



# VERNON HOMES

A COMMUNITY OF CARING. SEASONED WITH GRACE.

April 1, 2019

Ms. Donna Jerry  
Health Policy Analyst  
Green Mountain Care Board  
89 Main Street  
Montpelier, VT 05620

## **RE: Vernon Green Nursing Home Replacement Project**

Dear Ms. Jerry:

This constitutes our Letter of Intent submission to the Green Mountain Care Board in connection with a proposed capital project.

Vernon Advent Christian Home, Inc. d/b/a Vernon Green Nursing Home (“Vernon Green”) intends to file a Certificate of Need (“CON”) application regarding its planned project to replace its existing single-building, sixty (60) bed skilled nursing facility (the “Existing Facility”) with six (6) new buildings each containing ten (10) licensed beds (the “Project”). Five (5) of the new buildings will be dedicated to long-term care residents while one (1) will be reserved for short-stay rehabilitative care services. The design and operation of each of the buildings will follow the Green House Project model which, consistent with the goals and recommendations of Vermont’s Health Resource Allocation Plan, replicates a home environment while delivering “person-directed” living for residents.

### Existing Conditions

The Existing Facility has reached the end of its useful life and is not suitable for capital repairs or major renovation given its age and deteriorating condition. Although Vernon Green has sustained a high level of quality care and regulatory compliance, the condition of the Existing Facility has begun to hamper cost effective and efficient operations. Moreover, the condition of the existing Facility is becoming less appealing to prospective residents and families – imposing marketing constraints and challenges associated with maintaining optimal occupancy levels.

### Proposed Green House Project

The Green House Project model is a proven replacement model for traditional skilled nursing centers and Vernon Green represents an ideal candidate for the Green House Project model and would represent the first being introduced in the State of Vermont. In order to ensure adherence

Vernon Green - Skilled Nursing Home  
61 Greenway Drive  
P: 802-254-6041 | F: 802-257-5362

Vernon Hall - Assisted Living  
13 Greenway Drive  
P: 802-254-8091 | F: 802-254-5345

Vernon Birches - Independent Apartments  
61 Greenway Drive  
T: 802-254-6041 | F: 802-257-5362

to the standards of the Green House Project model during development and ongoing operations, Vernon Green has entered into an agreement with the organization, The Green House Project, holding the trademark to the Green House brand. A key attribute of the Green House Project model is its proven staffing approach where conventional department staffing is replaced by “universal workers” whose responsibilities are more resident centered, integrated and interdisciplinary. Vernon Green has already initiated extensive training of its existing personnel to support and embrace this proposed transition. It is anticipated that virtually all key employees will have opportunity for continued employment conforming to the revised roles and responsibilities customized to the Green House Project operating model.

### Financial Feasibility

The financial modeling of a replacement Green House Project for Vernon Green evidences its financial feasibility. Following are among the highlights contributing to restored financial stability and improved operating performance as a result of the Project:

*Revenue Realization* – Given the restored environmental appeal of Vernon Green, occupancy levels are projected to materially improve to a level in the range of 95%. This equates to an incremental increase of between five (5) to ten (10) residents – resulting in an annual revenue improvement of over \$1MM. It is anticipated that all existing residents of Vernon Green will be transferred to the Green House Project. Medicaid occupancy historically in the range of twenty-five (25) residents is projected to be sustained while the revenue increase is projected to be associated with growing private pay and Medicare utilization. The dedicated Green House for short-stay and rehabilitative services is anticipated to more effectively attract both private pay and Medicare residents.

*Expense Management* – Expense projections evidence material cost reductions and savings associated with indirect operating costs associated with conventional support cost centers. In addition to savings ascribed to improved and contained property conditions, operating expenses are more directed to and absorbed by resident services personnel. As such, routine operating expenses previously represented by departmental costs are dedicated more directly to resident services. This more resident centered operating model has proven to yield both higher levels of resident satisfaction as well as improved quality care and profitability.

*Profitability* – The incremental revenue to be achieved by the Green House Project is directly attributed to projected and improved net operating income (“NOI”). Vernon Green is currently reporting a marginal or negative NOI that is projected to improve to over \$1MM or approximately 15% of operating revenue. This materially improved profitability contributes to financial stability while providing requisite resources for continuing employee investment as well capital reinvestment in continuing operations. While the Project will result in an increase in the capital basis represented by Vernon Green, the capital costs will be mitigated by operating cost efficiencies and other qualitative attributes to be outlined in the Application.

*Capital Expenditure* – The Project is estimated to represent a total capital expenditure of approximately \$15MM and the Project is planned to be funded by conventional commercial or

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agency financing. The Project underwriting is expected to require equity funding by Vernon Green of up to twenty percent (20%) depending upon the chosen source of capitalization. Vernon Green is equipped to source and satisfy equity requirements for the Project.

Vernon Green is planning to submit our CON application for this project by the end of May 2019. We are seeking our application approval before the end of 2019 so that construction can begin in early 2020 and be completed before the end of 2021.

We have appreciated discussions with you regarding this project and the CON process in advance of this letter. We look forward to hearing from you regarding the current specifics required within our CON application so we can refine our materials and submit our CON. Questions regarding this letter and project may be directed to me (contact information provided above).

Sincerely,



M. Bradford Ellis  
*Executive Director*

CC: Craig T. Miskovich, Esq.  
Lucie L. Garand