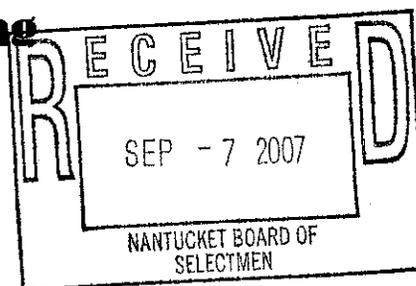


BruJan Consulting

Advisors to Senior Care Providers

**P.O. Box 2121
Campton, NH 03223**



2 September 2007

C. Elizabeth Gibson
Town Administrator
Town of Nantucket
16 Broad Street
Nantucket, MA 02554

Dear Libby:

Pursuant to our conversation, we have enclosed a summary of the construction options for Our Island Home, outlining the plusses and minuses for each. This is a capsule version. Shortly we will forward a more detailed edition with Charlie's schematics.

Our Island Home ("OIH") is a 45-bed skilled nursing facility, constructed in 1980. It is one of only three municipally-owned facilities in the Commonwealth. It is a single-story, brick-and-block structure, conforming to 1B construction standards. In appearance and design, it is more akin to 1960's-era nursing homes, with long corridors, limited public space, and few resident amenities. In response to a series of ongoing issues, the Administrator, Pam Merriam proposed some physical plant improvements.

Upon further discussion, it was felt that more than limited changes were needed. Some of the problems she identified include:

- Insufficient beds (currently a waiting list of 23)
- Outdated Kitchen
- Long Corridors
- Semi-private Rooms
- Shared Baths
- Limited Common Space for activities, programs, etc.
- Lacking space for physical, Occupational and Speech Therapy
- Out-of-compliance Nursing Station
- Antiquated Nurse Call System
- No Lobby/Reception Area
- Limited Parking
- Unattractive Exterior
- Not Energy-efficient
- Lacking in space for ACDC

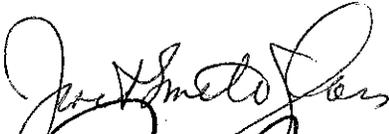
The upshot is that, while the quality of care is excellent, the quality of life for residents is well below current- and future- standards. And, more importantly, it is below the expectations of older Island Residents, who often express reluctance to enter OIH.

In preliminary discussions with the architect and Pam Meriam, a number of possible options have been identified.

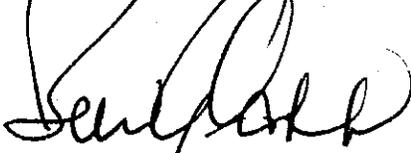
At your request, these are described here, along with conceptual sketches. Please keep in mind that the numbers are very rough estimates. Actual costs may vary widely.

We hope this is helpful in sorting out the issues. If you have any questions on these, or any other part of the proposals, please call or e-mail.

Cordially,



Janet Smith Glass



W. Bruce Glass

Encl.

Our Island Home

Present Site: East Creek Road (2.57 acres)

Option 1A

Conventional Renovation of OIH

Architectural concept # 1 revised

Advantages:

- Some residents continue to have harbor view
- 33 of 57 residents would have private rooms
- Adds 21 new rooms
- Less change in staffing patterns
- Construction costs estimated at \$10m-12M
- Space would allow for ACDC, Level 4 Living, and Staff Apartments, and child care

Disadvantages:

- Architect has constraints of using old building in design
- All of the electrical, plumbing and HVAC will have to be brought up to code
- There will be considerable disruption to the residents, families, and staff during construction. Some reduction in census will be required during construction
- Upon completion, the building will be better with more private rooms, but still limits quality of life for residents, as design retains traditional Nursing Home feel.
- No improvement in perspective and attitude of Nantucket residents toward nursing home

Option 1B

Phase in the "Green House" model (i.e. small cottage-style living arrangement)

Architectural concept # 6

Advantages:

- 3 "cottages" (34 rooms) could be built on site before demolition would need to be done to free up additional land for remaining cottages
- Less disruption to staff and residents

Disadvantages:

- Cost would be somewhat higher – perhaps 15-20%

- No parking available during construction
- No space for ACDC, Child Care, or Level 4 residents
- Considerable operational changes will require retraining of staff

Option 1C

Modified Green House using existing building footprint

Architectural concept # 2 & 3

Advantages:

- Using present building will save on construction costs
- Retain most of parking
- Will achieve some of Green House life style improvements
- May have room for Level 4 or staff apartments

Disadvantages:

- Use of this footprint maintains traditional nursing home look- i.e. long corridors
- Footprint limits architectural improvements
- Total disruption of staff and residents: residents would have to be moved out to another setting during construction.
- Limited number of private rooms
- Exterior remains essentially the same
- Construction is done in stages, raising costs (how much?)

Relocate to another town-owned site (5 acres?)

Option 2A

Green House model on new site

Architectural concept # 5

Advantages:

- OIH site has been assessed at \$16M
- TON might realize \$12-15 M in the sale
- New construction of OIH would improve quality of life for all residents
- Community's perspective of a Nursing Home would undergo positive change
- New construction would improve operations through cost saving, and improve employee work environment
- All residents would have private rooms or suites (57 private rooms)

- Design more in line with future standards for nursing homes
- New building would be energy-efficient

Disadvantages:

- Some residents currently have harbor view- this would be lost
- TON would have to find and agree to new site

Option 2B

Relocate to another site, TON keeps present site

Architectural concept # 5

Advantages

(see option 2B)

- It may be possible to sell a portion and do a land swap for another piece of land suitable for OIH (5 acres-/-)
- TON could use the waterfront land for community utilization- such as community center, waterfront path, boat access.
- Retains advantages above, excepting revenue from sale of land

Disadvantages:

- TON would have to find another site for OIH
- TON would have both construction and possible land acquisition costs

Questions for further discussion:

ACDC

Build ACDC on current OIH site: 2700 sq Ft @ \$300 sq ft - \$800,000

To add 2 apts of 800 sq ft - \$500,000

Site work - \$200,000

Total \$1.5M

Staff Apartments

What is the projected revenue for the 2 apts? Can TON justify \$500,000 for 2 apts for OIH employees.

"Green House" Model

Operational Issues of "Green House" model, i.e. cross-training, staffing patterns, transportation of meals, possible state waivers

Assisted Living

Is this a viable number for operations?

Revenue projected? GAFC

Other options? Add services to Elder housing?

Level 4 Beds

Will DPH license any new Level 4 beds?

What is the reimbursement for Level 4?

Does it solve the problem of freeing up NH beds?