



Town of Nantucket / Our Island Home CLA Engagement Update for Town Leadership

10-22-2018

Agenda

- What has Nantucket/OIH and/or CLA been working on?
- Medicare Part A Future Rate Calculation Based Upon the New Patient Driven Payment Model (PDPM)
- Previous OIH Options Building/Renovating at Existing Building Site
 - Landmark Option and Phased Construction Option
- Demonstrate CLA Intuition© for financial modeling
 - Facilitate conversation on finalizing data points
 - “What If” Financial Modeling Scenarios
- Nantucket demographic information
- Next meeting dates



What has the Town of Nantucket / OIH and/or CLA been working on?

- Established a weekly conference call to discuss various modeling scenarios
- Conduct a monthly on-site meeting to create financial models that allows for the evaluation of the financial impact of various strategies involving Nantucket constituencies throughout this financial modeling process to present key information with ongoing reports for review and discussion
- Drivers of Projected Performance
 - New Medicare Case Mix Methodology vs Reimbursement Model,
 - Municipal Bond Terms
 - Use of the Current Site for Construction
 - Other Service Lines Adult Day Health Center (ADHC), etc.



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Medicare Part A Future Rate Calculation Based Upon the New Patient Driven Payment Model (PDPM)

- What is Medicare PDPM?
- Rate Calculation
- Why is the new PDPM Rate so Important in Future Planning?

What is PDPM?

- PDPM removes the use of therapy minutes to assess residents for a reimbursement level.
- PDPM is based on clinical and diagnosis information rather than amount of service needed.
- Creates a separate payment component for NTA services, using resident characteristics to predict utilization.
- Enhances payment accuracy based on clinical aspects of care.



PDPM

Big Change – Variable Payments

- PDPM will result in higher rates at the beginning of a stay and lower rates at the end of a stay.
- CMS determined constant per diem rates do not accurately reflect medical needs and resources used.
- PT+OT reimbursements will initially increase compared to the RUG rates. However, the PT+OT rates will decline steadily starting after the 20th day at 2% for every 7 days.
- NTA reimbursements will decrease after the 3rd day from a case mix index of 3 down to 1.



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Supplemental Information - Rate Sheet for Our Island Home

		Days	RUG Rate	PDPM Rate*	RUG Revenue	PDPM Revenue	Increase (Decrease)
Rehab	RUC	21	670.33	621.18	14,077	13,045	(1,032)
	RUB	-	670.33	617.32	-	-	-
	RUA	-	569.90	560.32	-	-	-
	RVC	53	567.00	600.01	30,051	31,801	1,750
	RVB	80	496.52	550.54	39,722	44,044	4,322
	RVA	75	494.76	557.13	37,107	41,785	4,678
	RHC	43	487.54	586.71	20,964	25,228	4,264
	RHB	58	441.73	564.92	25,620	32,765	7,145
	RHA	21	392.39	536.74	8,240	11,272	3,031
	RMC	-	423.62	568.27	-	-	-
	RMB	24	398.95	578.78	9,575	13,891	4,316
	RMA	1	332.00	550.59	332	551	219
	RLB	-	405.05	734.29	-	-	-
RLA	-	265.84	798.81	-	-	-	
Special Care High	HE2	47	506.60	497.35	23,810	23,376	(435)
	HE1	-	422.02	495.32	-	-	-
	HD2	14	474.89	533.65	6,648	7,471	823
	HD1	7	397.35	561.15	2,781	3,928	1,147
	HC2	8	448.45	528.68	3,588	4,229	642
	HC1	-	376.21	591.43	-	-	-
	HB2	17	443.17	554.40	7,534	9,425	1,891
	HB1	13	372.69	575.94	4,845	7,487	2,642
Reduced Physical Function	PE2	-	379.74	356.21	-	-	-
	PE1	6	362.11	424.93	2,173	2,550	377
	PD2	-	358.59	387.81	-	-	-
	PD1	9	340.97	477.51	3,069	4,298	1,229
	PC2	-	309.26	344.00	-	-	-
		497			\$240,136	\$277,144	\$37,008





Facilitating a Conversation with the Community About Various Our Island Home Scenarios to Model

“What If” Scenarios to construct financial pro formas

Number of Beds Skilled (SNF) / Rest Home	Square Footage Per Bed DPH requires 100 sq ft/private room, 180 for 2 bed	Total Square Footage	Estimated Construction/Capital Equipment Cost Per Square Foot	Describing Amenities	Estimated Construction / Renovation Duration	CMS Star Rating for RNs/Total Nursing Staff	Estimated Capital Cost of Project in current dollars	Estimated Staffing Level Cost	Estimated Total of Capital & Staffing Cost
Current OIH Configuration 45 / 0	489	22,000		3 Private Rooms and 21 two bed rooms with shared bathrooms		4 Star			
Previously Proposed Addition on Existing Site <small>6010 - Concept Diagram - Previously Presented - OIH Feasibility Study for the Nantucket Board of Selectmen, 10/7/16 from SMART Architects and Engineers</small>	760	45,600	\$860	30 Private Rooms (340 SF) 15 Existing two bed (285 SF)	35 months	4 Star	\$39.2 M		
40 / 0	600	24000	\$860	30 Private Rooms with 5 two bed semi-private rooms	35 months	4 Star	\$20.6 M		
40 / 0	700	28,000	\$860	30 Private Rooms with 5 two bed semi-private rooms	35 months	4 Star	\$24.1 M		
40 / 0	800	32000	\$860	30 Private Rooms with 5 two bed semi-private rooms	35 months	4 Star	\$27.5 M		
20 / 20	600	24,000	\$860	10 Private Rooms with 5 two bed semi-private rooms for both Skilled and Rest Home Units	35 months	4 Star	\$20.6 M		



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Renovation / Addition on Existing Site –

Previously Presented - OIH Feasibility Study for
the Nantucket Board of Selectmen, 10/7/15 from
SMRT Architects and Engineers

Current OIH Floor Plan and Configuration

Building:

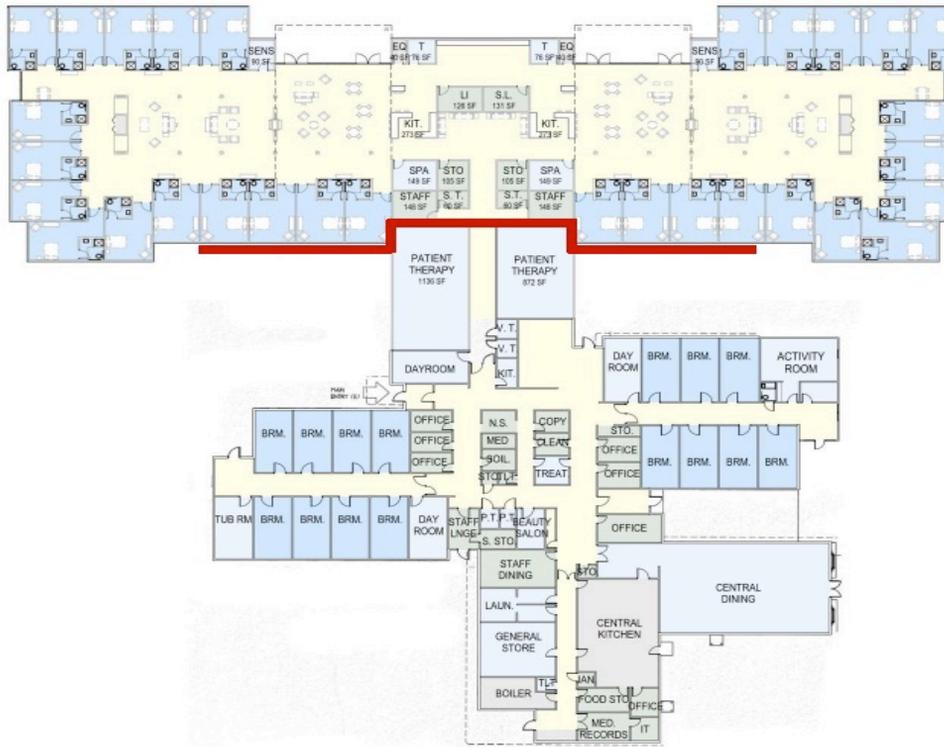
- 22,000 square feet
- 45 Beds – Skilled nursing beds
 - 3 Private Rooms
 - 21 Semi-Private Rooms
- Medical / Institutional Model
- Antiquated Systems
- Aging Infrastructure
- Inadequate storage
- Inadequate common space
- Does not represent a contemporary standard of care



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Possible Addition on Existing Site – Concept Diagram

Previously Presented - OIH Feasibility Study for the Nantucket Board of Selectmen, 10/7/15 from SMRT Architects and Engineers



DEPARTMENT LEGEND

- PATIENT ROOMS
- PATIENT SUPPORT
- STAFF AREAS
- CIRCULATION & LIVING SPACE
- SUPPORT

RESIDENTIAL UNITS

EXISTING DOUBLES (285 SF): 15
ADDITION SINGLES (340 SF): 30

TOTAL: 45 UNITS

BUILDING AREAS

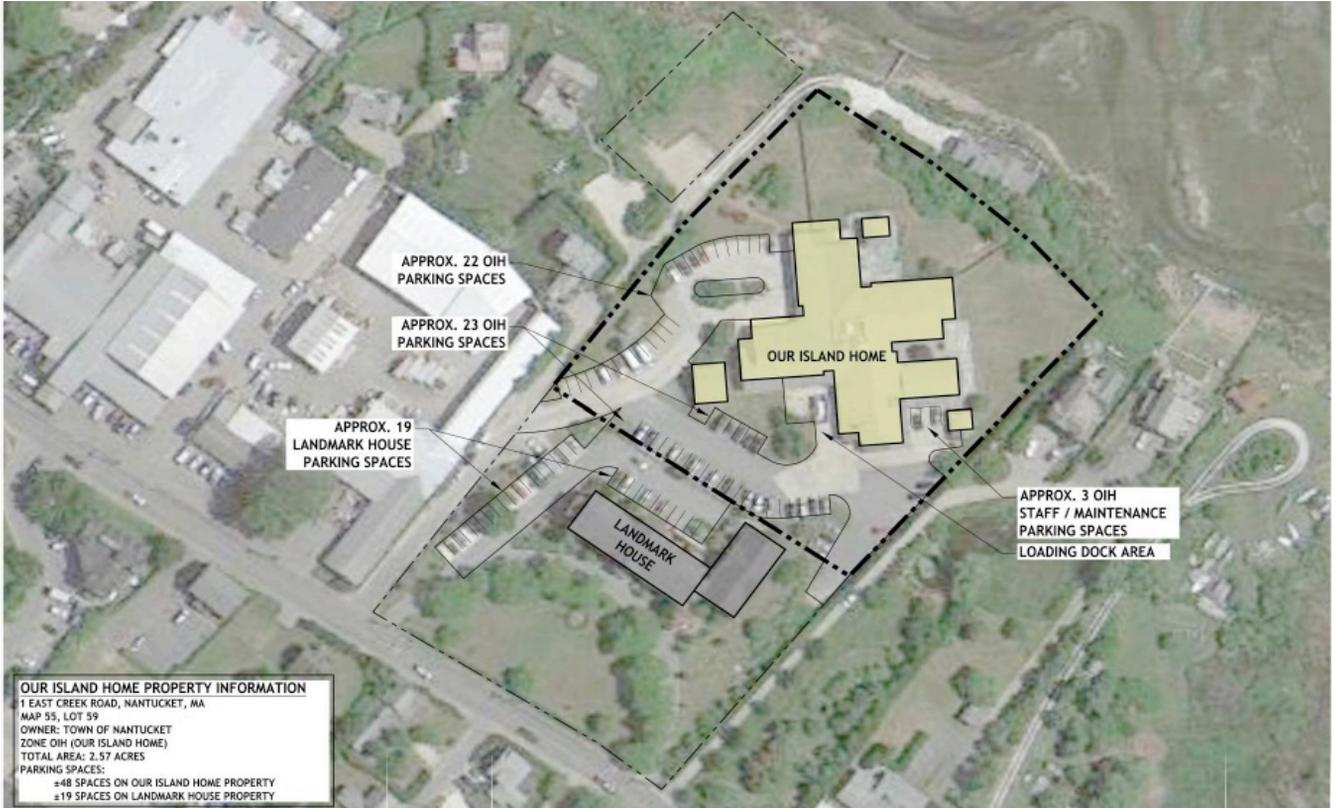
EXISTING: 22,300 SF
ADDITION: 23,300 SF

OVERALL: 45,600 SF



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Existing Site — Previously Presented - OIH Feasibility Study for the Nantucket Board of Selectmen, 10/7/15 from SMRT Architects and Engineers



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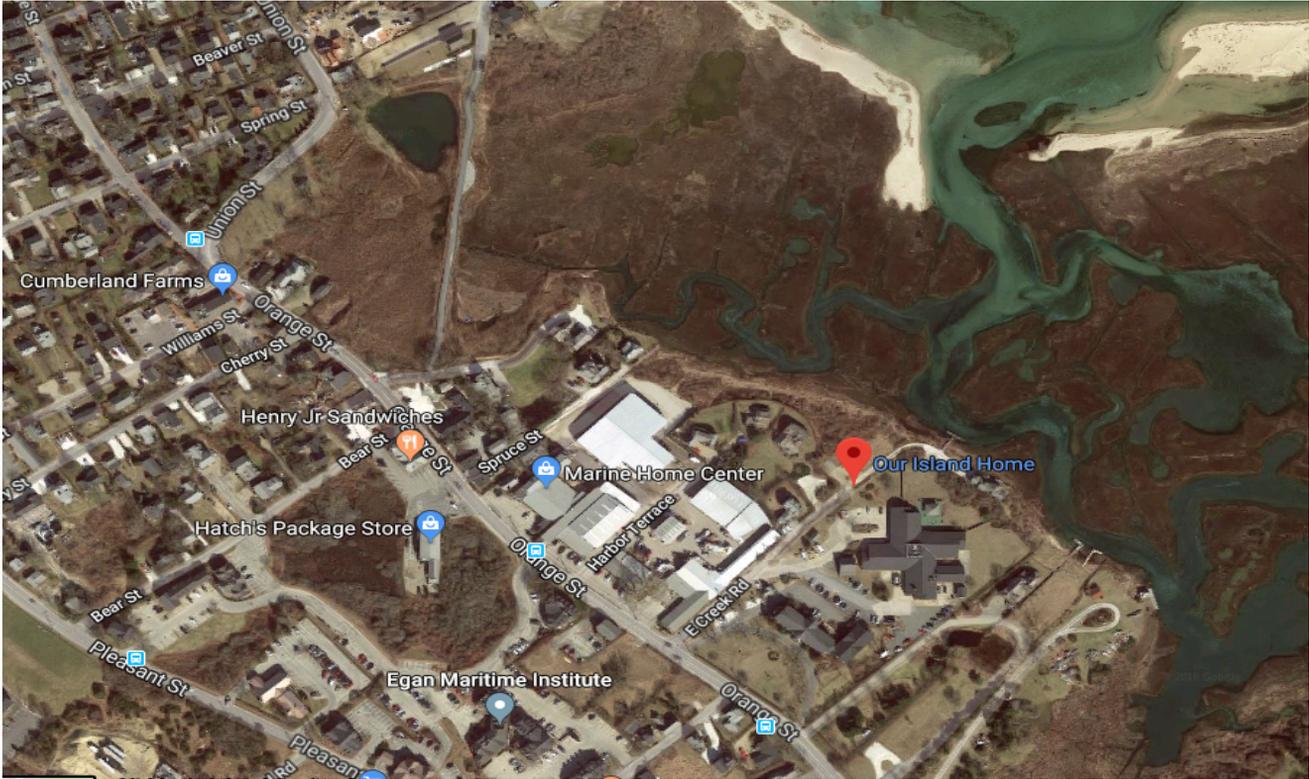
Possible Addition on Existing Site – Concept Diagram

Previously Presented - OIH Feasibility Study for the Nantucket Board of Selectmen, 10/7/15 from SMRT Architects and Engineers



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Google Map Aerial View of OIH



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**Excerpts from Town of
Nantucket / Our Island Home
Progress Presentation to the
Board of Selectmen 3-18-2017**

Previous Development Options

Landmark House Option



Phased Construction Option



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Previous Landmark House Option

1. Archeological and geotechnical investigation
2. Review of existing facility, including structural architectural / historic analysis
3. Determination of code mandated improvements
4. Development of resident relocation plan
5. Planning and design of 2-story facility
6. Permits and reviews including HDC, Conservation, and Planning Commissions, DPH, and DON
7. Review legal issues with Counsel on current lease agreements



Previous Phased Construction Option

1. Archaeological and geotechnical investigation
2. Development of resident and staff downsizing plan
3. Planning and design of 2-story facility
 - (to be constructed in two phases)
4. Local permits and reviews including HDC, Conservation, and Planning Commissions, DPH and DON





CLA Intuition© Financial Modeling Tool

Expenses

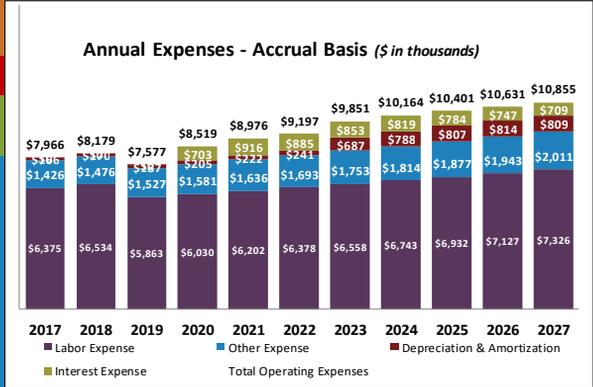
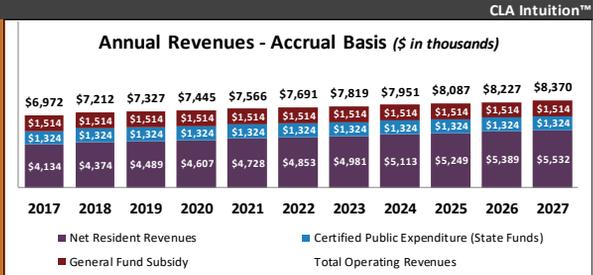
- Labor (Wages & Benefits)
- Other non capital expenses
- Capital, Interest and Depreciation

Revenue Sources

- Patient Revenue
(Medicaid / Medicare / Private)
- CPE (State Enterprise Funds)
- General Fund Town Subsidy

CLA Intuition – Hypothetical Model

Our Island Home		
Baseline Operating Performance		
2017 Baseline Performance 2017 Actual		
Revenue Inflation	2018	2019 +
Resident Services		
Private	10.0%	3.5%
Medicare	10.0%	2.0%
Medicaid	2.0%	2.0%
Other		
General Fund Subsidy	0.0%	0.0%
Expense Inflation	2018 - 2021	2022+
Labor	2.5%	2.5%
Other	3.5%	3.5%
✓ Certified Public Expenditure (CPE / Enterprise Fund State Support)		
✓ Staffing Rating (Select Target Rating)		
RN 3, Total 4	(Estimated Annual Savings vs. 2017: \$814K)	
✓ Capital Project		
Private Rooms	30	
Semi-Private Rooms	5	(Total Beds: 40)
Rest Home	0.0%	(Rest Home Beds:)
Sq. Ft. (Private Room)	150	(Square Footage (Private): 4,500)
Sq. Ft. (Semi-Private)	220	(Square Footage (Semi): 1,100)
Total Sq. Ft. per Bed	600	(Total Square Footage: 24,000)
Adult Day Health Space	0	(req. 50 square feet per participant)
Home Health Admin. Space	0	
Cost per Sq. Ft. (2018 dollars)	\$850	(Project Cost: \$20.4M)
Start Date	4/1/2020	
Project Length	35 months	(Completed 2/28/2023)
Cash Portion	0%	(\$M cash + \$20M borrowed)
Loan Term	20 years	(Annual Debt Service: \$1.6M)
Interest Rate	4.50%	
Beds Temp. Out of Service	0	beds @ \$290 PPD
Reduction Period	6	months (beginning 10/1/19)
Fill Period	6	months (ending 8/31/23)



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CLA Intuition – Hypothetical Model

Our Island Home
Income Statement
Years Ending December 31
(\$ in Thousands)

(\$ in Thousands)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
OPERATING REVENUES											
Net Resident Revenues	\$ 4,134	\$ 4,374	\$ 4,489	\$ 4,607	\$ 4,728	\$ 4,853	\$ 4,981	\$ 5,113	\$ 5,249	\$ 5,389	\$ 5,532
Certified Public Expenditure (State Funds)	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324
General Fund Subsidy	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514
Total Operating Revenues	6,972	7,212	7,327	7,445	7,566	7,691	7,819	7,951	8,087	8,227	8,370
Operating Revenue % Change		3.4%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%
OPERATING EXPENSES											
Labor Expense	6,375	6,534	5,863	6,030	6,202	6,378	6,558	6,743	6,932	7,127	7,326
Other Expense	1,426	1,476	1,527	1,581	1,636	1,693	1,753	1,814	1,877	1,943	2,011
Total Non Capital Expenses	7,800	8,010	7,390	7,611	7,838	8,071	8,311	8,557	8,810	9,070	9,337
Operating EBIDA	(828)	(797)	(63)	(166)	(272)	(380)	(491)	(606)	(723)	(843)	(966)
Operating EBIDA %	-11.9%	-11.1%	-0.9%	-2.2%	-3.6%	-4.9%	-6.3%	-7.6%	-8.9%	-10.2%	-11.5%
Depreciation & Amortization	166	170	187	205	222	241	687	788	807	814	809
Interest Expense	0	0	0	703	916	885	853	819	784	747	709
Total Operating Expenses	7,966	8,179	7,577	8,519	8,976	9,197	9,851	10,164	10,401	10,631	10,855
Operating Margin	(994)	(967)	(250)	(1,074)	(1,410)	(1,506)	(2,031)	(2,213)	(2,314)	(2,405)	(2,485)
Operating Margin %	-14.3%	-13.4%	-3.4%	-14.4%	-18.6%	-19.6%	-26.0%	-27.8%	-28.6%	-29.2%	-29.7%



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CLA Intuition – Hypothetical Model

OUR ISLAND HOME
Projected Cash Flows
Years Ending December 31
(\$ in Thousands)

(\$ in Thousands)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
CASH FLOWS FROM OPERATIONS											
Net Margin (Loss)	\$ (967)	\$ (250)	\$ (1,074)	\$ (1,410)	\$ (1,506)	\$ (2,031)	\$ (2,213)	\$ (2,314)	\$ (2,405)	\$ (2,485)	
Add: Depreciation & Amortization	170	187	205	222	241	687	788	807	814	809	
Net Working Capital Needs (Sources)	8	(87)	19	20	20	21	21	22	22	23	
Net Cash Flows from Operations	(2,113)	(1,475)	(2,174)	(2,492)	(2,569)	(2,648)	(2,728)	(2,809)	(2,892)	(2,977)	
CASH FLOWS FROM INVESTING ACTIVITIES											
Capitalized Property & Equipment											
Routine	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
With Construction Funded in 2014 YE	-	-	-	-	-	-	-	-	-	-	-
Projects	-	-	-	-	-	(20,400)	-	-	-	-	-
Existing Construction Funds Used	-	-	-	-	-	-	-	-	-	-	-
Other Changes in Noncurrent Assets & Liabilities	989	351	2,496	2,055	2,163	1,337	2,387	2,505	2,625	2,748	
Net Cash Flows from Investing Activities	789	151	2,296	1,855	1,963	(19,263)	2,187	2,305	2,425	2,548	



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Nantucket Demographic Information

Source: University of Mass. Boston, Scholar Works at UMass Boston, Center for Social and Demographic Research on Aging Publications – Gerontology Institute – Report 1-2018 Aging on Nantucket: A Community Needs Assessment – Caitlin Coyle & Jan Mutchler

Table 1. Number and percentage distribution of Nantucket's population by age category, 2015

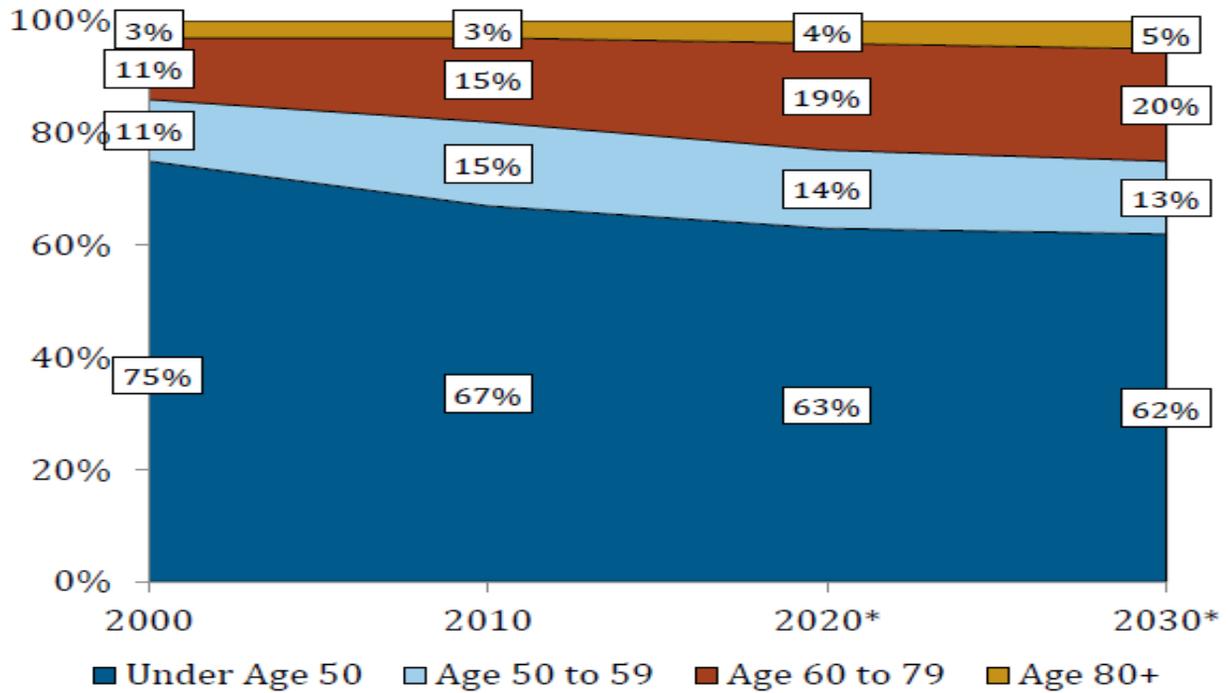
Age Category	Number	Percentage
Under age 18	2,231	21%
Age 18 to 49	4,649	44%
Age 50 to 59	1,542	15%
Age 60 to 79	1,825	17%
Age 80 and older	309	3%
Total	10,556	100%

Source: American Community Survey, 2011-2015, Table B01001. Numbers are calculated from survey estimates



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Figure 1. Recent and future age distribution of Nantucket 2000 to 2030



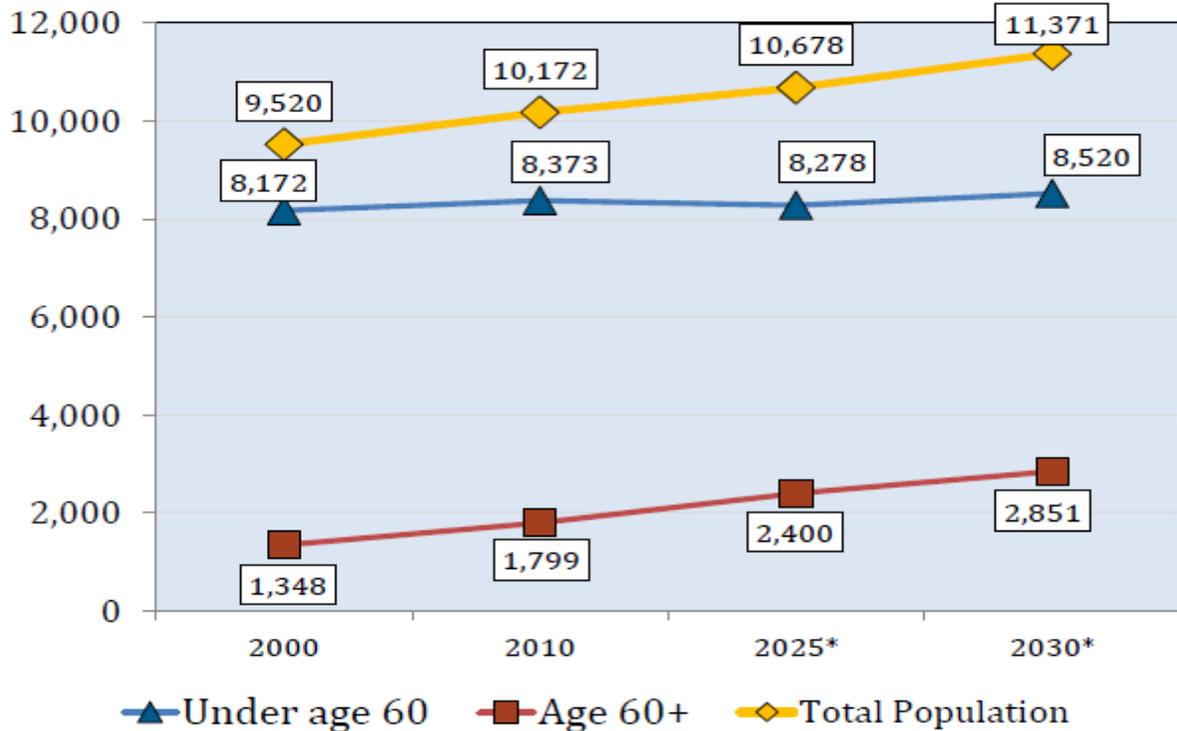
Source: U.S. Census Bureau, Census of Population for 2000 thru 2010.

* Figures for 2020 and 2030 are projections generated by the Donahue Institute, University of Massachusetts: <http://pep.donahue-institute.org/>



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Figure 2. Population size on Nantucket, 2000, 2010, and proections to 2030*



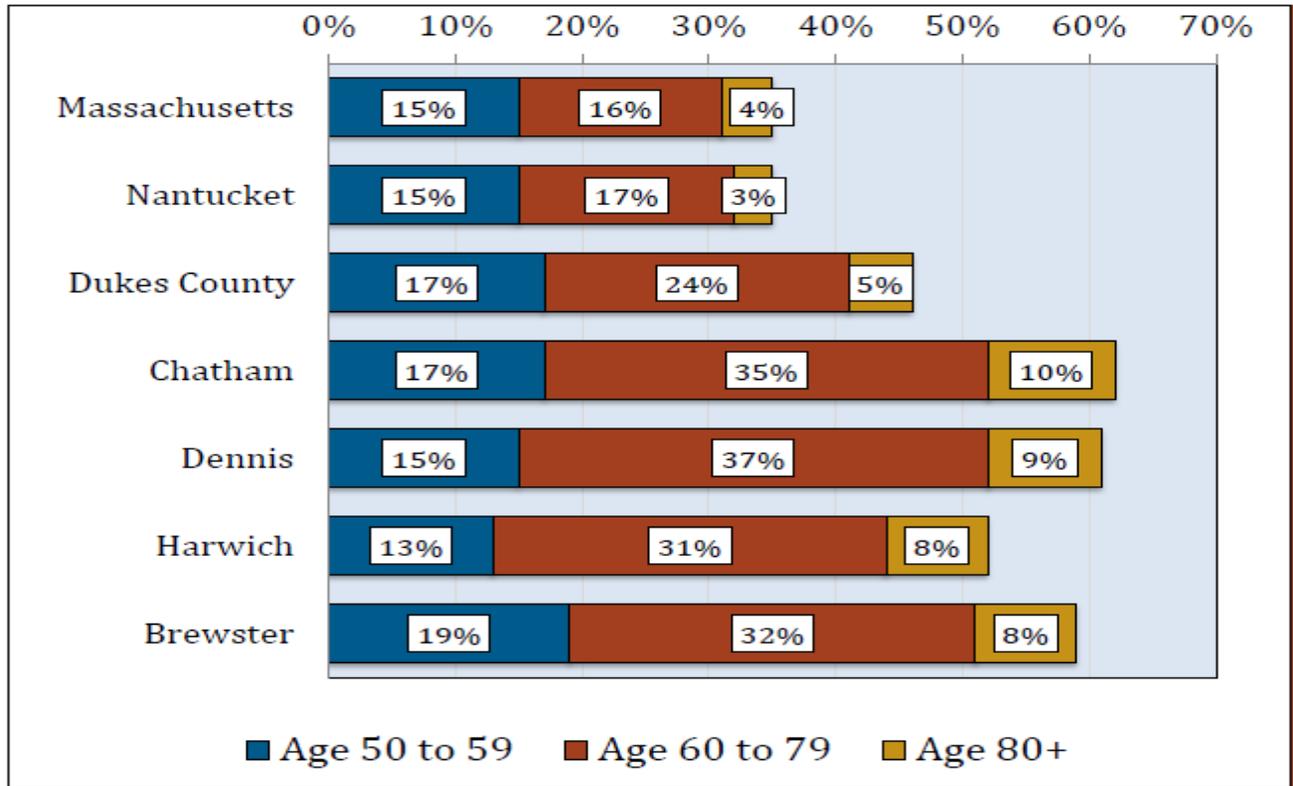
Source: Population figures for 2000-2010 are from the U.S. Census, 2000 thru 2010.

* Figures for 2025 and 2030 are projections generated by the Donahue Institute, University of Massachusetts: <http://pep.donahue-institute.org/>



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Figure 3. Age distribution on Nantucket, comparison communities, and Massachusetts



Source: American Community Survey, 2011-2015, Table B01001. Numbers are calculated from survey estimates.



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Next Meeting Dates

- November ____
- December ____



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