

OUR ISLAND HOME
Summary of Assumptions
Associated with the Financial Projections dated December 16, 2016

MAIN ASSUMPTIONS

The assumptions utilized in the financial projections dated December 16, 2016 are summarized below and are based on:

- Management’s 2016 budget for the existing facility;
- Pricing program for the Project, four 10-unit small houses comprised of one Rest Home and three Skilled Nursing houses;
- Staffing scenario for the Project;
- Development program for the Project; and
- Management’s financing scenario

DEVELOPMENT ASSUMPTIONS/TIMELINE

Unit Type	Number of Units
Square Feet Per House	8,750
Units Per House	10
No. of Houses - SNF	3
No. of Houses – AL-MC	1
Total Units/Beds	40
Total Square Feet	35,000

Project Timeline

Current – September 2017	Development activities (planning, entitlements, architecture, etc.)
September 2017	Close on Financing
September 2017 – December 2018	Construction (16 months)
January 1, 2019	Project Available for Occupancy

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DETAILED OPERATIONS ASSUMPTIONS

Stabilized Occupancy and Fill Up

Rest Home

- The proposed, new Rest Home Units are forecasted to be available for occupancy in January 2019.
- Stabilized occupancy of 92% (or 9.2 units) is projected to be reached in January 2019.

Skilled Nursing

- The proposed, new Skilled Nursing Beds are forecasted to be available for occupancy in January 2019 and fill up upon opening.
- Stabilized occupancy of 95% (or 28.5 units) is projected to be reached in January 2019.

The first fully stabilized year of occupancy is FY2020.

Daily Service Fees and Payer Mix

It is assumed that residents of the Community will pay a Daily Service Fee (per diem rate). Management has assumed that approximately 90% of the Rest Home residents will be MassHealth (Medicaid) payers; the remainder will pay a private pay rate. Management also assumes that 75% of the Skilled Nursing residents will be Medicaid payers, 20% will be private payers, and the remaining residents will be Medicare payers (5%). Daily service fees, payer mix, and occupied units are presented below, inflated to FY2020 dollars:

Unit Type/Payer Type	Payer Mix	Number of Residents	Daily Service Fees (FY2020 \$)
Rest Home			
Private Pay	10%	0.92	\$ 337.65
Medicaid/MassHealth	90%	8.28	129.90
Rest Home Occupied Units/ Average Fees			
	100%	9.20	\$150.69
Skilled Nursing			
Private Pay	20%	5.69	\$ 517.73
Medicaid/MassHealth	75%	21.38	222.20
Medicare	5%	1.43	378.85
Skilled Nursing Occupied Units/ Average Fees			
	100%	28.50	\$289.06

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Revenue Inflation Rates

The following annual revenue inflation rates are applied in July of each year:

Rest Home private pay rates	3.0%
Rest Home Medicaid rates	2.0%
Skilled nursing private pay rates	3.0%
Skilled nursing Medicaid rates	2.0%
Skilled nursing Medicare rates	2.0%

Operating Expenses

Operating expenses were generated from analysis of the 2016 operating budget and adjusted for the small house model. Variable costs, such as utilities and food costs, are projected to fluctuate with occupancy. Staffing is projected as follows, based on discussions with management:

Staffing	
Positions	
Business office coordinator	1.0
Administrative assistant	1.0
Director of nursing	1.0
Administrator	1.0
Social worker	0.8
Medical records	0.4
Staff development coordinator	1.0
Dietician	1.0
Nurses – Skilled Nursing	2.4
CNAs – Skilled Nursing	19.0
Nurses – Rest Home	0.7
CNAs – Rest Home	2.8
Activity workers	1.6
Food service supervisor	1.0
Dining staff	1.0
Maintenance	2.0
Housekeeping	1.9
Laundry	1.7
Administrative nurse	1.0
Total	42.3

Staffing costs (wages and benefits) comprise 65% of total operating expenses, or approximately \$3,739,000 in 2020. Benefits are assumed to equal 25.0% of wages. Historically, benefits have ranged from 22.7% to 27.6% of wages, with an average of 24.8%.

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Non-staffing costs comprise 35% of total operating expenses, or approximately \$2,000,000 in 2020. Included in this is approximately \$645,000 for Barnstable County Retirement, \$218,000 for utilities, and \$593,000 for professional services.

Operating expenses are assumed to increase by 3.0% annually.

Per Patient Day Analysis

The following illustrates the projected expenses on a per patient day (PPD) basis for FY2020:

Operating Expense - PPD Detail

	SNF	Rest Home	FY2020	
			Total	PPD
Beds	30	10	40	
FTEs	38.80	3.50	42.30	
Patient Days	10,403	3,358	13,761	
<i>Expenses</i>				
Salaries & Benefits	3,452	287	3,739	271.71
Barns Cty Rtrmt	592	53	645	46.87
Contractual Oblig	40	13	53	3.85
Utilities	165	53	218	15.84
Repairs & Maint	-	-	-	-
Food	126	41	167	12.14
Prof Svcs - SNF	415	-	415	30.16
Prof Svcs - Other	135	43	178	12.94
Medical Supplies	82	26	108	7.85
General Insurance	64	21	85	6.18
Other Supplies	53	17	70	5.09
Other Expenses	85	27	112	8.14
Total Expenses	5,208	582	5,790	420.75

Routine Capital Expenditures

Routine capital expenditures are projected at \$40,000 in 2020. Beginning in 2021, this amount is inflated 3.0% annually.

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PROJECT FINANCING – CAPITAL STRUCTURE

The project budget, which includes four 10-unit small houses, totals approximately \$_____ million. Construction is assumed to begin in September 2017 and continue for 16 months, with occupancy beginning in January 2019.

The project is proposed to be financed with long term debt, which is assumed to close in September 2017. It is anticipated that the loan would be in place for 20 years. For purposes of the projections, an interest rate on the debt of 3.50% was assumed. Interest costs are projected to total \$_____ million over the life of the loan.

A sources and uses table for the project is provided below.

Sources and Uses of Funds (in thousands)	
Project	
Sources:	
Senior debt	\$
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Total Sources of Funds:	\$
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Uses:	
Construction total	\$
Design & engineering	
Development fees	
Owner’s contingency	
Owner’s representative	
Miscellaneous	
Financing costs	
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Total Uses of Funds:	\$

The plan of finance is outlined here for informational purposes; however, since OIH is a municipally-owned and operated facility, certain rules apply to the financing and operation. The operations and financing will be funded through two separate funds at the Town level.

In addition, it is expected that the existing OIH site will be sold. These proceeds may be available for appropriation, subject to certain rules governing the use of such proceeds; however, the plan of finance does not include the potential land sale proceeds.