

# Lynch Community Homes, Inc.

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April 11, 2008

Ms. Estelle Richman  
Secretary  
Department of Public Welfare  
Box 2675  
Harrisburg, PA 17105

Mr. Kevin Casey  
Deputy Secretary  
Office of Developmental Programs  
Department of Public Welfare  
Box 2675  
Harrisburg, PA 17105

Dear Secretary Richman and Deputy Secretary Casey:

The continuation of Lynch Homes will be in serious jeopardy if the proposed payment system is implemented as you have presented.

Providers like Lynch Homes who serve consumers with severe medical needs have an above-average number of vacancies each year. Compensation for those vacancies has to be addressed or else these organizations will fail. At the very least, only healthy people will receive service.

Like many other organizations, Lynch Homes in good faith accepted DPW's 4300 fiscal regulations and took the risk to purchase real estate. In that way, we guaranteed a stable location for fragile people very sensitive to changes in their everyday lives. Under the proposed system, compensation for real estate through extended depreciation will not match mortgage payments currently in place. Once again, this change threatens stability. Banks have performance covenants in loan agreements to protect the bank's interest in the property. Our auditors would insist that we fully disclose all relevant changes in the reimbursement system to the bank. Because of the sub-prime mortgage crisis, banks consider real estate loans much less desirable than when our loans were initially negotiated. Overnight, because of the proposed payment methodology, Lynch Homes would become an unwelcome client.

I stress to DPW the importance of a banking relationship to Lynch Homes. Especially without advances, Lynch Homes needs a sufficient line of credit to meet payroll and operational costs. If these proposed payment changes are made, it is very likely that our line of credit will be reduced to an insufficient amount.

A five percent margin is extremely important. The managed care companies wouldn't consider a contract with DPW with such a low margin. It is unreasonable for DPW to expect organizations in our service system to exist with an uncertain margin subject to DPW's year-to-year issues. Once again, the proposed system threatens stability.

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Lynch Homes would have provided more detailed comments for DPW's consideration if there had been a reasonable time allowed for response. Because of the lack of time for more detail, Lynch Homes emphasizes to DPW our agreement with the comments submitted by PAR and the Philadelphia Alliance.

As a final comment, Lynch Homes suggests that these massive reimbursement changes be published as a proposed regulation in the "PA Bulletin." The time involved in the regulatory process would provide enough time for consumers, advocates, counties and DPW to pilot these drastic changes. DPW could then evaluate carefully the consequences of these proposed changes on a smaller scale, saving consumers much hardship.

**This is the most important letter I have written in my 40 years of service to people with disabilities.** For the sake of consumers, at the very least, DPW must incorporate into the payment system the recommendations from PAR and the Philadelphia Alliance.

Sincerely,

Henry Lynch  
President

CC: Shirley Walker  
Brian Baxter  
Tim Wilson  
William Lenahan, Esq