3,221	3,242	3,246	2010 Base
Projected Rate (3% increase for inflation - 2009-2011)	$495.26	$510.12	$525.42	$541.18	Year
Increased Payments to Facility-Calendar Yr	$895,925	$1,643,089	$1,703,416	$1,756,683	

	2008	2009	2010	2011	2012
Estimated Increase to Program - State Fiscal Year	$0	$1,717,720	$1,673,425	$1,730,227	$1,809,569

If you have any questions please contact Neal Kutchins at 334-2467 or me at 334-2447.