VERMONT

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March 25, 2016

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209 Battery St.
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Delivered Electronically

RE: Genesis Healthcare, Purchase of Five Skilled Nursing Facilities in Vermont, Docket No. GMCB-014-15con

Dear Linda:

Thank you for the responses to our last set of questions. We are hopeful to close this matter shortly so it can be set for hearing, but need some additional information.

As you know, Vermont Medicaid nursing home reimbursement is cost-based. We therefore need to understand how the allocations of insurance costs to Vermont facilities compare to actual costs incurred. Please provide the following:

Liability Insurance

1. Explain why Genesis uses actuarial estimates rather than determining the actual cost of liability insurance based upon premiums and deductibles paid in each fiscal year.

2. Explain and define the terms “state rate” and “equitable risk sharing.”

3. Provide and fully explain the steps to calculate calculation Vermont’s 2014 “state rate,” including the application and computation of equitable risk sharing.

4. Provide historical loss records for the three most recent mature loss periods used for Vermont 2014 cost reporting, including a breakdown of the entity (Genesis, insurer, etc.) that paid each loss.

5. Explain whether losses are the same as claims paid out.

6. Demonstrate and fully explain how the 2014 Vermont "state rate" determines the allocated liability insurance costs to Genesis's four Vermont facilities, as reported on the 2014 Vermont Medicaid cost reports.

7. Confirm whether the liability policies and allocations will be the same for the five Vermont facilities to be purchased as for the four Vermont facilities currently operated by Genesis. If different, describe and explain how costs will be allocated and recorded for each of the five Vermont facilities being purchased.

Workers' Compensation

8. Based on information from the Vermont Division of Rate Setting, the 2013 workers' compensation rates applied to the Rutland and St. Albans facilities were over $0.10/dollar of payroll, compared to Bel-Aire and Mountain View homes which were approximately $0.05/dollar of payroll. In light of your response that "[c]laim cost is allocated to each business based upon state-specific rate applied to payroll dollars," explain why these rates differ.

9. Given the availability to Genesis of actual costs of premiums, claims, administration and stop-loss coverage—and the requirement that the Medicaid cost report reflect actual costs—explain why Genesis uses estimated actuarial costs, or comparable rates from third party sources, to determine workers' compensation rates for each of its four Vermont facilities.

10. For 2013 and 2014, provide the policy page(s) that show premiums, coverage limits and deductibles for Genesis's four Vermont facilities.

Health Insurance

11. Based on the response to Question 12, it appears that Genesis runs models to estimate the cost of health care for the Vermont Medicaid cost report. Explain why Genesis does not report the actual health insurance costs for all Vermont nursing homes, and whether it will report actual costs if required to do so in the future.

12. For 2014, provide a copy of all health insurance policy(s) covering Genesis's four Vermont facilities.

13. If self-insured, provide the claims amounts paid on behalf of each of the four Vermont facilities for 2014. If not self-insured, provide the costs of the premiums less any employee contributions.

Other

14. Is Genesis or any other subsidiary considered a "related party" to Welltower? If yes, explain in detail.

15. In a table format, provide the appraisal value for each of the five facilities Genesis proposes to purchase assigned to land, land improvement, building, furniture, fixtures, equipment, good will and other intangibles.

16. According to your responses, Welltower owns the real estate assets of two of the four Vermont facilities operated by Genesis. Provide a copy of the lease agreements for Years 1, 2 and 3 for these facilities.

17. Explain whether Genesis similarly plans to sell to Welltower the real estate interests in the five facilities it is seeking to purchase in Vermont. Provide documentation, where appropriate, showing any proposed lease arrangement(s) for Years 1, 2 and 3.

18. Provide the contingency plan if Genesis is not successful in accessing the HUD financing program.

In responding, restate the question in bold font and respond in unbolded font. Send the original and two hard copies with a Verification Under Oath to my attention at the Green Mountain Care Board, 89 Main Street, Montpelier, Vermont 05620, and an electronic copy, with any Excel documents to me at donna.jerry@vermont.gov.

If you have any questions, please do not hesitate to contact me at (802) 828-2918.

Sincerely,

s/ Donna Jerry
Donna Jerry
Senior Health Policy Analyst