



# ARMSTRONG

OFFERING MEMORANDUM

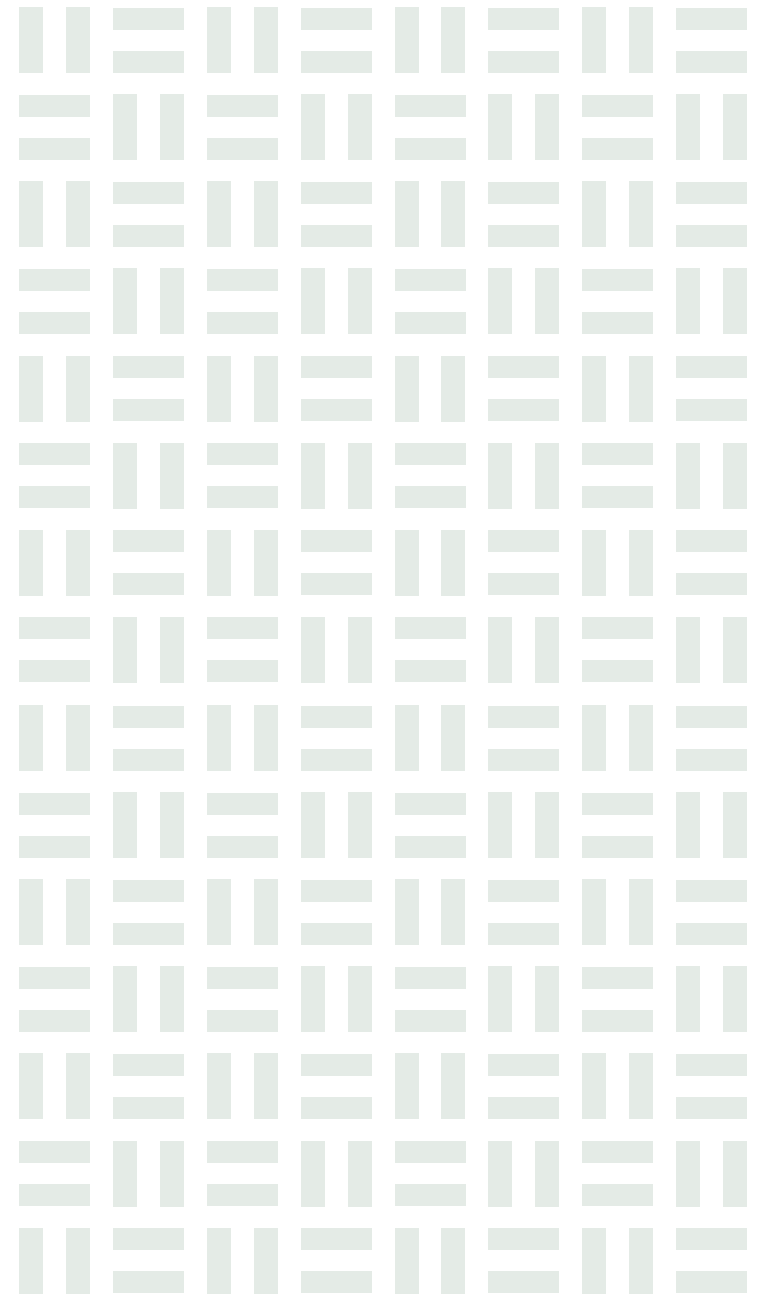
## DEAL OVERVIEW

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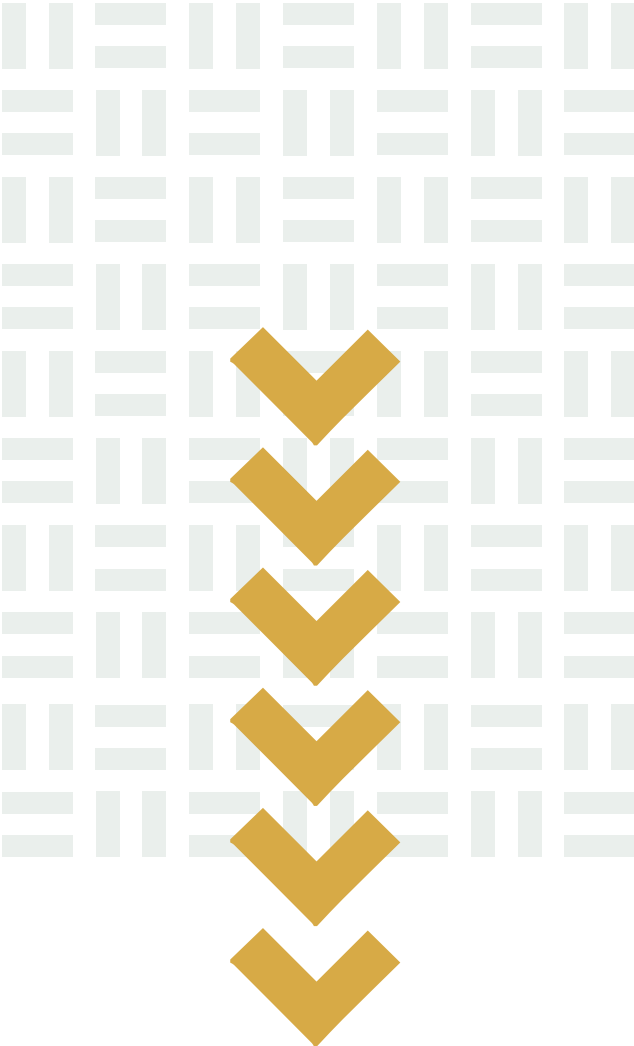
- » Confidentiality
- » Offering Summary
- » Executive Summary
  - » History
  - » Opportunity

### LOCATION INFORMATION

- » Competitor Overview
- » Hospital Overview
  - » Floor Plan



## CONFIDENTIALITY

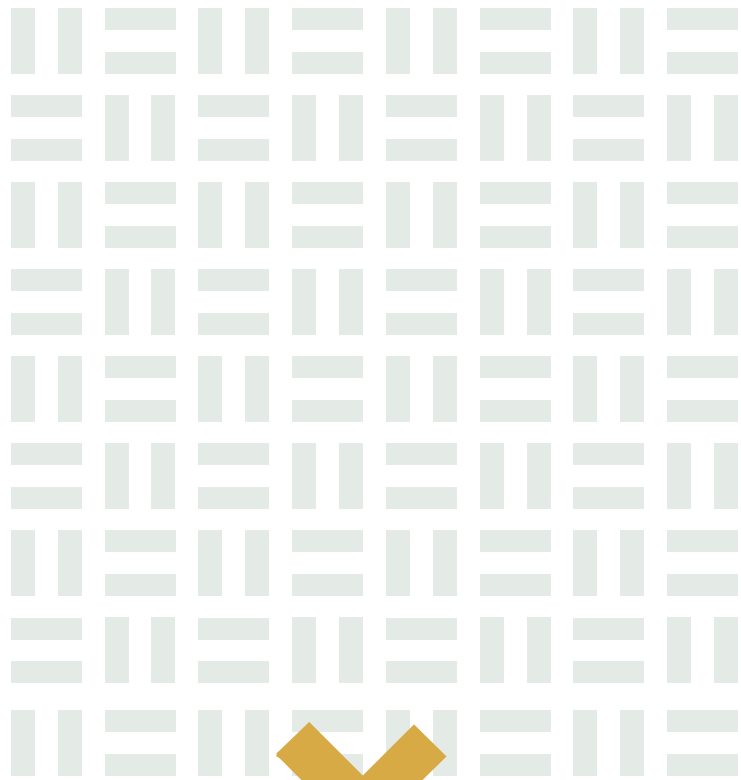


This initial Marketing Package contains certain information regarding a senior housing asset owned and operated by a local long-term care provider. By accepting this Marketing Package, the recipient agrees that it will cause its directors, officers, employees and representatives to use the information only to evaluate this specific transaction and for no other purposes. In addition, recipient agrees not to divulge the information contained herein to any other party and shall return this information, and any subsequent release, upon request of the Seller. All recipients of this information are bound to the Confidentiality Agreement previously signed by the recipient and held on file by Ashley DeMarco ("Broker").

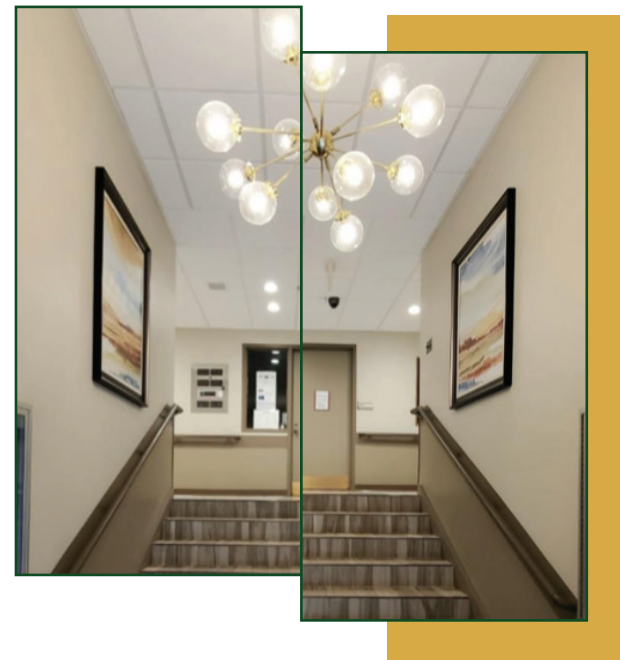
***It is understood that you will refrain from ANY unauthorized on-site visits, contact with the Seller or phone calls or visits to the facilities***

The Seller reserves the right to negotiate with one or more parties at any time and to enter into a definitive agreement with respect to a transaction or to determine not to proceed with a transaction, without prior notice to the recipient. The Seller, and affiliates, shall not be legally bound to any recipient of this Marketing Package unless a written agreement concerning a transaction has been approved and executed. The information contained in this Marketing Package was provided by the Seller and other "public" sources, such as, the Florida Department of Health.

This document was prepared from sources that are believed to be reliable. The Seller and Broker and its affiliates and their respective officers, directors, managers, agents, or employees make no representation or warranty as to the accuracy or completeness of any information..



**PREMIER ARMSTRONG**  
REHABILITATION AND NURSING CENTER



### KEY PERFORMANCE INDICATORS

Annual Investor Return Pref %	<b>10%</b>
IRR	<b>22.2%</b>
Average Cash on Cash	<b>26%</b>
Equity Multiplier	<b>2.08%</b>

265 S. McKean Street  
Kittanning, PA 16201

# OFFERING SUMMARY

## FACILITY BREAKDOWN

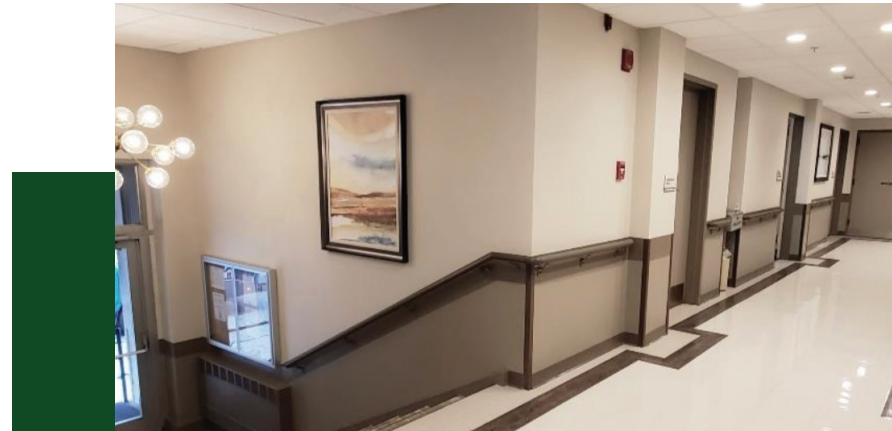
Number of Facilities	1
Total Licensed Beds	115
Price Per Bed	\$98,261

## HUD REFINANCE - YEAR 3

Refinance Proceeds	10,416,000
Mortgage Balance	8,640,966
Closing Costs (covered from accrued cash)	-
Capital Return	1,700,000
<b>Net Proceeds (return of Sponsor Equity)</b>	<b>75,034</b>
<b>Investor Refinance Proceeds</b>	<b>-</b>
Proceeds	10,416,000
Capitalization Rate	12.5%
<b>Min. EBITDAR Required for Valuation</b>	<b>1,627,500</b>
<b>Min. EBITDAR Required 100% Financing</b>	<b>1,627,500</b>

## SOURCES AND USES

Mortgage A -100% PG	5,750,000
Mortgage B -100% PG	3,450,000
Sponsor Equity	1,050,000
Equity Investment	2,000,000
<b>Total Sources</b>	<b>12,250,000</b>
Purchase Price	11,300,000
Working Capital - built in	-
Broker Fee	226,005
Estimated Closing Costs	723,995
<b>Total Uses</b>	<b>12,250,000</b>



### RENT ANALYSIS

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Annual Net Income (Less replacement reserves)		1,040,000	1,300,000	1,550,000	1,627,500	1,660,050	1,693,251	1,727,116	1,761,658
Annual Debt Service		(708,455)	(708,455)	(708,455)	(620,775)	(620,775)	(620,775)	(620,775)	(620,775)
Annual Accounting & Legal		(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
<b>Net Cash Flow from Operations</b>		<b>301,545</b>	<b>561,545</b>	<b>811,545</b>	<b>976,725</b>	<b>1,009,275</b>	<b>1,042,476</b>	<b>1,076,341</b>	<b>1,110,883</b>
Distributable Cash <sup>1</sup>		207,000	443,363	670,636	828,770	1,009,275	1,042,476	1,076,341	1,110,883
Accrued Cash <sup>2</sup>		94,545	212,727	353,636	301,591	301,591	301,591	-	-
<b>Debt Service Coverage Ratio</b>		<b>1.43x</b>	<b>1.79x</b>	<b>2.15x</b>	<b>2.57x</b>	<b>2.63x</b>	<b>2.68x</b>	<b>2.73x</b>	<b>2.79x</b>

### INVESTOR - ROI ANALYSIS

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Equity - Non Sponsor	-	32.8%	32.8%	32.8%	29.5%	29.5%	29.5%	29.5%	29.5%
Investor Preferred Return	-	200,000	200,000	170,000		-	-	-	-
Distributions in Excess of Preferred Return	-				244,555	297,819	307,616	317,609	327,802
Accelerated Equity Return (Cash Sweep)	-								
Accrued Cash Distribution <sup>3</sup>	-	-					-	88,994	-
Return of Capital	-		300,000						
Refinance/Sale	-	-		1,700,000	-	-	-		
<b>Total Distributions</b>	-	<b>200,000</b>	<b>500,000</b>	<b>1,870,000</b>	<b>244,555</b>	<b>297,819</b>	<b>307,616</b>	<b>406,603</b>	<b>327,802</b>
Capital Balance	2,000,000	2,000,000	1,700,000	-	(244,555)	(542,374)	(849,990)	(1,256,592)	(1,584,394)
<b>Cash on Cash Return (Original Investment)</b>		<b>10.0%</b>	<b>25.0%</b>	<b>93.5%</b>	<b>12.2%</b>	<b>14.9%</b>	<b>15.4%</b>	<b>20.3%</b>	<b>16.4%</b>

### INVESTOR - ROI ANALYSIS PER \$250,000 INVESTMENT

Equity	4.1%	4.1%	4.1%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Investor Preferred Return		25,000	25,000	25,000	-	-	-	-	-
Distributions in Excess of Preferred Return					30,569	37,227	38,452	50,825	40,975
Refinance/Sale				250,000	-	-	-		
<b>Total Distributions</b>		<b>25,000</b>	<b>25,000</b>	<b>275,000</b>	<b>30,569</b>	<b>37,227</b>	<b>38,452</b>	<b>50,825</b>	<b>40,975</b>
<b>Cash on Cash Return (Original Investment)</b>		<b>10.0%</b>	<b>10.0%</b>	<b>110.0%</b>	<b>12.2%</b>	<b>14.9%</b>	<b>15.4%</b>	<b>20.3%</b>	<b>16.4%</b>

<sup>1</sup>Distributable Cash is all cash above a 1.10x Fixed Charge Coverage Ratio.

<sup>2</sup>Accrued Cash is the accumulation of the difference between the Net Cash Flow from Rent and the Distributable Cash minus any Accrued Cash Distributions, which is defined below.

<sup>3</sup>Once Accrued Cash exceeds 6 months of Annual Debt Service, the excess Accrued Cash shall be distributed.

## EXECUTIVE SUMMARY



**Premier Armstrong Rehab** is a Skilled Nursing Facility with recent aesthetic improvements and ongoing financial stability. Given the limited involvement in the day-to-day management of the facility by current ownership, the facility has yet to maximize its potential on a revenue, expense, or community level. Independence is excited to begin transitioning and enhancing the facility to be a recognized and respected solution for the community. Given the nature of the services provided, our primary focus is clinical education and customer service.

**Revenue:** Clinical excellence, combined with exceptional service, will impact our census, reimbursement rates, and quality mix. A new branding campaign, including social media, will be in place before closing to improve marketing and census. Per the country demographics, the 5, 10, and 15-mile statistics of residents over the age of 65 is approximately 20% (see attached report).

**Expenses:** Without strong oversight, facilities tend to lack leadership, appropriate staffing patterns, and expense control. To improve employee retention and minimize agency and turnover, we will analyze employees through a rating system, allowing us to identify where to focus our education and hiring efforts. We will invest and incentivize higher-performing staff to build a highly motivated and skilled resident care team. Using internal systems for payroll, purchasing, and financial systems, we will manage costs on a day to day basis in real-time. This approach allows us to avoid any unnecessary periods of uncontrolled spending on payroll or supplies/services.

# HISTORY

## Certificate of Need:

- Pennsylvania eliminated its Certificate of Need (CON) program in 1996. After the sunset of the CON, the Pennsylvania Department of Public Welfare (PDPW) has established a Statement of Policy regarding Medicaid beds certification. The PDPW certifies a minimal number of new or existing beds.

### Medicaid Rate Calculation:

- Pennsylvania uses a prospective, cost-based, case-mix adjusted, facility-specific rate-setting methodology to calculate per diem Medicaid rates for nursing facilities. However, effective January 1, 2018, the state began the transition to Managed Care Reimbursement System (Community Health Choices). Nursing homes in the southwestern portion of the state (Allegheny; Armstrong; Beaver; Bedford; Blair; Butler; Cambria; Fayette; Greene; Indiana; Lawrence; Somerset; Washington and Westmoreland Counties) entered the system on January 1, 2018. Premier Armstrong is eligible for a new Medicaid rate in January 2021, which is expected to be approximately \$10 higher per patient per day.

- The state will continue to calculate fee-for-service rates for all nursing facilities for two scenarios. To reimburse nursing facilities in areas that have entered the program for Medicaid-pending residents and reimburse nursing facilities located in areas that will not enter the system until January 1, 2020. The methodology utilized to determine these rates (and was used to determine prior rates) is detailed in the next section.

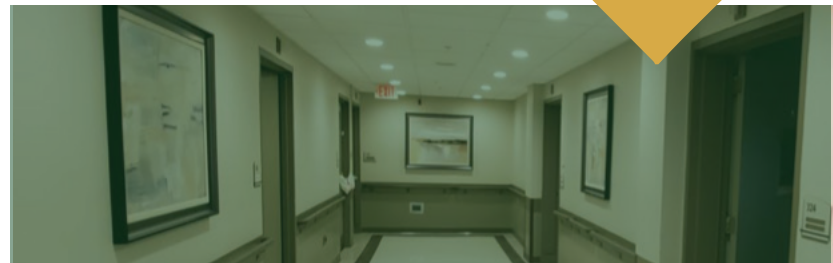
- Although the managed care organizations (MCOs) will have the authority to negotiate rates with nursing facilities, minimum rates will be guaranteed for 36 months after entering the system. A facility's minimum rate will equate to the community's average fee-for-service rates for the four quarters before entering the system.

## Minimum Occupancy Standards:

- A 90% minimum occupancy adjustment is applied to the Administrative and Capital cost components. Per diem costs for each of these components is determined by dividing total costs of that component by the greater of the nursing facility's total patient days or 90% of the facility's total available patient days.

### Proposed Changes to The Medicaid Rate Calculations:

- As of the date of this report, except for the changes related to the development of the state's Managed Care Reimbursement System, there are no significant proposed or planned changes the state's rate-setting system.





# OPPORTUNITY

Below you will find some itemized improvements we anticipate implementing:

## **OPERATIONS**

- Daily Transparent Reporting between facility and management
- Reports for Compliance, Budget, Marketing/Census, Revenue, Case Mix, and Receivables reviewed regularly

## **MARKETING**

- Create two marketing parallel marketing channels. One focused on the community and digital marketing, and one focused on Physician and Hospital related referral sources.
- Upon takeover, local PR
- Meet with local clinicians and healthcare organizations to introduce ourselves.
- Reach out to any local vendors who service the facility.
- Implement a marketing plan, reviewed weekly.

## **AESTHETICS**

- Install new Signage and Lighting
- Install Artwork in select areas
- Enhance Hospitality Amenities and Food Service such as scent diffusers, food service, and anytime menus
- Improve employee dress code/uniforms to enhance a feeling of hospitality over "nursing home."

## **EMPLOYMENT**

- Health Benefits

- Voluntary Benefits (including 401k)
- Employee Perks and discounts towards many personal expenses
- Providing a wellness program available to all employees
- Structured bonus programs for critical employees with performance milestones

## **CLINICAL**

- Improve Standards of Care and Customer Service
- Encourage Nursing and Rehab department to create case studies
- Develop Specialties to support a brand of Clinically Complex (Specialty Care) Services

## **COMMUNITY**

- Offer our facilities to the community, and local pastures for healthcare-related discussions
- Community events sponsored by the facility
- Provide healthcare education for the community on topics such as diabetes etc.
- Fitness for Life program for Seniors (free of charge)
- PR and Social Media

## **Anticipated Outcomes:**

- Provide Training focused on care delivery and proper documentation to ensure that the high level of care maximizes reimbursement rates.
- Provide quality measure specific training to improve clinical outcomes and increase 5-star ratings.
- Improved training and documentation will improve survey

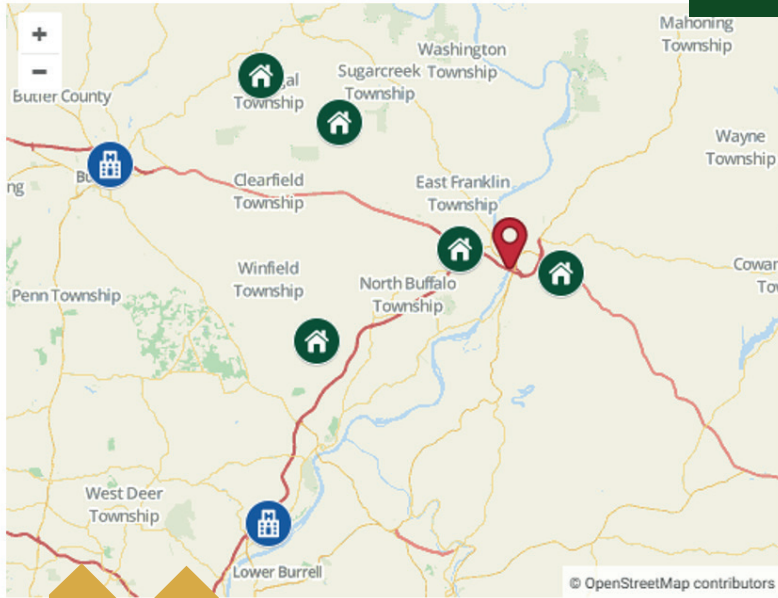
## OPPORTUNITY




- Implement hiring bonuses and employee recognition programs to retain employees, hire new experienced staff, and reduce agency usage.
- Utilize available software, including EMR, to maximize care delivery and analyze our next area of focus.
- Implement a Telehealth program to ensure physician availability to reduce hospitalization, improve nursing skills, improve resident/family satisfaction, and minimize antipsychotic usage.
- Build relationships with the local hospitals using their pain points to complement their services
- Build relationships with the community to regain the connection with them and become synonymous with Kittanning and Armstrong county.
- Revamp infection control policies and emergency preparedness training ensure the facility is ready to face the pandemic and any other future public emergency.





# COMPETITOR OVERVIEW



## NURSING HOME LOCATION

 **Premier Armstrong  
Rehabilitation and Nursing Facility**  
265 S. McKean St., Kittanning, PA 16201

## MAP KEY

-  Nearby Nursing Home
-  Nearby Hospital

## NEARBY NURSING HOMES

**Kittanning Care Center**  
120 Kittanning Care Dr., Kittanning, PA 16201

**Quality Life Services — Sarver**  
126 Iron Bridge Rd., Sarver, PA 16055

**Quality Life Services — Sugar Creek**  
120 Lakeside Dr., Worthington, PA 16262

**Quality Life Services — Chicora**  
Donegal Township, Box Q, Chicora, PA 16025

**Quality Life Services — Apollo**  
151 Goodview Dr, Apollo, PA 15613

**Concordia Lutheran Health and Human Care**  
134 Marwood Rd., Cabot, PA 16023

## DISTANCE

2.8 Miles  
15 Miles  
16 Miles  
20 Miles  
21 Miles  
21 Miles

## BEDS

120  
66  
114  
114  
177  
142

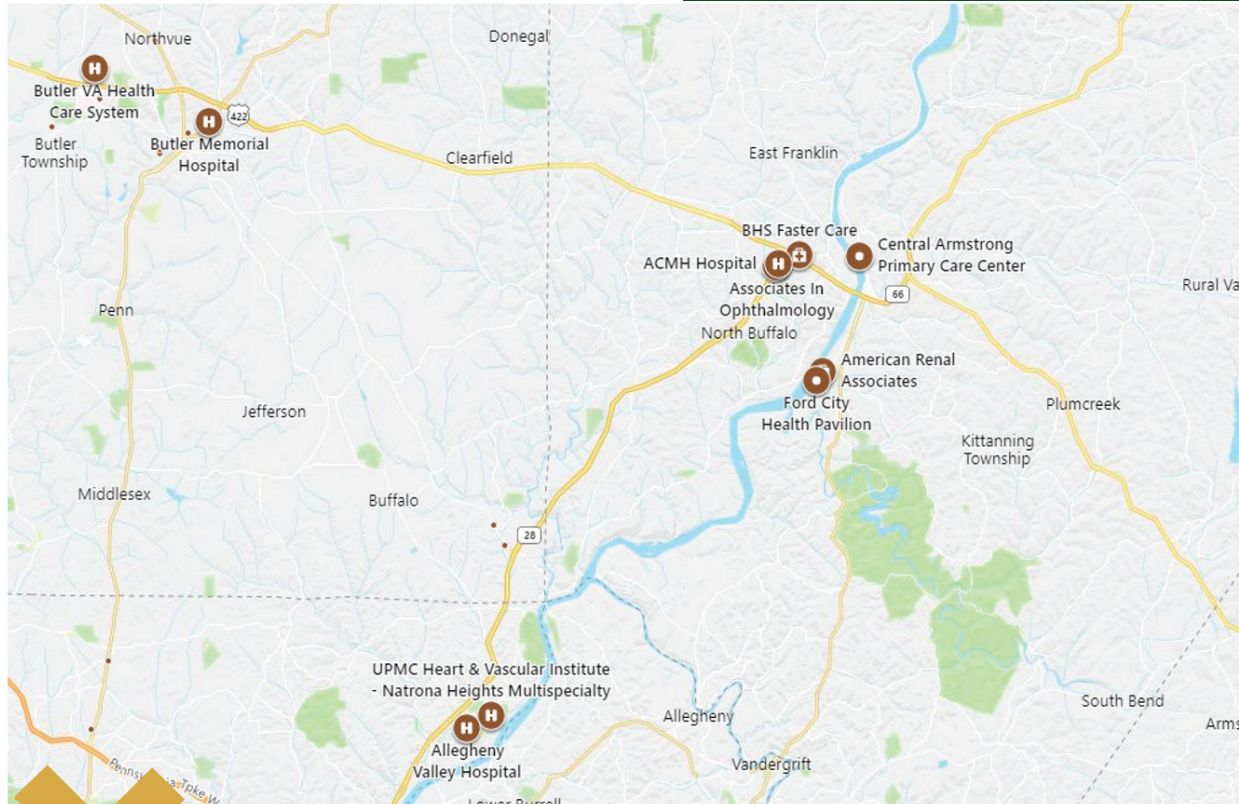
## CENSUS

73.3%  
92.4%  
79.8%  
85.9%  
68.9%  
98.5%

## RATING

4 Star  
5 Star  
2 Star  
2 Stars  
3 Stars  
4 Stars

# HOSPITAL OVERVIEW



## NEARBY HOSPITALS

### ACMH Hospital

1 Nolte Dr, Kittanning, PA 16201

### Allegheny Valley Hospital

1301 Carlisle Street, Natrona Heights, PA 15065

### Butler Memorial Hospital

1 Hospital Way, Butler, PA 16001

## DISTANCE

4.2 Miles

23 Miles

22 Miles

## BEDS

160

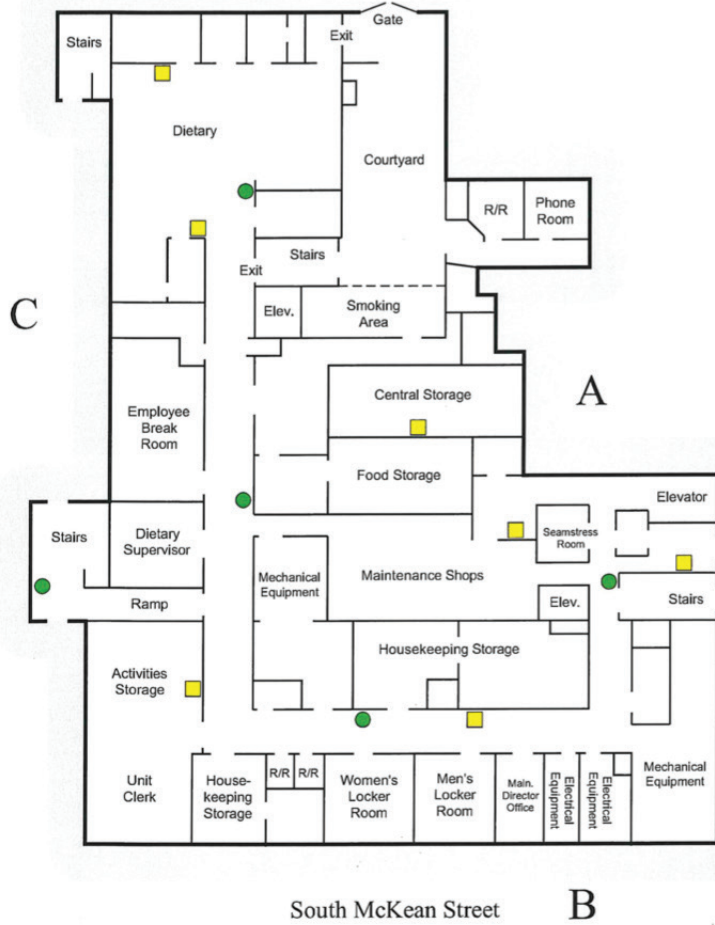
228

312



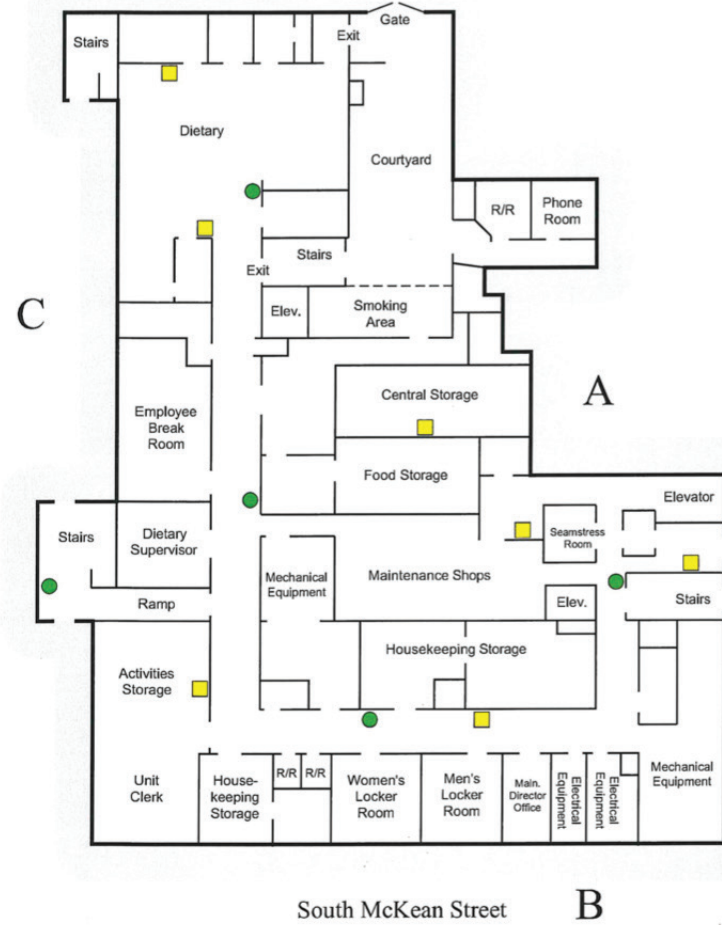
# FLOOR PLAN

## BASEMENT



● Fire Alarm      ■ Fire Extinguisher

## FIRST FLOOR



● Fire Alarm      ■ Fire Extinguisher

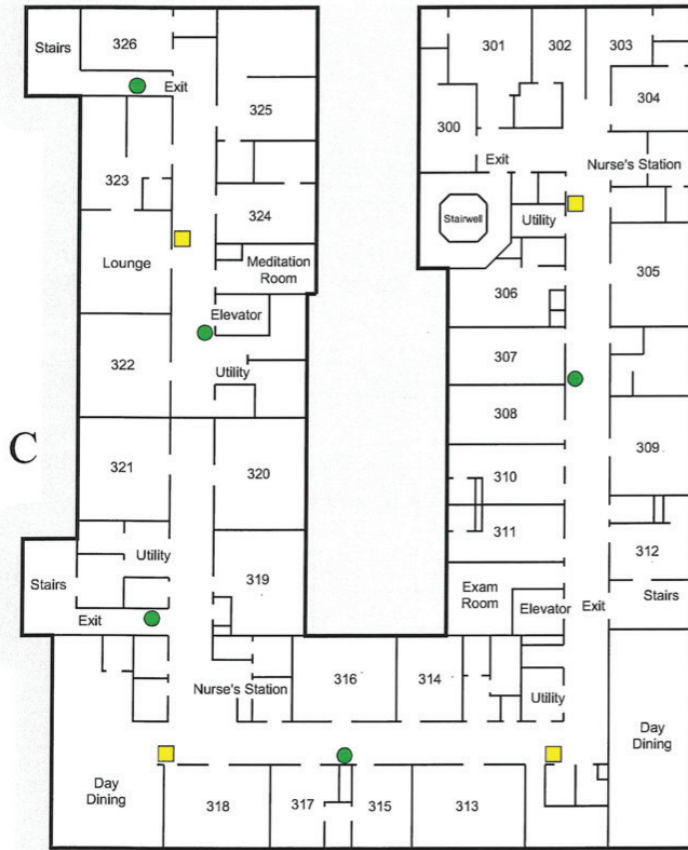
# FLOOR PLAN

## SECOND FLOOR



● Fire Alarm      ■ Fire Extinguisher

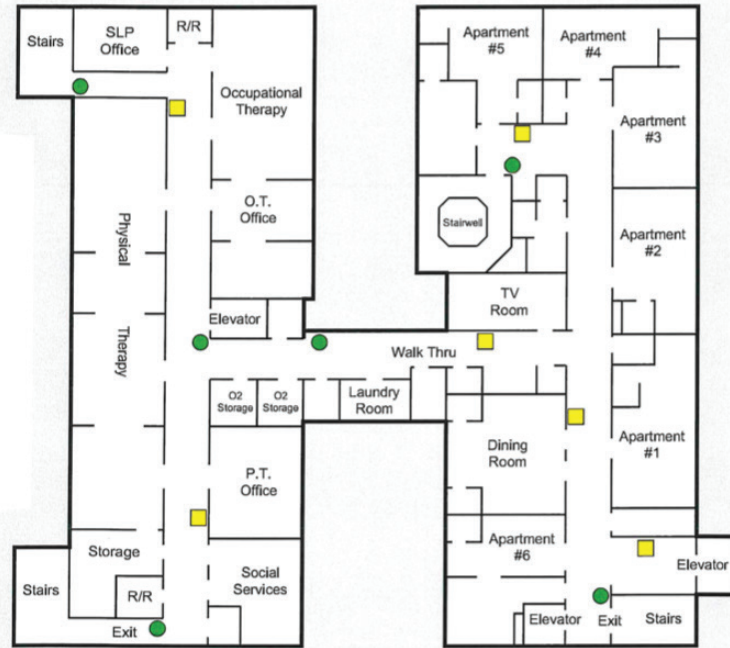
## THIRD FLOOR



● Fire Alarm      ■ Fire Extinguisher

# FLOOR PLAN

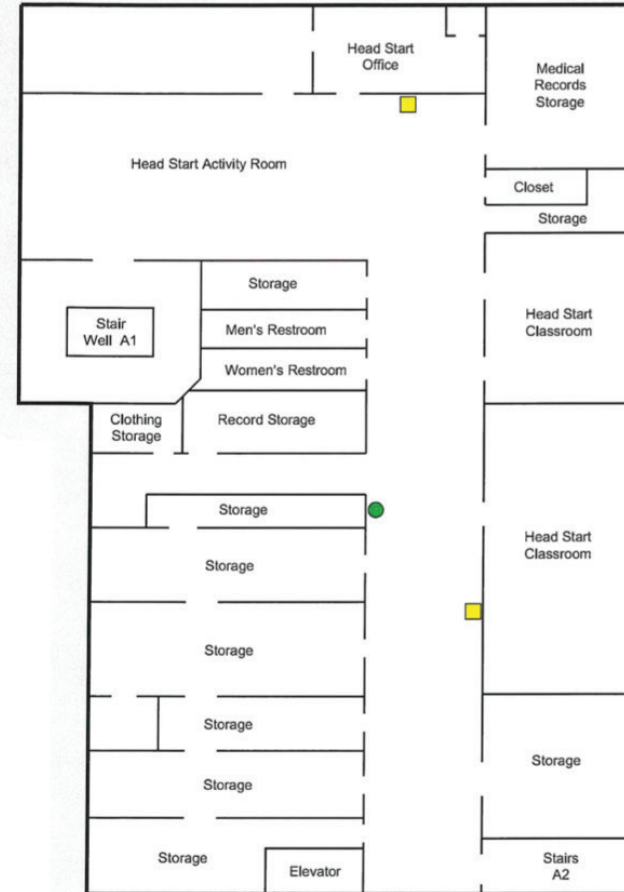
## FOURTH FLOOR



C South McKean Street A

● Fire Alarm      ■ Fire Extinguisher

## FIFTH FLOOR



South McKean Street

● Fire Alarm      ■ Fire Extinguisher