



Smith House Financial Status

(Presented to the Board of Finance and Board of Representatives on July 20, 2015 and to the Smith House Board of Directors on October 15, 2015)

The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Nursing Home Trends

- **Challenges Facing Nursing Homes**
 - Medicaid Encourages “At Home” Care vs. Nursing Home Care
 - The Cost To Provide Care for Patients Generally Exceeds The Medicaid Reimbursement Amount
 - Operators That are High Percentage Medicaid are Forced to Be Low Cost Operators
- **Nursing Homes are Competing for High Pay Patients with Attractive Facilities and Added Services**
 - Active Marketing Programs
 - Hotel-like Services Provided to Attract Individuals Willing to Pay for Them
 - Competitive Facilities Have Private Rooms with Bathrooms and Showers
 - Many Facilities Offer a Continuum of Care from Assisted Living to Nursing or Alzheimer’s Care
 - Proximity to Physicians/Hospitals is Preferable for Convenience
 - Regular Capital Investment is Needed to Maintain Competitiveness
- **Consolidation**
 - Potential to Spread Overhead Costs for Purchasing, Billing, Legal, etc.
 - Contracting out Non-Nursing Services

The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Municipal Owned Nursing Homes

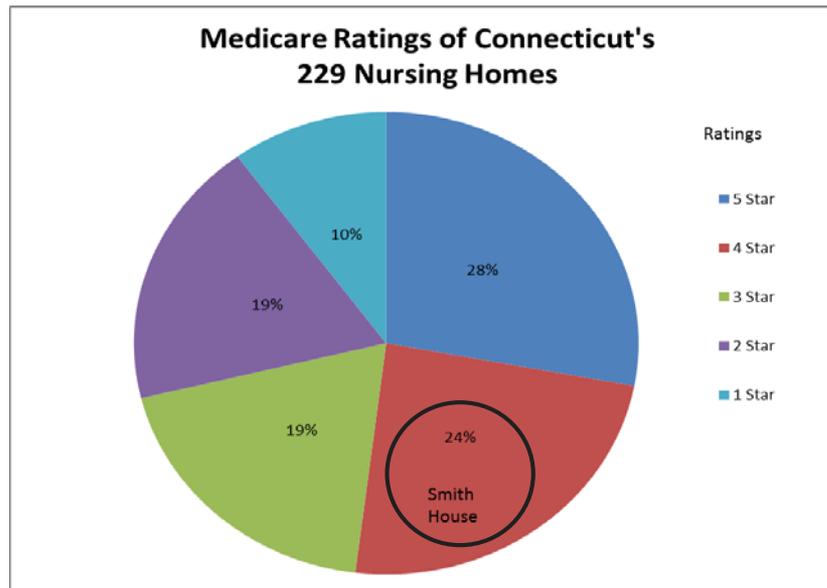
State	# of Facilities	# Municipally Owned
Connecticut	229	2 (Smith House/Witherall)
Massachusetts	414	1 (Nantucket)
Rhode Island	84	0
New Hampshire	76	0
Vermont *	37	0
Maine	103	0
New Jersey	364	0
New York *	628	0
Total *	<u>1,935</u>	<u>3</u>

* Has County-owned nursing homes. Due to high operating losses, many County homes are closing.

The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Smith House Highlights

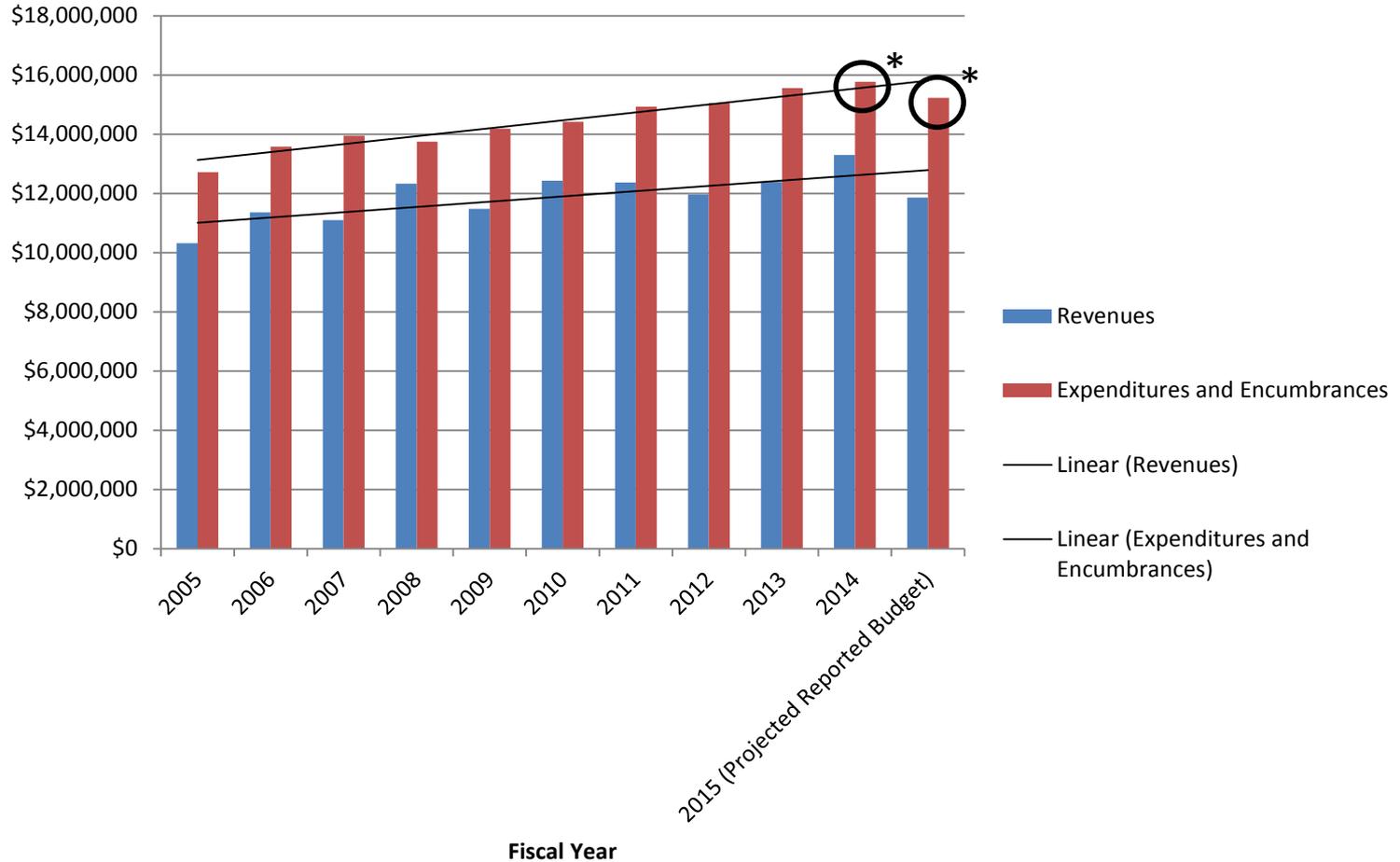
- In a Stamford Hospital Study by Remedy Partners Inc., Ranked #1 in Stamford for Cardiac, Pulmonary, Medically Complex and Orthopedic Care
 - Cost to the Insurers was less than what was expected once the patient went home based on the quality of care provided to the patient while in residence
 - Smith House also had the shortest length of stay of all 10 Nursing Homes in the study
- ≈ 90% Stamford Residents
- Recently Upgraded to a 4 Star Facility



The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Smith House

Revenues and Expenses



* True expenditures are higher due to unsettled wage increases

The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Smith House

Total True Cost to Stamford Residents (\$000's)

July 2014-June 2015

	<u>Reported Budget*</u>	<u>True</u>	<u>Note</u>
Revenues	\$11,855	\$11,855	
Expenses			
Salary	8,597	8,597	Actual Salaries are higher due to unsettled wage contracts
Benefits	4,347	4,347	Allocated health care expense may be artificially higher than actual
Unfunded Pension and OPEB	504	-	Not operating expenses. Unfunded liabilities are ~ \$10.6 million
Other	3,412	3,412	
Cost of City Support Capital/Debt Service	-	613	HR, Purchasing, Legal and other City services
Amortization	-	624	Conservative estimate
Total Expenses	<u>\$16,860</u>	<u>\$17,594</u>	
Total Loss	(\$5,005)	(\$5,739)	Equates to \$51K per patient and \$56K per Stamford patient
* Based on Q4 Projections			

Smith House

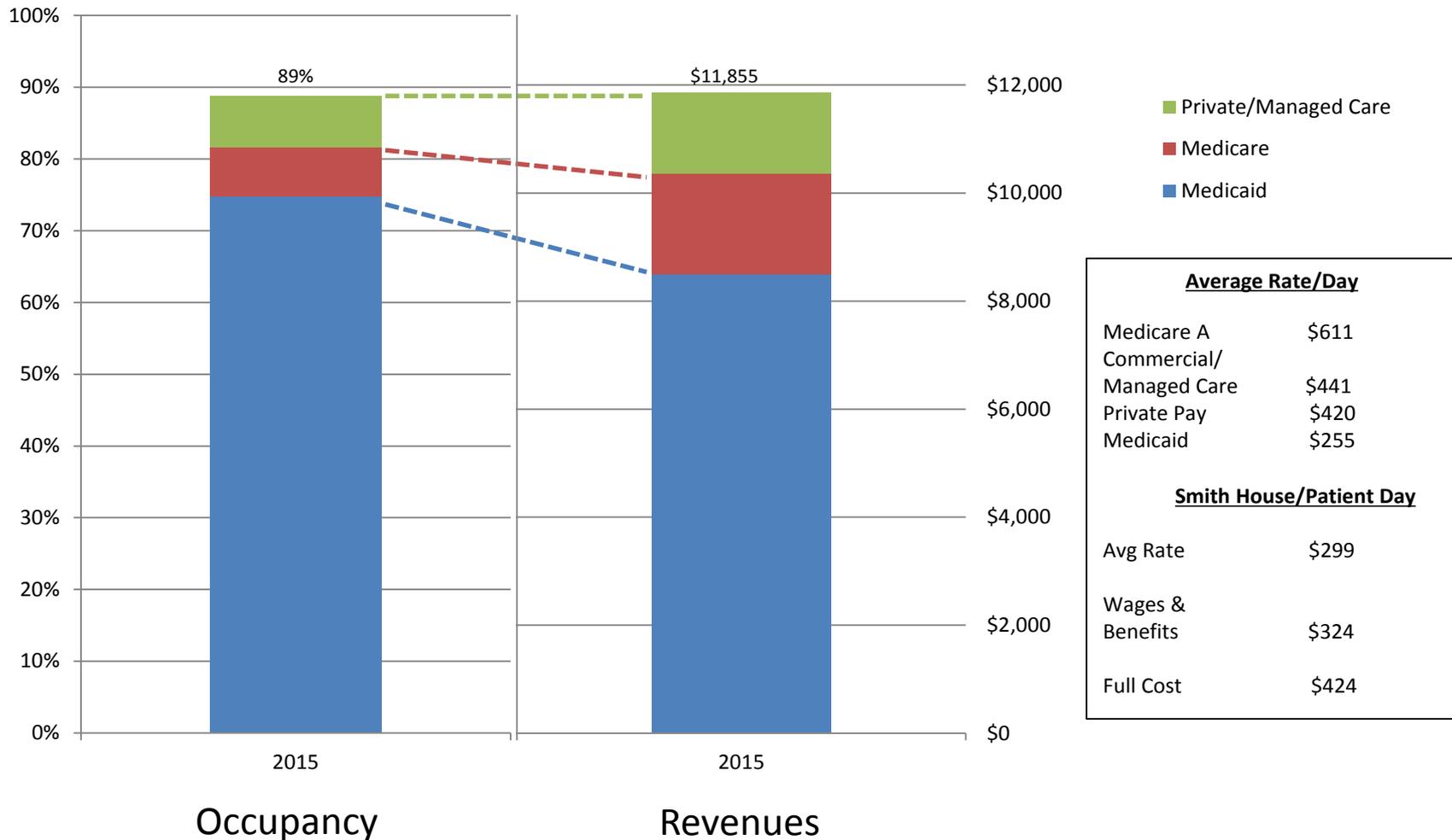
Future Identified Capital Items

<u>Capital Expense</u>	<u>Amount</u>	<u>Timing</u>
Roof Replacement	\$ 105,000	Now - Bonded
Window Replacement	\$ 365,000	Within 12 months
Boiler Gas Conversion	\$ 110,000	Within 12 months
Electronic Medical Records	\$ 150,000	Now - Bonded
Doors	\$ 200,000	2 years
Room Updates	\$ 2,000,000	Over a 3 year period
Generator Replacement	\$ 250,000	Now - Bonded with 85% grant
Total	\$ 3,180,000	

The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Smith House

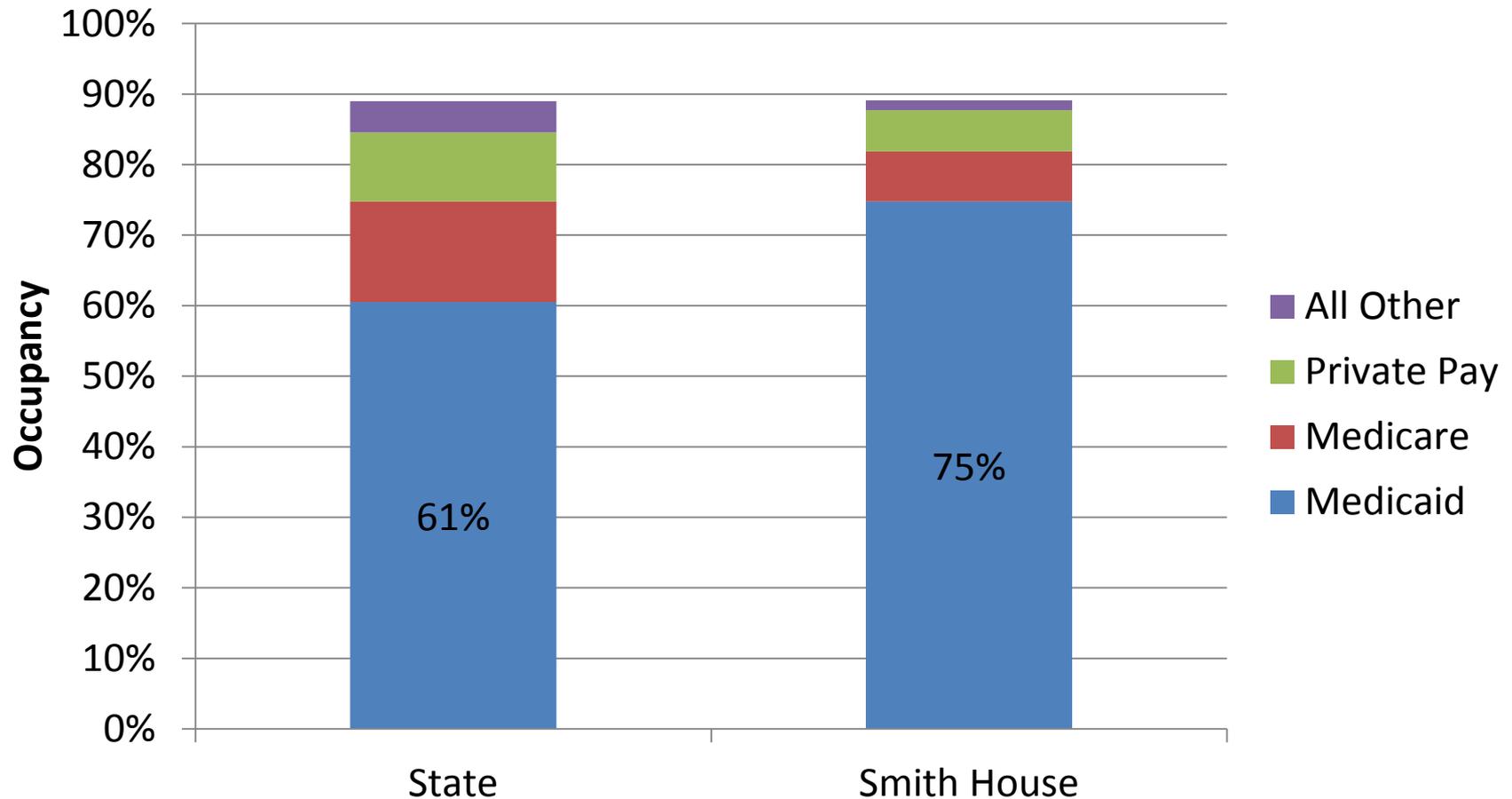
FY 2015 Occupancy & Revenues



The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Smith House vs. State^{*}

Occupancy by Payer Type



* State Average is for similarly sized Nursing Home facilities

Smith House

Revenue Analysis (\$000)

“What If?”

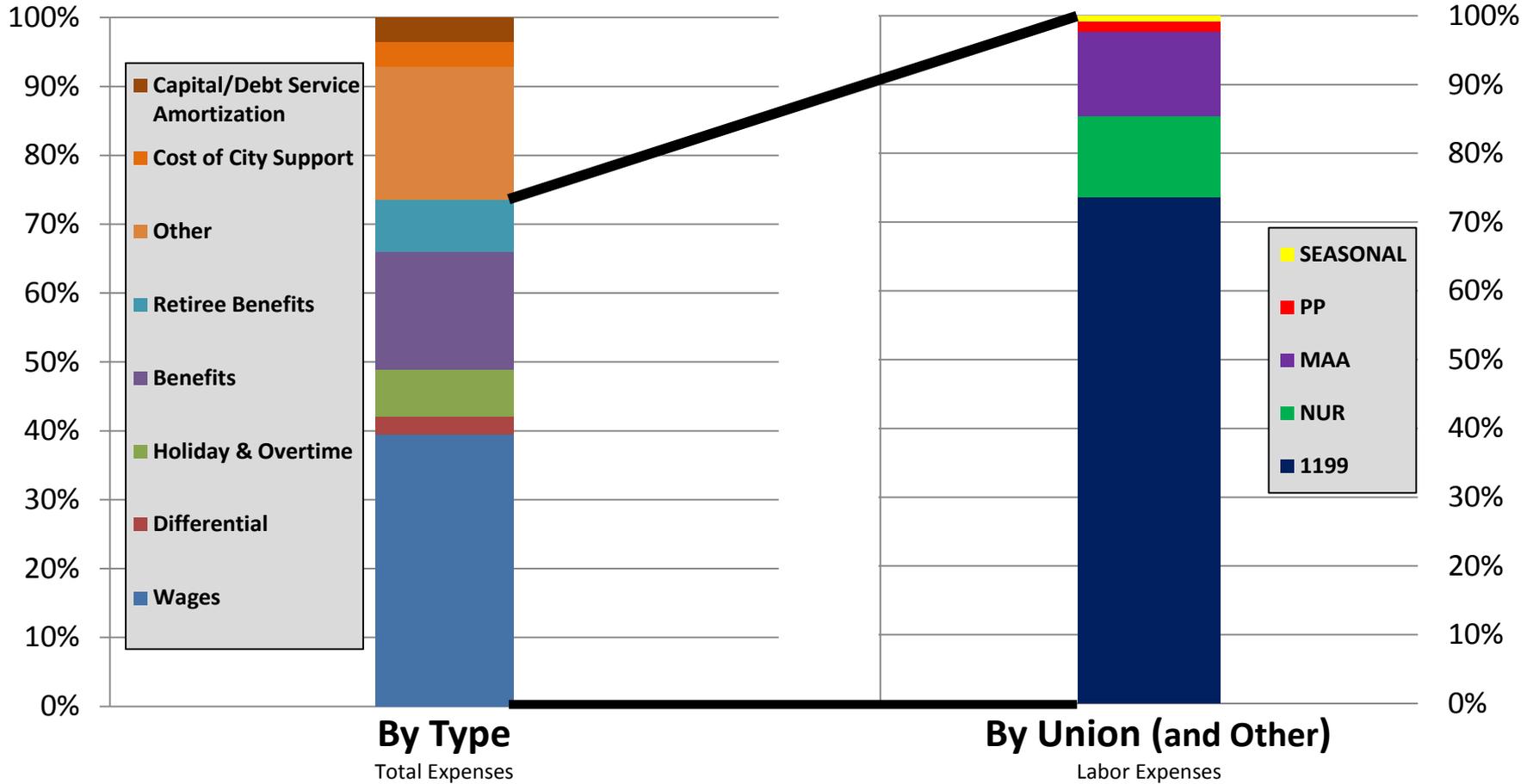
	FY 2015 Projected Real Results at 89% Occupancy	What if Smith House were at 100% Occupancy?	What if Smith House’s Patient Mix Was Like the State Average at 89% Occupancy?	What if Smith House’s Patient Mix Was Like the State Average at 93% Occupancy?
Revenue	11,855	13,356 [+1,501]	14,075 [+2,220]	14,727 [+2,872]
Expense	17,594	17,594*	17,594*	17,594*
Net Loss	(5,739)	(4,238)	(3,519)	(2,867)

*For the purposes of this analysis, it was assumed that the expenses did not increase. Higher occupancies and different patient mixes will result in increased expenses, producing greater losses.

The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Smith House

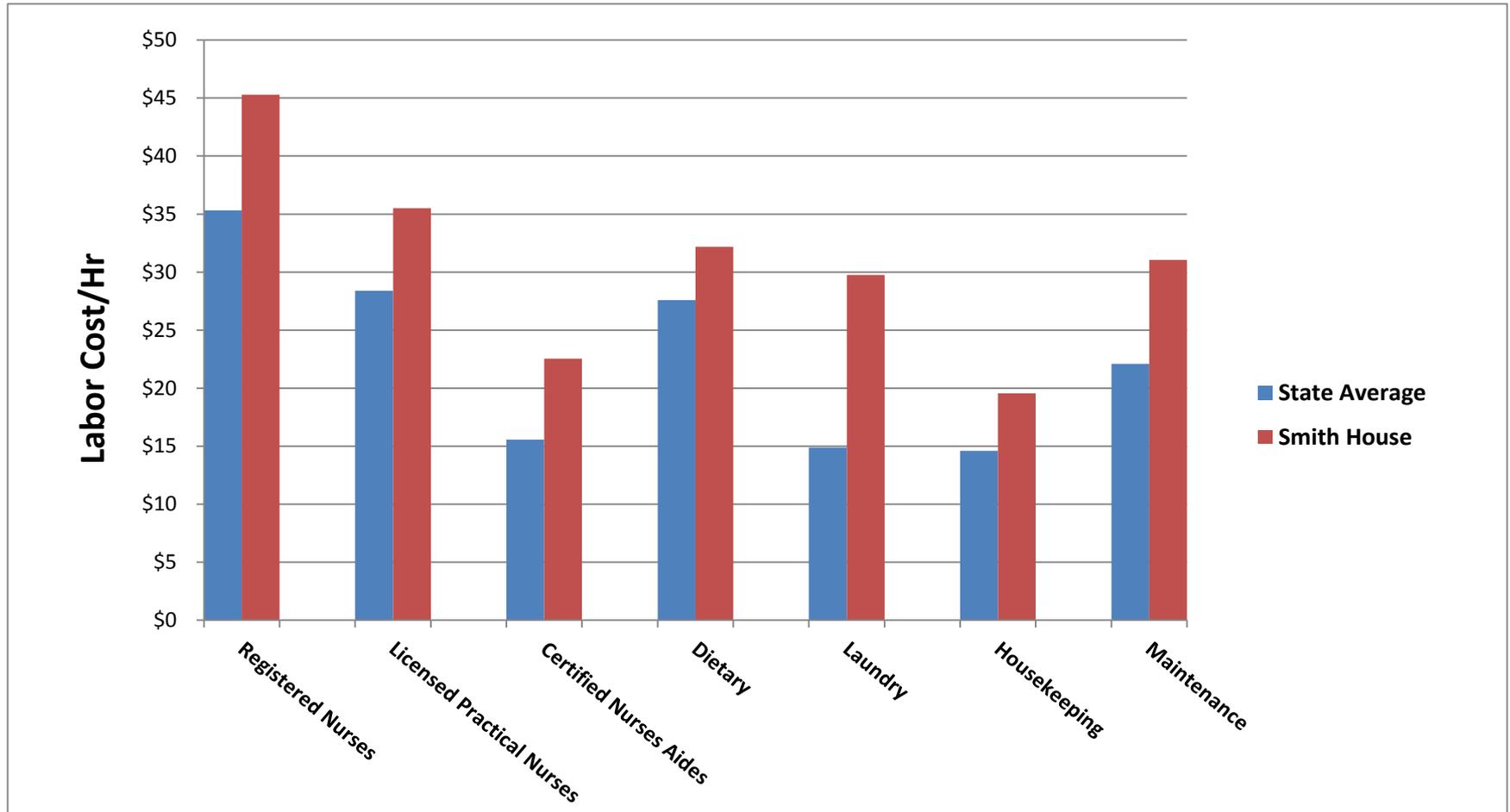
Expenses by Type and Union FY 2015



The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Smith House

How Do We Compare?



Numbers are obtained from a live database of Medicaid Cost Reports submitted to the State of Connecticut. The data is from October 1, 2011 through September 30, 2012, prepared by the Marcum Advisory Group. State data is for Nursing Homes with 120 – 130 beds.

The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.

Smith House Summary

- \$5.7 Million estimated true loss for 2015
- Current Run Rate shows greater losses
 - Occupancy is now in the low 80%'s
 - Wage Settlements are not agreed to by Unions
 - May be \$50K to \$80K additional from State reimbursements
- Majority of Loss is labor & benefit costs
 - Costs are substantially higher than State averages for similar sized facilities
- The current situation is unsustainable

The numbers used in this presentation are unaudited and preliminary and subject to adjustments and modifications. Moreover, some comparisons of aggregate numbers may be different due to the utilization of cash vs. accrual accounting, as well as fiscal vs. calendar year.