



HEALTH DIMENSIONS GROUP

Financial and Operational Review for The Nathaniel Witherell

Final Executive Summary Presentation
March 18, 2019



Preamble

- Last summer, the Greenwich Board of Estimate and Taxation, through the Town of Greenwich (the Town), engaged Health Dimensions Group (HDG) to complete a financial and operating review of The Nathaniel Witherell (TNW) to include identification of industry trends, opportunities for operational improvements, and an analysis of strategic options.
- Today's presentation summarizes the results of our study, which are contained in a separate document entitled "Financial and Operating Report for The Nathaniel Witherell" dated 2/26/19 and the accompanying "Financial and Operating Presentation for The Nathaniel Witherell" dated 2/26/19.
- Before we discuss our findings, we would like to thank the many employees and volunteers, both at TNW and the Town, for their cooperation and patience with the preparation of our study.

Health Dimensions Group – Who We Are and Our Prior Experience with Greenwich

- HDG is a leading national health care consulting and management firm
 - Consulting Services – HDG provides consultation to post-acute, long-term care, and senior living providers in all 50 states, as well as hospitals and health systems throughout the nation
 - Management Services – HDG manages 36 senior care communities in seven states (Minnesota, Iowa, Colorado, Texas, Pennsylvania, Wisconsin, and Illinois) and one home health agency, serving more than 3,000 residents.
- In addition to drawing upon its general industry knowledge and experience, HDG has had prior experience with TNW, having successfully completed several prior consulting engagements at TNW for the Town of Greenwich:
 - 2003–2004 Financial Analysis Assessment
 - 2010 Long-Range Financial Plan Review
 - 2011 Revised Long-Range Financial Plan Review

Summary of TNW by Business Segment and Class of Payor

- TNW has two primary business segments (long-term nursing care and short-term rehabilitation) and three primary pay classes (Medicare, Medicaid, and Private Pay)

Average Occupied Beds (FY19)

Business Segment	Total Beds	Class of Payor			
		Medicare	Medicaid	Private/ Other	Total
Long-term	156	6	102	34	142
Short-term	46	21	2	14	38
Total	202	27	104	48	180

- Slightly less than half of TNW residents come from an address with a Greenwich ZIP code.

Summary of TNW Revenue by Payor Class

- Summary of TNW Revenue by Payor Class

Payor Class	FY16		FY17		FY18	
	\$MMs	Revenue/Day/Bed	\$MMs	Revenue/Day/Bed	\$MMs	Revenue/Day/Bed
Medicare	\$7.9	\$637	\$7.5	\$641	\$6.9	\$649
Medicaid	\$10.4	\$274	\$10.5	\$270	\$10.3	\$274
Private pay	\$7.5	\$520	\$7.8	\$546	\$8.9	\$546
Other	\$1.6		\$1.6		\$1.9	
Total	\$27.4	\$409	\$27.5	\$429	\$28.0	\$418

Summary of Competition in Market Area

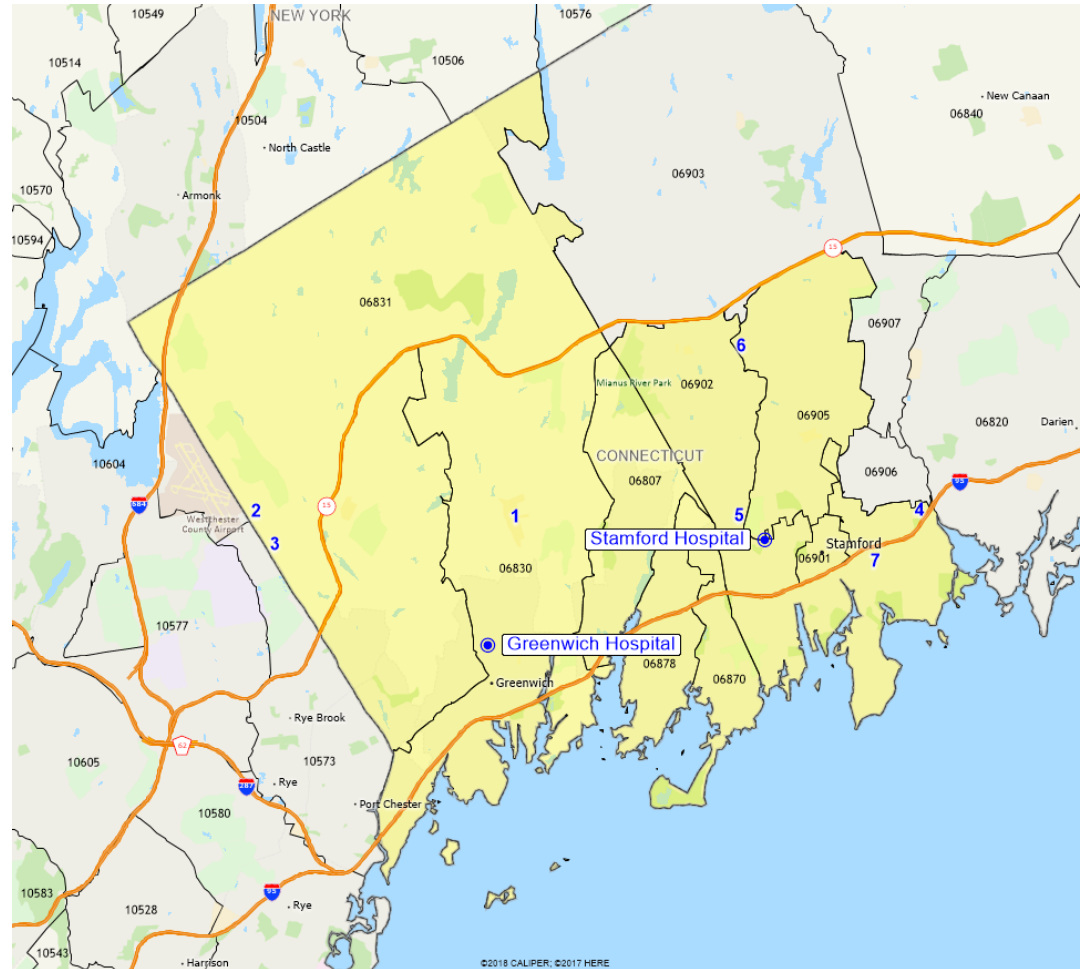
- TNW is one of seven SNF communities operating in the immediate market, defined as Greenwich and the southern half of Stamford

Map Key	Skilled Nursing Facility (SNF)	Star Rating	Beds	Occupancy	Medicaid Mix
1	TNW	4	202	93%	56%
2	Greenwich Woods	4	217	79%	66%
3	RegalCare at Greenwich	2	75	92%	69%
4	Cassena Care at Stamford	5	156	90%	70%
5	Edgehill Health Center	5	46	79%	0%
6	Long Ridge Post-acute Care	2	120	93%	77%
7	St. Camillus Center	4	124	75%	87%
Total/Average		3.7	940	86%	66%

- There is excess bed capacity among all competitors
- With one exception, the percentage of residents covered under Medicaid is greater at each of the other facilities

Summary of Competition in Market Area (continued)

- Market area consists of eight ZIP codes
- 71% of TNW residents originate from the market area
- Majority of remaining residents live near the market area, returned to the community they grew up in, or moved to be near adult children or medical services



Competitive Performance

- TNW does well in attracting residents – Greenwich Hospital is its primary referral source
 - Greenwich Hospital discharges slightly more than one-third of its post-acute discharges to skilled nursing facilities (SNFs). This contrasts to the national average of about one-fifth.
 - TNW has approximately 21% of the beds in the market area; its primary referral sources include Greenwich Hospital, which accounts for 83% of TNW’s Medicare referrals, and Stamford Hospital, which accounts for 6% of TNW’s Medicare referrals
- TNW has good patient outcomes in rehabilitation areas of focus
 - Compared to other SNFs in Fairfield County, TNW has a relatively high market share for rehabilitation after elective joint replacements and major joint replacement/spinal surgery
 - TNW discharges a much higher percentage (78%) of its Medicare patients back into the community than do other SNFs in Fairfield County (72%)

Increasing Pressure on Capacity Utilization

TNW will face greater challenges to maintain its relatively high capacity utilization and to increase revenues due to regulatory changes, projected local demographics, and diminishing utilization ratio.

- Decreasing population growth in the market
 - Of the estimated 157,000 residents in the defined market area, an estimated 11,000 are age 75 or older. Although this segment is expected to grow approximately 7% over the next five years, the subsegment of individuals age 85 and older (the age group with the highest use of TNW services) is expected to decrease by 4%.
 - This contrasts with national projected growth rate of 5.5% for age 85 and older.
- Potential excess of beds in the market
 - Within the whole of Connecticut, the ratio of total number of seniors in the population (defined as those age 65 and older) per the number of occupied beds in nursing homes has been declining from 16 seniors per occupied bed in 2000, to 26 seniors in 2017, and projected to be 34 seniors by 2023. The higher number of seniors per occupied bed indicates a lower utilization.
 - Increasingly, post-acute discharges from hospitals are either returning home directly or are spending less time in short-term rehabilitation; the reasons for this are varied and include (1) insurance/Medicare coverage only for shorter stays, and (b) increased availability of home care and therapy/nursing services.

Increasing Financial Challenges

TNW operates in a highly regulated business that has seen an expansion of independent living facilities, assisted living, and at-home nursing care services. Even if TNW is able to maintain its current capacity utilization rates, there will be increasing pressure on its revenue sources.

- Reimbursement rates for Medicare and Medicaid are regulated. Almost all of the long-term residents of TNW have Medicaid, which offers a lower reimbursement rate than does Medicare or private pay.
- Most of the short-term rehabilitation patients at TNW either have Medicare or are private pay, which are higher rates than Medicaid.
- In October 2019, Medicare is changing its payment system from the current Resource Utilization Groups (RUGs), which focuses on physical, occupational, and speech therapy, to the Patient-Driven Payment Model (PDPM), which will be focused on time spent on nursing care and, therefore, may reduce the reimbursement rates.
- Many competing facilities in the market area offer a broader range of services (see next slide).

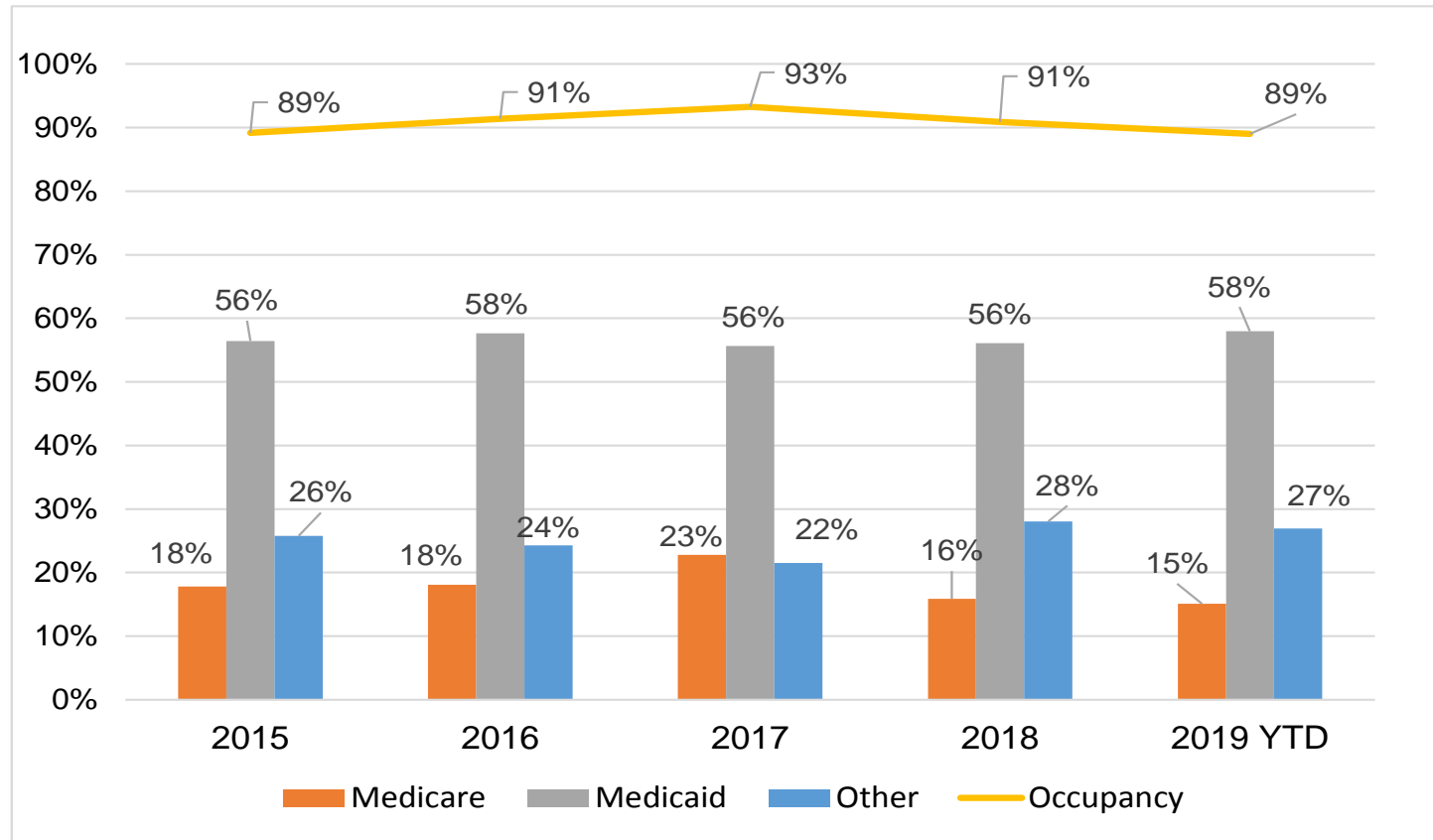
Prospective Revenue and Cost Pressures

- Seven senior living providers in market area
- Atria Stamford, Edgehill, and The Residence at Summer Street all provide independent living (IL), assisted living (AL), and memory care assisted living (MCAL)

Map Key	Community	City	IL Units	AL Units	MCAL Units
1	Atria Stamford	Stamford	93	93	24
2	Brighton Gardens of Stamford	Stamford	0	85	25
3	Edgehill	Stamford	200	12	22
4	Greens at Greenwich	Greenwich	0	0	31
5	Sunrise Assisted Living of Stamford	Stamford	0	65	25
6	The Mews	Greenwich	60	80	0
7	The Residence at Summer Street	Stamford	40	39	25
Total			393	374	152

Prospective Revenue and Cost Pressures (continued)

- Occupancy and Payor Mix Summary



Sources: TNW Medicare cost reports for FY 2015–2018 and FY 2019 YTD

Summary of Recent Expenses & Net Income

Operating Expenses	FY16		FY17		FY18	
	\$MM	Expenses/ day/bed	\$MM	Expenses/ day/bed	\$MM	Expenses/ day/bed
Nursing	\$12.5	186	\$13.1	189	\$13.3	198
Therapy	\$2.6	39	2.5	36	2.4	36
Dietary	\$2.2	33	2.3	34	2.3	34
Administrative	3.5	52	3.7	53	3.8	57
Benefits	6.2	93	5.7	82	5.2	78
Other	2.6		2.5		2.5	
Total	29.5	440	29.8	429	29.5	440
EBITDA	(2.1)		(2.2)		(1.5)	
Depreciation	1.4		1.3		1.6	
Net Income/(Loss)	(3.5)		(3.5)		(3.1)	
Pension/OPEB Adj.			1.1		0.7	
Other Non-operating			0.2		0.3	
Net Income/(Loss)			(2.4)		(2.1)	

Source: 2017 and 2018 The Nathaniel Witherell Profit Center Analysis

Operations – Seek Greater Efficiencies

Address labor costs and operational inefficiencies

- Wages and benefits, most subject to collective bargaining agreements with unions, comprise over 70% of TNW costs, which are high relative to those of nearby facilities
 - Adjust staffing levels
 - Consider implementing paid time off (PTO) policy versus current non-productive time off (e.g., vacation, sick pay)
 - Adjust new employee retirement benefits that are greater than industry norms
 - Analyze high shift differentials
- Develop more efficient policies and procedures
 - Departmental budget
 - Business Office and accounting processes

Labor Costs – Salaries Paid per Hour

Position/Department	Nathaniel Witherell	Nathaniel Witherell	Greenwich Woods	Carolton	Waveny Care Center	The Villa at Stamford	Dumont Center
	6/30/18	FYTD 18 19	9/30/17	9/30/17	9/30/17	12/31/17	12/31/17
RN	\$47.05	\$48.66	\$40.87	\$34.60	\$37.54	\$43.97	\$30.98
LPN	\$36.21	\$37.83	\$31.29	\$33.10	\$31.22	\$22.76	\$29.52
CNA	\$21.45	\$22.41	\$16.53	\$16.39	\$17.31	\$14.38	\$18.91
Nursing Admin	\$59.64	\$59.28	\$59.70	\$44.08	\$72.67	\$27.01	\$56.70
Medical Records	\$33.28	\$34.43		\$22.22			\$17.12
Social Services/Activities	\$38.04	\$38.26	\$31.53	\$20.40	\$21.78	\$13.29	\$35.56
Plant/Maintenance	\$33.62	\$34.42	\$17.99	\$18.59	\$23.94	\$23.09	\$20.05
Housekeeping	\$18.99	\$19.93		\$13.48	\$14.07	\$16.73	\$19.51
Laundry	\$20.90	\$21.57	\$15.80	\$14.71			
Dietary	\$18.29	\$20.00	\$17.95	\$17.79	\$16.29	\$18.78	\$22.02
Administrative	\$43.96	\$44.96	\$32.72	\$24.10	\$46.17	\$53.69	\$23.74

Source: 2017 Medicare cost reports, 2018 The Nathaniel Witherell payroll data, 33rd Edition Skilled Nursing Facility Cost Comparison Report (based on 2017 data)

Labor Costs – Salaries Paid per Hour (continued)

Position/Department	Nathaniel Witherell	Nathaniel Witherell	Glen Island	St. Cabrini	Andrus	Comparison Facility Average	Northeast Benchmark
	6/30/18	FYTD 18 19	12/31/17	12/31/17	12/31/17		
RN	\$47.05	\$48.66	\$37.50	\$41.50	\$42.23	\$38.65	\$41.01
LPN	\$36.21	\$37.83	\$27.86	\$29.64	\$30.83	\$29.53	\$32.60
CNA	\$21.45	\$22.41	\$20.04	\$20.42	\$19.73	\$17.96	\$18.61
Nursing Admin	\$59.64	\$59.28	\$97.70	\$50.95	\$47.25	\$57.01	\$39.85
Medical Records	\$33.28	\$34.43		\$22.78	\$18.58	\$20.18	
Social Services/Activities	\$38.04	\$38.26	\$23.62	\$26.70	\$25.63	\$24.81	\$25.73
Plant/Maintenance	\$33.62	\$34.42	\$43.56	\$28.90	\$24.65	\$25.10	\$21.16
Housekeeping	\$18.99	\$19.93	\$16.71	\$20.26	\$19.71	\$17.21	\$13.22
Laundry	\$20.90	\$21.57	\$18.89	\$20.87	\$18.17	\$17.69	\$12.89
Dietary	\$18.29	\$20.00	\$18.22	\$22.06	\$20.19	\$19.16	\$15.24
Administrative	\$43.96	\$44.96	\$48.43	\$85.01	\$64.18	\$47.26	\$30.02

Note: Benchmark not available for Medical Records

- Wage rates in all departments, except for administrative, are higher than comparison facility data

Generally Higher Wage Rates

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Position/Department	Nathaniel Witherell	Nathaniel Witherell	Comparison Facility Average	Northeast Benchmark
	6/30/18	FYTD 18 19		
RN	\$47.05	\$48.66	\$38.65	\$41.01
LPN	\$36.21	\$37.83	\$29.53	\$32.60
CNA	\$21.45	\$22.41	\$17.96	\$18.61
Nursing Admin	\$59.64	\$59.28	\$57.01	\$39.85
Medical Records	\$33.28	\$34.43	\$20.18	
Social Services/Activities	\$38.04	\$38.26	\$24.81	\$25.73
Plant/Maintenance	\$33.62	\$34.42	\$25.10	\$21.16
Housekeeping	\$18.99	\$19.93	\$17.21	\$13.22
Laundry	\$20.90	\$21.57	\$17.69	\$12.89
Dietary	\$18.29	\$20.00	\$19.16	\$15.24
Administrative	\$43.96	\$44.96	\$47.26	\$30.02

Note: Benchmark not available for Medical Records

Generally Higher Benefit Costs

- Health insurance and pensions categories are significantly higher at TNW than the other Connecticut facilities and the HDG average

Employee Benefit Category	Nathaniel Witherell	Comparison Facility Average	HDG Average
Workmen's Compensation	1.1%	4.5%	4.1%
Disability Insurance	0.0%	0.2%	0.0%
Unemployment Insurance	0.1%	0.8%	0.0%
FICA	7.3%	7.9%	7.8%
Health Insurance	22.6%	13.2%	8.3%
Life Insurance	0.4%	0.0%	0.1%
Pensions	5.9%	1.0%	0.4%
Uniforms	0.4%	0.0%	0.0%
Other	0.5%	0.2%	1%
Total Benefits as % of Salary	38.3%	27.8%	21.4%

Source: 2017 Medicaid cost reports, 2018 HDG data

Generally Higher Staffing Levels

- CMS Staffing Star Rating Comparison

Staff	4-Star Hours PPD	5-Star Hours PPD
RN	0.50	0.74
Total Direct Care Staffing	3.50	4.15

Source: CMS 5-Star data for TNW

- CMS Staffing Star Rating for The Nathaniel Witherell

The Nathaniel Witherell	CMS Star Rating as of March 2018
RN	1.301
Total Direct Care Staffing	4.445

Source: LeadingAge May 2018 The Nathaniel Witherell Nursing Home Report

- The Nathaniel Witherell Staffing Pattern

Staff	Per Patient Day (PPD)	Hours	Number of Staff	Wage Rate	Total Cost
RN	1.0378	192.0	24	\$45.68	\$8,770.56
PCC	0.2595	48.0	6	\$47.68	\$2,288.64
LPN	0.2162	40.0	5	\$35.86	\$1,434.40
CNA	2.9333	542.7	68	\$21.07	\$11,433.87
Totals	4.4468	822.7	103		\$23,927.46

Sources: LeadingAge Staffing Report for TNW for Period Ending March 2018

Generally Higher Staffing Levels (continued)

- Comparison between current labor usage and labor usage for 4-star and 5-star staffing ratings shows TNW has a high staffing level
 - TNW total direct care staffing hours are currently 4.45 per-patient-day (ppd), or 823 hours per day
 - Hours needed for 5-star are 4.15 ppd or 768 hours per day
 - Hours needed for 4-star are 3.50 ppd or 648 hours per day
 - RN staffing hours (combination of registered nurse and patient care managers) show the highest opportunity for adjusting staffing and achieving cost savings
 - In the five-year projection, HDG used a 4-star staffing level at 0.62 ppd for RN and 3.79 ppd for total direct care staffing

Recommended Operational Changes

- Control of Expenses

- Departmental budgets: Provide each department manager with the budget for their specific unit at or prior to the beginning of the fiscal year to be able to monitor expenses appropriately and keep on target.
- Paid benefits: Adjust TNW's paid benefits that currently are 38.3% (cost report period ending 9/30/17) as compared to the comparison local communities, which run at 33.1%. The northeast benchmark is 20.0%, and the national average is 17.4%.
- Staff wages: Adjust wages for new employees in all departments, which are higher than the eight comparison communities, as well as the northeast benchmark.
- Costs per resident day: Take steps to reduce TNW's cost per resident day by department, which runs higher than all competitors and industry median.
- Nursing staffing: Manage nursing staff to the daily census. Currently, the nursing department is staffing direct care staff above the CMS 5-star level.

Recommended Operational Changes (continued)

- Business Office and Accounting
 - Admissions and Census
 - Admissions and Business Office staff should work as a team to ensure all necessary information is received and uploaded into the billing software and shared with the billing staff.
 - Complete an insurance/payor verification form for each potential admission prior to acceptance of a new resident.
 - Complete an admission agreement for every admission within the first 24 to 48 hours.
 - Resident Trust Account
 - For Medicaid residents who have chosen to deposit their Social Security check into the resident trust account (RTA), ensure the RTA shows the total Social Security check going into the RTA as a deposit, with the amount for care withdrawn and paid to the facility.
 - Refund all RTA balances for discharged/deceased residents within 30 days of discharge or death, per Federal Regulation §483.10(f)(10)(iv) Notice of Certain Balances.
 - Ensure that no RTA is negative at any time.

Recommended Operational Changes (continued)

- Business Office and Accounting (continued)
 - Billing and Collections Policies and Procedures
 - Medicare biller to schedule triple-check meeting for the same time each month before Medicare or Managed Care claims are submitted.
 - Review copies of minimum data set (MDS) verification reports to verify that the MDS has been submitted and accepted by CMS prior to submission of any claim.
 - Accounts Receivable
 - Hold monthly accounts receivable review meeting with the Business Office staff, administrator, and chief financial officer (CFO) to accomplish the following:
 - Clearly define credit balances due to residents or insurance companies and process the refunds within 30 days if it is determined they are due to the resident/insurance company.
 - Refund credit balances as quickly as possible to comply with the CMS Mega Rule (within 30 days of discharge or death).
 - Accounts Payable
 - Complete an Office of Inspector General (OIG) verification for all vendors prior to employing or contracting.

Strategic Options for The Nathaniel Witherell

- Continue as Town-owned facility and seek greater efficiencies in the operations (as-is scenario)
- Sale/Lease to a 501(c)(3) not-for-profit corporation
- Sale/Lease to a for-profit corporation

Key Attribute	As Is Scenario	Sell/Lease to 501(c)(3) Corporation	Sell/Lease to For-Profit Manager
Be part of the fabric of the Town	Certainly	Likely	Less Likely
Employee cost structure	Not likely to change	Potential to reduce	Potential to reduce
Tax deductible contributions	Ltd.	Yes	No
Focus on quality service	More likely	More likely	Less likely
Potential for economies of scale	No	Yes	Yes
Government restricted	Yes	No	No
Market responsiveness	Less	More	More

Summary of Assumptions

Key Assumption	As-Is Scenario	As-Is Option B 5-Star Staffing	As-Is Option C 4-Star Staffing	Sell/Lease to 501(C)(3) Corporation	Sell/Lease to For-Profit Manager
ADC Year 5	162	162	162	162	162
Occupancy Year 5	80%	80%	80%	80%	80%
Fringe Benefit Percentage of Salaries	34%	34%	34%	27.8%	27.8%
Wage Increases	2.25%	2.25%	2.25%	2.0%	2.0%
Nursing Staffing Level	Above 5-star 4.44 hours per patient day	5-Star 4.15 hours per patient day	4-Star 3.79 hours per patient day	4-Star 3.79 hours per patient day	4-Star 3.79 hours per patient day
Contributions/Grant Income	\$238,444	\$238,444	\$238,444	\$388,444	\$0
Greenwich Property Taxes	\$0	\$0	\$0	\$0	\$125,000
Connecticut Bed Tax (per non-Medicare patient day)	\$16.13	\$16.13	\$16.13	\$21.02	\$21.02
Town of Greenwich Allocation Year 5 (2018 amount inflated forward)	\$1,122,892	\$1,122,892	\$1,122,892		
Management Fee Year 5	\$0	\$0	\$0	\$1,270,241	\$1,407,969

Source: HDG financial models

Model Comparison and Recommendations

	Year 5 (dollars in thousands)				
	As Is Scenario	As is Option B- 5 Star Staffing	As is Option C- 4 Star Staffing	Sell/lease to 501 (c)(3) Corporation	Sell/lease to For Profit Manager
Total Net Revenues	\$25,994	\$25,994	\$25,994	\$26,153	\$26,347
Total Operating Expenses	\$29,299	\$28,532	\$27,428	\$24,982	\$24,450
Net Operating Income/(Loss)	(\$3,305)	(\$2,538)	(\$1,434)	\$1,171	\$1,897
Depreciation	\$1,064	\$1,064	\$1,064	\$346	\$346
Interest	\$559	\$559	\$559	\$0	\$0
Lease	\$0	\$0	\$0	\$1,208	\$1,208
Property Taxes	\$0	\$0	\$0	\$0	\$133
Net Operating Income/(Loss)	(\$4,928)	(\$4,160)	(\$3,056)	(\$384)	\$210
Non Operating Revenue	\$373	\$373	\$373	\$523	\$138
Non Operating Expenses	(\$118)	(\$118)	(\$118)	(\$87)	(\$87)
Total Other Revenue (Expense)	\$255	\$255	\$255	\$435	\$51
Net Income/(Loss)	(\$4,673)	(\$3,905)	(\$2,801)	\$52	\$261
Net Income/(Loss) %	-17.7%	-14.8%	-10.6%	0.2%	1.0%

Source: HDG financial models using assumptions based on table on slide 22; baseline numbers are from June 30, 2018, financial statements compiled by PKF O'Connor Davies, LLP

Model Comparison and Recommendations (continued)

- HDG recommends further examination of the scenario of selling/leasing to a 501(c)(3) (either an existing not-for-profit corporation or establishing a separate entity) while continuing to make operational improvements.
- The 501(c)(3) operator and for-profit operator scenarios are projected to have similar financial outcomes, with the for-profit option being more profitable. The option that appears most sustainable for The Nathaniel Witherell, however, would be the 501(c)(3) operator option.
- The new owner/operator models do not include any vacation payouts that may be needed for a change of ownership structure. Those dollars should be factored into the Town's analysis as well. The Town will retain ongoing bonding obligations for Project Renew—recent renovation of the facility.

Questions



Confidentiality

The report and the analyses and the conclusions contained in the report are intended solely for your own internal use and apply only in the context described in the proposal and any RFP. Neither the report nor its contents may be referred to or quoted in any registration statements, prospectus, loan, or other agreement or document without our prior written consent.

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Similarly, providing health care management and consulting services is a competitive business. We view our approaches and insights as proprietary and, therefore, require our clients to protect Health Dimensions Group's interests in our presentations, methodologies, and analytical techniques. You agree that under no circumstances may this proprietary material be shared with any third party without our prior written consent, except as needed, and disclosed to Health Dimensions Group, in the course of the development of our work for you.



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