WakeRobin

VERMONT'S LIFECARE COMMUNITY

November 18, 2016

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

RE: Docket No. GMCB-024-15con, Proposed Renovation of Skilled Nursing Facility and Addition of Six Rooms, Project Costs: $8,170,130.

Dear Ms. Jerry:

Below are the responses to your letter to me dated November 9, 2016. As requested, your questions have been restated in bold with answers immediately following.

1. **Confirm whether the six additional skilled nursing facility (SNF) beds/rooms will be Medicare certified. Of the 39 bed total, specify the number that will be Medicare certified after the project is completed.**
    a. The six additional skilled nursing facility (SNF) homes in Cedar will be Medicare certified.
    b. The additional six will bring the total to 39 in Cedar after construction. The existing 18 SNF homes in the Juniper neighborhood are currently not Medicare certified and they will not be after constructions.
2. **Confirm whether the cost associated with the additional staffing on Table 9 is reflected in the financial tables submitted.**
    a. The costs associated with the additional staffing reflected in Table 9 are included in the financial tables submitted.
3. **(Tab 13) Assumptions indicate that with the six additional skilled nursing facility beds/rooms, the occupancy rate is projected to be 73% from 2020 forward. This means that approximately 29 of the 39 beds/rooms will be occupied. Explain why the six additional beds are needed. If there is unused capacity do you plan to accept individuals from outside of the Wake Robin Community.**
    a. The additional skilled homes are being constructed to satisfy the long-term needs of the community. The physical site of Wake Robin makes it very difficult to add incremental numbers of skilled homes.
    b. The 73% occupancy was used in the projections in order to be conservative. It is anticipated that the occupancy will be greater than 73%. Based on the twenty-year average utilization projections done during the planning process by Wake Robin's

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actuary, AV Powell and Associates, it is anticipated that the average occupancy will increase each year. At the end of the projection period, there is expected to by only 1 unoccupied room.

   c. Wake Robin anticipates seeking approval to accept short-term rehab, per diem residents that are Wake Robin Priority Depositors.

4. **In addition, projections show losses of more than $800,000 annually in year 2 (2019) through 8 (2025). Explain the reasons and justifications for the annual loss. Explain how these annual losses will be made up.**
   a. Wake Robin is a continuing care retirement community. Residents pay an up front entrance fee and then a monthly fee while living at the community. Part of the up front entrance fee is a pre-payment for their care in either Spruce (residential care), Cedar (SNF) or Juniper (SNF – dementia focused). The Wake Robin model is considered a long-term care insurance product, which is why Wake Robin is regulated by the Department of Financial Regulations. The losses of more than $800,000 will be made up on an accrual accounting basis by the incremental profit from the current and new independent living homes, and from the amortization of the entrance fees for all residents. The SNF income statement for the new 6 SNF homes only shows the additional monthly fee paid for by residents living in those homes. Wake Robin doesn't not generate internal financial statements by level of living, rather the entire facility financial results are reported as a whole.
5. **Provide the daily nursing hours per patient days used throughout the proforma by position.**
   a. The goal is to continue to maintain the same staffing ratios as currently provided.
   b. The following are hours per patient day for skilled nursing by position used each year in the proforma:
      i. RN's 0.7
      ii. LPN's 0.7
      iii. LNA's 4.1
      iv. Activities 0.7
6. **Explain why no dollars are reflected on Table 6B for Medicare. If in error, please revise and resubmit Table 6B and any other related financial tables that do not reflect projected Medicare revenues.**
   a. No Medicare dollars are shown in Table 6B for the six new Cedar SNF homes since those are expected to be occupied by permanent residents and, therefore, typically would not generate any Medicare days. Therefore, no Medicare reimbursement is shown. However, in the proforma financial statements in Tab 14, the line labeled Linden SN Revenue includes Medicare reimbursements anticipated from residents occupying existing SNF homes. Those Medicare revenues are shown on Table 6A.
7. **Confirm whether Medicare beneficiary stays are included in the proforma. If yes, provide the number of days and average length of stay shown in the proforma for each year 2019-2025.**
   a. Yes. Medicare beneficiary stays are included in the financial statements as noted above.

   b. The proforma assumes that the number of Medicare days and length of stay will be comparable to Wake Robin recent experience. In order to be conservative, no increase in Medicare stays were assumed even though there will be more residents on campus due to the increase in independent homes. The Medicare revenues are inflated by 3% per year through 2022. Thereafter, the revenue is assumed to not increase in order to be conservative. Based on recent past, the Medicare days are assumed to be about 735 per year with an average length of stay of 15.8 days throughout the proforma.

8. **For 2019-2025, specify the number of projected admissions per year, per payer.**
   a. The projected admissions shown in Table 7 (Tab17) are for permanent and temporary admissions. Permanent admissions are for residents that are moving out of their independent living homes or residential care homes into SNF (either Cedar or Juniper neighborhoods). Temporary admissions are residents from independent living or residential care to SNF for a temporary stay and are either private pay or Medicare reimbursable.
   b. It is projected that for 2019 there will be 66 admissions and for each year after that there will be 67 admissions.
   c. Wake Robin residents are all private pay.
9. **Confirm whether the Medicare Net Patient Service Revenues includes the Sequestration Adjustment of 2%.**
   a. Yes. Wake Robin budgets and records Medicare revenues on a net basis.
10. **Explain the difference between the expense categories title Therapy Services and Ancillary Expenses and what is covered in each.**
    a. Therapy Services includes the costs associated with the therapy group. The line includes the wages associated with the therapists (physical, occupational and speech) and the minor supplies needed for that group. The group provide Medicare Part A and B related services, private pay therapy services and provide wellness clinics for residents.
    b. Ancillary expenses include the costs associated with any private pay companion services, cost associated with custom work done in resident's independent homes (typically new residents), ancillary general supplies used in Linden (Spruce, Cedar or Juniper) not specific to a resident, resident billable supplies ordered for specific residents (like briefs) and food used in the café.
11. **Revenue is calculated as the number of beds occupied by the "average monthly fee". Specify the average monthly fee and how it is calculated and applied in each year 2019-2025.**
    a. Residents at Wake Robin must first move into a home in independent living. As outlined in the Residence and Care Agreement, they pay a one-time entrance fee and then a monthly fee. The monthly fee remains the same (subject to any annual percentage increase) even after they move into Spruce (residential care) or one of the SNF neighborhoods.
    b. The average monthly fee used in the proforma started with the average monthly fee being paid by the residents in Cedar in 2016. It was then inflated by 3% per year until 2020.

c. Average monthly fee per year in Cedar by year:
    i. 2016 $3,425
    ii. 2017 $3,258
    iii. 2018 $3,634
    iv. 2019 $3,743
    v. 2020 $3,855
    vi. 2021 $3,971
    vii. 2022 $4,090
    viii. 2023 $4,090
    ix. 2024 $4,090
    x. 2025 $4,090

12. Explain the positions/designations/departments included in the Health Services expense account.

a. Staff positions
    i. Director of Health Services (Administrator)
    ii. Director of Nursing
    iii. Administrative Assistant
    iv. Clinical Coordinator
    v. Nurse Educator
    vi. Direct Care Coordinator
    vii. MDS Coordinator
    viii. Quality Assurance Data Coordinator
    ix. Social Worker
    x. Registered Nurses
    xi. Licensed Nursing Assistants
    xii. Licensed Practical Nurses
    xiii. Recreational Services Manager
    xiv. Recreational Services Program Coordinator
    xv. Recreational Services Assistants
    xvi. Registered Nurse – McKay Wellness Center
    xvii. Coordinator – McKay Wellness Center

b. Non-labor costs associated with the three health center neighborhoods and the McKay Wellness Center are included in the Health Services expense account.

13. (Tab 14) Explain how the property taxes, depreciation and amortization, and interest expenses are allocated to SNF. The expense assumptions indicate 10.3% will be allocated to SNF. Does the proforma include a 10.3% allocation to the SNF or was a direct allocation method used? Please explain.

a. The expense assumptions noted in Tab 14 were correct for property taxes only. It should have indicated that the interest expense was based on a square footage allocation. The depreciation and amortizations allocation was done initially on a square foot allocation for the base year. After the project completion the additional depreciation for the new construction was added based on the project costs.

b. Those allocations were used in order to present an income statement for the new SNF homes and for the statement and existing SNF homes which is shown in Tab 14.
c. The proforma in Tab 13 does not allocate any of those expenses to SNF. The total projected expenses for each of those line items are shown on their own line. Wake Robin does not allocate overhead costs back to each department for financial reporting purposes.

14. (Tab 14) The expenses allocations do not appear to agree with the expense assumption disclosure within that tab. Please explain.

a. Please see the answer to question 13 above.

15. Explain how the LifeCare revenue is calculated for a resident stay.

a. LifeCare revenue or Entrance Fee Amortization is the recognition of income related to the initial entrance fee paid by residents when they move into the community to independent living. Wake Robin uses software provided by the contracted actuary, AV Powell & Assoc. The entrance fee each resident paid is amortized into income based on the expected life of each resident. The life expectancy changes with age and where on campus each resident is living. AV Powell uses their mortality/morbidity experience from their hundreds of CCRC facilities. Additionally, AV Powell will make minor adjustments to the tables for each facility based on its experience. Upon a resident death, any entrance fee not amortized it recognized as income.

16. Explain the Bad Debt and Accounts Receivable Allowance amounts and calculation methodologies are used in the preform.

a. The Free Care/Bad Debt shown on Table 6A represents the monthly fee forgiven when a resident runs short on funds. Under the Vermont Statute, Wake Robin is required to have a Residents' Assistance Fund in order to provide financial assistance should a resident run short of funds. The current balance in the fund is approximately $2 million dollars. The amount shown on the table reflects an estimated amount of assistance to be provided on SNF. Any monthly fee forgiven is withdrawn annually from the restricted Residents' Assistance Fund and transferred to Wake Robin unrestricted cash.
b. Wake Robin doesn't make any separate provision for bad debts in the financial statements. Other than Medicare Part A and B, all revenues are private pay. All Medicare Part A or B revenues are recorded on a net basis.

Sincerely,

Patrick McKee
CEO