



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

12-18-2018

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Agenda

- Demonstrate CLA Intuition© for financial modeling
 - “What If” Financial Modeling Scenarios
- Dept. of Public Health – Beds Out of Service, New Circular Memo
- Next meeting dates

CLA Meeting Update

- Weekly conference call to discuss various modeling scenarios
- Meetings to create financial models that allows for various strategies involving Nantucket constituencies.
- Drivers of Projected Performance
 - New Medicare Case Mix Methodology vs Reimbursement Model,
 - Municipal Bond Terms
 - Use of the Current Site for Construction – Landmark House
 - Other Service Lines Adult Day Health Center (ADHC), etc.
 - Master site plan phases
 - ◇ Phase 1 – Build a replacement Landmark House
 - ◇ Phase 2 - Move clients from Landmark House to the new Landmark House
 - ◇ Phase 3 – Demolish the old (existing) Landmark House
 - ◇ Phase 4 – Build the new OIH
 - ◇ Phase 5 – Move the residents from the existing OIH to the new OIH
 - ◇ Phase 6 – As part of the final master plan renovate part of the old OIH connected with the new OIH and demolish unneeded portion



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
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>60/0 - 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	\$850	30 Private Rooms (340 SF) 15 Existing two bed (285 SF)	35 months	4 Star	\$39.2 M
40 / 0	600	24000	\$850	30 Private Rooms with 5 two bed semi-private rooms	35 months	4 Star	\$20.6 M
40 / 0	700	28,000	\$850	30 Private Rooms with 5 two bed semi-private rooms	35 months	4 Star	\$24.1 M
40 / 0	800	32000	\$850	30 Private Rooms with 5 two bed semi-private rooms	35 months	4 Star	\$27.5 M
30 SNF / 15 RH	600	24,000	\$850	35 Private Rooms and 5 two bed semi-private rooms	35 months	4 Star	\$20.6 M
12/18/18 Sample Scenario - Handout							





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**

Baseline Operating Performance		
	2017 Baseline Performance	2017 Actual
Revenue Inflation	2018	2019 +
<u>Resident Services</u>		
Private	10.0%	3.5%
Medicare	10.0%	2.0%
Medicaid	2.0%	2.0%
<u>Other</u>		
General Fund Subsidy	0.0%	0.0%
Expense Inflation	2018 - 2021	2022+
Labor	2.5%	2.5%
Other	3.5%	3.5%
<input type="checkbox"/> No State Support		
<input checked="" type="checkbox"/> Staffing Rating (Select Target Rating)		
RN 3, Total 4	(Estimated Annual Savings vs. 2017: \$814K)	

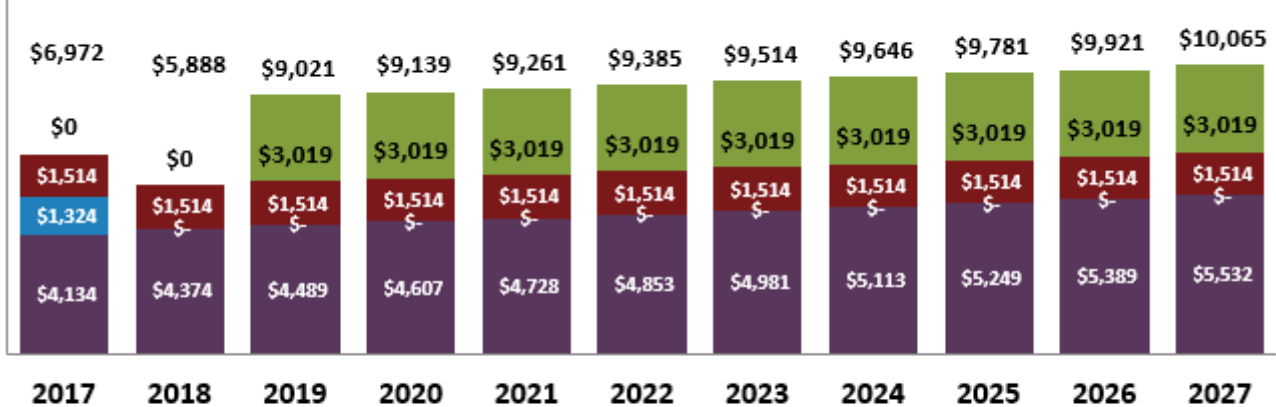


Capital Project

Private Rooms	35	
Semi-Private Rooms	5	(Total Beds: 45)
Rest Home	32.5%	(Rest Home Beds: 15)
Sq. Ft. (Private Room)	150	(Square Footage (Private): 5,250)
Sq. Ft. (Semi-Private)	220	(Square Footage (Semi): 1,100)
Total Sq. Ft. per Bed	600	(Total Square Footage: 28,100)
Therapy Space	300	
Adult Day Health Space	600	(50 sq. ft. x 12 participants)
Home Health Admin. Space	500	
Cost per Sq. Ft. (2018 dollars)	\$850	(Project Cost: \$24.1M)
Start Date	4/1/2020	
Project Length	35 months	(Completed 2/28/2023)
Cash Portion	0%	(\$M cash + \$24M borrowed)
Loan Term	20 years	(Annual Debt Service: \$1.9M)
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)

12/18/18 Sample Scenario Handout

Annual Revenues - Accrual Basis (\$ in thousands)

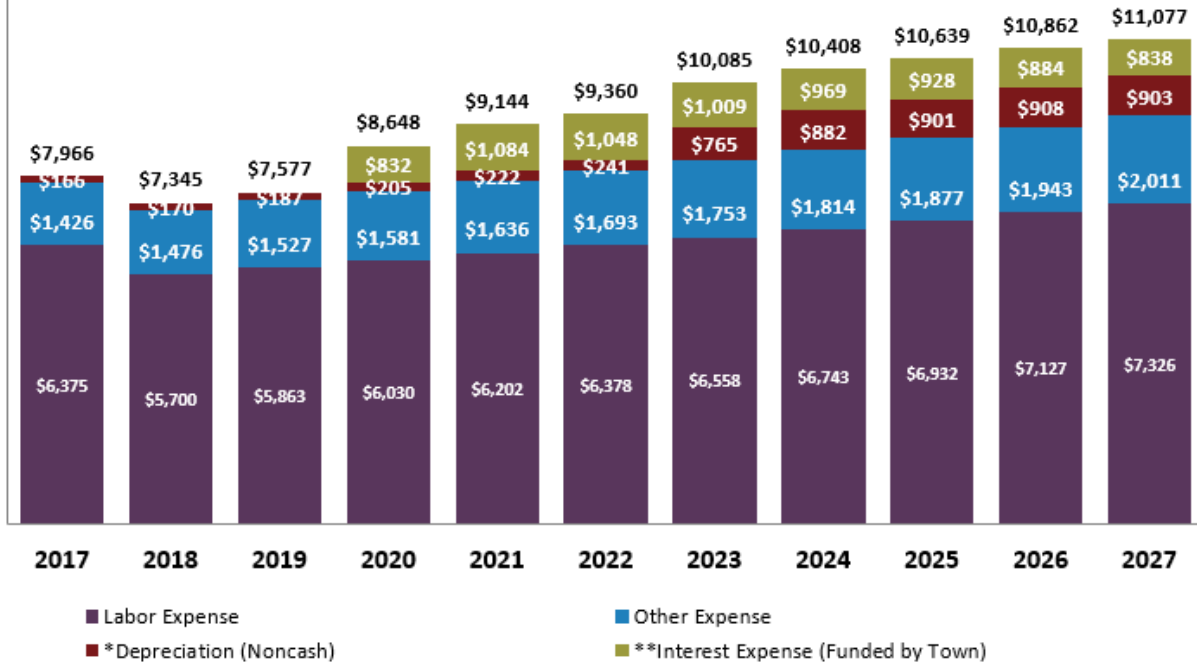


- Net Resident Revenues
 - General Fund Subsidy
 - Certified Public Expenditure (State Funds)
 - Retained Earnings Usage (Budgeted)
- Total Operating Revenues



12/18/18 Sample Scenario Handout

Annual Expenses - Accrual Basis (\$ in thousands)



12/18/18 Sample Scenario Handout

Annual Investment (\$ in millions)



12/18/18 Sample Scenario Handout

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	0	0	0	0	0	0	0	0	0	0
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
Retained Earnings Usage (Budgeted)	0	0	3,019	3,019	3,019	3,019	3,019	3,019	3,019	3,019	3,019
Total Operating Revenues	6,972	5,888	9,021	9,139	9,261	9,385	9,514	9,646	9,781	9,921	10,065
Operating Revenue % Change		-15.5%	53.2%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%
OPERATING EXPENSES											
Labor Expense	6,375	5,700	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	7,175	7,390	7,611	7,838	8,071	8,311	8,557	8,810	9,070	9,337
Operating EBIDA	(828)	(1,287)	1,631	1,528	1,423	1,314	1,203	1,089	972	851	728
Operating EBIDA %	-11.9%	-21.9%	18.1%	16.7%	15.4%	14.0%	12.6%	11.3%	9.9%	8.6%	7.2%
*Depreciation (Noncash)	166	170	187	205	222	241	265	282	301	308	303
**Interest Expense (Funded by Town)	0	0	0	832	1,084	1,048	1,009	969	928	884	838
Total Operating Expenses	7,966	7,345	7,577	8,648	9,144	9,360	10,085	10,408	10,639	10,862	11,077
Operating Margin	(994)	(1,457)	1,444	492	116	26	(571)	(762)	(857)	(941)	(1,013)
Operating Margin %	-14.3%	-24.7%	16.0%	5.4%	1.3%	0.3%	-6.0%	-7.9%	-8.8%	-9.5%	-10.1%





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