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March 28, 2017

Donna Jerry
Green Mountain Care Board
89 Main Street
Montpelier, VT 05620

Dear Donna,

Please consider this our letter of intent to apply for an Emergency Certificate of Need (CON) to merge with Manchester Health Services, Inc.(MHS) and expand our designated service area to include the towns of Manchester, Arlington, Sandgate and Sunderland.

VNA & Hospice of the Southwest Region, Inc. (VNAHSR) is requesting an Emergency CON review due to the financial position of MHS. In fiscal years 2015 and 2016 MHS incurred total losses of (\$432,645) and (\$246,499), respectively. In January 2017, MHS financial statements report a total loss of (\$32,095) which indicates a loss of over \$1,000 per day. In addition they are in a negative cash position without any reserves to draw upon. With this financial position, MHS is unable to secure a line of credit.

MHS financial losses are the result of the ongoing regulatory and reimbursement changes that have impacted Home Health Agencies since 2006. During the past 10 years Medicare has cut Home Health Agencies reimbursement on average 2.3% every year while increasing administrative burden to agencies with additional documentation requirements. In addition, Vermont Home Health Agencies continue to lose money on Medicaid programs. Unfortunately Home Health Agencies do not have the ability to cost shift similar to Hospitals which makes it impossible to offset these reimbursement decreases.

VNAHSR and MHS have been negotiating a Memorandum of Understanding since November 2015. There have been multiple meetings to discuss the options that would benefit both agencies and the communities we serve. It is with this recent event of financial losses that the need for this merger is urgent and necessary in order for MHS to continue its operations; therefore we are requesting an approval for an Emergency CON.

In March 2017, VNAHSR and MHS, by action of both of their governing Boards, signed a Memorandum of Understanding in which both agencies desire to gain approval from the Green Mountain Care Board to merge their organizations in order to preserve and promote their common Mission, accomplish economies of scale and assure a full range of home care, hospice and other community services for the residents of the region. The plan is for MHS to transfer its Medicare License, and use of tradename "Manchester Health Services" to VNAHSR, the surviving corporation. The Certificate of Need requested would authorize this merger and allow VNAHSR to provide a comprehensive array of home health services to residents in the MHS four towns, (Manchester, Arlington, Sandgate and Sunderland) including but not limited to Nursing, Licensed Nursing Aides, Physical Therapy, Speech Language Pathology, Occupational

Therapy, Medical Social Work and certified Hospice services.

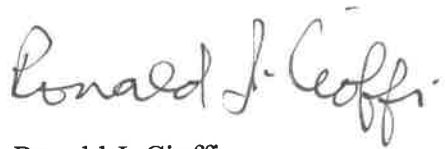
The capital costs associated with this proposal are the costs to transfer MHS to VNAHSR's electronic medical records system, including hardware, software and licensing. We anticipate these costs will not exceed \$175,000. Legal and consulting fees related to the CON application are not expected to exceed \$25,000.

Enclosed is a Memorandum of Understanding signed by both parties which explains the details of the merger agreement.

This merger between VNAHSR and MHS would assure that a financially sound, community based, non-profit home health agency would continue to provide a comprehensive assortment of home health services to all residents of these towns. In addition, by VNAHSR's agreement to hire MHS staff and operate MHS's existing office as a branch office, VNAHSR would assure continuity of staff to existing patients of MHS.

If you require more information please do not hesitate to contact me at (802) 342-0646 or our COO/CFO Sara King at (802) 342-0647.

Thank you for your consideration.

A handwritten signature in cursive script that reads "Ronald J. Cioffi".

Ronald J. Cioffi
Chief Executive Officer

MEMORANDUM OF UNDERSTANDING

Between

Manchester Health Services, Inc. and VNA & Hospice of the Southwest Region, Inc.

February 28, 2017

Purpose: The Board of Manchester Health Services would like to explore a possible merger with VNA & Hospice of the Southwest Region, Inc. The purpose of this MOU is to outline the provisions for discussion that would be important to both parties in considering a merger.

WHEREAS, Manchester Health Services, Inc. ("MHS") and VNA & Hospice of the Southwest Region, Inc. ("VNA") have a common mission to provide home healthcare, hospice and community health services in our region; and

WHEREAS, both organizations have a commitment to quality services as well as a commitment to assure access to medically needed care even for persons without insurance or the ability to pay for care; and

WHEREAS, both organizations are committed to improve efficiencies in administration and also recognize the opportunities to improve economies of scale in the use of technology, marketing and clinical resources; and

WHEREAS, both organizations recognize the opportunities for mutual program development and both have expertise in fund raising.

BE IT THEREFORE resolved, that the Board of Directors of MHS and VNA begin the process to merge their organizations based on the following principles:

1. MHS will merge with and into VNA by statutory merger procedure. Prior to the effective date of the merger ("Merger Date"), MHS shall incorporate a new nonprofit corporation with a new name ("NEW MHS") with its own Board of Directors and transfer to it the following assets currently held by MHS:

- (a) The land and buildings located at 5468 Main Street upon which are located the office building and barn currently used by MHS;
- (b) The business currently operated as the Thrift Shop;
- (c) Cash on hand, prepaid expenses applicable to (a) and (b) above and its investments/endowment funds.
- (d) Accounts receivable as of the date of VNA and MHS entering into an Interim Service Agreement pursuant to Paragraph 14 below. NEW

MHS shall be responsible for keeping its management information, billing and accounts receivable system as of that date operating and VNA shall use it to collect the accounts receivable with reasonable effort and the assistance of MHS and NEW MHS. VNA shall remit 70% of any accounts collected to NEW MHS and 30% to VNA on a monthly basis.

Prior to the Merger Date, MHS will pay the following debts of MHS as of the Merger Date:

- (a) Accounts payable, accrued pay time off (vacation, sick and other, etc.) and Medicaid tax accrued;
- (b) Its then existing line of credit and any other debts.

After the Merger Date, VNA will own MHS's remaining assets and its business and operations including but not limited to:

- (a) Medicare License;
- (b) The use of the Tradename "Manchester Health Services, Inc.";

2. NEW MHS will lease the present premises used by MHS at 5468 Main Street, Manchester, Vermont to VNA for a rent of \$1 per year for a two (2) year period with VNA having the option to renew the lease for a two (2) year period at a rent to be agreed upon. NEW MHS shall be responsible for all normal maintenance, upkeep, repairs, plowing, mowing, real estate taxes, improvements, insurance and utilities associated with the land, building and leased premises. Cost sharing can be discussed for large capital improvements and repairs.

3. NEW MHS will agree that if excess funds remain from its operation of the Thrift Shop after payment of its expenses in connection with its operation of the Thrift Shop and expenses associated with the land and building, that it will consider making annual donations of part or all of such excess funds to VNA.

4. NEW MHS will also agree to consider donating the land and building at 5468 Main Street, Manchester, Vermont to VNA.

5. VNA will amend its By-Laws to provide that MHS will have two (2) Board seats on the VNA Board for standard Board terms as stated in VNA By-Laws.

6. MHS Board members will be invited and encouraged to serve on other VNA Board committees. They will also be asked and encouraged to assist VNA with local volunteer activities and fund raising.

7. The MHS Board/Management will file for discontinuation of MHS's Medicare/Medicaid provider certification status effective as of the Merger Date.

8. Current MHS contracts/grants will be reviewed and retained by NEW MHS unless otherwise determined by mutual agreement of MHS and VNA.

9. MHS towns' funds will be mutually designated by NEW MHS and VNA for use in the individual towns served with details to be worked out during the negotiation process.

10. Fund drives in current MHS towns will be coordinated between NEW MHS Board members and the VNA Director of Philanthropy. MHS and NEW MHS will assist VNA in conducting the annual fund drive in the Manchester region and encourage the MHS family of contributors to continue support of the merged organization. NEW MHS will not do fund raising, except for the maintenance of its building and for the benefit of VNA.

11. MHS staff, other than Thrift Shop personnel, will become VNA employees with current wages and seniority retained subject to VNA's policies, Employee Guidebook, benefit plans and By-Laws. No MHS staff wages or seniority will be reduced for the period of one (1) year after the Merger Date. Thereafter, the wages of all MHS personnel will be reviewed and appropriate adjustments may be made which reflect the education, experience and certifications of such personnel based on VNA policies, Employee Handbook, and By-Laws. Benefits will be provided in accordance with VNA's benefit plans in effect at the Merger Date as amended or revised thereafter. MHS will terminate their present pension plan as of the Merger Date with notice and distribution to MHS's participants in accordance with MHS's plan and in accordance with ERISA Guidelines.

12. The MHS Executive Director will have the option to assume a new leadership position within VNA.

13. MHS clinical staff will continue to work out of the MHS office and may be asked to care for patients in the Dorset, Bennington or Rutland County towns as well as current MHS towns depending on referrals and workload.

14. Within six (6) months after the execution of this Agreement, MHS and VNA will enter into an Interim Service Agreement whereby MHS billing and collection of new accounts receivable and payroll will be handled by VNA on its computer systems. Other management and administrative functions will be reviewed by both parties for possible efficiencies.

15. Administrative efficiencies are expected, some of which will be accomplished immediately (reduction of administrative functions of MHS clinical staff-meetings, intake, etc. thereby improving productivity) while others will be accomplished later through merger of specific functions.

16. VNA will provide MHS with current VNA financials, By-Laws, Employee Handbook and VNA policies for review prior to the Effective Date.

17. Since NEW MHS is receiving from MHS the land and building, cash and investment/endowment funds as set forth in Paragraph 1. (a), (b) and (c) above, then NEW MHS shall agree to indemnify and hold harmless VNA for any and all claims and liabilities arising or claimed to arise prior to the Merger Date due to the operation of MHS, including but not limited to (a) any and all Medicare and Medicaid audits, reviews, adjustments, penalties and repayments; (b) any errors, corrections or payments due for any federal and state filings. VNA agrees that it will work with NEW MHS and MHS with respect to any claims brought against MHS and NEW MHS for actions prior to the Merger Date and provide MHS and NEW MHS with access to all relevant files and information.

18. The parties agree that after the completion of their due diligence that they will enter into a Plan of Merger containing substantially the terms set forth herein. Such Plan of Merger shall be submitted to the Board of Directors of MHS and VNA for their approval and then to the Green Mountain Care Board.

Agree, signed and dated:

Manchester Health Services, Inc.

VNA & Hospice of the Southwest Region, Inc.

By: James M Comar
Signature

By: [Signature]
Signature

Board President
Title

Board President
Title

James M Comar
Printed Name

Carrie Allen
Printed Name

March 3, 2017
Date

March 10th, 2017
Date