

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

9/9 DRAFT FOR MEETING WITH SELECT BOARD ON 9/11



Create Opportunities

Engagement Overview

**Contract #1124 Agreement signed 7/18/18, Executed on 8/31/18,
Term of Agreement 1 year**

- Provide an assessment of Nantucket/OIH current operations
- Create financial models that allow for the evaluation of the financial impact of various strategies
- Renovate/replace the existing facility at the current site
- Provide an electronic version of the CLA Intuition tool that creates a series of modeling dashboards to allow the Town to view its short-term and long-term financial performance projections under a variety of scenarios.
- Propose potential revenue options for revenue enhancement
- Involve various Nantucket constituencies throughout this financial modeling process
- Present key information with ongoing reports for review and discussion



CLA Engagement Team

- Richard J. Hamilton, CNHA, RPh., MBA
- Seth Wilson, CPA, MST
- Denise Soucy, NHA, MBA
- Mark Cummings, CPA
- Daniel Sullivan, CPA

Prior On-Site Meetings / Reports

- September 24, 2018
- October 22, 2018
- December 18, 2018





CLA Intuition[©] Financial Modeling Update

- Utilizing the most recent LWDA building scenarios

Internal Use Analysis

The Town of Nantucket & Our Island Home ("Town" or the "OIH") is in the process of evaluating a variety of strategies associated with the potential construction of a replacement nursing facility on existing property.

The planning dashboards and analyses included herein have been assembled from information provided by and reviewed by Town and OIH leadership, and are intended to provide a framework and analysis of the anticipated financial performance of the OIH, including the estimated impact of a number of strategic options and or strategies. The scenarios and analyses included herein are not intended to be a complete analysis of all factors impacting the future financial performance of the Town. **These analyses are intended for the internal use of the Town and OIH and should not be read by or relied on by other third party users for any purpose.**

The scenarios are based on assumptions concerning the impact of key assumptions and strategies on future financial performance. The assumptions disclosed herein, while not all-inclusive, are those that the Town and OIH leadership believes are significant to assess the anticipated financial performance of strategies and are key factors upon which the future financial results depend. In our presentation we may include projected statements of operations (the "Projections") based on management's assumptions. The Projections omit projected balance sheets and statements of cash flows and the summary of significant accounting policies, and does not purport to be presented in accordance with Generally Accepted Accounting Principles. We have not compiled or examined any of the financial data utilized in the analyses and the Projections and express no assurance of any kind on it. Furthermore, even if the assumptions disclosed herein were to materialize, there will be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.



Information Utilized for CLA Intuition Presentation

- Fiscal Year 2019 Town of Nantucket financial results
- LWDA Cost Comparison Report
 - Two building scenarios

CLA Intuition – Initial Year Calculations

(\$ in Thousands)	2019
OPERATING REVENUES	
Net Resident Revenues	\$ 3,146
Certified Public Expenditure (State Funds)	1,448
General Fund Subsidy	1,511
Total Revenues	6,106
OPERATING EXPENSES	
Labor Expense	6,039
Other Expense	1,485
Total Non Capital Expenses	7,524
Operating EBIDA	(1,418)
Operating EBIDA %	-23.2%
*Interest Expense (Funded by Town)	-
Total Operating Expenses	7,524
Operating Margin	(1,418)
Operating Margin %	-23.2%
NON-OPERATING, NET	
Retained Earnings Usage (Budgeted)	3,019
Total Non-Operating, Net	3,019
NET MARGIN	\$1,601
Net Margin %	26.2%

Footnotes

- Financials provided by Town of Nantucket's FY 2019 report for Our Island Home
- Certified Public Expenditure is calculated based on Town of Nantucket's fiscal year (7/1/18 – 6/30/19) for the difference between the Medicaid and Medicare rate



CLA Intuition - Baseline Assumptions

Revenue Inflation	2020	2021 +
<u>Resident Services</u>		
Private	3.5%	3.5%
Medicare	2.0%	2.0%
Medicaid	2.0%	2.0%
<u>Other</u>		
General Fund Subsidy	0.0%	0.0%
Expense Inflation	2020 - 2023	2024+
Labor	2.5%	2.5%
Other	3.5%	3.5%

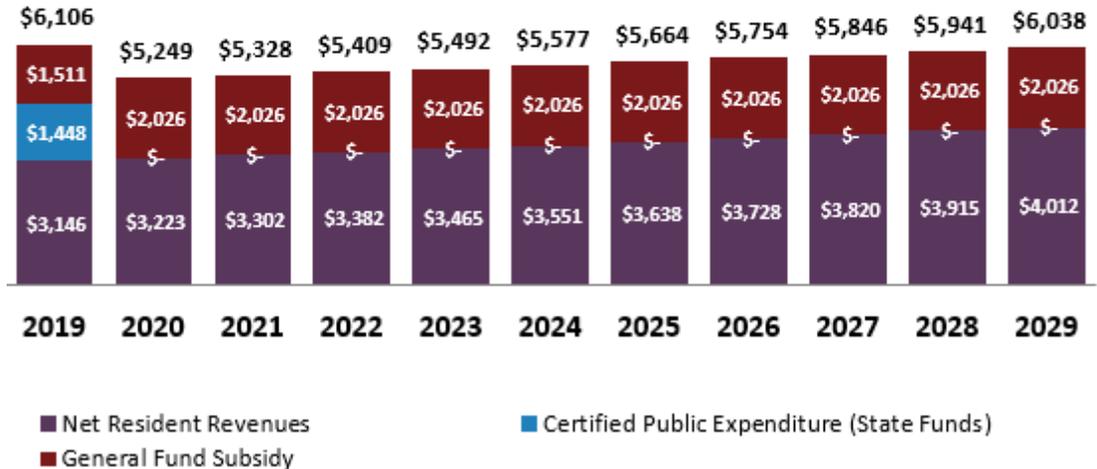
Footnotes

- Retained Earnings Usage amount provided by Director of Finance as an annual budgeted amount

(\$ in Thousands)	2019	2020	2021
OPERATING REVENUES			
Net Resident Revenues	\$ 3,146	\$ 3,223	\$ 3,302
Certified Public Expenditure (State Funds)	1,448	-	-
General Fund Subsidy	1,511	2,026	2,026
Total Revenues	6,106	5,249	5,328
Operating Revenue % Change		-14.0%	1.5%
OPERATING EXPENSES			
Labor Expense	6,039	6,190	6,345
Other Expense	1,485	1,537	1,591
Total Non Capital Expenses	7,524	7,727	7,935
Operating EBIDA	(1,418)	(2,478)	(2,608)
Operating EBIDA %	-23.2%	-47.2%	-48.9%
*Interest Expense (Funded by Town)	-	-	-
Total Operating Expenses	7,524	7,727	7,935
Operating Margin	(1,418)	(2,478)	(2,608)
Operating Margin %	-23.2%	-47.2%	-48.9%
NON-OPERATING, NET			
Retained Earnings Usage (Budgeted)	3,019	2,687	1,685
Total Non-Operating, Net	3,019	2,687	1,685
NET MARGIN	\$1,601	\$209	(\$923)
Net Margin %	26.2%	4.0%	-17.3%

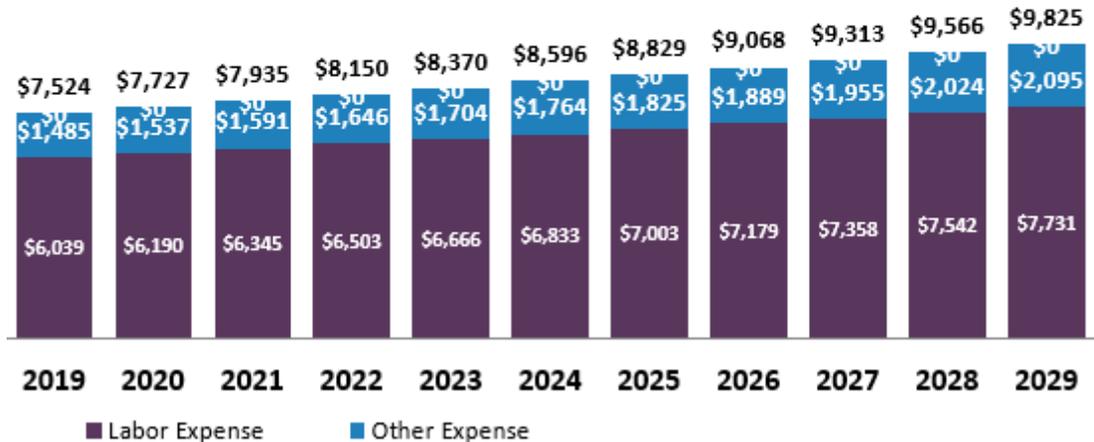
Baseline Performance – Operating Revenues

Annual Operating Revenues (\$ in thousands)



Baseline Performance – Operating Expenses

Annual Operating Expenses (\$ in thousands)

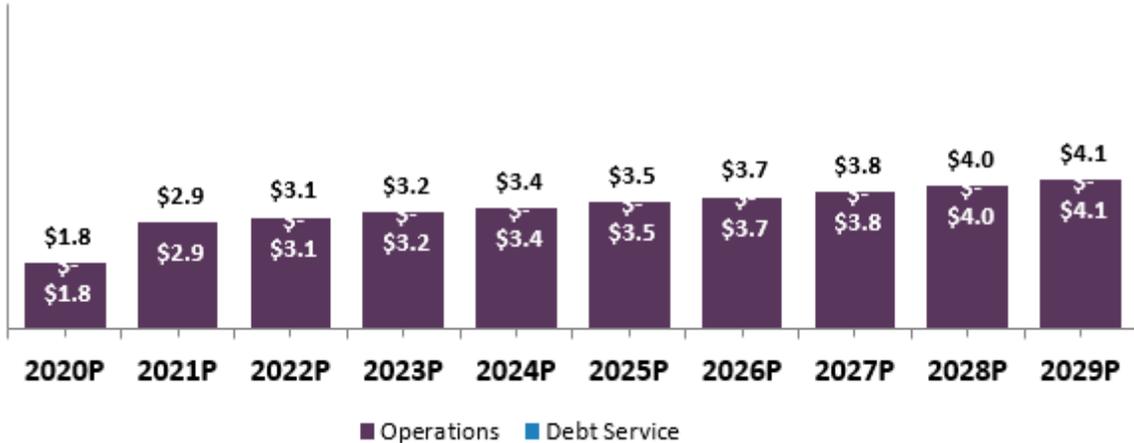


Baseline projection is based on Town of Nantucket’s FY 19 financial results
 CLA suggested using CMS Five-Star Staffing guidelines to prepare future budgets – see additional slides



CLA Intuition – Projected Annual Contribution from the Town Prior to New Construction

Annual Investment (\$ in millions)



Cost Estimates Used for CLA Intuition Financial Modeling (Provided by LWDA)

<u>Line</u>	<u>Description</u>	<u>%</u>	<u>Option 1</u>	<u>Option 2</u>
Construction Costs				
1	Square Feet		57,156	55,238
2	Cost		\$ 27,307,764	\$ 26,630,006
Other Construction Costs				
3	Overhead & Profit	10%	2,730,776	2,663,001
4	Bond	1%	273,078	266,300
5	Island Factor (Est. 30% - 40%)	30%	8,192,329	7,989,002
6	Project & Design Contingency	15%	4,096,165	3,994,501
7	Total Construction Costs		\$ 42,600,112	\$ 41,542,810
Other Project Costs				
8	Furniture Furnishings and Equipment (FF&E)		1,084,020	1,084,020
9	FF&E Design		75,000	75,000
10	Fixed Equipment (Kitchen & Laundry)		400,000	400,000
11	Architectural and Engineering (Ln. 2 + 6 x %)	7.5%	2,355,295	2,296,838
12	Other Consultants (Site, landscape, lighting, etc.)		300,000	300,000
13	Other All-In Costs at \$900 per Sq. Ft. (by Working Committee)		4,625,973	4,015,532
14	Total Project Costs		\$ 51,440,400	\$ 49,714,200



Project Assumptions

<input checked="" type="checkbox"/> Capital Project	
Private Rooms	35
Semi-Private Rooms	5 (Total Beds: 45)
<u>SNF Space</u>	
Sq. Ft. (Private Room)	150 (Square Footage (Private): 5,250)
Sq. Ft. (Semi-Private)	220 (Square Footage (Semi): 1,100)
SNF Sq. Ft. per Bed	1,075 (SNF Square Footage: 48,375)
<u>"Opportunity" Community Space</u>	(Community Square Footage: 8,000)
Therapy Space	1,000
Adult Day Health Space	1,500 (50 sq. ft. x 30 participants)
Home Health Admin. Space	500
Employee Housing Space	1,000
Other Community Space	4,000
Construction and Financing	(Total Square Footage: 56,375)



CONSTRUCTION COST ENGINEERING OF BOSTON

19 0500

Our Island Home, Nantucket, Option #1 Conceptual Estimate

2019 BOSTON UNION AVERAGE

57156 SF

Cost Comparison Report

Monday, July 22, 2019

19 0502

Our Island Home, Nantucket, Option #2 Conceptual Estimate

2019 BOSTON UNION AVERAGE

55238 SF



Project Assumptions –

See Tentative Timeline Below

Construction and Financing		(Total Square Footage: 56,375)
Cost per Sq. Ft. (2018 dollars)	\$900	(Project Cost: \$50.7M)
Start Date	10/1/2021	
Project Length	24 months	(Completed 9/30/2023)
Cash Portion	0%	(\$M cash + \$51M borrowed)
Loan Term	20 years	(Annual Debt Service: \$4.M)
Interest Rate	4.50%	

Tentative Timeline (Best Case Scenario)

- a. Sept 11, 2019 Basic Concept presented to Select Board
- b. Spring 2020 Town Meeting vote to approve funding for A/E design and OPM fees
- c. Spring 2020 RFQ for A/E design firms, OPM
- d. Summer 2020 Interview A/E firms and select
- e. Fall 2020 Begin Schematic Design
- f. TBD - 2021 Complete Construction Documents
- g. TBD - 2021 Bidding
- h. TBD - 2021 Town votes (x2) to fund project (town meeting and ballot question)
- i. TBD - 2021 Begin construction Phase 1
- j. TBD - 2022 Demolish existing OIH, begin construction Phase 2
- k. TBD - 2023 Complete construction Phase 2 and occupy
- l. TBD - 2024 Complete 1st Floor renovations to Community Space



Project Assumptions

Overall operating costs are not expected to materially change

Staffing and Operational factors assumed for new building:

- i. Nursing and Administration staff will not increase
- ii. Housekeeping staff will increase because new building is more than double existing size
- iii. Energy costs might not change that much; new building will be larger but more efficient and better insulated
- iv. Renovation and upkeep costs will be minimal for first 10 years

State Cost Report Operating Metrics (Calendar Year 2018)

Labor

Total Hours	113,335
Total FTEs	54.5

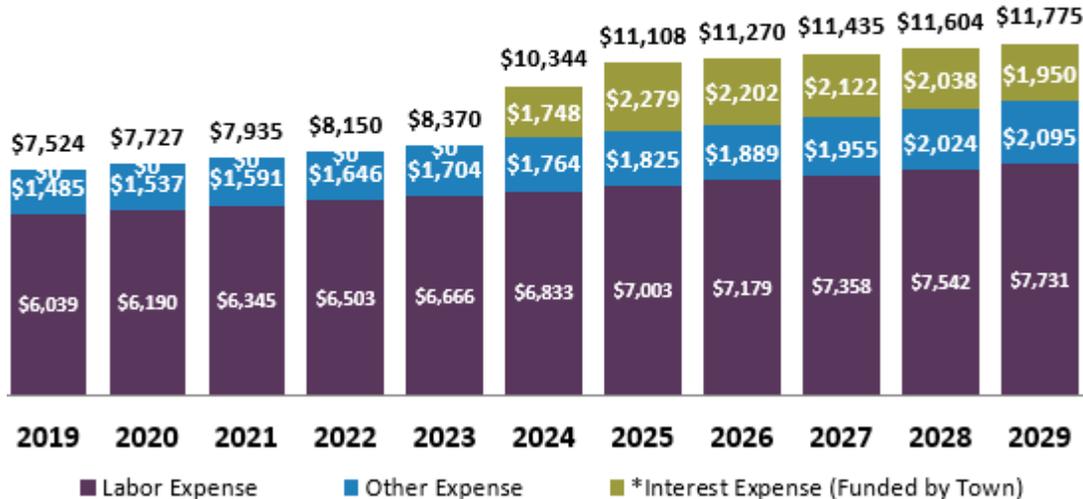
Operating Costs (Dollars and Percentage)

Nursing	\$3,421,549	42.2%
Variable Expenses (Dietary, Plant, Laundry, Hskg, etc.)	3,113,038	38.5%
Administration & General	992,109	12.3%
Non-Nursing Expense (User Fees, etc.)	291,331	3.6%
Fixed Costs	<u>275,658</u>	<u>3.4%</u>
Total Operating Costs	<u><u>\$8,093,685</u></u>	<u><u>100.0%</u></u>



CLA Intuition – Annual Expenses with Construction

Annual Operating Expenses (\$ in thousands)

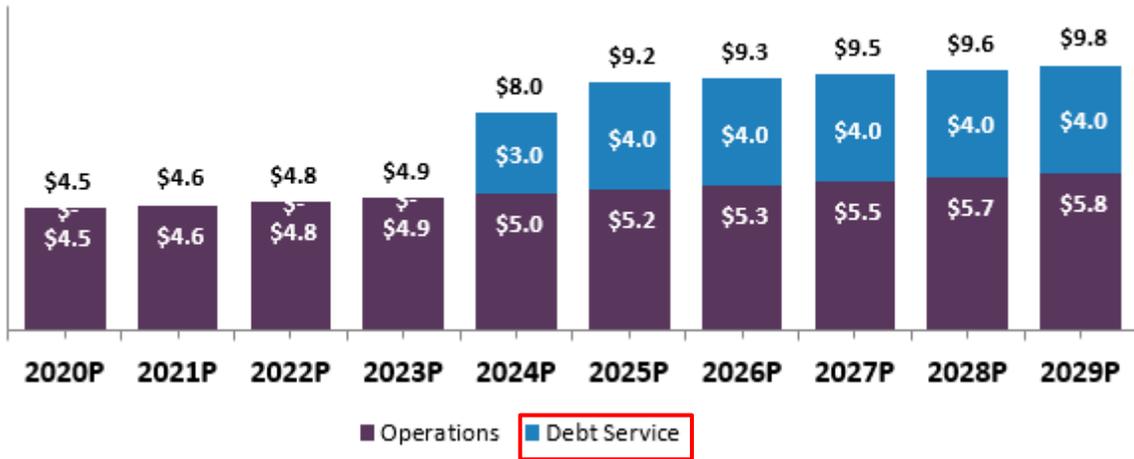


Interest expense appears in the year construction is completed (estimated 2024)



Project Performance

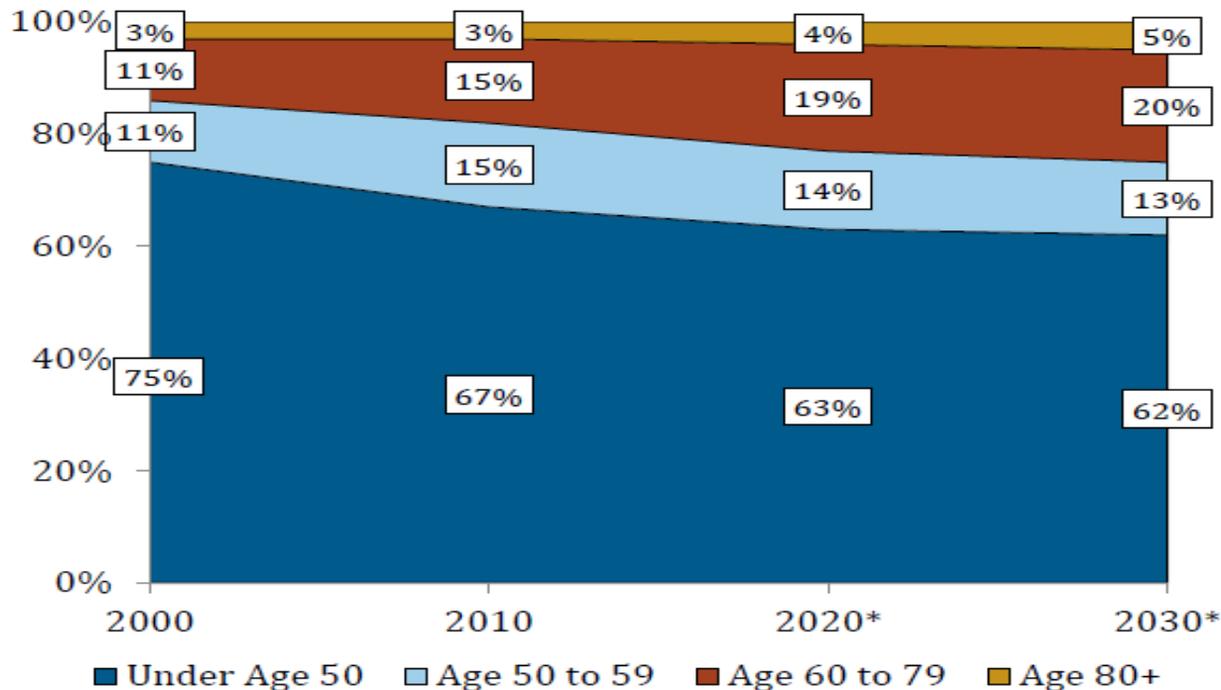
Annual Investment (\$ in millions)





Nantucket Demographic Information (previously provided on October 22, 2018)

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

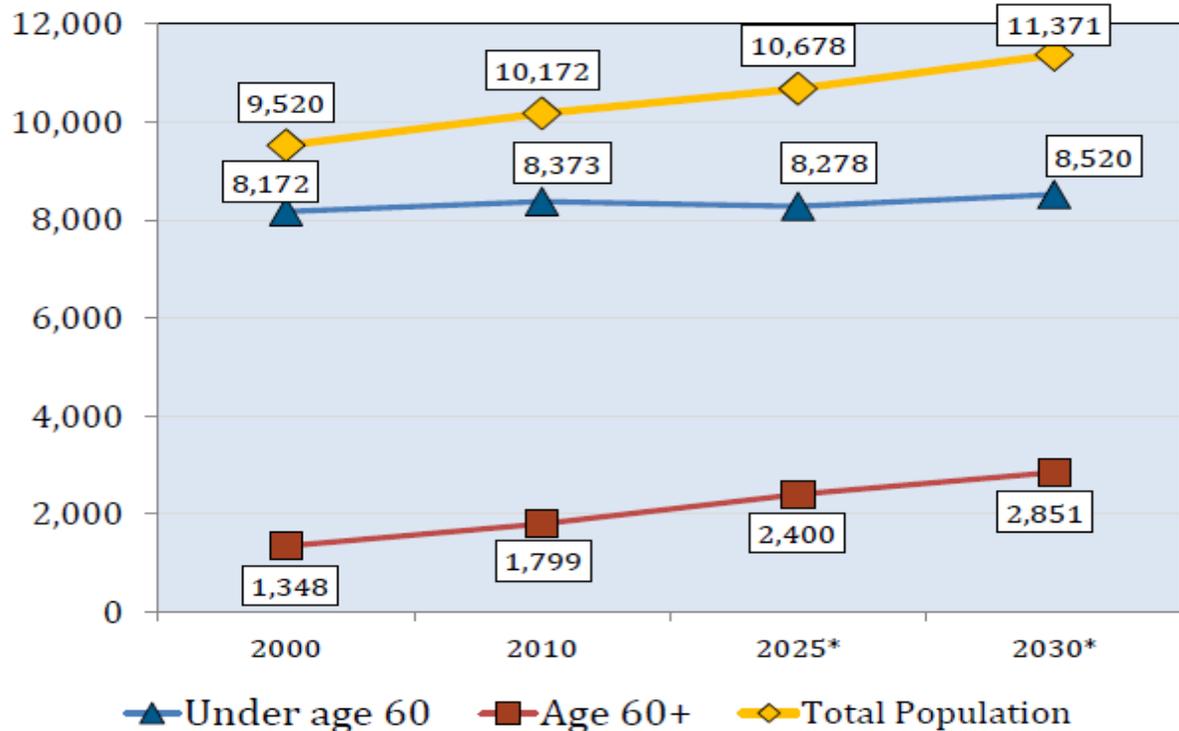
Figure 1. Recent and future age distribution of Nantucket 2000 to 2030

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/>



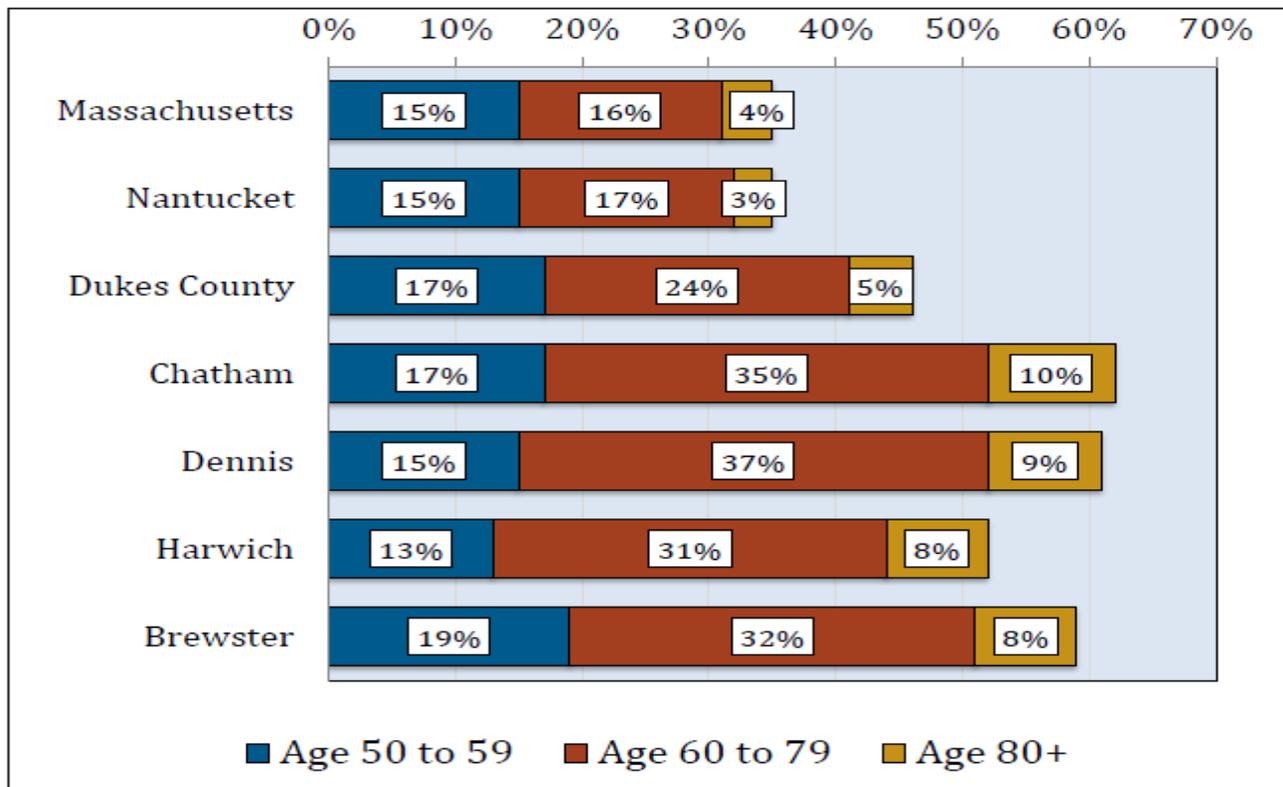
Figure 2. Population size on Nantucket, 2000, 2010, and projections to 2030*



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/>

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



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



CMS Five-Star Quality Rating

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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

CMS - Nursing Home Compare

How can Nursing Home Compare help you?

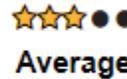
Nursing Home Compare allows you to find and compare nursing homes certified by Medicare and Medicaid. This website contains quality of resident care and staffing information for more than 15,000 nursing homes around the country. Nursing homes provide skilled care to people who can't be cared for at home and need 24-hour nursing care. Skilled care includes skilled nursing or rehabilitation services to manage, observe, or assess a resident's care. Examples of skilled care include occupational therapy, wound care, intravenous (IV) therapies, and physical therapy. You can learn more about other types of long-term care facilities [here](#).

The information on Nursing Home Compare can help you learn:

- How nursing homes have performed on health and fire safety inspections
- How the nursing home is staffed with nurses and other healthcare providers
- How well nursing homes care for their residents

Our Island Home Star Ratings

Health inspection rating 



Staffing rating 



Quality measures rating 



Source: CMS Nursing Home Compare, August 2019

Footnote 12: More than four days without RN direct care coverage during Q1 of calendar year 2019

Health Inspection Summary

Deficiency Category	Inspection Date: 02/27/2019 Complaint Reporting Period: 8/1/2018 - 7/31/2019	Inspection Date: 11/09/2017 Complaint Reporting Period: 8/1/2017 - 7/31/2018	Inspection Date: 09/27/2016 Complaint Reporting Period: 8/1/2016 - 7/31/2017
Freedom from Abuse, Neglect, and Exploitation Deficiencies	0	1	1
Quality of Life and Care Deficiencies	0	1	2
Resident Assessment and Care Planning Deficiencies	1	0	1
Nursing and Physician Services Deficiencies	1	0	0
Resident Rights Deficiencies	1	1	0
Nutrition and Dietary Deficiencies	0	0	2
Pharmacy Service Deficiencies	1	1	0
Environmental Deficiencies	1	0	1
Administration Deficiencies	0	1	0



Nursing Staffing Rating

	OUR ISLAND HOME	MASSACHUSETTS AVERAGE	NATIONAL AVERAGE
Staffing rating	 Much Below Average		
Average number of residents per day	33.7	98.4	86.1
Total number of licensed nurse staff hours per resident per day	1 hour and 28 minutes	1 hour and 37 minutes	1 hour and 34 minutes
RN hours per resident per day	31 minutes	44 minutes	41 minutes
LPN/LVN hours per resident per day	57 minutes	53 minutes	53 minutes
Nurse aide hours per resident per day ⓘ	2 hours and 52 minutes	2 hours and 11 minutes	2 hours and 17 minutes

CMS Expected Total Nursing Hours PPD	Total Nursing Hours PPD Reported by OIH	Adjusted Total Nursing Hours
2.94	4.33	4.72

Source: Publicly available PBJ data for 2019 Q1

Footnote 12: More than four days without RN direct care coverage during Q1 of calendar year 2019. This downgraded staffing to 1 star, despite total nursing hours exceeding CMS expectations.



Quality Rating – Short-Stay Measures

	OUR ISLAND HOME	MASSACHUSETTS AVERAGE	NATIONAL AVERAGE
Short-stay quality of resident care ⓘ	★●●●● Much Below Average		
Measures used to calculate the star rating - Short-stay residents			
Percentage of short-stay residents who were re-hospitalized after a nursing home admission. <i>Lower percentages are better.</i>	30.2%	24.5%	22.3%
Percentage of short-stay residents who have had an outpatient emergency department visit. <i>Lower percentages are better.</i>	10.4%	10.3%	10.7%
Percentage of short-stay residents who got antipsychotic medication for the first time. ⓘ <i>Lower percentages are better.</i>	3.7%	1.7%	1.8%
Percentage of SNF residents with pressure ulcers that are new or worsened. ⓘ <i>Lower percentages are better.</i>	Not Available ¹³	NOT AVAILABLE	1.6%
Percentage of short-stay residents who report moderate to severe pain. <i>Lower percentages are better.</i>	48.5%	12.1%	12.0%





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