



The Nathaniel Witherell Long Range Plan - 2006

Prepared by
Nathaniel Witherell Board of Directors
November 30, 2005



Executive Summary

- TNW's prior Board of Directors has previously presented the Town of Greenwich with a proposal to build a new Nathaniel Witherell.
- In September 2004, the RTM, by a Sense of the Meeting Resolution, approved construction of a new Nathaniel Witherell. This approval was subject to several conditions, including the development of a TNW business plan, that would illustrate that TNW operations be net cash flow positive after debt service and annual capital expenditures.



The Nathaniel Witherell

Executive Summary

Executive Summary.....

- Accordingly, The Board has completed a review of TNW business and has developed alternative scenarios for its future cash flow.
- The first option, to continue “business as usual”, results in a 30 year present value cash flow deficit of \$88 million.
- This option requires a significant increase in town subsidies to maintain operational inefficiencies that the RTM’s Special Committee on TNW indicates has resulted in “the highest operating costs of any skilled nursing facility (SNF) in the state of Connecticut”.
- This first option does not represent effective spending of tax revenues and is not recommended.



Executive Summary

- The second option is to re-structure costs, initiate annual fund raising and invest capital to “maintain” TNW facilities. This option results in a 30 year present value cash flow deficit of \$24 million and will require the continuance of Town subsidies at historic rates.
- Simply maintaining existing buildings would not improve the functional space nor quality and efficiency of the facility. TNW’s competitive position in the marketplace would continue to erode.
- Maintenance and renovation of this nature can be expensive and disruptive. There are also elements of financial and operating risk with this option that are not captured in the estimates and discussion.
- This second option is not recommended.



Executive Summary

- The third option is to “immediately re-structure costs”, establish TNW as an Enterprise Fund, conduct capital and annual fund raising activities and “invest in new and upgraded facilities and amenities” that will attract a more favorable mix of higher margin business.
- This third option is estimated to generate a 30 year present value cash flow of \$15 million.
- Assuming Connecticut’s DSS would contribute 60% of any capital investment, in the form of increased Medicaid per diem reimbursement rates, this projected TNW cash flow could be leveraged to generate a potential \$40+ million capital program before any additional private or public capital contribution.
- This “invest” option will sustain TNW for the foreseeable future and is our recommended option.



Executive Summary

- The fourth option is to sell or to close TNW.
- If the required financial guidelines, as established by the Town of Greenwich, cannot be achieved by TNW then consideration must be given to selling or closing TNW
- Or, if the risk/reward profile of a town operated nursing home is considered too great, then the sell/close option again becomes a consideration.
- The estimated cost of this option, incorporating severance agreements, a two year “wind down” period and a “shutdown” is estimated at \$5-10 million.
- Alternatively, assuming TNW’s operation could be sold, severance costs of \$2+ million would still be incurred.



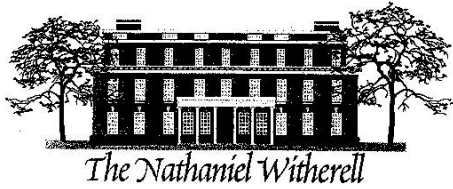
Executive Summary

- This business review and recommendation does not include specific details of a capital plan nor project financing. Until the objectives and strategies of a business plan are deemed acceptable and action undertaken, further effort to define details and financing of renovation/new building options is not warranted.



Executive Summary Next Steps

- Establish and document agreed “restructured costs”.
- Start-up and energize a 501©3 – Friends of Nathaniel Witherell Inc.
- Establish TNW as an Enterprise Fund and define required operating agreements with Town departments
- Define required recommendations and documentation for development of new and upgraded building facilities.
- Ensure Connecticut’s DSS support for any necessary changes to TNW’s previously approved CON.
- Complete recommendations for necessary financing of any recommended building project.



Situation Assessment

Town Of Greenwich

Special Committee on Nathaniel Witherell



A Special Committee on The Nathaniel Witherell

.....was established on July 14, 2003 by the Moderator of the Town of Greenwich RTM.

The purpose of the Special Committee was to study The Nathaniel Witherell Board recommendation to demolish the nursing home's existing buildings and to replace them with a new facility at a cost of approximately \$45 million.



The Nathaniel Witherell

Situation Assessment-Special Committee

Principal Findings, Conclusions and Recommendations.....

.....of the Special Committee were summarized in its August 31, 2004 final report.

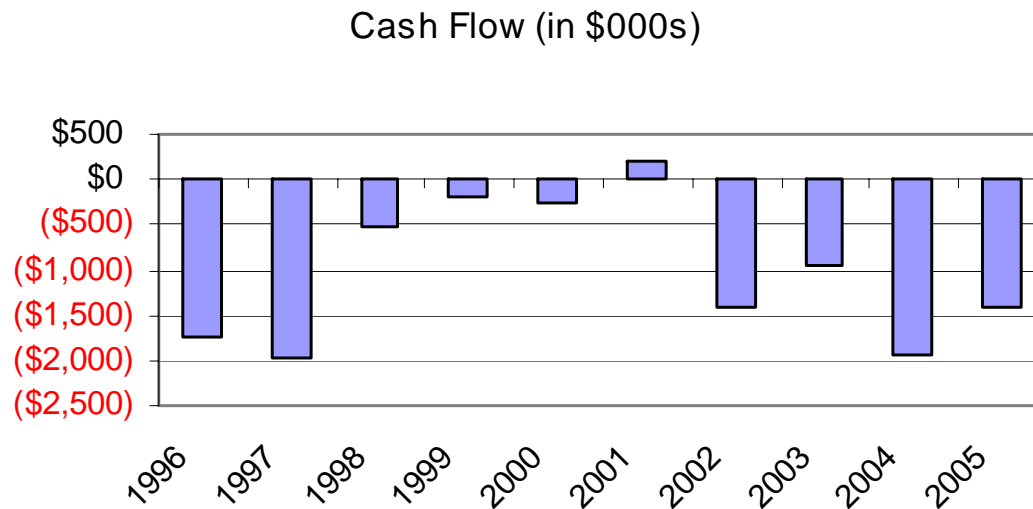
These findings and recommendations established important criteria for any future NW long-range business plan, namely:

- Financial Feasibility
- Governance



The Nathaniel Witherell Financial Performance

.....after adjustments for adequate capital investment and more accurate employee benefit expenditures, reflected an average annual cash flow deficit of \$1.0 million during the period FY96 – FY05.

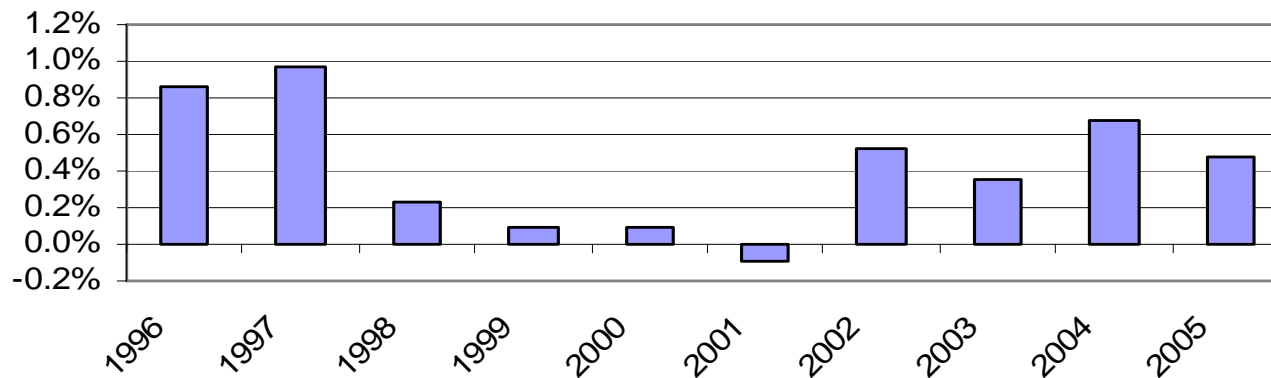




The Nathaniel Witherell's Negative Cash Flow ...

.....as a percentage of the Town of Greenwich's total annual expenditures, has averaged .41% over the same time period – in effect representing a subsidy of ½% of the annual Town budget

TNW Cash Flow as % of Town Expenditures

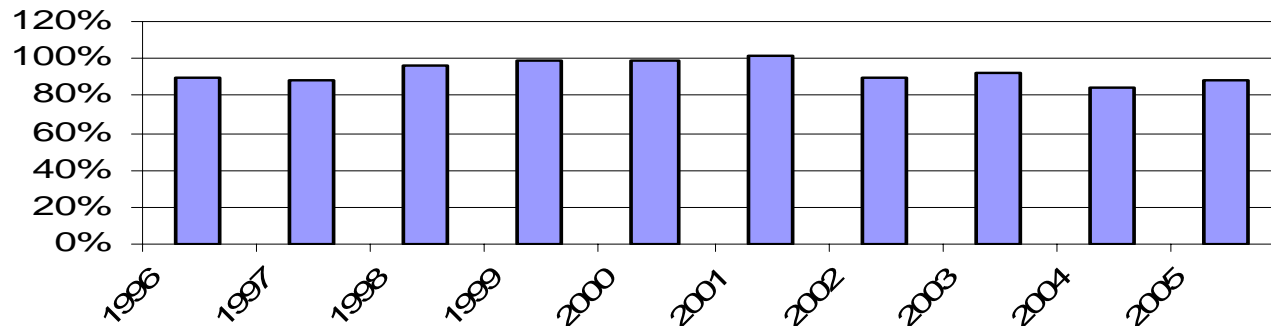




The Nathaniel Witherell and Self-Sufficiency...

- This performance, suggests that TNW has been largely self-sufficient over the last decade, with its revenues providing 94% of its operating needs.
- Taken in the context of other Town amenities such as Town Libraries, Parks and Recreation and the Bruce Museum, this represents an admirable performance.

TNW Revenue as % of Total Expenditures



Source: Town Of Greenwich annual accounts / Special Committee report on Nathaniel Witherell



The Nathaniel Witherell

Situation Assessment-Special Committee

A New Self-Sufficient Nathaniel Witherell

.....in the opinion of the Special Committee a self-sufficient Nathaniel Witherell would require ...

“Some combination ... of a higher paying patient mix, ... room rate increases, contribution of equity capital, cost reductions and annual fund solicitations, ...”



The Nathaniel Witherell

The Nathaniel Witherell as a Town Department

Citing high costs, unreported cash flow deficits, facility neglect and impediments to cost-effective management, the Special Committee concluded that The Nathaniel Witherell should not continue to be a department of Town government as cost effective operations could not be achieved on a sustained basis with this form of governance.



The Nathaniel Witherell

Situation Assessment-Special Committee

The Nathaniel Witherell and New Governance

As an alternative to having The Nathaniel Witherell operate as a Town department, the Special Committee suggested...

“A tailored not-for-profit arrangement which recognizes (a) the sensitivities needed in providing long-term elder care; (b) the collective bargaining rights of employees recognized in law; and (c) the need for continuing Town oversight at the Board level, especially while Town financing is outstanding.”



Preserving The Nathaniel Witherell

... the Special Committee report provided an insightful consideration in its conclusions...

“... The Nathaniel Witherell ranks with our schools, housing authorities, museum, and recreational facilities as valued quality of life amenities, which collectively distinguish our community. It also reflects our community’s long-standing sense of social responsibility toward our infirm elderly and their families. The risks inherent in the project are not unreasonable risks in light of the Town’s resources.”



Situation Assessment

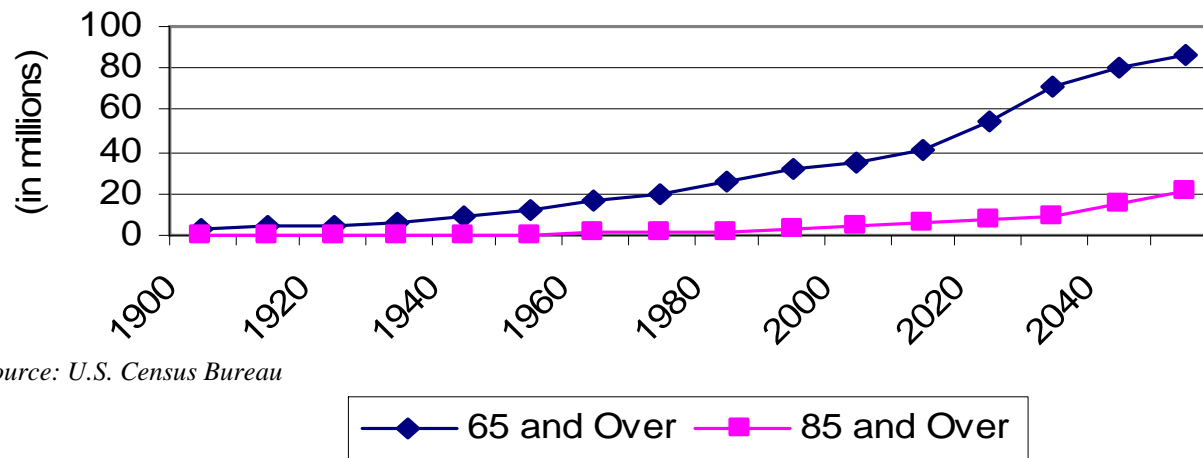
Elder Market



Older, Healthier and Wealthier.....Older

- The number of people age 85 and older will more than double during the first thirty years of this century..ensuring a significantly increasing demand for long-term care (LTC).

Population by Age Group

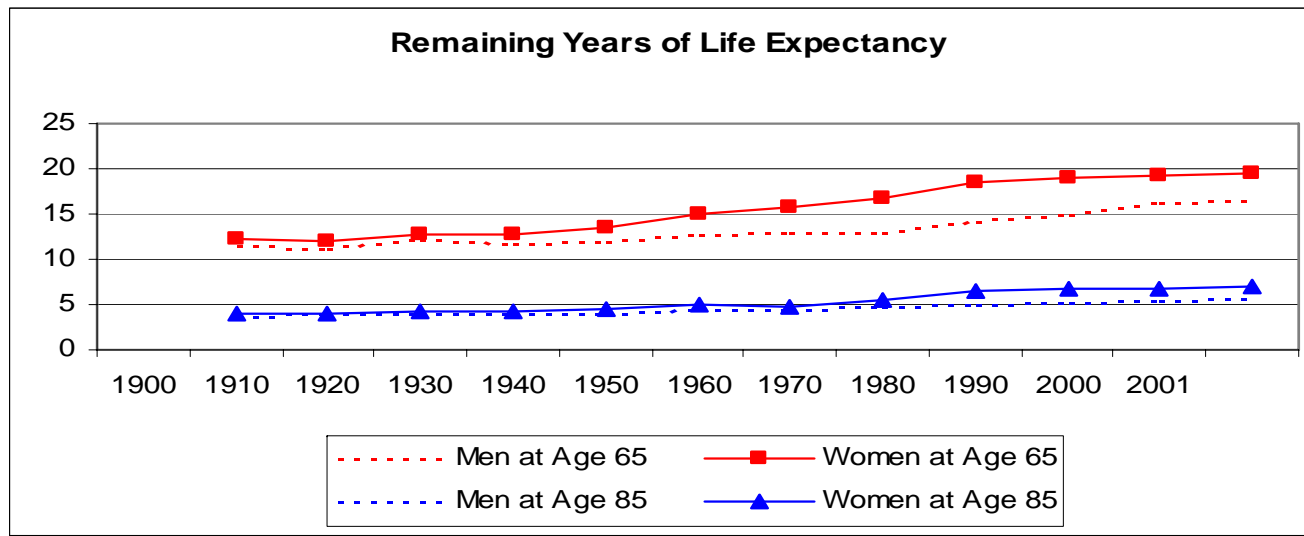


Source: U.S. Census Bureau



Older.....

- Americans are living longerlife expectancy of people at 85 years today is about 7 years for women and 6 years for men...compounding the demand for LTC .
- Nationally in 1977, 35% of SNF residents were 85+ years of age. In 1999 this incidence had increased to 47%*. At TNW, the incidence of 85+years to-day is 68%.



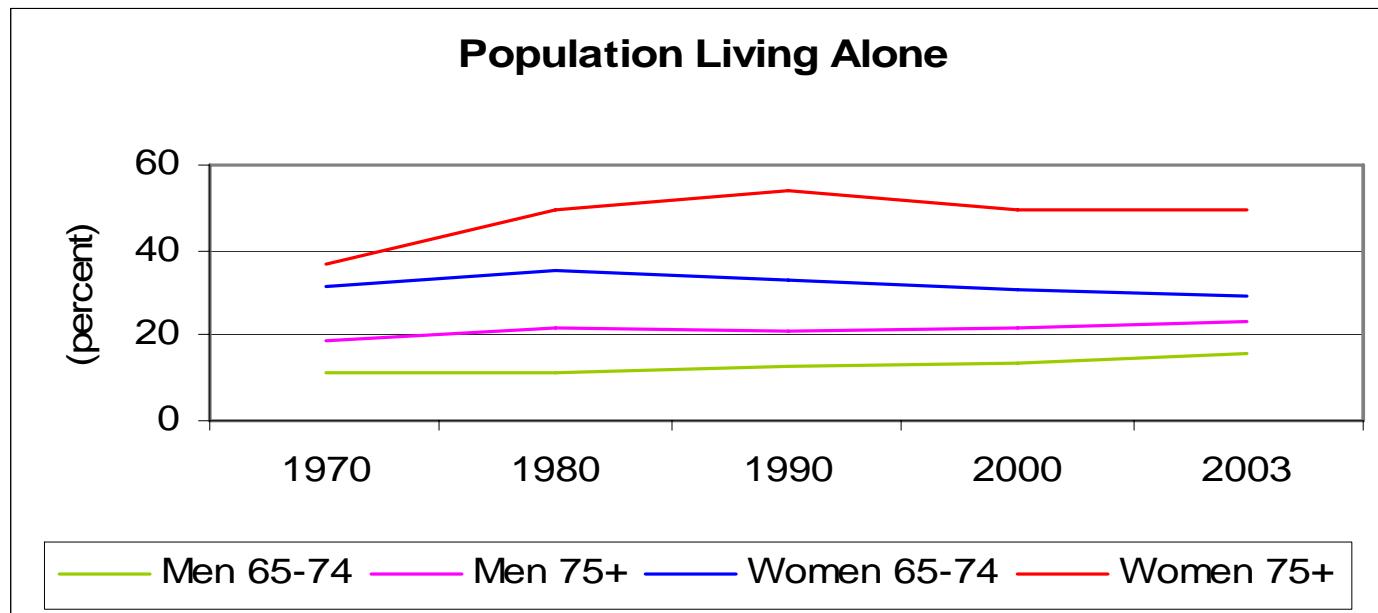
Source: Centers for Disease control and Prevention, National center for Health Statistics

*1999 National Nursing Home Survey



...Older and Alone...

- This “aging demographic” is also accompanied by an increasing trend in the percentage of the older population living alone...a critical factor in LTC demand.

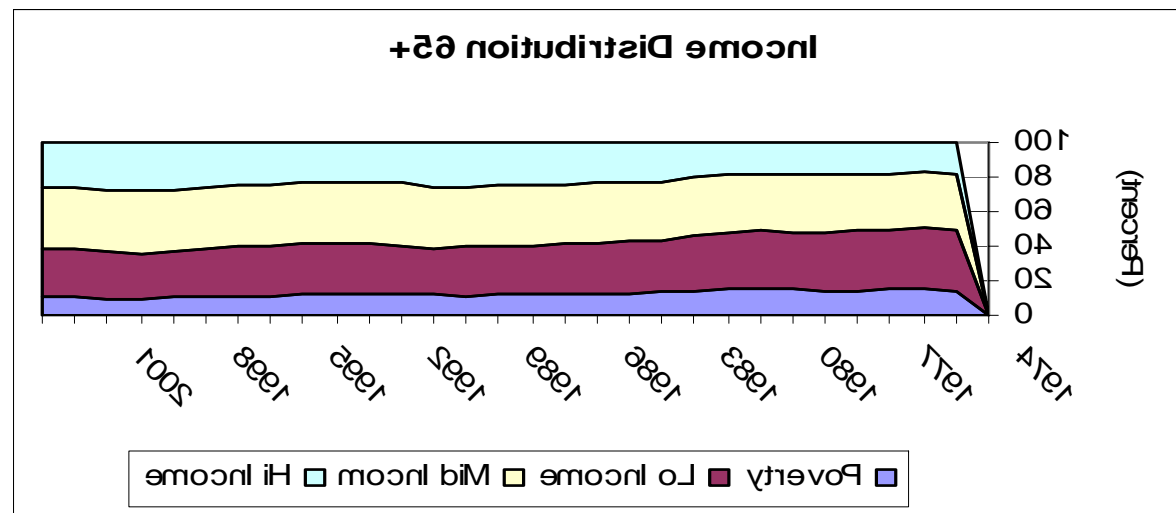


Source: U.S. Census Bureau



Wealthier ...Income Distribution..

- Since 1974 the proportion of older people living in poverty and in the low income group has generally declined ... from 49% to 38% ..but there remains a significant proportion of more than 10% living below the poverty line.
- Trends in median household income of the older population has also been positive, rising from \$16,882 (2002 dollars) in 1974 to \$23,152 in 2002...but still far from providing self-sufficiency in LTC.

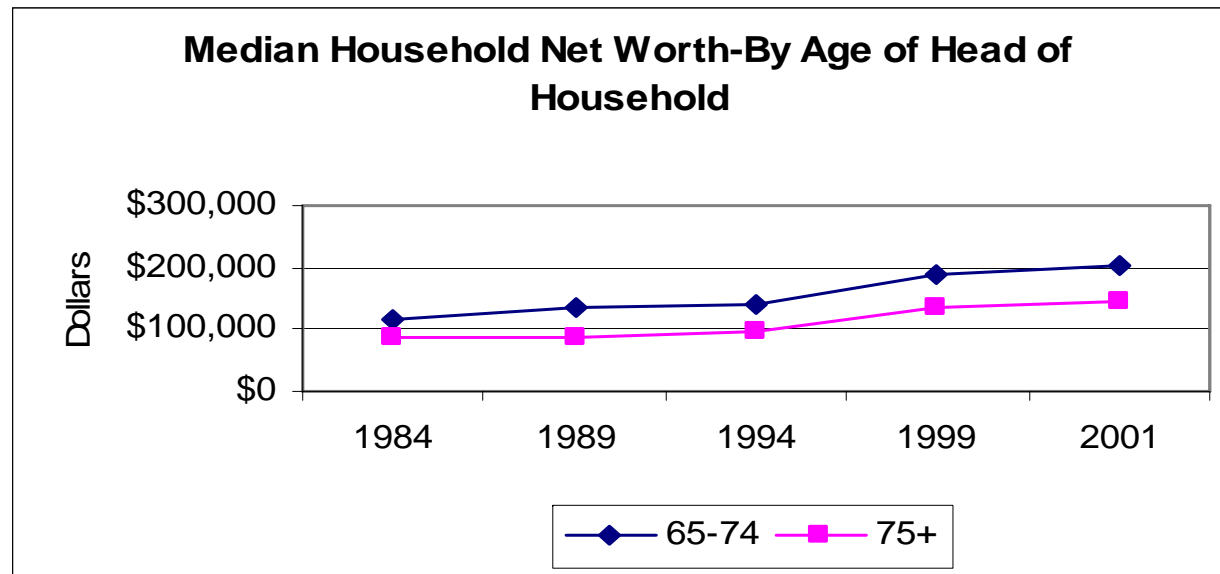


Source: U.S. Census Bureau



Wealthier.....Household Net Worth...

- Overall, between 1984 and 2001, the median net worth of households, headed by individuals 65+ increased by 82%, from \$ 98,900 to \$179,800...an annual increase of only 3.6% ... again not dramatic enough to impact trends in SNF residency.

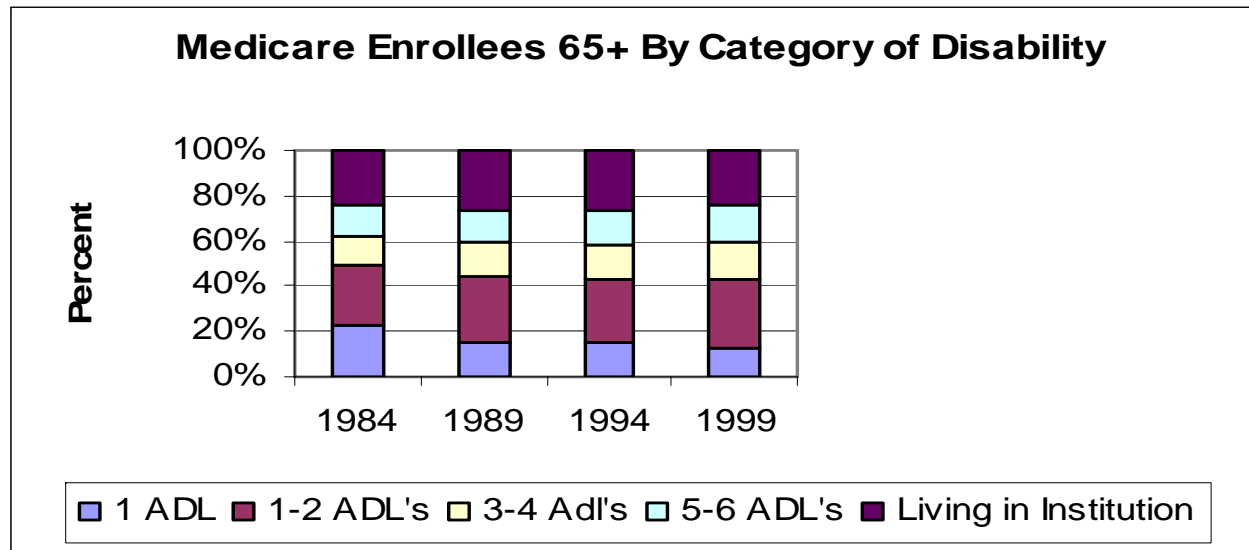


Source: Panel Study of Income Dynamics



Healthier ...Declining Rate of Chronic Disabilities..

- Age adjusted proportion of Americans 65+ with a chronic disability declined from 25% in 1984 to 20% in 1999



Source: National Long Term Care Survey

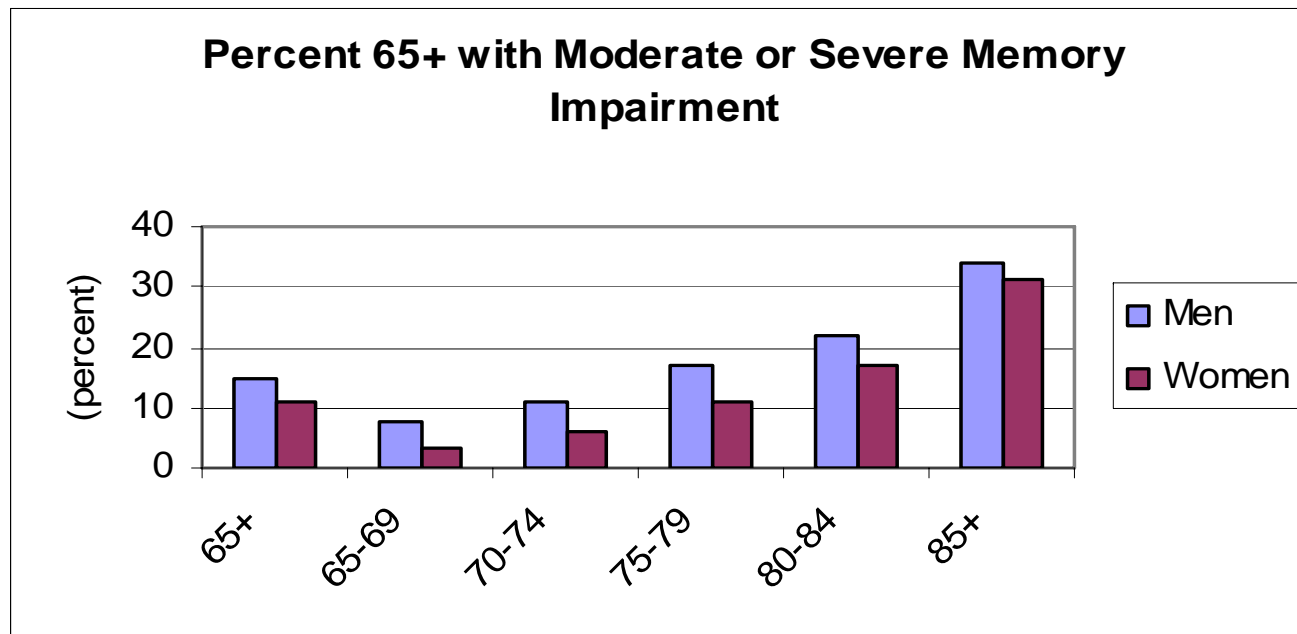
- Despite this decline in rates, the absolute number of older Americans with chronic disabilities increased from 6.2 million in 1984 to 7.2 million in 2004.

**ADL – activities of daily living*



HealthierMental Health..

- Prevalence of moderate or severe memory impairment is six times as high for 85+ as it is for age 65-69. Low cognitive functioning is a major factor in nursing home admissions.

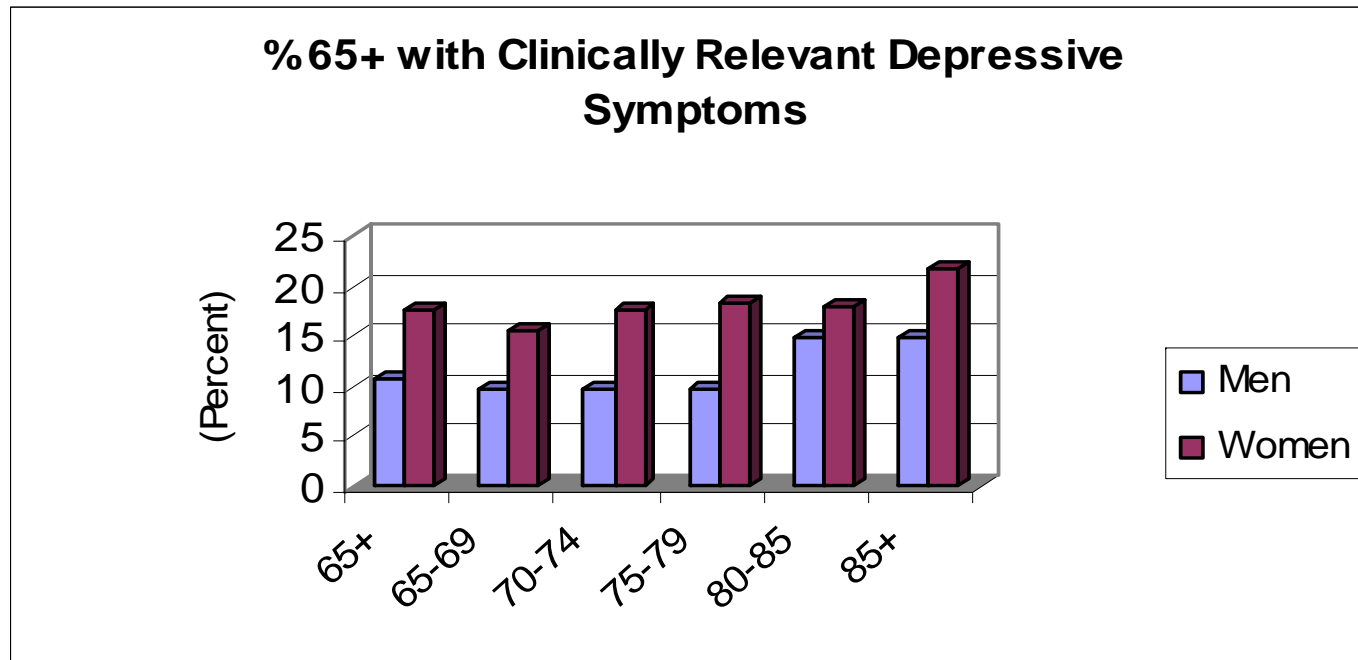


Source: Health and Retirement Study



Healthier.....Depression.....

- Prevalence of clinically relevant depressive symptoms is related to age and results in greater functional disability and requires a higher level of health-care resource.

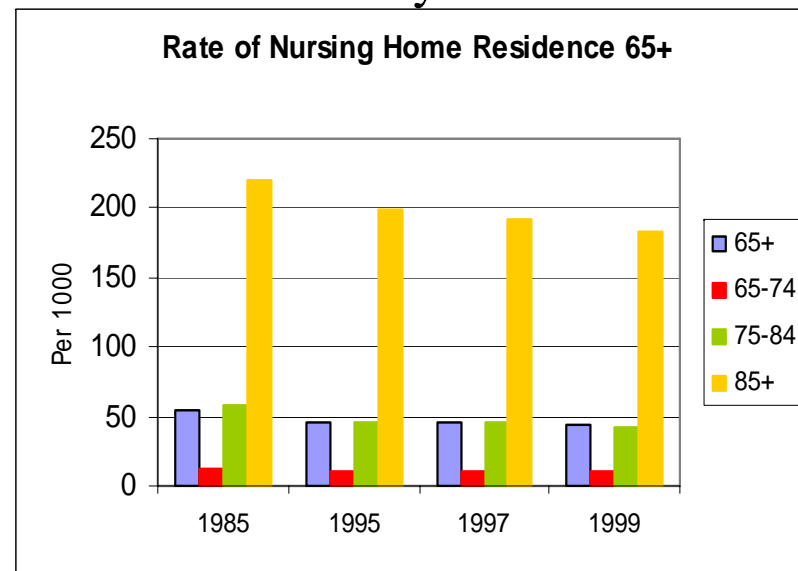


Source: *Health and Retirement Study 2002*



Healthier.....Different SNF Utilization

- Other forms of residential care and long term care services, such as assisted living and home health care, have become more prevalent as more resources are allocated to these lower cost options.
- At the same time, post-acute care in Skilled Nursing Facilities (SNF), requiring shorter stays, has grown.
- Declines in rates of skilled nursing home residence reflect these broader changes in the health-care system for older Americans.

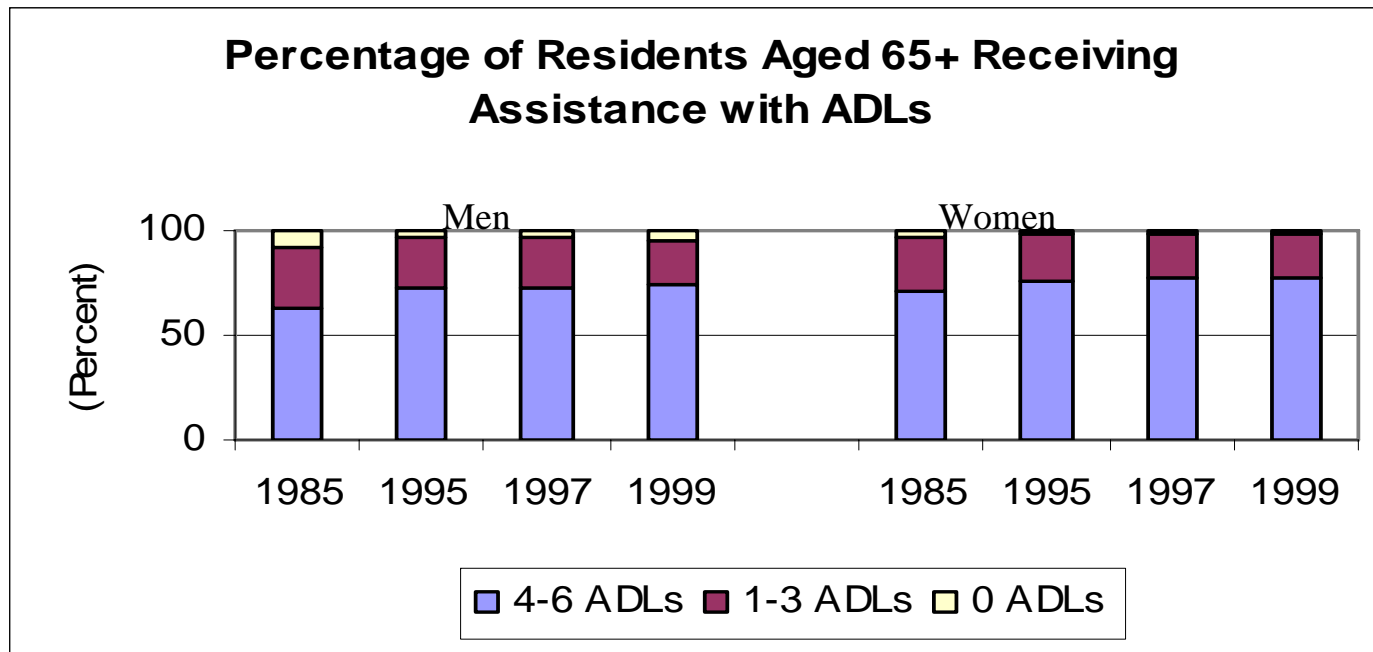


Source: *Health and Retirement Study*



Healthier...Nursing Home Care...

- Today's nursing home residents are receiving greater levels of care and assistance.
- 98 % of residents receive assistance with one or more ADLs.
- 78% of residents receive assistance with 4-6 ADLs.



Source: Centers for Disease Control and Prevention



Situation Assessment

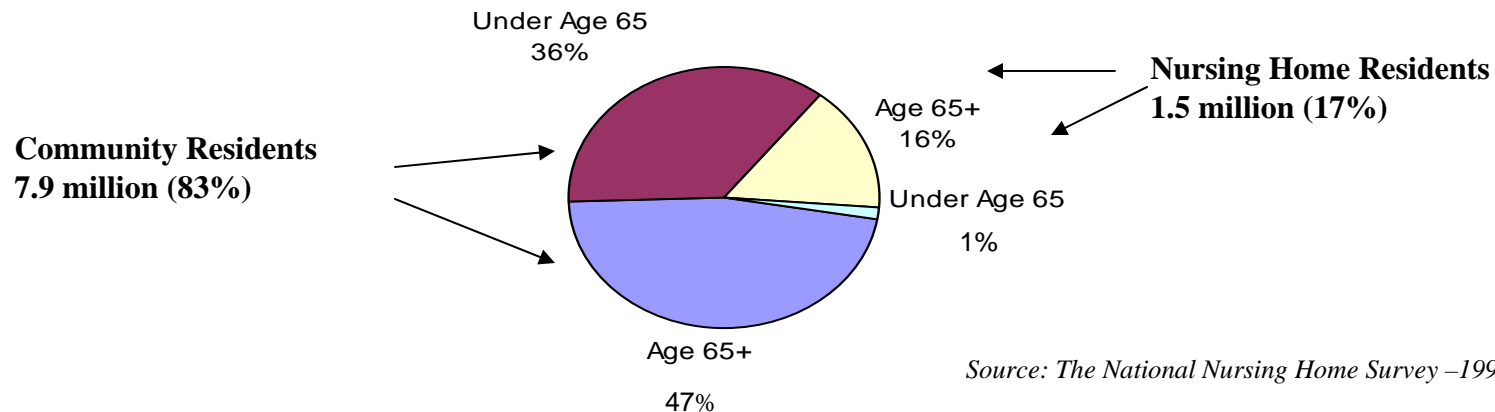
Long-Term Care



Long Term Care Needs...

- As of 2000, 9.4 million individuals were in need of LTC.
- 17% are provided LTC by SNF's

People with Long-term Care Needs, 2000



- The risk of needing LTC increases with age – the elderly are 10 times more likely to need this care.

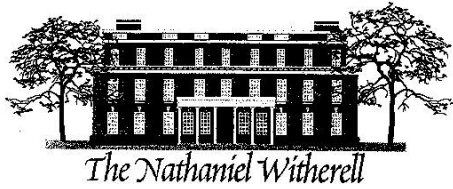
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Situation Assessment- Long-term Care

Community Residents...

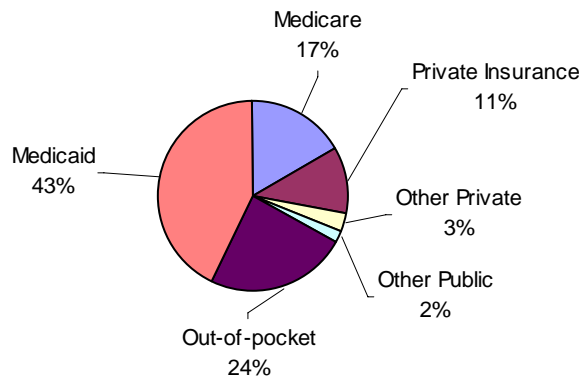
- Only 8% of adults receiving long term care at home depend solely on paid assistance.
- More than 75% of community dwelling adults with long term care needs rely exclusively on unpaid assistance from family members, friends or volunteers.
- Nursing home residents have high levels of disability.
 - Three in four require assistance in 4 or more ADLs.
 - One in two have some form of dementia.
 - In addition to substantial disability, a lack of family support can be an important factor in nursing home entry.



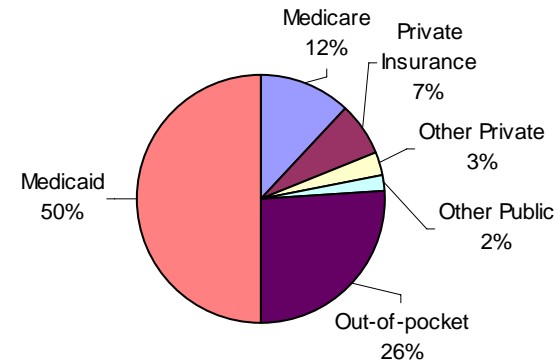
Paying for Long Term Care...

- Medicaid and Medicare are the primary payers of LTC, accounting for 60% of all payments and 62% of nursing home reimbursement.

Total Long-term Care Expenditures



Nursing Home Expenditures



Source: CMS, National health accounts, 2004



Paying for Long Term Care...

- Medicaid pays for certain individuals who have limited resources. Medicaid is jointly funded by federal and state governments and is administered by the states.
- Connecticut is one of the highest spenders of Medicaid for LTC, spending 54% of its Medicaid payments on LTC and is an average supporter of SNFs, spending 54% of all Medicaid LTC on these facilities.

State	<u>Est. State Share of Medicaid Long-term Care</u>		
	Per elderly person	Per working adult (18-64)	Rank
New York	\$1,323	\$253	1
Connecticut	\$1,047	\$235	2
Massachusetts	\$681	\$145	3



Paying for Long Term Care...(con't)

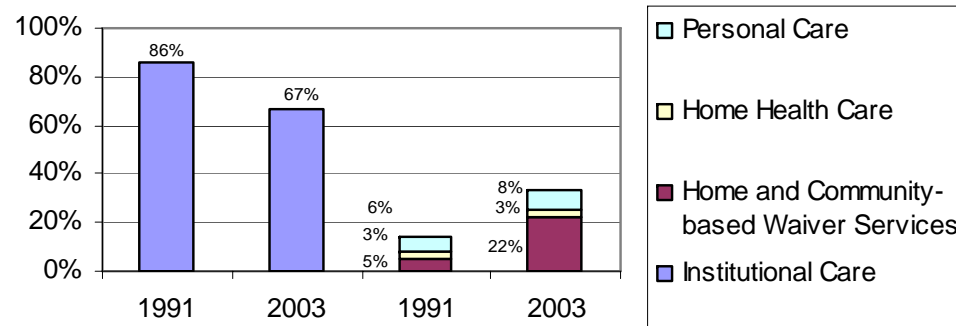
- Medicare provides limited coverage of SNF, e.g. 100 days of rehabilitation following a 3-day hospital stay.
- Private long term care insurance coverage has grown from 1.6 million (1991) to 6.2 million (2001) persons, but is generally held by those who can already afford long term care expenditures and thus is not expected to dramatically reduce Medicaid or Medicare payments.



A Graying Society...

- Total spending on elderly, including Medicaid and Medicare, is expected to be 50% of the Federal budget in 10 years.
- Medicaid and Medicare spending represents 21% of the Federal budget and is expected to grow to 29% by 2014.
- Medicaid already accounts for 50% of some states' expenditures, resulting in restricted increases, subsequent financial failures and reductions in SNF capacity.
- Medicaid spending increasingly is being used to encourage development of SNF alternatives.

**Distribution of Medicaid's Long-term Care Spending
(1991 and 2003)**



Source: Health Policy Institute - Georgetown University



A Graying Society (cont)...

- Social arguments favor people to have more control over their care, increased availability of settings and technological advances to improve daily living.
- Increasing use of waivers, block grants, entitlements and federal-state funding agreements will change the nature of SNF reimbursement.
- By government estimates, Medicaid and Medicare reimbursements face explosive growth over the next ten years and are increasingly demanding “pay for performance”, by relating pay to results, quality improvements etc.
- Redistribution of elderly populations will shift burden of states and force reassessments of federal-state spending formulae.
- The federal government recently announced their intention of reducing Medicaid expenditures by \$ 10 billion over the next five years.



Situation Assessment
The Nathaniel Witherell



TNW A Working Model – Current Situation....

TNW position today is best characterized as ...

1. Providing very good long term nursing care predicated on qualified and experienced staff, a volunteer network and investment in in-house activities.
2. Generating a negative cash flow that is subsidized by the Town of Greenwich.
3. Under-investing in facilities and services necessary to keep pace with market developments.
4. Attempting to manage a dynamic, and complex health care process while having to adhere to municipal governance, regulatory, personnel and procedural requirements.



TNW A Working Model Ideal

TNW should selectively modernize facilities and amenities for long term care, offer a wider range of services and expertise, specifically rehabilitation and dementia, while retaining an ever improving quality of care and generating a positive cash flow for investment in future services.



TNW Negative Cash Flow

...is primarily due to its high cost structure

- TNW's revenue variables.- occupancy, payer mix and per diem rates - compare favorably with those of profitable nursing homes in Connecticut.
- However, TNW has municipally based labor rates and benefits, that are at a significant premium when compared to the nursing home industry.
- And, its aged physical infrastructure demands high costs for maintenance, energy and other operating expenses.



TNW Revenue Variables

..compare favorably to other nursing homes in Fairfield County and Connecticut. TNW higher revenue variables of occupancy and the combined private/medicare census exceed industry norms.

	<u>Payer Mix - 2003 (%)</u>			
	<u>Medicare</u>	<u>Private</u>	<u>Medicaid</u>	<u>Occupancy</u>
TNW	9	26	65	97.6
FairfieldCounty-Profitable	14	18	66	96.9
Connecticut-Profitable	15	16	67	94.3
FairfieldCounty-Unprofitable	12	15	68	94.5
Connecticut-Unprofitable	13	15	71	86.6

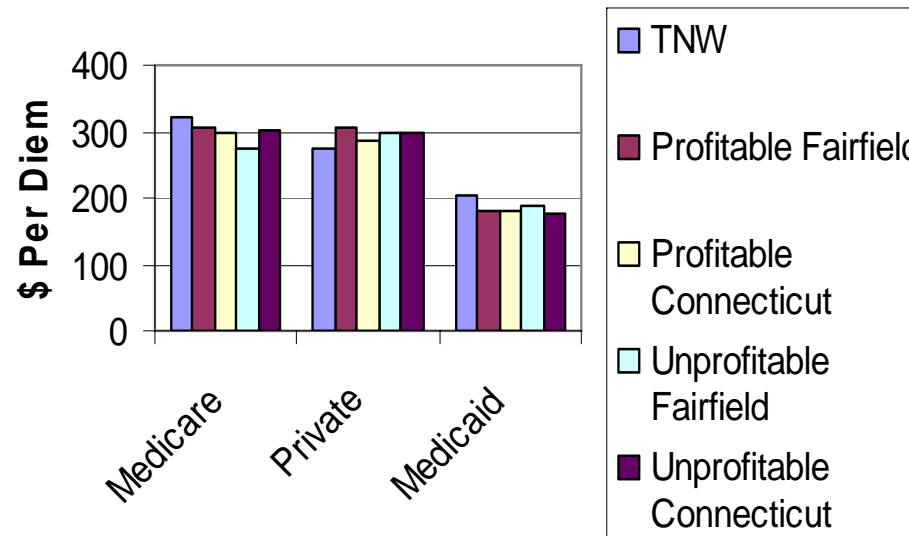
Source: 2003 Medicaid Cost Survey, UHY Study



TNW Revenues

TNW per diem rates for its Medicaid, Medicare residents also compare favorably to other nursing homes in Fairfield County and in Connecticut.

Dollars Per Diem



Source: 2003 Medicaid Cost Survey, UHY Study

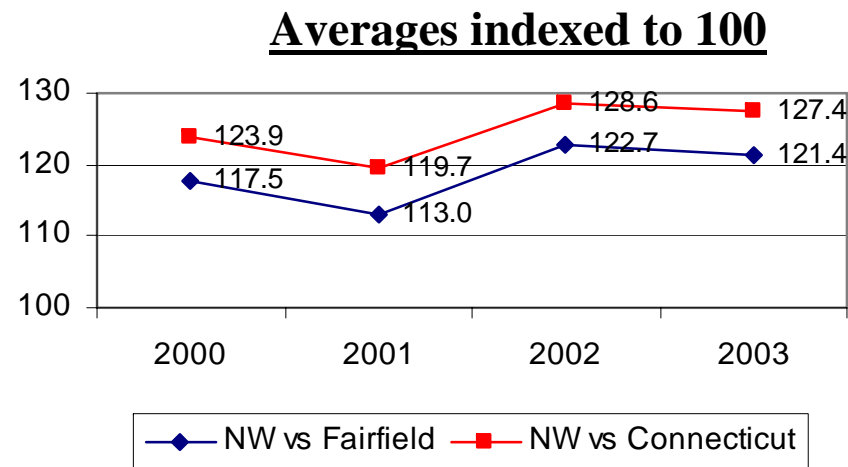
NB: NW private rates have been increased in 04-05 to be competitive within Greenwich



TNW Operating Costs

Direct care costs are defined as those expenses needed to directly provide hands on patient care and tend to include all nursing care. TNW has consistently operated with premium costs when compared to other nursing homes.

Direct Care–TNW Cost Premium Per Patient Day



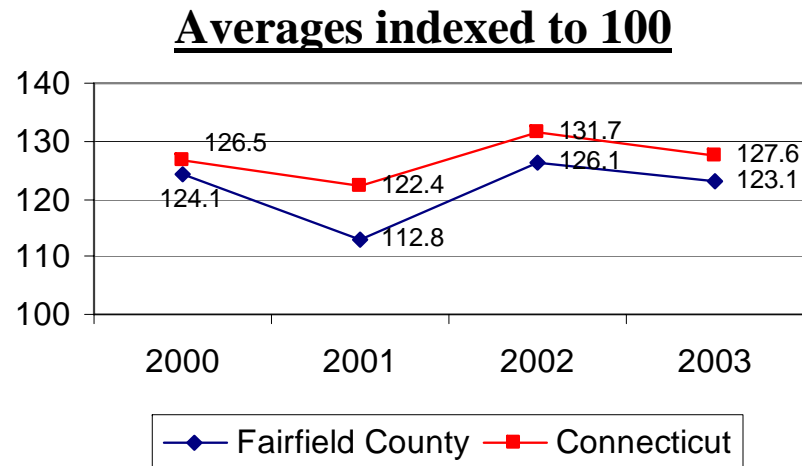
Source: 2003 Medicaid Cost Survey, UHY Study



TNW Operating Costs (con't)

Indirect care costs are defined as expenses for support departments, exclusive of nursing and administration. Again, TNW has consistently operated with premium costs when compared to other nursing homes

Indirect Care–TNW Cost Premium Per Patient Day



Source: 2003 Medicaid Cost Survey, UHY Study

NB: 2003 data adjusted to include food service management fees

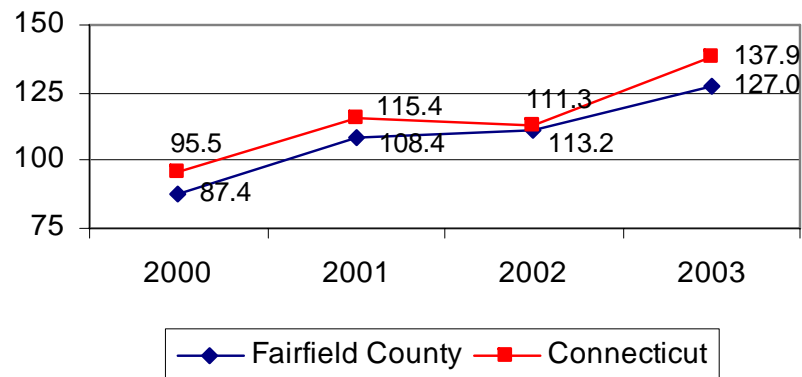


TNW Operating Costs (con't)

Administrative and General costs include all expenses excluding direct and indirect care. With the exception of 2000, TNW has operated with higher A&G costs than other Connecticut based nursing homes

Admin & General-TNW Cost Premium Per Patient Day

Averages indexed to 100



Source: 2003 Medicaid Cost Survey, UHY Study



TNW's Operating Costs....Reimbursement

TNW's 2004 Medicaid cost summary illustrates the plight of most nursing homes' inability to cover costs through Medicaid reimbursement and the subsequent need to access private/Medicare funding and to provide other services to offset Medicaid losses.

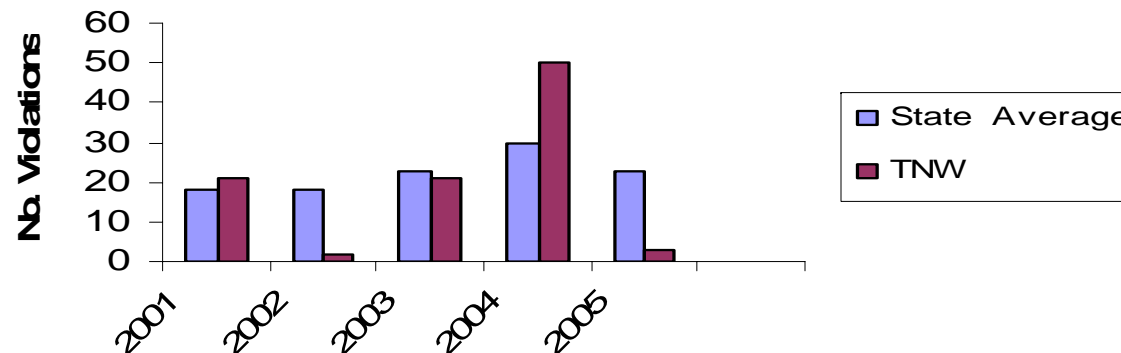
NW 2004 Costs versus Medicaid Reimbursement Schedule	
Total Revenue	\$17,377,803
Profit (Loss)	(1,541,004)
Non-allowable Medicaid costs	(1,484,212)
Loss to Medicaid Cost center rate caps	(1,690,924)
Loss to Medicaid reimbursement rate	(465,121)
Less fixed depreciation	(277,592)
Add Medicaid fair rent value	677,966
Estimated losses attributable to Medicaid	(3,239,883)



TNW Quality of Care.....

A primary measure of SNF quality of care is the annual state inspection of nursing homes. While TNW has a well deserved and high reputation for its care, its state inspection results have been inconsistent over the years.

State Inspections - Violations



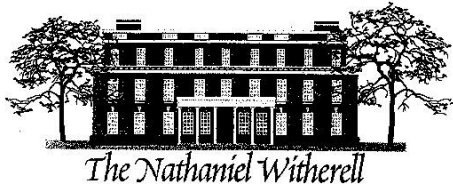
Quality of care is dependent on the commitment of caregivers which is strengthened by hiring qualified people, providing education to improve skills and retaining them for the longer term.



TNW Negative Cash Flow.....Conclusions

is primarily due to its high cost structure

- TNW's revenue variables: occupancy, payer mix and per diem rates compare favorably with those of profitable nursing homes in Connecticut.
- However, TNW has municipally based labor rates and benefits, that are at a significant premium when compared to the nursing home industry.
- And, its aged physical infrastructure demands high costs for maintenance, energy ... and other operating expenses.



TNW Medicare Census

TNW is a very traditional SNF with a long-time focus on long-term care:

- Average age of 160 admissions in 2005 was 84 years.
- 86% of all TNW admissions are from a hospital which ensures a 100 day Medicare eligibility and establishes a base Medicare census of approximately 11%.
- Between 1977 and 1999, the industry annual discharge rate per 100 beds increased by 56% to 134. TNW rate in 2005 was 80.



TNW Medicare Census (con't)

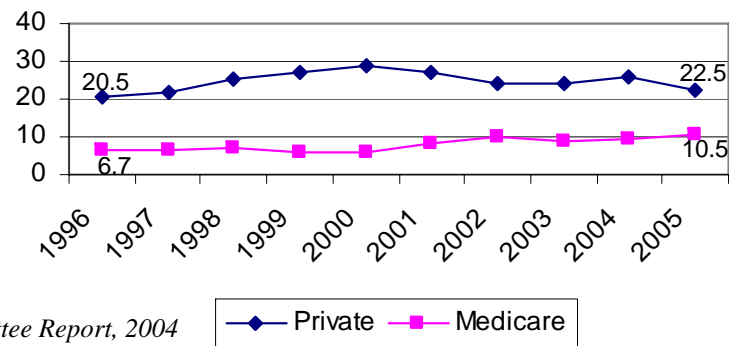
- Medicare reimbursement rates on average are 60-80% higher than Medicaid and it has long been acknowledged within the industry that Medicare revenues act as an offset to deficient Medicaid rates.
- Medicare census is, to an important degree, contingent on rehabilitation therapy services. Approximately 50% of TNW admissions are short-term rehab with an average stay of 41 days.
- Between 1977 and 1999, the industry rate of discharge attributed to residents with stays of less than three months increased by 100% to 92 per 100 beds. TNW equivalent discharge rate in 2005 was 36.*
- A higher Medicare A census will contribute to a positive cash flow, but is contingent on 1) increasing the proportion of admissions direct from a hospital and 2) more short-term stays. The latter, in turn, are contingent on a demonstrable quality of rehab care that can be leveraged to either a hospital referral and/or an insurer preferred provider agreement or an individual's preference and demand for TNW services.



TNW Private Pay Census

- A higher private payer census at a per diem premium is another critical factor in positive cash flow.
- TNW's private census peaked at 30% in FY 2000 and has been declining since.

TNW - Medicare versus Private Pay Census



Source: Special Committee Report, 2004

- The private census among long term residents in 2005 was 25.7 %.*
- 58 % of long term residents (890 day ALOS) were private pay for some portion of their stay.
- Private payers paid an average of 392 days (48%) of an average 825 day stay.

* Source: TNW 2005 Bereavement Report



The Nathaniel Witherell

Situation Assessment-TNW

NW Private Pay Census (con't).....

- If more emphasis is placed on rehabilitation services and short term stays, private pay census among the total NW population will decrease.
- If, as expected, residents enter at a later age and stage of disability, the average length of a long term stay will decrease and private pay census among the total NW population should increase.
- Today, TNW's competitive share of private payers is in line with its total share of beds.
- TNW's ability to increase its private census is contingent on its ability to increase preference for its services among potential private payers.



TNW Fund Raising

- Although TNW has had a long history in Greenwich, fund raising activity has been limited
- TNW Auxiliary has been established for 50 years and along with the establishment of a number of small trusts by patients and their families, represents the only conscious, albeit limited, effort to secure private support for TNW operations.
- Subjectively, there is a disconnect between the care of elders who can no longer afford or care for themselves and a philanthropic public that doesn't experience the need.
- Accordingly TNW has not established a public presence among a constituency that will allow for the generation of significant private contributions over the short term.



TNW ... Under-investment.....

in buildings and services has resulted in the following situation:

- Dated buildings that are subject to grand-fathered building, public health and ADA codes; are costly to maintain; are not energy efficient; and have HVAC, electrical, plumbing, communication and fire prevention systems that are near the end of their useful life.
- Outdated building designs that are inefficient to staff and to operate; lack resident privacy; reflect an older, institutional image; and have a disproportionate allocation of non-resident space that is confining to the resident in today's long term care environment.
- TNW has retained the same formula of traditional stand-alone long term skilled nursing care for the last thirty years whereas more successful facilities that care for the elderly, have made adjustments to their services, programs and physical plant to keep abreast of changes in the elder care industry.



Situation Assessment Conclusions



The Nathaniel Witherell

Situation Assessment- Conclusions

Conclusions...

- Long term care will be a critical social and spending issue throughout the next three decades. How we deal with an aging population and how we fund their needs will be an issue for society and all levels of government.
- The continuum-of-long-term-care will continue to evolve, with less emphasis on SNFs, but more community accountability for a seamless, effective and efficient continuum. Care giving needs to be supported by civic and faith based communities but also with the help and encouragement of government.
- The absolute number of elderly requiring SNF will increase, accompanied by a higher incidence of disability requiring more costly and specialized long-term skilled nursing care and quite possibly the risk of increased liability for SNF's.
- SNFs, already financially challenged, will continue to face revenue curbs and cost pressures. providing care for a more complex set of resident medical variables.
- Providing care for a more complex set of resident medical variables will require focus, performance and efficiency.



TNW A Working Model

- TNW has essentially been managed as a municipally owned long-term care skilled nursing facility.
- TNW has retained this single minded focus on long-term care while industry leaders continue to evolve towards being an efficient provider of selective and specialized continuum-of-care services and expertise which include a continuum of assisted living, adult day care, home health, geriatric assessments, dementia, rehabilitation therapy, respite and hospice services.
- Investment in a stand-alone SNF is not an attractive investment when Medicaid reimbursements do not cover costs and while the federal funding programs are subject to major re-evaluations.
- TNW will not be financially successful unless it re-invests to remain competitive, maintains efficient operations and enhances its image with potential short-term Medicare and Private pay residents.



STRATEGIC ALTERNATIVES



TNW Strategic Alternatives...

There appear to be four strategic directions for TNW

- Continue with “business as usual”
- Introduce immediate “cost re-structuring” to sustain operations.
- Restructure costs and “invest” in facilities and services to increase revenues.
- Shutdown or sell TNW.

TNW Strategic Options (30 Year PV at 6%)			
	Business	Immediate	Cost Re-Structure
	As	Cost Restructure	Invest in
	Usual		Facility & Service
			Enhancements
Revenue	\$333	\$337	\$366
Expense	\$421	\$361	\$351
Cash flow	-\$88	-\$24	\$15



Business as Usual

Under this alternative..

- Cost increases, particularly labor related, will increase faster than government restricted revenues
- TNW image and services will continue to erode and higher revenue Medicare and Private Pay census will decline
- Negative cash flow will continue and amount to \$88 million in present value (Exhibit A)
- Subsidies for TNW operations will have to increase fourfold to 1.7% of the Greenwich Town total expenditures.
- Town subsidies are in effect supporting TNW's premium cost position within the industry.
- Without this significant increase in subsidy, TNW will be forced to close or be sold.
- **This option is not recommended.**



Restructure Costs

With this alternative..

- Annual expense and labor costs, incorporating staffing, compensation, work practices and benefits, would be immediately reduced by \$3.0 million to closely align with, and in the future be based on, nursing home industry practice.
- Without investment in facilities and services, TNW image and performance would continue to erode.
- A 501©(3) would be utilized to raise annual gifts for key operating initiatives.
- Negative cash flow would continue and amount to \$24 million in present value (Exhibit B).



Restructure Costs(con't)

- But, a positive cash flow could be maintained for eight years and would sustain continued operations during that period, after which, without significant Town subsidies, TNW would be forced to close or be sold.
- This option carries an unknown risk associated with the condition of facilities and their potential impact on maintenance, capital costs and liabilities, as well as on demand for private and Medicare services.
- This option is not recommended.



Restructure Costs and “Invest” in Enhanced Facilities and Services

With adoption of this alternative..

- Annual expense and labor efficiencies of \$3.0 million would need to be immediately realized.
- Investments would be made to enhance facilities and services, with an emphasis on converting quad rooms to semis; new rehab facilities to serve as a short-term rehab center, including out-patient facilities; establishing leadership positions in the market for rehab and dementia care while enhancing the high quality of long term nursing care;
- Services would be added to meet gaps or increasing needs such as geriatric evaluations, adult day care, respite and hospice services.
- Marketing and education efforts would position TNW as the expert in care for Greenwich’s elderly.



Restructure Costs and Invest in Enhancing Facilities and Services(con't)

- Medicare and private pay census would increase to 19 and 27%, respectively. Private per diems would be raised to market rates.
- TNW could generate a positive cash flow (before incremental investments) with a present value of \$15 million.
- Complemented by State, and private funds, the TNW cash flow would support investments of \$40million+ to enhance facilities and services. (Exhibit C).
- This option is the recommended option for a future TNW.



OBJECTIVES and STRATEGIES



TNW Objectives and Strategies...

Revenue Objective: Increase daily revenue by 27% (inflation+10%) over the next eight years

Revenue Strategy:

- Increase Medicare (from 11% to 19%) and Private (from 21% to 27%) census by upgrading rehab and private facilities, services and amenities and by establishing preferred supplier relationships with insurance companies and other hospitals.
- Establish enhanced therapy services to increase Medicare A and B service and revenue levels.
- More competitive private per diem rates commensurate with facility upgrade.
- Aggressively pursue Medicaid and Medicare reimbursement rates.
- Enhance TNW reputation for special care; e.g. rehab, dementia and Alzheimer care.
- Utilize a 501©(3) for capital and annual fund raising.
- Introduce new businesses where needs can be identified e.g., out-patient rehab, hospice, respite, adult day care.



TNW Objectives and Strategies...(con't)

Expense Objective: Restructure costs to achieve immediate \$3.0 million reduction from 2006 levels.

Expense Strategy:

- Immediately align wages and benefits to an industry standard while maintaining the ability to attract and retain labor capable of maintaining and enhancing to-day's quality of care.
- Eliminate outdated work practices.
- Out-source services where necessary.
- Reduce "other expenses" by adopting new design, practices and procedures e.g., industry purchasing ...etc.



TNW Objectives and Strategies...(con't)

Facility Objective: Achieve, and where necessary for performance, exceed industry facility standards.

Facility Strategy:

- Eliminate quad rooms and replace with semi private rooms.
- Establish and maintain state-of-art in-house and out-patient rehab facilities
- Upgrade amenities to meet or exceed industry standards.
- Where necessary update building and design features to meet or exceed industry standards.



TNW Objectives and Strategies...(con't)

Organizational Objective: Ensure effective, efficient, proactive and expert management and staff.

Organizational Strategy:

- Contribute to employee commitment, effectiveness and retention through education to improve skills.
- Ensure a non-union management staff structure aligned with operating objectives
- Ensure annual evaluations of staff.
- Create in-house quality function to broaden quality assessments beyond annual licensure inspection.
- Create a Plant Operations function to oversee maintenance, housekeeping and laundry and food services.
- Use industry-based rehab services to provide excellence in service and reporting.
- Develop expertise and management in areas of special care, e.g.. dementia
- Ensure evolution of e-medicine technology to enhance efficiency/effectiveness.



TNW Objectives and Strategies...(con't)

Governance Objective: Effective, proactive administration ensuring TNW efficiency, competitiveness and leadership.

Governance Strategy:

- Immediately establish TNW as an Enterprise Fund.
- Construct an operating agreement, or procure necessary charter changes, to address the more critical “bureaucratic” hurdles of Town governance that are inconsistent with nimble and effective operation of a SNF (Exhibit D).
- Proactively manage admission and rehab processes.
- Ensure three year Board membership is adaptive and reflects changing industry, operational and business needs.
- Energize a 501©(3) – Friends of Nathaniel Witherell Inc– to act as fundraising arm for capital and endowment projects.
- Ensure active TNW participation in industry developments.



TNW Objectives and Strategies...(con't)

Marketing Objective: Position TNW as the expert in elder care in Greenwich

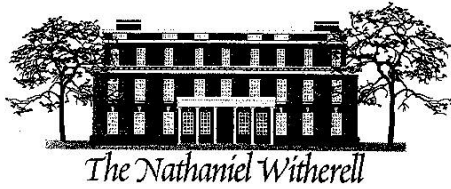
Marketing Strategy:

- Assign clear accountability and budgets for marketing and public relations
- Aggressively develop and market rehab, dementia, hospice and respite services
- Promote a Town sponsored and integrated continuum of care for Greenwich in which TNW assumes an important role
- Establish working relationships and associations with all interest groups associated with elder care in Greenwich
- Sponsor work shops/seminars, etc that will disseminate new information on elder care
- Establish working associations with high profile groups that will enhance TNW image for elder health care, e.g. Mayo Clinic ...



Operational Efficiencies

<u>501©3 Rationale</u>	<u>Enterprise Fund</u>
<ul style="list-style-type: none"> •BOD’S free of political process...self-sustaining through appropriate selection..term limits...skills that provide necessary balance 	<ul style="list-style-type: none"> •Re-commitment of Town to municipal nursing home should embrace “ obligation to operate in first class manner” and should have no difficulty embracing the required selection and operating processes
<ul style="list-style-type: none"> •Significant advantage in ease of fund raising 	<ul style="list-style-type: none"> •Advantage is not obvious – significant fund raising being accomplished by public Norwalk College and U. Connecticut. TNW profile, image and lack of previous fund raising activities are issue. On-going fund raise with special emphasis i.e.. recreation. dementia, hospice and respite will also alleviate as issue



Operational Efficiencies

<u>501©3 Rationale</u>	<u>Enterprise Fund</u>
<ul style="list-style-type: none"> •Ability to retain surplus for benefit of facility 	<ul style="list-style-type: none"> •Establishing an Enterprise Fund allows for surplus retention
<ul style="list-style-type: none"> •Prioritization of Capital without competing with other Town departments 	<ul style="list-style-type: none"> •Establishing an Enterprise fund allows for own capital plan
<ul style="list-style-type: none"> •Labor relations and contracts no longer subject to Town negotiations 	<ul style="list-style-type: none"> •TNW has ability to-day to have separate negotiations and contracts and this will be cornerstone of cost re-structuring
<ul style="list-style-type: none"> •The ability to change with market conditions is critical in the health care field 	<ul style="list-style-type: none"> •Where good management exists this is not an issue. Enterprise Fund concept will also facilitate.