



# CHR

**Complete HealthCare Resources** EASTERN, INC.  
STRATEGIC SOLUTIONS FOR SENIOR CARE PROVIDERS

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August 26, 2015

Lehigh County  
17 S 7<sup>th</sup> Street  
Allentown, PA 18101

**RE: PROPOSAL AND SCOPE OF WORK; STRATEGIC AND FINANCIAL PLANNING FOR THE  
LEHIGH COUNTY NURSING HOMES**

***Background and Understanding***

Lehigh County government operates two nursing facilities for Lehigh County residents in need of short or long-term nursing care. The facilities represent a total of 670 licensed beds. Cedarbrook Allentown, located at 350 South Cedarbrook Road Allentown, Pa. 18104 and Cedarbrook Fountain Hill, located at 724 Delaware Avenue Bethlehem, Pa. 18015. These facilities have been operating at a loss for several years and the aging physical plant and infrastructure at the Allentown facility contribute to the inefficiencies of the operations. The County had an initial study of options for the future of the County nursing homes and would now like to take the next step by obtaining a comprehensive study that includes the financial impact of the viable options presented. They have also been presented with proposals on renovation of the existing Allentown facility at a considerable cost to the county. It is important that the county has information on any regulatory restrictions/considerations and the financial impact of the options prior to making a decision. This information will allow the County to make informed decisions related to the nursing homes and know how those decisions will impact the County. We understand that Lehigh County would like to make prudent decisions regarding future planning for the nursing homes and will need a detailed analysis prior to moving forward.

The Commissioners have identified the following goals and questions to be answered as part of this comprehensive study:

*Goal: A plan to address all rooms in the Allentown facilities - no more than two beds to a room and all rooms having direct access to a bathroom.*

1. The number of beds recommended for Cedarbrook by type – Medicaid, Medicare, Private Pay.
2. Pro forma income and expense statement for Cedarbrook, assuming the implementation of a fully refurbished Allentown facility. (Resulting in 107 fewer beds.)
3. The estimated cost of a new facility based upon the recommended number of beds in 1. above.



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4. Pro forma income and expense statements for the facility recommended in 3. above.
5. Recommendations re: a) rehab services and any other additional services, b) specific resulting recommendations concerning the physical plant and c) the resulting pro forma income and expenses adjustments.
6. Income and/or expense changes that would result from a change to a 501 (c)3 nonprofit organization
7. Income and/or expense changes that would result from the lease of Cedarbrook? Impact on the cost of capital projects if Cedarbrook is leased?
8. Recommendation re: a new facility – Should the new facility (.3 above) be large enough so that the Fountain Hill facility would not be needed? Can the single nursing home license be split so that the Fountain Hill facility can be sold?
9. Are there any PA (Health Department), Federal or local zoning code regulations which would restrict the pace or phasing of our efforts to refurbish the Allentown facility?

### *Scope of Service*

**To meet the objectives outlined above, Complete HealthCare Resources-Eastern, Inc. will coordinate the following:**

1. **Coordinate Meetings for and with County Officials to discuss viable options to be included in the study and identify any concerns. (Question 9)**
  - a. Meet with official from the Pennsylvania Department of Health, Life Safety and the Pennsylvania Department of Human Services to determine licensure options;
    - i. Reimbursement for County and Non-County operation
    - ii. Ability to split license, transfer beds or sell one location separately, including the building and licenses
    - iii. Potential funding opportunities by reducing licensed beds
  - b. Meet with officials from Center for Medicare and Medicaid Services to obtain projected reimbursement and regulatory factors that may impact the planning



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process, including trends or requirements for physical plant characteristics or amenities

**2. Review current proposed renovation project for the Allentown facility:**

- a. Meet with state and local regulatory agencies for any potential restrictions or compliance considerations. (Question 9)
- b. Determine impact of proposed renovation on licensed bed capacity. (Question 1)
- c. Determine potential funding sources through Department of Human Services to take beds “off-line”.
- d. Review plans for potential market impact from short-term rehabilitation unit, conversion of four bed wards and installation of bathrooms in the units. (Questions 2 and 5a)
- e. Review physical plant for other potential improvements and optimal bed mix and capacity. (Question 1 and 5b)
- f. Project stabilized proforma based on the renovation and reconfigured layout and bed mix, including staffing efficiencies. (Question 2 and 5c)
- g. Provide a market analysis of existing and occupied beds in the marketplace and assess ability for other area nursing homes to absorb the reduced licensed capacity at Allentown and the impact from the potential sale or closure of Fountain Hill. (Question 8)

**3. Evaluate alternative replacement for the Allentown facility under County Ownership with proposed licensed capacity consistent with the licensed capacity under the proposed Renovation model**

- a. Meet with state regulatory agencies to determine potential funding sources through Department of Human Services to take beds “off-line”. (Question 9)



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- b. Meet with County representatives to determine/review sizing of proposed facility. (Question 1, 3)
- c. Coordinate the engagement of a third party Architectural, Engineering and Contracting firm to assist the county in development of estimated construction costs. (Question 3)
- d. Prepare stabilized proforma for Replacement Facility under continued county operations, taking into consideration the efficiency of a new facility from a staffing, maintenance and utility perspective. (Question 4)

**4. Evaluate alternative replacement for the Allentown facility under a transfer to a Community-Based Non-Profit (Question 6)**

- a. Summarize the transition process to a Community-Based Non-Profit.
- b. Coordinate a meeting with state officials concerning the splitting of the Cedarbrook license.
- c. Determine level of initial County assistance that may be needed in the formative period for the non-profit.
- d. Identify Income and/or Expense changes that would result from the transfer to a 501(c)(3) organization. Develop a proforma for the operations of the Allentown facility by a non-profit until a replacement facility is constructed.
- e. Meet with County Solicitor and Bond Counsel for review of the ability or presence of any restrictions on the transfer of operational control of the Allentown facility to a non-profit under county regulations or bond documents.
- f. Develop proforma of operational results for “stabilized operations” for a replacement facility developed by a non-profit, including:
  - i. Estimated construction costs, engaging third party consultants (architect, engineer and/or contractor) to assist in development of estimated costs



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- ii. Time period required to develop sufficient equity to fund the project costs and develop and construct the replacement facility

**6. Evaluate alternative leasing of the Cedarbrook facilities to a third party Operator (Question 7)**

- a. Summarize the transition process in a change of ownership from a Lease transaction. Identify roles and responsibilities of both the Landlord (Lehigh County) and Tenant (third party Operator) from an operational perspective as well as maintenance/capital improvement perspective
- b. Meet with County Solicitor and Bond Counsel for review of the ability or presence of any restrictions under county regulations or bond documents on the transfer of operational control of the Cedarbrook facilities to a third party under a lease agreement.
- c. Coordinate a meeting with state official concerning the splitting of the Cedarbrook license, if applicable.
- d. Identify Income and/or Expense changes that would result from the transfer to a third party Operator under a lease.

**7. Assess current value of the Allentown and Fountain Hill facilities in a sale situation**

- a. Under direction of CHRE, engage a third party broker with experience in nursing facility valuation and sales to determine expected revenue from a sale. This may include limited facility tours by operators to more accurately assess actual value.
- b. Working with County officials, estimate the net proceeds from sale, taking into consideration debt repayment and other associated costs

**Schedule of deliverables from CHRE to be provided for the project:**

Written report, including:

- 1. Recommended bed capacity of Cedarbrook –Allentown as part of renovation as well as projected payor type mix



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2. Proforma for Cedarbrook, given a refurbished Allentown facility
3. Estimated cost of a new facility serving the Allentown market based upon the recommended number of beds
4. Recommendations on specialty services, including a short-term rehabilitation unit
5. Income and Expense changes resulting in the transfer of the Facilities to a 501(c)(3) entity and related matters
6. Review of Lease process and identification of potential restrictions , as well as Changes in Income and Expenses resulting in the lease of the Facilities to a third party
7. Identification of regulatory matters from a substantial renovation, potential restrictions on the transfer of licenses, and other regulatory trends
8. Estimated value of the Allentown and Fountain Hill facilities based upon the analysis of a nationally recognized broker

**Schedule of deliverables from the County required for the project:**

1. Copy of all documents related to proposed renovation plan
2. Detailed financial statements for the year ended 12/31/2014 and most recent detailed financial statement Year to Date 2015
3. Census by payor type for the periods noted in Items #1 and #2
4. Medicare census by RUGS category for period noted in Item #1 and #2
5. Staffing information, including listing of FTE's by job position, including wage rate
6. Current union agreement(s) and Employee Handbook
7. Information on Bond debt pertaining to the Cedarbrook facilities, including amortization schedules and access to Bond Counsel and County Solicitor



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8. Information on health insurance, including monthly premiums by employee type (Employee only; Employee + Spouse; Employee + Child; Employee + Children; Family) and related employee monthly contributions and any other information on fringe benefits
9. Information on Overtime Hours and Paid Time off Hours (Vacation; Sick, Holiday; Personal Time; Jury Duty; Bereavement; Education, In-Service or Orientation hours)
10. Information on pensions expense allocated to Cedarbrook facilities
11. Detailed information on County Indirect Costs allocated to Cedarbrook facilities
12. Detailed information on Other Post Retirement Employee Benefits allocated to the Cedarbrook facilities
13. Other information to be determined necessary to project operating costs required by the proforma analysis

## **Professional Fees and Timing**

### ***Timing:***

***Complete HealthCare Resources – Eastern, Inc.*** will provide a team of professionals to obtain the required data, meet with regulatory agencies and industry professionals, analyze data and develop the proforma results and report.

CHRE services to complete the above scope of work will be provided from January 1, 2016 to April 30, 2016 to complete the required research, develop the proforma results and provide the preliminary report to the Committee. In order to complete this in the timeframe noted, any information requested will need to be provided on a timely basis. A comprehensive request for Information will be provided to the county or their project designee following the execution of this proposal should ***Complete HealthCare Resources – Eastern, Inc.*** be selected.



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***Fees:***

The fee for conducting the Strategic Planning process, project analysis, preparation and presentation of related reports:

**Fee for entire project: \$105,000.00 plus any additional third party consultant costs\***

The Fee includes one (1) preliminary review of the report with County officials, one public meeting presentation and one follow up response in writing to any written questions provided after the public meeting. Any additional time requested by Lehigh County will be billed at \$200 per hour plus out-of-pocket travel expenses at cost.

\* Third party consultants costs represents any fees paid to a nationally recognized Broker of long-term care facilities to determine the value of the Allentown facility, and architects, engineers and /or contractors engaged to assist in the development of estimated construction costs. Third Party Consultant fees will be billed to Lehigh County as incurred and will be immediately due and payable.

Accepted by:  
County of Lehigh, Pennsylvania

By: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

Complete HealthCare Resources - Eastern, Inc.

By: \_\_\_\_\_ Date: \_\_\_\_\_

We consider it a privilege to offer our services to Lehigh County and look forward to working with you.

***Lisa Defibaugh, Vice President-Business Development***

Complete HealthCare Resources-Eastern, Inc.

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