**WELLMAN HEALTHCARE GROUP, INC. DON APPLICATION #PHC-21052014-LE ATTACHMENTS**

**LONG TERM CARE SUBSTANTIAL CAPITAL EXPENDITURE PALMER HEALTHCARE CENTER**

**NOVEMBER 2, 2021**

**WELLMAN HEALTHCARE GROUP, INC. DON APPLICATION #PHC-21052014-LE**

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# EXHIBIT 1

**2. Project Description**

Palmer Healthcare Center (“PHC” or the “Facility”) is a 61-bed skilled nursing facility located on

12.6 acre campus in Palmer, Massachusetts that has been serving the greater Palmer community for over 55 years. It is the only nursing facility of its kind in the area, serving a high Medicaid population (approximately 80%) and providing specialized services to residents requiring geriatric-psychiatric and Alzheimer’s care in a locked environment. PHC was built in 1963 and is a single story, 20,976 gross square feet (“GSF”) building with 20 rooms as follows: 5 rooms are quads; 11 rooms are triples; 4 rooms are doubles; and there are no single rooms. The de- densification licensure requirements for long-term care facilities at 105 CMR 150.320(B) (the “De- Densification Requirements”) would reduce the Facility to only 40 beds, which is less than the size of a unit designed for maximal efficiency (i.e., 41 beds) as recognized by DPH1 and would not be sufficient to serve the Applicant’s Patient Panel.

The Applicant proposes to construct a modern, state-of-the-art de-densified 82-bed2 replacement skilled nursing facility on the same campus as the Facility (the “Replacement Facility” or the “Proposed Project”). The Replacement Facility will replace the Facility and comply with the De- Densification Requirements. The Replacement Facility will be a two story, 46,225 GSF building with 82 beds. There will be 41-beds on each floor (21 rooms per floor – 20 hybrid3 semi-private rooms and 1 single room), plus an enclosed exterior garden and a secured roof patio. The second floor of the Replacement Facility will be a locked 41-bed memory care unit certified by the Department as a dementia special care unit (“DSCU”) which will allow the Applicant to continue to serve its existing Patient Panel. The first floor of the Replacement Facility would be a 41-bed unit to serve short-term and long-term residents who do not need a DSCU. The short-term and long-term units on the first floor would serve a different patient population than the one PHC currently serves. It is important that there are skilled nursing care services that do not require a locked unit available to the Palmer community. As discussed in the application, PHC regularly has to turn away referrals of residents needing these services. The Proposed Project will ensure that such residents will be able to receive care close to home in a community that has high health needs coupled with numerous social and economic challenges which contribute to the health inequities.

1 *See*, 105 MASS. CODE. REGS. 150.300(A) (2021).

2 The Replacement Facility will consist of 82 Level II beds. The Applicant will convert its 61 Level III beds to Level II beds and will add 21 Level II beds. Walter Mackie, Licensure Unit Coordinator, Division of Health Care Facility Licensure and Certification confirmed that a DoN is not required to convert Level III beds to Level II beds and that it only requires plan approval and prior notice to the Department.

3 A semi-private hybrid room meets the licensure requirements for single room and can be used as a single or double as needed by the Applicant.

The Proposed Project also proposes to add 21-beds4 and will provide access to treatment and/or services at the Facility for individuals with various types of short and long-term skilled care needs in both locked and unlocked units. In particular, the Replacement Facility will have the capacity to serve: (1) individuals with the following mental health disorders: a geriatric-psychiatric or dementia diagnosis who need access to skilled nursing care in a secure facility; and (2) individuals with COVID-19 (or other similar infectious, airborne diseases). To serve these resident populations, the Applicant is maintaining its secure memory unit, and ensuring that it has an easy and quick means to cohort and isolate residents with suspected or positive COVID-19. Each floor of the Replacement Facility will have a special care room for isolation of residents with COVID- 19 or other respiratory illnesses. In addition, the Applicant would use room at the end of the unit on the first floor which will have access to separate entrance and exits if needed as the primary area to cohort and isolate residents in the event of an outbreak.

The Proposed Project will capitalize on the Applicant’s successful infection control measures at the Facility. The Replacement Facility will have a separate entrance and exit vestibule which enhances screening and infection control measures and there will be a handwashing sink near the Replacement Facility’s entrance. The Replacement Facility will have a layered approach to maximizing outdoor air ventilation and/or reducing recirculation of air indoors, consistent with the layered approach described in the Centers for Disease Control and Prevention Guidelines. The Replacement Facility’s mechanical systems will include a state-of-the-art VRF forced air HVAC system which can provide both heating and cooling in separate rooms or zoned areas throughout the building, ensuring the health, comfort, and well-being of the residents, families and staff. The building systems include mechanical fresh air provided by a series of Energy Recovery Ventilators (ERV’s) which pre-condition incoming outside air with heated or cooled air, thereby increasing energy efficiency and maximizing infection control by achieving the required level of air exchanges and filtering the fresh air with MERV-13 filtration throughout the building, which effectively targets airborne contaminants. Additionally, the Replacement Facility will have a localized air filtration and interior mechanical air exchange which has been shown to improve the indoor air quality (IAQ) and further mitigate air contamination.

The Proposed Project will also address more than one of the DoN health priorities. The Proposed Project will meet the DoN regulation’s health priorities of social and built environment in that the Replacement Facility will have a modern environment with open and bright common spaces that will allow for increased resident socialization and enhanced emotional wellbeing. This will help to minimize the isolation and lack of engagement that contributes to loneliness, depression and negative impacts on overall health in elders – and particularly in elders with mental health diagnoses. The Proposed Project will also meet the health priority of employment. The Applicant currently employs approximately 89 individuals, many of whom are long-term employees. Most

4 The Department of Public Health authorized the Applicant’s request to add twenty-one (21) new Level II long- term care beds to its 61-bed skilled facility on July 2, 2021 pursuant to the April 28, 2021 Memorandum “Applications for Determination of Need from Long-Term Care Facilities”.

of Applicant’s workforce lives locally and the Facility is an important economic engine in this low-income area. The Proposed Project will allow the Applicant not only to retain but to expand the workforce, creating further opportunities for the surrounding communities.

**F.1.a.i Patient Panel:**

Describe your existing Patient Panel, including incidence or prevalence of disease or behavioral risk factors, acuity mix, noted health disparities, geographic breakdown expressed in zip codes or other appropriate measure, demographics including age, gender and sexual identity, race, ethnicity, socioeconomic status and other priority populations relevant to the Applicant's existing patient panel and payer mix.

PHC is a small facility (61-bed skilled nursing beds) located in a rural, high-needs area. From January 1, 2018 through December 31, 2020, the Patient Panel consisted of 97 residents (57 female, 40 male). The ages of the Patient Panel range from 50-99 years of age with the average age of the Patient Panel being 70-79. 71% of the Patient Panel is from Hamden County with approximately 42.2% of the Patient Panel from zip codes of towns and cities within 10 miles and 34% of the Patient Panel from zip codes of towns and cities within 20 miles of the Facility. The Patient Panel self-identified as 55% White, 4% Hispanic, 2% Black, and 39% unknown. The Facility serves a high volume of government payers. At the time of admission, many residents are admitted with Medicare Part A as the payer; however, once the resident is no longer eligible for Medicare they convert to MassHealth or private pay. This conversion typically happens within the first fifty days of a resident’s stay at the Facility. From Jan 1, 2019 through December 31, 2020 the Patient Panel payer mix at the time of admission was 52% Medicare, 38% Medicaid (MassHealth and MCOs) and 9% commercial insurance and private pay. However, because of the long lengths of stay at the Facility as discussed below, a more typical payer mix for the Facility is captured monthly. For example, as of August 2021, the payer mix was 10% Medicare, 80% Medicaid (MassHealth and MCOs) and 10% commercial insurance and private pay.

The Applicant operates at or near capacity most of the time and often has to turn away referrals. For example during the CY 2021, PHC had on average 31 referrals per month that it could not accommodate. The referrals include individuals with behavioral health diagnosis that could be cared for in both locked and unlocked units, and individuals needing the short and long-term care that the Proposed Project will provide in the unit on the first floor.

From June 2017 to May 2019, the Applicant served 94 unique residents with a total of 59,785 resident days as follows:

|  |  |
| --- | --- |
| **Resident Days By Year** | **Resident Days Level II** |
| 1/1/2018-12/31/18 | 19,231 |
| 1/1/2019-12/31/19 | 20,457 |

|  |  |
| --- | --- |
| 1/1/2020-12/31/20 | 20,097 |

PHC provides activities of daily living (“ADLs”) such as bathing and dressing and skilled nursing services. The Patient Panel has a high level of cognitive impairment and has more behavioral than medical needs as evidenced by the average Medicare case-mix index of 1.34 to

1.38 and average MMQ score of N. This results in higher levels of physical therapy and occupational therapy being provided to the Patient Panel than skilled care. The Patient Panel is at risk for and /or present with declines in swallowing and nutritional intake, self-feeding, balance, muscle weakness and mobility and ADL performance. They also have diagnosis that include the need for pain management. Occupational, physical and speech therapy help the Patient Panel adopt to the environment, promotes the highest level of independence and safety and enhances the quality of life. Approximately 23% of the Patient Panel are on anti-psychotic medications, many times it is because the residents have a dual diagnosis of dementia and schizophrenia or bipolar disorder.

The majority of the Patient Panel has midlevel to advanced dementia, which results in an average length of stay at the Facility of 3.2 years. This length of stay is longer than a typical nursing facility. In addition, residents are typically not discharged back into the community after coming to PHC as they are at risk of wandering because of their dementia. There are, however, from time-to-time, short term stays and residents with low-level dementia whose physical health improves, resulting in discharge to a lower level of care or home. The Facility’s staff has received training to be attuned to the specific needs of its residents.

**F1.a.ii Need by Patient Panel:**

Provide supporting data to demonstrate the need for the Proposed Project. Such data should demonstrate the disease burden, behavioral risk factors, acuity mix, health disparities, or other objective Patient Panel measures as noted in your response to Question F1.a.i that demonstrates the need that the Proposed Project is attempting to address. If an inequity or disparity is not identified as relating to the Proposed Project, provide information justifying the need. In your description of Need, consider the principles underlying Public Health Value (see instructions) and ensure that Need is

**addressed in that context as well.**

There is a demonstrated need for the provision of short and long-term skilled nursing facility services in Palmer. The Baystate Health Community Needs Assessment found that Palmer was one of the two communities that “had consistently higher rates for the majority of health conditions identified as prioritized health needs.”5 For example, it found that the town of “Palmer has more than double the rate of mental health hospitalizations (1,744 per 100,000) as the state-wide rate

5 PUB. HEALTH INST. OF W. MASS., COMMUNITY NEEDS ASSESSMENT, 69 (2019) (Adopted by the Baystate Health

Board of Trustees on Sept. 10, 2019) (available at https://[www.baystatehealth.org/-/media/files/about- us/community-programs/community-benefits/2019-community-health-needs-assessments/baystate-wing-2019-chna- report-final-web.pdf?la=en).](http://www.baystatehealth.org/-/media/files/about-)

[(854 per 100,000)](http://www.baystatehealth.org/-/media/files/about-).”6 It also found that “[a]bout 30% of older adults experience depression” in Palmer, while 15% of people over the age of 65 in Palmer have some form of Alzheimer’s or dementia.7 The report found that Palmer “disproportionately experience[s] numerous social and economic challenges which contribute to the health inequities, such as lower household incomes and lower educational attainment levels.”8

In addition, Baystate Wing Hospital, a 74-bed community hospital is located less than a mile from the Facility. The Hospital provides inpatient and outpatient behavioral health through the Griswold Behavioral Health Center and the Center for Geriatric Psychiatry. The Facility has a close relationship with the Hospital, which serves a primary referral source. In addition, the Facility also receives many referrals from other skilled nursing facilities who are unable to accommodate the behavioral needs of residents.

Through ongoing discussions with the Hospital and its orthopedic team, the Applicant has identified a need for short-term rehabilitation beds in the community so that patients can stay in their local community and receive their short-term rehabilitation care. Currently, the Facility is locked and is mostly triples and quads, which cannot accommodate these residents. Additionally, when residents need to step down from a locked unit they have to be transferred to another facility. The Proposed Project would allow them to remain at PHC with their same caregivers and ensure continuity of care and reduction of transfer trauma.

As noted above, the Applicant is currently not able to meet the current demand. The Proposed Project will assist in meeting this need. In addition, the modern state-of-the art build environment will be specifically designed to address the behavioral health needs of the Patient Panel where the role of the physical environment is crucial to supporting their care and providing an atmosphere of familiarity that can positively contribute to their health outcomes9.

**F1.a.iii Competition:**

Provide evidence that the Proposed Project will compete on the basis of price, total medical expenses, provider costs, and other recognized measures of health care spending. When responding to this question, please consider Factor 4, Financial Feasibility

**and Reasonableness of Costs.**

The Facility is fully Medicaid-certified, and the Replacement Facility will maintain full Medicaid certification. As noted above, the Facility is located in a high-needs area. In fact, the Facility historically qualified for a MassHealth low-income municipality adjustment.10 Accordingly, the

6 *Id.* at 50.

7 *Id.* at 52.

8 *Id.*

9 Bram de Boer et al., *The Physical Environment of Nursing Homes for People with Dementia: Traditional Nursing Homes, Small-Scale Living Facilities, and Green Care Farms*, 6(4) HEALTHCARE (BASEL) 137 (Nov. 26, 2018), https://[at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6315793/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC6315793/)101 MASS. CODE. REGS. 206.06 (15) (2021) (provides that a “nursing facility will be eligible for a Low- income Municipality Adjustment to its payment rate if it is located in a city or town in Massachusetts with a median

Applicant has always provided services to a large number of MassHealth members at the Facility and intends to continue to serve a significant MassHealth resident population at the Replacement Facility.

PHC is rated a four-star facility by the Centers for Medicare & Medicaid Services (CMS). PHC’s average daily census is approximately 84%. The government payer mix for the Facility on average is 90% (10% Medicare; 80% Medicaid and MCOs).

In addition, the Replacement Facility will include modern, efficient building systems that will, in both the short and long run, reduce the Applicant’s high maintenance cost in place at the old Facility and lower the Applicant’s utility costs per square foot. Even though the Proposed Project is larger than the Facility, the technology advances and build environment has significantly improved since when the Facility was built in 1963 and will provide a high level of comfort, health and air quality to the residents.

The Proposed Project will not impact the Applicant’s ability to compete on price, total medical expenses, provider costs, and other recognized measures of health care spending. The rates of payment for its residents who are Medicare and Medicaid beneficiaries will not be impacted and are determined by government programs based on resident acuity and other regulated add-ons. The rates for its very small percentage of private pay residents will be competitive with the other facilities in the area.

**F1.b.i Public Health Value /Evidence-Based:**

Provide information on the evidence-base for the Proposed Project. That is, how does the Proposed Project address the Need that Applicant has identified.

A primary reason for the Proposed Project is to comply with the De-Densification Requirements. The De-Densification Requirements limit nursing facilities rooms of no more than two beds and updates spacing / square footage room requirements to provide for better physical distancing of nursing home residents to protect against the spread of COVID-19. Since the outbreak of COVID- 19, research has found that there is a higher incidence of COVID-19 cases and mortality in small rooms with multiple beds11 and the Centers for Disease Control (CDC) states that older adults living in congregate settings are at high risk of being affected by respiratory and other pathogens, such as SARS-COV-212. The CDC guidance highlights that a strong infection prevention and

household income level that is below the 20th percentile of median household income across all Massachusetts cities and towns, based on the US Census Bureau’s 2013–2017 American Community Survey (ACS) data.”)

11 Kevin A. Brown et al., *Association Between Nursing Home Crowding and COVID-19 Infection and Mortality in Ontario, Canada,* 181(2) JAMA INTERN MED., 229–36 (Nov. 9, 2020), available at https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2772335; Sheryl Zimmerman et al., *Nontraditional Small House Nursing Homes Have Fewer COVID-19 Cases and Deaths* 22(3) J. AM. MED. DIR. ASS’N 489-93 (Jan. 25, 2021), [available at https://www.jamda.com/article/S1525-8610(21)00120-1/fulltext](http://www.jamda.com/article/S1525-8610(21)00120-1/fulltext)CTRS. FOR DISEASE CONTROL AND PREVENTION. KEY POINTS, https://[www.cdc.gov/coronavirus/2019-](http://www.cdc.gov/coronavirus/2019-) ncov/hcp/long-term-care.html (last updated Sept. 10, 2021).

control program as well as social distancing and the ability to isolate residents is critical. A few recent studies also found that redesigned nursing facilities to allow for social distancing and isolating residents will fare better in light of what is known about COVID-19 and can contribute to increased infection control13.

Building a Replacement Facility will not only put the Applicant and PHC in compliance with the De-Densification Requirements but it will capitalize on PHC’s successful infection control practices. As described in the Project Description, the Replacement Facility will have the state- of-the-art mechanical systems to maximize ventilation and reduce recirculation of indoor air to mitigate air contamination. The Replacement Facility will also have a sink near the entrance and many other handwashing stations throughout the building for hand hygiene. There is also ample outdoor space that will allow for outdoor activities and visitations, weather permitting. This will position PHC to better address COVID-19 and other outbreaks that may occur at a skilled nursing facility serving a vulnerable, elderly population.

**F1.b.ii Public Health Value /Outcome-Oriented:**

Describe the impact of the Proposed Project and how the Applicant will assess such impact. Provide projections demonstrating how the Proposed Project will improve health outcomes, quality of life, or health equity. Only measures that can be tracked and

**reported over time should be utilized.**

As described above, the Proposed Project will comply with the De-Densification Requirements and provide enhanced infection control. As described in the Project Narrative, the Proposed Project will allow the Applicant to care for infected residents in a new, modern facility with appropriate ventilation systems designed to minimize airborne disease transmission and give the Applicant flexibility to effectively isolate and quarantine infected residents. The Applicant will have a dedicated Infection Preventionist on staff, as defined by the Centers for Medicare and Medicaid Services, who will work with the Applicant on the Proposed Project to identify and mitigate infection control risks and will continue to provide regular, ongoing infection control training to its staff. To assess the impact of the Proposed Project, the Applicant will monitor hospital readmissions, COVID-19 testing, COVID-19 infection rate data and resident satisfaction.

**F1.b.iii Public Health Value /Health Equity-Focused:**

For Proposed Projects addressing health inequities identified within the Applicant's description of the Proposed Project's need base, please justify how the Proposed Project will reduce the health inequity, including the operational components (e.g.

**culturally competent staffing). For Proposed Projects not specifically addressing a health disparity or inequity, please provide information about specific actions the Applicant is and**

13 Terry T. Fulmer et al., *Reimagining Nursing Homes in the Wake of COVID-19.* NATL. ACAD. MED. (Sep. 21, 2020), https://doi.org/10.31478/202009a; Diana C. Anderson et al., *Nursing Home Design and COVID-19: Balancing Infection Control, Quality of Life, and Resilience*. 21(11) J. AM. MED. DIR. ASS’N. 1519-24 (Oct. 31, 2020), https://[www.ncbi.nlm.nih.gov/pmc/articles/PMC7603995/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC7603995/)

will take to ensure equal access to the health benefits created by the Proposed Project and how these actions will promote health equity.

The Applicant has always and will continue to promote health equity. PHC does not discriminate on the basis of race, color, religion (creed), gender, gender expression, age, national origin (ancestry), disability, marital status, sexual orientation, or military status, in any of its activities or operations and accepts all appropriate residents.

PHC serves a high volume of MassHealth beneficiaries as noted throughout the application. Many of the MassHealth residents are underserved or difficult-to-place, and because PHC is currently operated as a fully locked facility, the entire Patient Panel has behavioral health diagnoses. The Proposed Project will continue to serve the Patient Panel, but also proposes to expand so that it can provide a more diverse set of skilled nursing services meeting the broader long-term care needs of its community.

F1.b.iv Provide additional information to demonstrate that the Proposed Project will result in improved health outcomes and quality of life of the Applicant's existing Patient Panel, while providing reasonable assurances of health equity.

The Replacement Facility will increase efficiency and continue to improve the Patient Panel’s health outcomes and quality of life. The Applicant anticipates that the Proposed Project will continue to serve a diverse patient population including a high percentage of MassHealth beneficiaries. The second floor of the Proposed Project will be a locked DSCU unit and PHC will continue to serve individuals with behavioral health diagnosis, many of whom cannot be appropriately cared for in other area skilled nursing facilities because of other facilities’ physical plant limitations.

F1.c Provide evidence that the Proposed Project will operate efficiently and effectively by furthering and improving continuity and coordination of care for the Applicant's Patient Panel, including, how the Proposed Project will create or ensure appropriate linkages to patients' primary care services.

The Proposed Project will continue to ensure appropriate linkages to patient’s primary care services and other community services by utilizing the model that is currently in place at the Facility. Currently the Facility experiences few discharges, so this model will be more widely deployed with the Proposed Project.

Starting at admission, the Facility coordinates with a resident’s primary care provider. If the resident is a short-term resident, the resident’s primary care provider from the community will be involved in the resident’s care and have regular and ongoing communication with the Facility. If the resident is a long-term resident, over time the resident typically transitions his or her primary care to the Facility’s medical director who has ongoing and regular involvement in the resident’s

care. In addition to coordinating with residents’ primary care providers, the Facility coordinates with the residents’ families who can be involved in residents care depending on a resident’s needs and/or desires.

At the time of discharge, the Facility’s social worker and nursing staff, led by the Director of Nursing, coordinate the discharge process to ensure that the resident has the appropriate community support in place for the transition home, to an assisted living residence or another nursing facility. This includes, but is not limited to, ensuring that there is a post-discharge visit scheduled with the resident’s primary care providers, and coordinating with community providers and agencies based on a resident’s needs and individual care plan such as visiting nurse, elder services, private home care, elder services at risk or hospice/palliative care. For those residents who are ready for discharge but who may not be safe to be at home, there is a community resource that works with families and the Facility to help find an appropriate assisted living residence.

F1.d Provide evidence of consultation, both prior to and after the Filing Date, with all Government Agencies with relevant licensure, certification, or other regulatory oversight of the Applicant or the Proposed Project.

The Applicant and its representatives have had discussions with the Department of Public Health Determination of Need Program.

F1.e.i Process for Determining Need/Evidence of Community Engagement: For assistance in responding to this portion of the Application, Applicant is encouraged to review Community Engagement Standards for Community Health Planning Guideline. With respect to the existing Patient Panel, please describe the process through which Applicant determined the need for the Proposed Project.

The Applicant has had conversations about the Proposed Project with a variety of stakeholders in the greater Palmer community as detailed in F1.e.ii.

F1.e.ii Please provide evidence of sound Community Engagement and consultation throughout the development of the Proposed Project. A successful Applicant will, at a minimum, describe the process whereby the “Public Health Value” of the Proposed Project was considered, and will describe the Community Engagement process as it occurred and is occurring currently in, at least, the following contexts: Identification of Patient Panel Need; Design/selection of DoN Project in response to “Patient Panel” need; and Linking the Proposed Project to “Public Health Value”.

As noted above, the Applicant had discussions with a variety of stakeholders in the greater Palmer community concerning the Proposed Project. The Applicant also had discussions with State and local officials, HealthDrive (the Facility’s mental health/geri-psych provider), Baystate Wing Hospital, and Palmer’s own employees and staff. Everyone has been supportive of the Proposed Project and the need to keep skilled care in the local community and preserve the locked unit. The

Applicant has also sent out a letter to the Facility’s neighbors introducing the Proposed Project. Upon approval of the Proposed Project, the Applicant will update its residents and their families about the Replacement Facility and projected timeline.

**Factor 2: Health Priorities**

Addresses the impact of the Proposed Project on health more broadly (that is, beyond the Patient Panel) requiring that the Applicant demonstrate that the Proposed Project will meaningfully contribute to the Commonwealth's goals for cost containment, improved public health outcomes, and delivery system transformation.

The Proposed Project will ensure that the Facility complies with the De-Densification Requirements which in part were implemented to ensure that residents in skilled nursing facilities had adequate privacy and that the facilities could implement effective infection control policies and procedures to address COVID-19 and future infectious diseases.

**F2.a Cost Containment:**

Using objective data, please describe, for each new or expanded service, how the Proposed Project will meaningfully contribute to the Commonwealth's goals for cost containment.

The Proposed Project will be a state-of-the-art building with a number of operational efficiencies. The Replacement Facility will meet or exceed certifiable “silver level,” or equivalent, of the Leadership in Energy and Environmental Design-health Care (LEED-HC) Green Guide for Healthcare (GGHC). It will be energy efficient and have modern mechanicals, including air ventilation system. The floor plan is also designed to maximize resident care and work flow efficiencies. The Proposed Project is also primarily hybrid semi-private rooms which provides for the Applicant flexibility to go from singles to doubles adopt based on census and current need, provides for resident privacy, and will maximize infection control and help minimize any future COVID-19 or other infection disease outbreaks. The addition of the 21 beds will slightly increase staffing costs; however, the overall project will improve the health and wellbeing of the patient panel and the overall operating costs of the building will decrease as compared to maintaining an old, in efficient facility.

**F2.b Public Health Outcomes:**

Describe, as relevant, for each new or expanded service, how the Proposed Project will improve public health outcomes.

As noted above, the Proposed Project will comply with the De-Densification Requirements and will have private and semi-private rooms and physical plant that maximizes infection control, which will help minimize any future COVID-19 or other outbreaks. In turn, this will lower and ideally prevent hospitalized readmissions and improve on the already successful public health outcomes that PHC has achieved for its Patient Population. As noted above, PHC’s residents have a long average length of 3.2 years and have had positive health outcomes from the care they receive at PHC. Expanding the beds at the Proposed Project will allow PHC to provide its skilled nursing

services to more individuals and likewise contribute to their positive health outcomes and reduce burdens on the local families that cannot care for these individuals at home.

**F2.c Delivery System Transformation:**

Because the integration of social services and community-based expertise is central to goal of delivery system transformation, discuss how the needs of their patient panel have been assessed and linkages to social services organizations have been created and how the social determinants of health have been incorporated into care planning.

As a majority of PHC’s residents are long-term, with the Proposed Project, PHC can provide the appropriate psychosocial support and address social determinant of health needs, including nutrition and stable housing. PHC provides an atmosphere and a community that prevents isolation and contributes to improved mental and physical well-being. Because the Patient Panel all has some level of cognitive disorders, there are activities provided throughout the day that are tailored to stimulate residents with these diagnosis. There are opportunities to go outside and when appropriate, have performers at the Facility. For residents who are not able to leave their room, there are different activities and multiple daily visits by staff to prevent isolation. Recently PHC has introduced music therapy. There are also tablets available for the residents.

PHC has always been connected to the local community. Prior to COVID-19, PHC regularly visited local senior centers and provided outreach and education on their services. In addition, F1.c discusses the community supports that PHC works to have in place upon discharge. Moreover, as described above, PHC encourages the small number of families who have a loved one discharged from PHC to directly contact PHC if they are concerned for their loved one’s safety once at home because of the behavioral health diagnosis. Under the Proposed Project, this program would be expanded. This allows PHC to directly admit the individual back to the Facility instead of the hospital, which also helps with the health outcomes and cost containment discussed above in F1.b and F2.a.

**Factor 5: Relative Merit**

F5.a.i Describe the process of analysis and the conclusion that the Proposed Project, on balance, is superior to alternative and substitute methods for meeting the existing Patient Panel needs as those have been identified by the Applicant pursuant to 105 CMR 100.210(A)(1). When conducting this evaluation and articulating the relative merit determination, Applicant shall take into account, at a minimum, the quality, efficiency, and capital and operating costs of the Proposed Project relative to potential alternatives or substitutes, including alternative evidence-based strategies and public health interventions.

**Proposal:** The Proposed Project is a request to construct a modern, state-of-the art de- densified 82-bed replacement facility on the same campus as the Facility.

**Quality:** The Proposed Project would enable the Applicant to comply with the De- Densification Requirements and modernize its old facility so that it can continue to care for the Patient Panel with both short and long-term needs, behavioral health challenges and an environment that is specifically designed for enhanced infection control in compliance with COVID-19 guidance.

**Efficiency:** The Proposed Project would allow the Applicant to be more efficient and operate in a more cost effective manner.

**Capital Expense:** The total capital expenditure for the Proposed Project is $18,838,384.00.

**Operating Costs:** Operating costs for building maintenance will decrease as described in Section F2.a, but there will be a cost increase related to the additional clinical staff needed to manage the additional 21 beds that will be part of the Proposed Project and related to the increased food and supplies. The Proposed Project also will meet the health priority of employment. The Proposed Project will allow the Applicant not only to retain but to expand the workforce, creating further opportunities for the surrounding communities

Option 1:

**Alternative Proposal:** There is no alternative proposal to the Proposed Project. The Applicant is precluded from renovating the current facility due to zoning, abutting wetlands, and parking limitations which do not allow for compliance with the De- Densification Requirements.

Alternative Quality: NA Alternative Efficiency: NA Alternative Capital Expense: NA Alternative Operating Costs: NA

**F5.a.ii Describe the process of analysis and the conclusion that the Proposed Project, on balance, is superior to alternative and substitute methods for meeting the existing Patient Panel needs as those have been identified by the Applicant pursuant to 105 CMR 100.210(A)(1). When conducting this evaluation and articulating the relative merit determination, Applicant shall take into account, at a minimum, the quality, efficiency, and capital and operating costs of the Proposed Project relative to potential alternatives or substitutes, including alternative evidence-based strategies and public health interventions.**

The Applicant considered the above options to meet its Patient Panel’s need, and building a Replacement Facility was found to be the only feasible option. It achieves operational

efficiencies, meets the De-Densification Requirements, and implements the most-current infection control measures.

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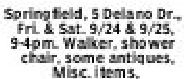
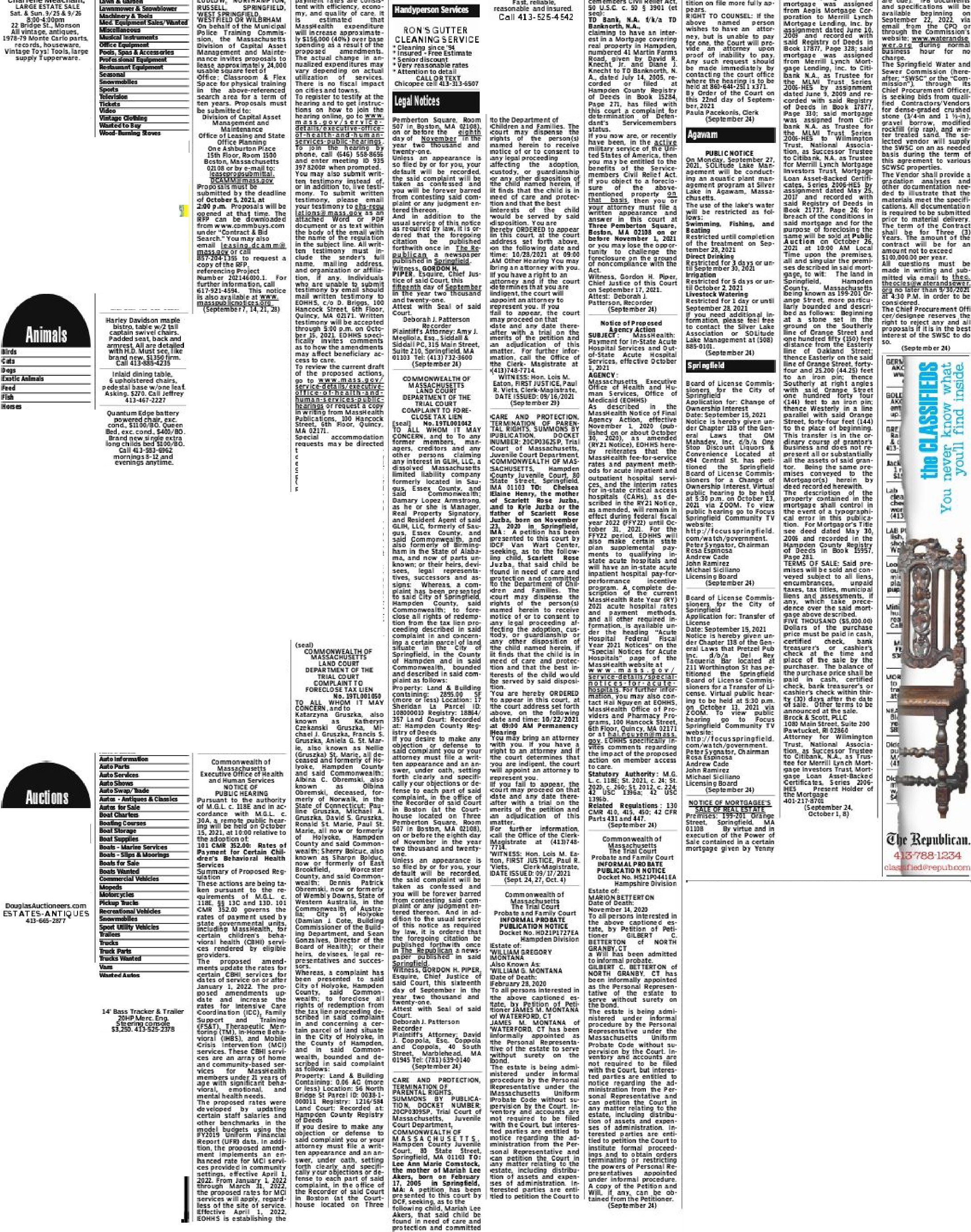
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Readers of *The Republican* love tag sales! Advertise your tag sa\_le for only $29.63; includes 4 lines of copy for 3 days. If it rams on the date your tag sale is scheduled, we'll run your ad the next weekend ***FREE.***

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gaiden and sec Ul8 roof P9:'b. It will 1Eve82 beds(61 exmti rg beds plus21 new beck:) comprised Bila 41 red unit on each fborwith pmrste and t\1,0-bedded rooma The P ropoSEd Project will have capac . to serve irdrvdua.1:3with variolLl type:a of soort ard Jong­ ta rm -k1lad caia. need . Jud 1rg the Fae ility'3 current special populsrl:10.n of md1v1dual8 with dementia that 119quire a88cuiaility. The Applcant does not antc1pale any prba orsan.rce impa=,12on the\_Appli::ant's axiating Patient Panel as a reault of the Proposed

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**AMHERST**

### COVID-19 case.s fallatUMass

**MONSON**

Cannabis growing facility faces m.old problems

NewCOVID-19cases.at the UniversityofMassachusetts Amherst fell m the past weekby nearly75% aftera sharp.spike the week prior infected almost

400 students withthevirus.

Temngdata releasedbythe sclioo,I yesterdayshowed that 91students andnineemployees contracted thevirus between Septl5and21. 'Ihisrn.arba noticeabledowntnm fromthe weekofSepl:.8 to14,when 380 people-most of themoff cam­ pusstudents- testedpositive.

UMassconducted roughly 8,000tests betweenSept.15 and21an.lhad apo.5itivity rate ofl.27%,a steepdropfiomthe prior, k'srateofover 4%.

Thescliooldoes notrequire te.stingfor vaccinated,sta.dents. Butaftertheriseinca-s:es13.51 wed, UMassannounced thatit W01!1ld begin "adaptive testing," in which specificstndentswould beasked totest asa meansof monitoring thevirus'spread.

Infectionsoontinuetobe drivenJargely byoff ca:mpns students,the data *shows,*with tbo&:students accowttingfor morethan 75%ofca.ses this year.

Administmtars havesaid that

## Company says safety plans not compromised

**BY JOI RUH.ILL**

Specia.l to The Republican

Holistic Industries *is* battlingamoJd problem at a marijuana growingfacility herethatsuppliescannabis to recre­ ational and medical retailers.

Reactingto complaints fromemploy· ees, the M01160nBoard ofHealthhas called for animmediate inspecti.onof the96 Palmer Roadfacility,in concert withstate reg:ulafon..

The moklinfestationhasmt compro­ mised thesafety of the plants,saidHo­ listicinastatementto TheRepublican.

'fNoproductsweresold thatdidnot meetstateregulations,"thecompany stated."Wedid havesomecomplaints aboutproductthathada 'different' smell.Onceweidentified mold was presentin ourfacility, buth-ad not compromised the,safetyonhe plants, wt:a<Ssumed someofthefacilitysrneD transferred toproductor packagi . Thisiswhen weproactively added the extraQA(quality assurance) processes

**WEST SPRINGFIELD**



ofsensory and visual inspections, p ing any batchesthatdidnotmeetour standards."

Thecompany,which hasretail oper-­ ationsin Easthampton andSpringfield, added thaltit was "awareofany and.all. obl:igation51 if *any,*to report thistoour partnerstate agelrie.s and aretaking theappropriate steps."

"It's important to note that federal safety agencies,suchas (Occupation SafetyandHealth Administration)and the (CentersforDisease O:mlroI),have not identified a leve1ofmoldforany buildingthatis 'safe' or 'unsafe'.Fur­ ther, \\l:consulted withenvironmental science expertsand haveIM:enassured thatthemoldinour facilitydoes not poseahuman healthhazard. However,

everyone who-works in our&cilftyis,

andhas been, requiredtowearface

coverinsinceearlyMarch2020.»

Thecompanyis di.sputing *as*"'inac­ curate"alleg.ations byemployees, iJl! documents *sent* this \...eek to Monson officials, thatHolisticmanagers "have stalJed formonl:hs andhave notrelayed anyplanofaction to Emp]oyees at the MonOOJl! location..They have failed to

actonthestrongrerommendationsof the Industrial Hygienists."

"We hadaipoweroutagein our facility onCbristmas in 2020causinga high humidityevent," Holisticsaid."We anticipated thata few batches might havebeenaffected *so*wemonitored the situationcJoscly."

Thecompany added, "In June, there was a report ofaperv:a5ivesmell inthe facilitywhich prompted ustoinvesti­

gate.Weidentified contained *areas* m

thefacilityinwhich mold waspresent and began to implement a remediation strategy."

Employees at the Mon60ll growing fa­ cilitysent photographs and documents regarding theoperation to townofficials earlierthis week.

According toempJoyees who,asked

not tobe.identified, thedocuments include photosof mold patches inside facilityand anfavestigative report the company paidforwith*tests*document· inga mold problem insome areas.

HolistictoldThe Republican that Monson officials "\vere notalone in reoe:iving a portion of athird-party in­ spection report prepared by EnviroMed

**SPRINGFlELD**

Services.Apparentl).I it waswidely distributed byan ownsource. It was mt the fullreport anl our ru1de.r standing that the docnrnem youand/ orothei:sreceived may haveincluded an additionaJ coversbeetinaccurately calling outexecutives an.l making inao­ cru:ateclaims."

Dlll'ing a MonsonBoanlofHealth meeting Wednesday night, the board determined the employee reports contain "credible evidence,,.andasked townadm:inmrator Jennifer Wolowicz tohelpthemaddressthematter, and toinvolve thestateCrumabis Control Commission.

Thecommission declined tocom­

mentontheMonwn facility,saying;

..Ingeneral, thea ncytakesserions]y the healthandsafetyofpatients and co:nrn:mei:s who purchase product fromlicensed facilities,and theagents whostaff them.Commission staff'wiD oontimre toconduct scliedu1ed a111d unannounced inspectionsofMarijinana EstablishmentsandMedicail Marijuana 'Ireatment Gentei:s, including routine compliance checks andinv,estigations intoconstituent complaints.".

many oft.hecasesstemfromun-­

maskedsocialization,notfrom classroom.settings.

**Big E, Baker honor restaurateur**

Casino eyes poker's return

M:l&of theUMass cases have b«:nmi1dto.moderatemness, theschlo1said.

**1:ASTLONGMEADOW**

### High haloaceticacid levelfound in·water

Thetown Wsl:er Departme'l'll: is reporting a 9-monthavemge formmitoring amountsof haJoaceticacids inthedrinking waterwasa triddeabovethe maximum amount allowed by Massachusetts.

Officials saidthe average:re­ corded between December and September attheHarlcness Road pump,stationdoes not represent an eme y,andpeopledonot need totakeanyaction.

Haloaceticacids, according tothestateDepartment of Environmental Protection, are agroo.pofdisinfection byprod­ uctsthat fonn whenchlorine compounds that areused to disinfect waterreact withother

naturally oocruringchernicalsin

the water.

The9-month ave:rage atHie pumpingstationshowed 69 mi­ crogxams ofhaloacetic acidsper literofwater. Thestate's limitis

,60 rni.crograrnsperJiter.

Dri:nkingwaterwithexcessive haJoaceticacid.levelsovera periodofyears canin;rease the riskofgettingcm::er.

TheWater Department and

## Plaque unveiled

at fairgrounds in AndyYee·s memory

**h J]X KDIINIIY**

[jkinn;ey@repull.com](mailto:jkinn%3Bey@repull.com)

When raindrops started pounding the tent yesterday at theBigE Wurst Hausresta:u­ mnt duringa tribute to the late restaurateur Andy Yee, Yee's friend .and business partner Peter A. PickneDytookitas a message.

**"He** wants everyone tocome inside,"P:icknelly said."Only Andy Yee wooldfind a way to get everyone in here to drink hisbeer."

Picknellyjoin,edthe Yee family, Gov.Charlie Baker, U. Gov.Karyn Politoandthe Big Eto unveil.a plaquein Andy Yee;s memory yesterday.

Bakergotemotional, his voicecradcing as hetalked about hisfriend.

"'Wh-at Andy *reailly* builtand what hedeveloped was joy," Baker said.

Yee \W.5 often present as Baker toured Western Massa­ chusetts, alwayssteppingup wifuasmile and aigxeeting. Baker sought outYee asweil1 often a.t The.Fort.

"'He wasspecial," Baker said."I'rnsograteful I got toknowthe*guy* duringthe

From left,**Linda Yee,mother of the rate Andy Yee; Peter A. Picknell:,, Peter Pan Bus Linesc.hairim11:n and CEO 8.l!ld a !ongtime business partner of Yee;** Lt. **Gov. Karyn Polito; a:nd Gov.** Charlie **Baker 11:pplaL1d dL1ring yesterday's tri.buteto Andy Yee at the Big E\_. Yee di.ed** in **May at age S9. Be!ow,.Sarah Yee,front row center., wife of Andy Yee,.and** otlher **Yee family members at the event..**

See morre **photos at** MauLive,com.,tH011NllUDN'HWYil:NJ1t1EIW'IB.lalNl



## 10-12 talbles

expected to open by year·s end

**BY COLIN A. YOUNG**

State Hous,eNews Service

Thingll have beengoing s.moothly at the state's ca-si­ nosan.d *slots* parlor as they adapt to loca]health and safety measures and contin­ ue to adjust theirofferings to conrumers, gamiJigreglllla· torssaidyesterday.

The push-and-pull of the persistent pandemic and gamblers' desires to get back to a more normal

casino atmosphere is on fu]] display at MGMSpringfield, where the casinorecent-

ly began removingslot machines from its former poker roomin pl'epara.tion of the reintroductionof that game but alsowent back to requiring its guests to wear *masks* in keepingwith.a local mandate that began Segt.13.

**'MGM** was prepared for

the neworder.Before the neworder, youmayrecall, theyhadalready reinstated ma.sk mandates for em­ ployees.They were able to quickly update theirsignage, their:social media and their otherweb-based messag

1. illios, directorofthe Gam­ ing Commission's Investi­ gations and Enfbrce:rnent Bureau. "There have been nosignificant issues **with** patron compliance."

Bruce Band, assistant di­ rectorof the IEB,saidMGM bad begun.to remove about 20% of the slot machines fromits former poker room "in prepara.tion of introduc­ ing poker."

MGM Springfidd :and Encore Boston Harbor both resumed mostly normal operations in late Maywith­ outofferingpoker, which bad been prohibited by the commission when regula­ torsfirst allowed the casinos to reopen under health and safety restrictions last year.

Afteran outcryfrom poker playen., MGMSpr eld told theGamingCommis­ sionfast month that it plans to reintroduce pokerby the end ofthisyear, though at a reduced capacity.

An MGM officialsmd play­

ers canexpect about10 to *12* tablesinstead of the 28 that usedito populate the casino's poker room.

Encore Boston Harbor has saidit willmake adecision aboutpoker bythe end of *this*year and hassaidthat bringing the game back would likely mean the

Springfield Water andSewer Department arereviewing watertreatmentmethodsand

oourseofmytimeon earth."

Baker joined the crowd in a toast to Yee.

Officefromthe BigE admin-­ istratlon buildingto the "W'u:rst Hans.

Hutin WestSpringfidd.

n was AndyYeewhowasthe

familyspokesman when the

ingnotifyingguestsofthe

requirement," said.Loretta

closure ofsome othertable games at the Everett casino.

wil1evalllateoption:s for.reda.c· inglevelstobelowacceptable amounts, official said.

Peop]ewithany qne.stions are askedto contactFelixVachon at the WaterDepartment at 413,

525z5400, Ext.1204 orbyemail atfelix.vacho:n@eastlangmead­ owma.gov

**PITTSFlELD**

**Halloween parade canceled**

Pittsfield's Hallm11een parade hasbeencanceled for the second yearin .a rowcine tothe COVID-19 pandem:ic..acoord­ ing toits website.

It noted, however, thaHhere willbe virtual contests and that more detaiJs wiDIle available

Afterwards, Baker toured thegJOunds andthe MacSsa-­ chusetts building, a tradition on Massachusetts Day;Baker tooktime meetingfolks, buy­ ing wine andapple pastries andenjoying asmoothie before headingofftoeventsin Spri:ngfieJd and Westfidd..

Yee diedinMay after a re­ curren<:eofcancer.Hewas59, just a weekshort ofhis60th birthday.

Picknellyand Yee headed theStudent Prince Cafe and The Fort Dining Roomfrom certain closure in 2014and theybranched out after that, incmding adding a WUrst House at the fai.rfiveyea!ts ag-0 and pitchingin tosave another iron, the White Hut, in2O20.. White Hut alsohasa location

For Andy'sbrother, Edison Yee, thecrowdonJydrove home thebmteisweet nature of theday.

"He'd havebeen.in hisele­

ment,"Yeesaid. "He would have been goingaround greeting people,shaking hands, givinghugs. He loved people."

AndyYee's son, Matt, said he appreciated th tribute..They familyfa;adjusting, hesaid, and alsomoving forward with mnninga restaurant empire.

The Yeefa:rniJy;sBean restaurant group inchldes The Fort, Union Kitchen in Vks1: Hartford, Connecticut; Johnny's Tavernin Amherst; Johnny's Bar andGril]in South Hadley; IyaSushiand Noodle kitchen locations in

fanrilydosed its iconicHuKe

Lau inChicopeein 2018.

AndyYeecherish.edl his

.relationship with.Raker. **Matt** Y:eesaidthe admiration was based.onAndts efforts tobring business, employ­ ment arul money to Western Massachusetts. His father wanted to bringthe focusto the opportunities here.

In Westfidd, Baker Wlh'i on hand to celebrate the plll!llting ofthe 30,000th treeinthe Greening the GatewayCities program. The p]anting was meant to markClimate \\leek.

HeaJsocut the n"bbon for Springfi:e.ld Prep Charter School on Roosevelt Avenue.

**VALL,EY P1ULMONARV** &

**M1EDICAL ASSOCIAT'ES**

**Will Be mo.sine Their Practice OnOctober 15, 2021.**

*We Thank* Att *OurPat£ents*

For *Your Loyatty*

**Thank you,**

Sharon Practice manager

soon.

Thecity toldMassLive that trlclc-or-treatingis al1ocwed thisyear, somethingthe city discooraged in2020.

Pittsfield saidit stillenoourag­ esallthosewho participate to continueto adhereto personal safetyprotocols toensure a safe and enjoyabl.e time."

at the fair.

Beforetheceremony,

digmtarles, businesspeople

* including competitor Peter Rosskothen,owneroftheLog Cabin andDelaney House
* and BjgE officials miUed abomt yesterdayawaiting the gpvemor and aprocession by the Hampden CountySheriff's

Amherst andSouth Hadley;

Johnny's Roadside Grill.in Hadley;The Boathouse in South Hadley; The Halfway House inSouth Hadleyj Johnny'sTap Room inSol.Ith Hadley;The Fort's Wur:st Hans in Northampton, and Simsbury and WestHartford, Connecticut;and the Whi.te

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**Polish American Citizens Club**

355 **East** Street, Ludlow,

**MA**

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Bingo Wednesdays

6:30 9:30pm

Doors O,pen .at 4pm.

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3 - $200 Special Games All Games will be $100 with 90 People or More



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**Public Announcement Concerning a PropoHd Health care Project Wellman HulthcareGrou;p9 Inc.**

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# EXHIBIT 3

**WELLMAN HEALTHCARE GROUP, INC. ‐ FACTOR 4 ATTACHMENTS**

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* 1. **PROJECTED FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS’ COMPILATION REPORT YEARS ENDING DECEMBER 31, 2021 THROUGH DECEMBER 31, 2026**
  2. **CONSULTING REPORT BENCHMARKING MANAGEMENT’S PROJECTED FINANCIAL ANALYSIS FOR THE YEARS ENDING DECEMBER 31, 2021 THROUGH DECEMBER 31, 2026**

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**COMBINED PROJECTED FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

**YEARS ENDING DECEMBER 31, 2021 THROUGH 2026**

WEALTH ADVISORY I OUTSOURCING AUDIT, TAX, AND CONSULTING

CLAconnect.com

WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE TABLE OF CONTENTS

PROJECTED YEARS ENDING DECEMBER 31, 2021 THROUGH 2026

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COMBINED PROJECTED STATEMENTS OF CASH FLOWS 6

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND

ACCOUNTING POLICIES 8

CliftonlarsonAllen LLP CLAconnect.com

**INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

Board of Directors

Wellman Healthcare Group, Inc.and Affiliate Palmer, Massachusetts

Management is responsible for the accompanying combined projected financial statements of Wellman Healthcare Group, Inc. and Affiliate, which comprise the combined projected balance sheets as of December 31, 2021, 2022, 2023, 2024, 2025, and 2026 and the related combined projected statements of operations, changes in equity, and cash flows for the projected years ending December 31, 2021, 2022, 2023, 2024, 2025, and 2026 and the related summary of significant assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA) (the "Projection"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the combined projected financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these combined projected financial statements or the assumptions.

Furthermore, even if Wellman Healthcare Group, Inc. can complete the construction of the Project (as defined in the summary of significant assumptions and accounting policies) at the costs and timeline presented hereafter, and is able to achieve the operating assumptions, collectively, the "Hypothetical Assumptions", there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The financial information in the accompanying combined projection is presented in accordance with the requirements of the Massachusetts Department of Public Health Determination of Need Program, and is not intended to be a complete representation of the projected assets, liabilities, equity, and operations of Wellman Healthcare Group, Inc. and Affiliate.

The accompanying combined projection, and this report, are intended solely for the information and use of management, officers and board of directors of Wellman Healthcare Group, Inc. and Affiliate, and the Massachusetts Department of Public Health Determination of Need Program (DPH-DoN) in its review of the Determination of Need application under regulation 105 CMR 100.210 (4) (a) and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonlarsonAllen LLP

Boston, Massachusetts October 5, 2021

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**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE COMBINED PROJECTED BALANCE SHEETS**

**UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1 DECEMBER 31, 2021 THROUGH 2026**

**(000S OMITTED)**

CURRENT ASSETS

ASSETS

2021 2022 2023 2024 2025 2026

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Cash | s | 694 | $ 819 | $ 609 | $ 1,230 **s** | 1,885 | $ 2,589 |
| Accoonls Receivable• Palienls/Residenls |  | 675 | 703 | 732 | 773 | 819 | 867 |
| PrepaidExpenses |  | 76 | 76 | 76 | 76 | 76 | 76 |
| Other Current Assets |  | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Current Assets |  | 1,447 | 1,600 | 1,419 | 2,081 | 2,783 | 3,534 |
| PROPERTY ANOEQUIPMENT |  |  |  |  |  |  |  |
| Land |  | 687 | 687 | 687 | 687 | 687 | 687 |
| BuildingExisting |  | 1,513 | 1,513 | 1,513 | 1,513 | 1,513 | 1,513 |
| BuildingNew |  |  |  |  | 18,814 | 18,814 | 18,814 |
| Equipment |  | 516 | 516 | 516 | 916 | 966 | 1,016 |
| Leasehold Improvements |  | 144 | 144 | 144 | 144 | 144 | 144 |
| Tolal |  | 2,860 | 2,860 | 2,860 | 22,074 | 22,124 | 22,174 |
| Less: Accumulated Depreciation |  | 1,146 | 1,251 | 1,357 | 1,965 | 2,520 | 3,075 |
| Property and Equipment, Net |  | 1,714 | 1,609 | 1,503 | 20,109 | 19,604 | 19,099 |
| OTHER **ASSETS** |  |  |  |  |  |  |  |
| Construction inProgress | 245 | | 6,564 | 19,441 |  |  |  |
| Due FromRelated Party | 338 | | 338 | 338 | 338 | 338 | 338 |

Total Other Assets 583 6,902 19,779 338 338 338

Tolal Assets s 3,744 $ 10,111 $ 22,701 $ 22,528 $ 22,725 s 22,971

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE COMBINED PROJECTED BALANCE SHEETS**

**UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1 DECEMBER 31, 2021 THROUGH 2026**

**(000S OMITTED)**

2021 2022 2023 2024 2025 2026

LIABILITIES **AND** EQUITY

**CURRENT LIABILITIES**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Current Portionof Long-Term Debt | $ 89 | $ **55** | | s 432 | | $ 462 | | $ **485** | | s 1,885 | |
| Accounts Payable and Accrued Expenses | 567 | 591 | | 613 | | 642 | | 677 | | 712 | |
| Deferred Revenue | 3 | 3 | | 3 | | 3 | | 3 | | 3 | |
| Total Current Liabilities | 659 | 649 | | 1,048 | | 1,107 | | 1,165 | | 2,600 | |
| DUE TO **RELATED PARTIES** | 7 | 7 | |  | | 7 | | 7 | | 7 | |
| **LONG-TERM DEBT, Net** | 1,632 |  | 7,526 |  | 19,296 |  | 18,622 |  | 18,151 |  | 16,281 |
| Total Liabilities | 2,298 |  | 8,182 |  | 20,351 |  | 19,736 |  | 19,323 |  | 18,888 |
| EQUITY | 1,446 |  | 1,929 |  | 2,350 |  | 2,792 |  | 3,402 |  | **4,083** |
| Total LiabilitiesandEquity | $ 3,744 | $ | 10,111 | $ | 22,701 | $ | 22,528 | $ | 22,725 | **t** | 22,971 |

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE COMBINED PROJECTED STATEMENTS OF OPERATIONS**

**UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1 YEARS ENDING DECEMBER 31, 2021 THROUGH 2026**

**(000S OMITTED)**

2021 2022 2023 2024 2025 2026

REVENUE

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Private | $ 209 | $ 624 | **s** | 636 | $ 1,261 | **s** | 1,495 | s | 1,525 |
| Medicaid | 2,919 | **4,256** |  | 4,341 | 5,397 |  | 5,948 |  | 6.087 |
| Medicare Part A | 1,744 | 458 |  | 467 | 1,105 |  | 1,458 |  | 1.487 |
| Coinmeilcal | 50 | **158** |  | 161 | 169 |  | 225 |  | 230 |
| Part B• Therapy | 97 | 199 |  | 203 | 207 |  | 211 |  | 216 |
| HHS Stimulus | 419 |  |  |  |  |  |  |  |  |
| OtherIncome | 160 | 163 |  | 167 | 170 |  | 173 |  | 177 |

Tolal Revenues 5,598 **5,858** 5,975 **8309** 9,510 9,702

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| EXPENSES |  | | | | | | |
| Adminislraliveand Indirect Program Expenses | 1,434 | 1,462 | 1,491 | 1,521 | 1,552 |  | 1,583 |
| Property | 60 | 61 | 63 | 314 | 320 |  | 327 |
| Interest | **100** | 92 | 163 | 983 | 935 |  | 912 |
| Depreciation | 106 | 108 | 106 | 607 | 555 |  | 555 |
| Plant Operatloos | 229 | 234 | 239 | 243 | 248 |  | 253 |
| Dietary | 354 | 362 | 369 | 402 | **454** |  | 463 |
| **lauldiy** | 101 | 103 | 105 | 107 | 109 |  | 112 |
| Hoosekeeping | 103 | 105 | 107 | 109 | 111 |  | 113 |
| Nursing | 1,731 | 1,766 | 1.801 | 2.194 | 2,951 |  | 3,010 |
| Nursing Support | 649 | 662 | 675 | 639 | 702 |  | 716 |
| Social Se,vices | 64 | **66** | 67 | 68 | 70 |  | 71 |
| Reeteation | 144 | 147 | 150 | 153 | 156 |  | 159 |
| Ancillaries | 450 | 459 | 468 | 477 | 487 |  | 497 |
| TotalOperating Expenses | 5,525 | 5,625 | 5,804 | 7,867 | 8,650 |  | 8,771 |
| NET INCOME | $ 73 | $ 233 | $ 171 | $ **442** | $ 860 | **s** | 931 |

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE COMBINED PROJECTED STATEMENTS OF CHANGES IN EQUITY**

**UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1 YEARS ENDING DECEMBER 31, 2021 THROUGH 2026**

**(000S OMITTED)**

2021 2022 2023 2024 2025 2026

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| BEGINNING BALANCE. EQUITY | s 1,523 | $ 1,446 | $ 1,929 | $ 2,350 | $ 2,792 | $ 3,402 |
| NetIncome | 73 | 233 | 171 | 442 | 860 | 931 |
| (Distributions)/CootributedCapital  (Distributions)/CootriootedCaptal | (150) | 250 | 250 |  | (250) | (250) |
| ENOING **BALANCE·** EQUITY | $ 1446 | s 1,929 | s 2,350 | s 2,792 | $ 3,402 | s 4,083 |

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE COMBINED PROJECTED STATEMENTS OF CASH FLOWS**

**UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1 YEARS ENDING DECEMBER 31, 2021 THROUGH 2026**

**(000S OMITTED)**

2021 2022 2023 2024 2025 2026

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| CASH FLOWSFROM OPERATING ACTIVITIES  Net Income | s | 73 | s | 233 | $ | 171 | $ 442 | $ 860 | **s** | 931 |
| Adjustments to Reconcile Net Income to |  |  |  |  |  |  |  |  |  |  |
| Net CashProvided (Used) by (lperabons: |  |  |  |  |  |  |  |  |  |  |
| Deprecialion |  | 106 |  | 106 |  | 106 | 607 | 555 |  | 555 |
| Amortization olDeferred Financing Costs |  | 6 |  | 6 |  | 6 | 15 | 15 |  | 15 |
| (Increase) Decrease inAsse1s: |  | |  | |  | |  |  |  | |
| AccountsReceivable | (100) | | (28) | | (29) | | (41) | (47) | (48) | |
| Other Receivable | 15 | |  | |  | |  |  |  | |
| Prepaid Expenses | (43) | |  | |  | |  |  |  | |
| Increase(Decrease) in Liabilities: |  |  |  |  |  |  |  |  |  |  |
| AcC0'.111S Payable and Accrued Expenses Deferred Revenue | 22  !276! | | 23 | | 24 | | 30 | 35 | 35 | |
| Net cash Provided (Used} ( by Operating Activities | 11s1i | | 340 | | 278 | | 1053 | 1,418 | 1,488 | |
| CASH **FLOWS FROM INVESTING** ACTIVITIES |  |  |  |  |  |  |  |  |  |  |
| Purchases ofProperty anrl Equipment P\Kchases of Construction inProgress | (21)  !159) | | !376! | | !683l | | (50) | | (50) | |
| Net Cash Usedby InvestingActivities | !1eoi | | !376) | | !683) | | !50) | | (50) | |
| CASH FLOWS FROMFINANCING ACTIVITIES |  |  |  |  |  |  |  |  |  |  |
| (Oislributions)/ConlributedCapital |  | (150) | 250 | | 250 | |  | (250) | (250) | |
| Advances (to)from RelatedParties |  | (101) |  | |  | |  |  |  | |
| Payment of Long-Term Debt |  | !91! | !89) | | !55! | | !432! | !-462) | !485) | |
| Net cash (Used) Provided byFinancing Activities |  | !342l | 161 | | 195 | | !432) | (712) | !735) | |
| **NET INCREASE(DECREASE) IN CASH** |  | (719) | 125 | | (210) | | 621 | 656 | 703 | |
| cash• Beginning of Year |  | 1,413 | 694 | | 819 | | 609 | 1,230 | 1,886 | |
| CASH • ENDOF YEAR | **s** | 694 | $ 819 | | $ 609 | | $ 1,230 | $ 1,886 | $ 2,589 | |

SUPPLEMENTAL DISCLOSURE OFCASHFLOWINFORMATION

lntereS1Paid  **s** 94  **s** 87 $ 158 $ 969 $ 920 $ 897

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE COMBINED PROJECTED STATEMENTS OF CASH FLOWS**

**UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTES 1 THROUGH 5 YEARS ENDING DECEMBER 31, 2021 THROUGH 2026**

**2021** 2022 **2023 2024 2025 2026**

stJPPLEMENTAL DISCLOSURES OF**NONCASH INVESTING ANO**

**FINANCING TRANSACTIONS**

LOll9 Term Debt Acquired • Construction Loan **s** s 5,943 $ 12.195 s s s

Construction inProgress Financed Via Construction Loan (5,943} (12,195)

Proceeds from Long Term DebiAcqLired s s $ s s **s**

DeferredFinancing Costs $ $ s s (227) s s

Coostruction inProgressPlaced inService *227*

Cash Paid for Deferred Financing Costs $ $ s s . s s

Plrt:hase of P,werty andEquipment $ (21) $ s s (19,214) s (50) $ (50)

Construction inProgress Placed inService 19 214

cashPaid!or Property andEquil)ITlent $ 1211 $ s s (50) **s** *(20)*

Construciioo InProgress **s** (159) s (6,319) $ (12,878) s 19,441 s s

Construction inProgress FinancedViaConstruction Loan 5,943 12,195

Constructioo InProgress Placed inSeivice !19,441)

CashPaid!or Construction inProgress **s** !159) $ p16l $ (683) $ s $

**WELLMAN HEALTHCARE GROUP, INC. ANO AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 1 BASIS OF PRESENTATION AND NATURE AND LIMITATIONS OF PROJECTIONS**

**Basis of Presentation**

The combined financial projection (the "Projection") presents, to the best of the knowledge and belief of management ("Management") of Wellman Healthcare Group, Inc. and Affiliate, (the "Applicant", "the Company", or the "Nursing Home"), the expected combined financial position as of December 31, 2021 through 2026, and the expected combined results of operations and cash flows for the years ending December 31, 2021 through 2026 (the "Projection Period").

A projection although similar to a forecast, is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. Management has included several assumptions that are considered to be hypothetical assumptions as defined by the American Institute of Certified Public Accountants' *Guide for Prospective Financial Information.*

Management's hypothetical assumptions (the "Hypothetical Assumptions") are as follows:

* The Applicant is able to develop, market, construct, and complete the proposed replacement facility (the "Project", as defined more fully hereinafter).
* The Applicant is able to obtain all regulatory approvals for construction of its Project, including obtaining an additional 21 beds.
* The Applicant is able to obtain debt financing (the "Financing") via a construction loan for approximately $18,138,000 (the "Construction Loan") consistent with the plans presented in this Summary of Significant Projection Assumptions and Accounting Policies.
* The Applicant is able to complete the Project within the cost structure presented in this Summary of Significant Projection Assumptions and Accounting Policies of total Project costs of approximately $19,441,000.
* The Applicant is able to achieve the occupancy, payer mix, and average rates detailed in Note **4.** If this is not achieved, it may significantly impact the Projection results.
* The Applicant is able to maintain its projected operating structure and limit the additional expenses associated with operating the facility under the completed Project model to the scenario as outlined in Note **4.**

Accordingly, the Projection reflects Management's judgement as of October 5, 2021 the date of the Projection, of the expected conditions and its expected course of action assuming the Hypothetical Assumptions. The assumptions disclosed herein, while not all­ inclusive, are the assumptions which Management believes are significant to the Projection.

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 1 BASIS OF PRESENTATION AND NATURE AND LIMITATIONS OF PROJECTIONS (CONTINUED)**

**Basis of Presentation (Continued)**

The prospective results may not be achieved. Furthermore, even if the Hypothetical Assumptions were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**NOTE 2 NATURE OF THE ORGANIZATION AND PROJECT DESCRIPTION**

**Nature of the Organization**

Wellman Healthcare Group, Inc., is a Subchapter S corporation, which operates Palmer Healthcare Center (the "Facility") a 61-bed nursing home in Palmer, Massachusetts. Wellman Realty, LLC (the Realty), a limited liability company, is a realty holding company that leases its fixed assets to the Company (collectively, the Companies).

**Project Description**

The Applicant is submitting a request for a Notice of Determination of Need ("DoN") for a replacement facility on the property adjacent to the Facility located at 250 Shearer Street in Palmer, Massachusetts. The existing Facility is a single story building with 61 beds with two, three, and four bedded rooms. The Proposed Project will be a new two story building, plus an enclosed exterior garden and secure roof patio. It will be comprised of 82 beds (61 beds from the Facility plus 21 new beds), de-densified, with 41 beds on each floor, with only semi­ private and private rooms. The Proposed Project will have capacity to serve individuals with various types of short and long-term skilled care needs, including the Facility's current special population of individuals with dementia that need access to a secure facility.

Construction is expected to begin in mid-2022 and is anticipated to be completed by the end of 2023. The Projection presentation reflects the Project assets being placed in service in January 2024. Additionally, the majority of the associated debt, approximately $12,195,000, utilized to fund the Project is assumed to be incurred in 2023. The remaining $5,943,000 of associated debt is assumed to be incurred in 2022. Finally, approximately $1,303,000 of existing cash, and owner contributions will be used to fund the project as follows: previously funded $85,000, 2021 $159,000, 2022 $376,000, and 2023 $683,000.

The total Project costs assumed in the Projections are approximately $19,441,000.

WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026

NOTE 2 NATURE OF THE **ORGANIZATION AND** PROJECT DESCRIPTION (CONTINUED)

**Project Description (Continued)**

As noted below, the bed configuration for the facility will change as a result of the renovations.

Resident Room Configuration

Ece-Benovat,on - 61 Beds Esi:.I Bcag111lli12D • l!2 Bi:ds Bed Bed

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| T;i:ee | Cae!Clt | lnvento!X | Total Beds | T;r:ee | Caeaclt | lnvenlO!z: | Total Beds |
| Private | 1 | 0 | 0 | Private | 1 | 20 | 20 |
| Semi | 2 | 4 | **8** | Semi | 2 | 31 | 62 |
| Three-Bedded | 3 | 11 | 33 | Three-Bedded | 3 | 0 | 0 |
| Four-Bedded | 4 | 5 | 20 | Four-Bedded | 4 | 0 | 0 |

Total Beds 61 Total Beds 82

**NOTE 3 FINANCING, LONG-TERM DEBT**

**Construction Loan**

The accompanying Projection assumes that the Project will be financed by the Construction Loan, secured by a mortgage on the real property, in the amount of approximately

$18,138,000, and existing cash and cash equivalents, and contributions of approximately

$1,303,000. Approximately, $85,000 of existing pre-planning construction in progress costs were funded prior to the Projection Period. The interest rate assumed in the Projection for the Construction Loan is 5.05% during construction, 4.95% for 2024 and 4.8% thereafter. Payments on the Construction Loan are assumed to be interest only through completion of the Project. Subsequent to the Project completion, it is assumed the Construction Loan will be converted to a mortgage payable in monthly installments of principal and interest of approximately $103,000 to $106,000 maturing on December 1, 2048. Any material changes in the terms of the actual financing Loan would impact the results of the Projection.

**Existing Long-Term Debt**

The Projection assumes the Applicant's existing Long-Term Debt remains. The debt consists of a 5% note payable of $1,762,896 at the start of the projection period, secured by the existing building and guaranteed by the primary shareholder. The note is payable in monthly installments of $11,188 due August 22, 2027. Additionally, the Applicant is obligated under an equipment loan and capital lease obligation totaling approximately

$85,000 at the start of the projection period. These obligations are payable in monthly installments ranging from $1,127 to $3,102 at interest rates ranging from approximately 10.4% to 11.3% maturing in 2022 and 2023.

Projected interest charged to operations, including amortization of debt issuance costs, amounted to approximately $100,000, $92,000, $163,000, $983,000, $935,000, and

$912,000 for the projected years ending December 31, 2021, 2022, 2023, 2024, 2025 and 2026, respectively. Capitalized interest amounted to $77,000 in 2022 and $627,000 in 2023.

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 3 FINANCING, LONG-TERM DEBT(CONTINUED)**

The following are assumed current maturities of long-term debt for each of the 11ext five years excluding the first projection year :

Projected Year Ending December 31.

2022

2023

2024

2025

2026

Assumed Current

Maturities

$ 89,000

55,000

432,000

462,000

485,000

**NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES**

Projected revenue consists of revenue from operating the Nursing Home. Management's baseline projected revenue and expenses for 2021 were derived from interim financial data for the current period, and Management's historical experience of operating the Facility. This information was utilized to project and establish a baseline for the year ending 2021. Future years were projected utilizing assumptions for rate increases and operating expenses, and any known changes for operating the replacement Facility during the Projection Period.

Additionally, for the year ending 2021 Management incorporated estimated temporary impacts of COVID-19. In March of 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Specific to the Company, COVID-19 has impacted various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, additional wages, or loss of revenue due to reductions in certain revenue streams. The projection has incorporated significant COVID-19 revenue impact in the base period of 2021 primarily related to census and occupancy decline. Census impact is removed starting in 2022 through the end of the projection period. Additional expenditures related to COVID-19 were included in the base expenditures, phased down to an impact of approximately $293,000 in the Projection Period. Any material changes in the terms of the length and magnitude of the lost revenues and additional expenditures due to COVID-19 compared to the assumptions would impact the results of the Projection.

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES (CONTINUED)**

The following tables summarize the current and projected baseline payer mix and per diems:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | Current |  |
| Payer Mix | Per **Diem** |
| Private |  |  | 2.00 % | $ **428** |
| Medicare |  |  | 21.00 | **490** |
| Medicaid |  |  | 76.00 | **228** |
| HMO/Other |  |  | 1.00 | 373 |
| Total |  |  | 100.00 % |  |
| 2021 | 2022-2023 2024 | 2025-2026 -202-1 -20-22 -20-23 -20-24 | | 2025 2026 |

Projected Prcjeded Prnjected Pr ected

Payer Mix Payer Mix Paye-Mix PayerMix -PerD-iem-Per D-iem -PerD-iem -Pe-D-iem PerDiem PerDiem

Private 2.00% 7.00% 10.00% 10.00°/2 $ 428 $ 428 $ 437 $ 530 $ 541 $ 551

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Medicare | 21.00 | **4.00** | 8.00 | 9.00 | 490 | 550 | **561** | 572 | 583 | 595 |
| Medicaid | 76.00 | 87.00 | 60.00 | 79.00 | 228 | 235 | 240 | 267 | 273 | 278 |

HMO 1.00 2.00 2.00 2.00 373 3 388 396 404 412

Total 100.00% 100.00 % 100.00 % 100.00 %

The following tables summarize the historical and projected occupancy at December 31:

Historical Occupancy %

2016 2017 2018 2019 2020

85.14% 79.25% 86.37% 91.88% 90.02%

2021 2022 2023 2024 2025 2026

Projected Occupancy %

75.95%

93.50%

93.50%

83.10%

92.34%

92.34%

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Projected Total Days | 16,910 | 20,817 | 20,817 | 24,926 | 27,636 | 27,636 |
| Beds | 61 | 61 | 61 | **82** | 82 | 82 |

Management calculated the baseline revenues for the year ending December 31, 2021, utilizing current reimbursement and economic conditions, and current nursing home regulations.

Management estimated the COVID-19 impact on revenue for 2021 based on various indicators and changes in operations primarily actual census decline. Management utilized the average daily census through April of 2021 to establish the base occupancy and mix for 2021 as noted above.

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS ANO ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES ANO EXPENSES (CONTINUED)**

The Projection assumes the Applicant received approximately $419,000 in supplemental Federal and State stimulus payments in 2021. No stimulus monies were included in the projection for 2022 and thereafter. Management assumed an occupancy rate of 93.5% for all of 2022 and 2023. Upon completion of the replacement facility management assumed an occupancy rate of 83.10% for 2024 to account for the fill up of the additional bed capacity, with stabilized levels achieved by December 2024. The remaining years of the Projection Period (2025-2026) utilize an assumed stabilized occupancy of 92.34% Management applied an increase of approximately $60 in the Medicare rate in 2022 to account for the change in volume and expected acuity returning to levels that reflect 2020. Additionally, management applied an approximate $23 increase in their publicly aided rates as the current Medicaid regulations allow upon completion of the replacement facility. Except as noted above, Management applied a 2% rate increase per year for the Projection Period (years ending December 31, 2022-2026).

**Other Operating Revenue Items**

Other operating revenue items include Medicare Part B services and Other Miscellaneous Revenue. The base year of the projection annualized actual results through April of 2021. Management applied a 2% inflationary increase to the above noted base amounts per year for the Projection Period (years ending December 31, 2022-2026).

**Operating Expenses**

Operating expenses have been projected to be recognized during the month incurred. Management's baseline projected expenses for the year ending 2021 were derived from interim financial data of the facility operations for the current period and Management's historical experience of operating the facility. This information was utilized to project and establish a baseline for the year ending December 31, 2021. Management adjusted the projection for additional COVID-19 expenditures for 2021 with an annualized impact of approximately $293,000 included in the base year projection and subsequent years. In subsequent years, in general, operating expenses are projected to increase 2% annually throughout the projection period. The specific basis for inflationary increases in major expense categories were formulated by Management and are discussed below.

**Salaries and Related Taxes and Benefits**

A full time equivalent employee ("FTE") is assumed to represent 2,080 hours of time paid annually. Unless noted otherwise, salaries were assumed to increase 2% annually during the Projection Period. Employee benefits such as federal and state payroll taxes, health insurance, workers compensation, pension costs, and other miscellaneous benefits for the entire Facility were assumed to approximate 20% of wages during the Projection Period. Additional staffing needs upon completion of the replacement facility for Nursing Salaries are assumed to be approximately $357,000 in 2024 and $713,000 in 2025.

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES (CONTINUED**

**Administration**

Management has projected non salary costs of general and administrative services to include liability insurance, accounting and legal fees, computer expenses, human resources, professional fees, telephone and internet service, marketing costs and other miscellaneous costs associated with administrative services. Generally, these costs are anticipated to increase 2% annually throughout the Projection Period for inflation.

**Dietary**

Non salary costs of dining services relate to the projected costs for providing food services to the residents, including raw food, dietary supplies, and other such costs. Management assumes that these costs would vary with occupancy levels. Additionally, these costs are anticipated to increase at 2% annually throughout the Projection Period.

**Plant Operations, Housekeeping, and Laundry and** Linen

Non salary related costs of plant, housekeeping, and laundry and linen operations are projected to include the cost of service contracts, repairs, supplies, and other miscellaneous costs associated with providing these services. In addition, these costs are anticipated to increase at 2% annually throughout the Projection Period.

**Utilities and Property**

Utilities are included under the caption Plant on the Projected Statement of Operations. Non salary related utility costs are projected to include the cost of gas and oil, electricity, water, and sewer services, and trash removal. In addition, these costs are anticipated to increase at 2% annually throughout the Projection Period for inflation. In addition, property costs such as real estate taxes and property insurance are included under the caption Property on the Statement of Operations. These costs are anticipated to increase 2% annually throughout the Projection Period. Additionally, these costs are assumed to incur an additional $250,000 in 2024 upon completion of the replacement facility.

**Nursing Support, Social Services, Recreation,** & **Ancillaries**

Non salary related health service costs are projected based upon Management's estimate of the cost of nursing supplies, ancillary supplies, consultants, and other miscellaneous costs associated with providing health care services. Management assumes that these costs would vary with changes in occupancy levels. These costs are anticipated to increase 2% annually throughout the Projection Period.

**Depreciation**

Property and equipment are projected to be depreciated over the estimated useful lives by the straight-line method. Management has assumed the existing building remains in service and is breaking even.

WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026

**NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES (CONTINUED)**

**Operating Assets and Liabilities**

The accompanying Projection assume an increase of 2% of revenue to the accounts receivable balance in the baseline projection year ending December 31, 2021 and .50% throughout the subsequent years of the Projection Period. Accounts payable is assumed to be 20% of total operating expenses net of depreciation, interest, and any non-operating expenditures (projected accounts payable) in each of the Projection years. Additionally, the accounts payable balance is projected to increase by 2% throughout the Projection Period. Excess cash flow generated is assumed to increase operating cash except as noted elsewhere. Additionally, in the projected years ending December 31, 2025 and 2026

$50,000 is assumed to be utilized for the purchase of property and equipment. All other items, if any, were assumed to be constant during the Projection Period.

**NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Companies maintain their accounting and financial records according to the accrual basis of accounting.

**Basis of Combination**

The accompanying projected combined financial statements present the combined balance sheet, results of operations, changes in equity, and cash flows of the Companies. All material intercompany balances and transactions have been eliminated in the projected combined financial statements. Note the Projection assumes the Realty breaks even throughout the Projection Period as it is assumed the Companies will amend terms in their leasing arrangement to reflect this.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation *is* computed using the straight­ tine method over the estimated useful life of the assets. The Companies review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. No impairment losses were recorded in the Projection.

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

The useful lives of property and equipment for purposes of computing depreciation are:

**Estimates**

Building (Existing and Replacement) Equipment

Leasehold Improvements

40 Years

5 to 10 Years

20 Years

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents and Restricted Cash**

The Companies consider all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Companies also consider cash or cash equivalents that are restricted as cash and cash equivalents for cash flow purposes.

**Related Party Loans Receivable and Payables**

The Company's loan portfolio is comprised of unsecured related party loans receivable from the shareholder that bear interest at the applicable federal rate .36% projected December 31, 2021-2026 and have no fixed repayment terms, and is considered a single portfolio class. Loans receivable are recorded net of an allowance for expected loan losses (allowance). The Company establishes an allowance as an estimate of inherent risk in the Company's loan portfolio. Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. The allowance is established through a provision for loan losses that is charged to expense. Management has assumed that there is no allowance throughout the Projection Period. The related Party Receivable is approximately $338,000 and is assumed to remain constant throughout the Projection Period.

Loan losses are charged off against the allowance when the Company determines the loan balance to be uncollectible. Proceeds received on previously charged off amounts are recorded as a recovery in the year of receipt. The Company assumed that all related party loans receivable are fully collectible throughout the Projection Period.

The Company reviews the adequacy of the allowance, including consideration of the relevant risks in the loan portfolio, current economic conditions, and other factors periodically. The Company internally monitors related party borrowers to assess the risk of nonperformance. If the Company determines that changes are warranted based on those reviews, the allowance is adjusted.

Related Party Payables are not material to the Projection.

**WELLMAN HEALTHCARE GROUP, INC. ANO AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Credit is extended to customers and collateral is not required. The Company determines delinquent accounts based on individual facts and circumstances. The Company does not plan to charge interest on accounts that are deemed to be delinquent.

**Contributions and Grants**

In June 2018, the Financial Accounting Standards Board (FASS) issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made.* This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities,* or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. Management has determined it is appropriate to analogize this ASU and Topic 958 to properly record the amounts received for the Federal and State Relief Grant Revenues.

Income **Taxes**

Wellman Healthcare Group, Inc. has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, Wellman Healthcare Group, Inc. does not pay federal taxes on its taxable income. Instead, the stockholders are liable for income taxes on their respective share of the Company's taxable income. There are certain gross income limitations for state income tax purposes that could subject Wellman Healthcare Group, Inc. to state corporate income taxes. Due to the uncertainty of the tax rates during the Projection Period Management has assumed future tax rates will approximate current tax rates approximately 3% at the beginning of the Projection Period. Management has assumed the estimated impact for exceeding the income threshold would not be material to the Projection.

Wellman Realty, LLC is not a taxpaying entity for purposes of federal or state income taxes. Federal and state income taxes are computed on the member's total income from all sources and accordingly, no provision for income taxes is made in these statements.

The Company follows the accounting standard for income taxes in evaluating uncertain tax positions and has assumed that no uncertain tax positions exist during the Projection Period. The Company is generally no longer subject to income tax examinations by federal or state income tax authorities three years from the date the return is filed.

**Promotional Advertising**

Promotional advertising costs are expensed as incurred.

See *Independent Accountants' Compilation Reporl*

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Debt Issuance Costs**

Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method, and are reflected as a component of interest expense. Amortization charged to operations for the Projection Period amounted to approximately

$6,000 for the projected years ending December 31, 2021-2023 and approximately $15,000 for the projected years ending December 31, 2024-2026.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases,* pertaining to recording of leases. While the standard will not be effective for the Companies until the year ending December 31, 2022, the standard can be adopted as early as the year ending December 31, 2016. Early adoption has not been exercised. Implementation of the new standard can result in changes to the reporting and disclosure of leases. Management is in the process of evaluating the impact on the Companies. The Projection does not reflect the impact of implementation of ASU 2016-02, as Management does not believe it will have a material impact on the Companies based on its current leasing arrangements. If circumstances change and the impact of the implementation of ASU 2016-02 is material it would significantly impact the results of the Projection.

**Patient Services Revenues from Third Party Payors**

Patient care service revenue is reported at the amount that reflects the consideration to which the Nursing Home expects to be entitled in exchange for providing patient care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Nursing Home bills the residents and third-party payors several days after the end of the month that services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Nursing Home. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Nursing Home believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our facility receiving skilled nursing or outpatient therapy services. The Nursing Home measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services.

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Patient Services Revenues from Third Party Payors (Continued)**

The Nursing Home determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Nursing Home's policy, and/or implicit price concessions provided to patients. The Nursing Home determines its estimates of contractual adjustments based on contractual agreements, its policy(ies), and historical experience. The Nursing Home determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid - Standard Payments to Nursing Facilities

The Company receives reimbursement from the Commonwealth of Massachusetts under a standard rate of reimbursement payment system for the care and services rendered to publicly-aided patients pursuant to regulations promulgated by the Center for Health Information and Analysis. Under the regulations, current year rates are a combination of actual base year costs blended with industry standards adjusted for inflation. The base year costs are subject to audit and could result in a retroactive rate adjustment for the current year.

Medicare - Prospective Payment System

Through September 30, 2019 the Nursing Home received reimbursement for the care of certain patients under the federally sponsored Medicare prospective payment system (PPS) through an insurance intermediary. The federal rates utilize facility case-mix resident assessment data, completed by the skilled nursing facility (SNF), to assign patients into Resource Utilization Groups (RUG). SNFs must complete the resident assessments according to **a** specific time schedule designed for Medicare payment.

SNFs that do not comply with this requirement will be paid at a default payment (the lowest of the federal rates) for the days of a patient's care for which the SNF is not in compliance.

The PPS program mandates the implementation of fee schedules for SNF therapy services to residents not in a covered Part A stay and to nonresidents who receive outpatient rehabilitation services from the SNF. The Centers for Medicare and Medicaid Services imposed a limit for both physical therapy (including speech therapy) and occupational therapy services, except for certain medical conditions. Program is administered by the Centers for Medicare and Medicaid Services (CMS).

WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026

**NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Patient Services Revenues from Third Party Payors (Continued)**

Medicare - Prospective Payment System (Continued)

Effective October 1, 2019, the Medicare Reimbursement System underwent a significant change in methodology and implemented a patient driven payment model (PDPM). Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the patient's length of stay. Therapy services to patients not in a covered Part A stay remain the same.

Hospice

The Hospice receives reimbursement for the care of certain patients under the hospice program. Under the program, the patient pays a base rate according to their payor status (private or Medicaid) and the Hospice receives an additional add-on from the Medicare program to provide hospice care for residents of the Nursing Home.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026

NOTE **5 SUMMARY** OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Patient Services Revenues from Third Party Payors (Continued)**

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant during the Projection Period.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change.

Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were assumed to not be considered material for the projected years ending December 31, 2021 through 2026. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

* Payers (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
* Length of the patient's service/episode of care
* Method of reimbursement (fee for service or capitation)
* The Company's line of business that provided the service (for example, skilled nursing, therapy care, etc.)

For the projected years ending December 31, 2021, 2022, 2023, 2024, 2025 and 2026, the Company recognized revenue of approximately $5,019,000, $5,695,000, $5,808,000,

$8,139,000, and $9,337,000, and $9,525,000 respectively, from goods and services that transfer to the customer over a period of time.

**Equity**

Equity is Comprised of the following components for the projected years ending December 31, 2021-2026. Management has assumed the Realty performed at break even performance throughout the Projection Period.

**WELLMAN HEALTHCARE GROUP, INC. AND AFFILIATE**

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES DECEMBER 31, 2021 THROUGH 2026**

**NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Equity (Continued)** |  | | | | | |
|  | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Common Stock | $ 300 | $ 300 | $ 300 | $ 300 | $ 300 | $ 300 |
| Membe s Capital | 894,028 | 894,028 | 894,028 | 894,028 | 894,028 | 894,028 |
| Retained Earnings | 552,121 | 1,035,167 | 1,455,593 | 1,898,124 | 2,508,148 | 3,188,758 |
| To!alEquity | s 1,446,449 | s 1,929,495 | $ 2,349,921 | s 2,792,452 | s 3,402.476 | $ 4,083,086 |

Common stock: authorized 200,000 shares with $1 par value; issued and outstanding, 300 shares.

Investment advisory Se/Vices are offered through GUftonlarsonAtlen Wealth Advisors, LLC. an SEC-registered inv.estment advisor. CLA is an independent member of Nexia International,a leading, global network of Independent ac.counting and consulting firms. Seenexia.com/member-firm-disclaimer for details.(:UftonlarsonAllen**LtP**

Amemborof

**Nexia**

International

CliftonlarsonAllen **LLP**

CLAconnect.com

October 5, 2021

Lara Szent-Gyorgyi, Director Determination of Need Program Department of Public Health 250 Washington Street, 6th Floor Boston, MA 02108

RE: Determination of Need Application - Wellman Healthcare Group, Inc.

Dear Ms. Szent-Gyorgyi,

The accompanying report is included as relevant additional financial information to assist the department in rendering a decision regarding the proposed construction project of Wellman Healthcare Group, Inc. (the "Company"). The report is intended solely for the information and use of management and members of the Company, and the Massachusetts Department of Public Health Determination of Need Program in its review of the Company's Determination of Need application under regulation 100.210 (4) a. It is not intended to be and should not be used by anyone other than these specified parties.

Please contact me should you have any questions or need further information. Sincerely,

CLA (CliftonlarsonAllen)

*<signature on file>*

Mark Cummings, CPA Principal

617-984-8100

[mark.cumm](mailto:mark.cummings@CLAconnect.com)[ings@CLAconnect.com](mailto:ings@CLAconnect.com)



**WELLMAN HEALTHCARE GROUP, INC.**

**BENCHMARKING MANAGEMENT’S PROJECTED FINANCIAL ANALYSIS FOR THE PROJECTED YEARS ENDING**

**DECEMBER 31, 2021 THROUGH DECEMBER 31, 2026**

**PROCESS OVERVIEW**

Management’s Projections

CliftonLarsonAllen LLP (CLA) was requested by the management of Wellman Healthcare Group, Inc. to read the financial projections prepared by Wellman Healthcare Group, Inc. (“Management” or “Wellman”) for the projected years ending December 31, 2021 through 2026 and benchmark the stabilized year of Management’s projection.

We have not compiled or examined any of the financial data utilized in the benchmarking analyses and express no assurance of any kind on it. Furthermore, even if the assumptions disclosed herein were to materialize, there will be differences between projected and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. These analyses are intended for the internal use of Management and the Massachusetts Department of Health Determination of Need Program (DoN) and are not intended to be and should not be used or relied on by anyone other than these specified parties.

**BENCHMARK STAFFING AND COST ANALYSIS**

Providers in Hampden County were used to benchmark Management’s projections. Wellman’s 2019 Medicare and Medicaid cost report data were compared to Hampden County Medicare and Medicaid cost report data for the most recent available period of 2019. The data was then projected out to 2026 with an applied 2% revenue inflation factor and 2% expense inflation factor.

**MANAGEMENT’S PROJECTIONS**

Occupancy/Payer Mix/Revenue per Patient Day

Projected revenue consists of revenue from operating the skilled nursing facility. Management’s baseline projected revenue for the first year of the projection, 2021, was derived from interim financial data for the current period, management’s historical experience of operating the Facility, and current reimbursement and nursing home regulations. This information and the estimated impact of COVID‐19 on operations, was utilized to project and establish a baseline for the projection; 2021. Management utilized the average daily census through April of 2021 to establish the base occupancy and mix for 2021. Future years were projected utilizing assumptions for rate increases and operating expenses, and any known changes for operating the renovated facility during the Projection Period. Additionally, Management assumed occupancy levels would return to normal levels by 2022.

Historical Operations

Historical Average Occupancy

December 31,

2016 2017 2018 2019 2020

Occupancy % 85.14% 79.25% 86.37% 91.88% 90.02%

Historical Operations (Continued)

**Historical Average Payer Mix\* December 31,**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| Private | 5.61% | 8.48% | 8.40% | 7.81% |
| Medicare | 4.90% | 5.66% | 10.24% | 9.25% |
| Medicaid | 88.63% | 85.12% | 79.08% | 80.10% |
| HMO/Other | 0.86% | 0.74% | 2.28% | 2.84% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% |

\*Massachusetts' Medicaid Cost Report Data

Projected Operations

The following table summarizes Wellman’s 2019 projected data compared to 2019 Hampden County data for beds and occupancy, payer mix and revenue per patient day. The numbers are then inflated out for Hampden County to compare to Wellman’s projected year six which is 2026.

2.0%

2.0%

**Inflation Adjustment**

|  |  |  |  |
| --- | --- | --- | --- |
| **2019** | **2019** | | |
| **PALMER**  **HEALTHCARE CENTER** | **Hampden, MA 25th percentile** | **Hampden, MA 50th percentile** | **Hampden, MA 75th percentile** |
| 91.9% | 71.9% | 87.3% | 93.1% |
| 20,457 | 21,213 | 32,056 | 39,101 |
| 9.3% | 5.9% | 7.3% | 10.7% |
| 81.6% | 48.1% | 64.6% | 77.8% |
| 9.1% | 46.0% | 28.1% | 11.5% |
| $448 | $539 | $564 | $578 |
| $228 | $247 | $258 | $285 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2026** | | | |
| **PALMER**  **HEALTHCARE CENTER** | **Hampden, MA 25th percentile** | **Hampden, MA 50th percentile** | **Hampden, MA 75th percentile** |
| 92.3% | 71.9% | 87.3% | 93.1% |
| 27,636 | 21,213 | 32,056 | 39,101 |
| 9.0% | 5.9% | 7.3% | 10.7% |
| 79.0% | 48.1% | 64.6% | 77.8% |
| 12.0% | 46.0% | 28.1% | 11.5% |
| $595 | $619 | $648 | $664 |
| $311 | $284 | $297 | $327 |

**Occupancy~**

Occupancy %

Total SNF/NH Days

**SNF Payor Mix (% of Days)**

Medicare FFS Medicaid

Other (including MC Advantage) **Revenue per Patient Day** Medicare FFS

Other

Projected Average Occupancy December 31,

Occupancy % Total Days

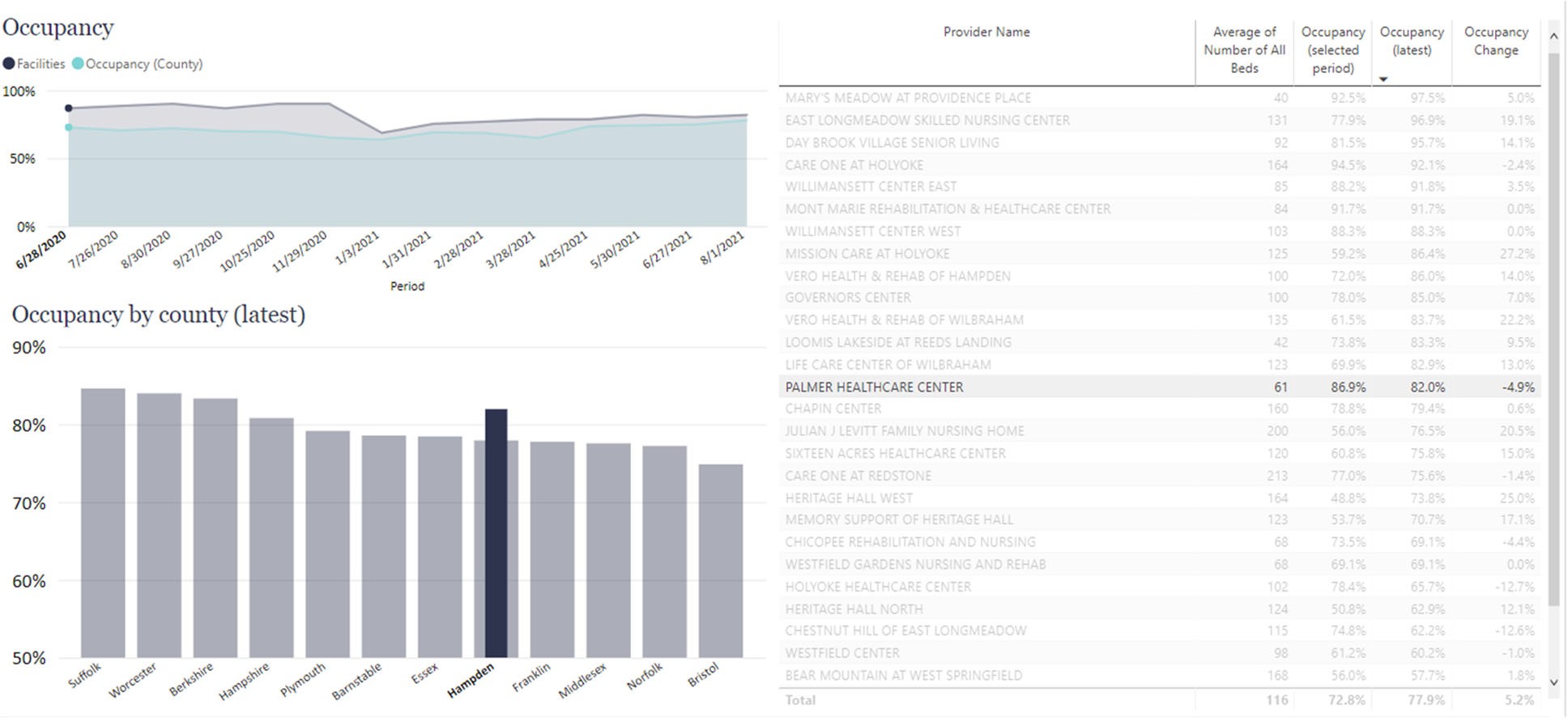
|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2021 | 2022 | 2023 | 2024 | 2025 | 2025 |
| 75.95% | 93.50% | 93.50% | 83.10% | 92.34% | 92.34% |
| 16,910 | 20,817 | 20,817 | 24,926 | 27,636 | 27,636 |

Observations:

* Wellman’s projected occupancy is above the median and close to the 75th percentile for the county both before and after the proposed project’s completion.

Projected Operations/Observations (Continued):

* Wellman’s current operating business model will be carried out with the additional beds that will be added. The Proposed Project will have capacity to serve individuals with various types of short and long‐term skilled care needs, including the Facility’s current special population of individuals with dementia that need access to a secure facility.
* Wellman’s patient mix is expected to remain consistent after the completion of the replacement facility, continuing to provide access to all potential community members regardless of payor.
* Wellman’s Medicare rate is lower than the median before the proposed project and at the end of the projection in 2026. The primary focus of this provider is long‐term residents with dementia and therefore they serve a small population of short‐term, medically intensive patients who generally drive the higher Medicare rates with their clinical and rehabilitation needs.

**Covid’s Impact on Occupancy**

* + Like other facilities, Palmer's occupancy has been affected by COVID. However, it has remained above the county median.

**EXPENSES**

Operating expenses have been projected to be recognized during the month incurred. Management’s baseline projected expenses for the first year of the projection (2021) were derived from actual financial data of the facility for the current period, and Management’s historical experience of operating the facility. This information and the estimated impact of COVID‐19 on operations, was utilized to project and establish a baseline for the projection; 2021. The specific basis for inflationary increases in major expense categories were formulated by Management.

Historical Operations

The Following table summarizes the historical cost per patient day by department:

Historical Costs per Patient Day by Department\*

**December 31,**

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2018** |
| Administration | $79 | $73 |
| Plant | 15 | 14 |
| Dietary | 19 | 17 |
| Laundry | 6 | 6 |
| Housekeeping | 5 | 5 |
| Nursing | 68 | 71 |
| Social Services | 4 | 2 |

Other General Services 8 7 Total Costs $204 $195

\*Medicare Cost Report Data

Projected Operations

The following table summarizes Wellman’s 2019 data compared to 2019 Hampden County data expenses by department per patient day. The 2019 Hampden County numbers are then inflated 2% each year to compare to Wellman’s projected year six which is 2026.

|  |  |
| --- | --- |
|  |  |
| **Inflation Adjustment** |
| **Costs per Patient Day\*** |  |
| Administration | 2.0% |
| Plant | 2.0% |
| Dietary | 2.0% |
| Laundry | 2.0% |
| Housekeeping | 2.0% |
| Nursing | 2.0% |
| Social Services | 2.0% |
| Other General Services | 2.0% |
| Total Costs |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **2026** | | | |
| **PALMER HEALTHCARE**  **CENTER** | **Hampden, MA 25th percentile** | **Hampden, MA 50th percentile** | **Hampden, MA 75th percentile** |
| $84 | $59 | $65 | $79 |
| $19 | $13 | $15 | $21 |
| $20 | $21 | $24 | $28 |
| $5 | $4 | $6 | $6 |
| $7 | $7 | $7 | $9 |
| $120 | $101 | $126 | $140 |
| $8 | $3 | $5 | $5 |
| $4 | $3 | $5 | $7 |
| $268 | $211 | $253 | $295 |

\*Palmer numbers include benefits which are included in Administration. Benchmark data excludes benefits. Additionally, Ancillary expenditures are excluded for both Palmer and the Benchmark data.

|  |  |  |  |
| --- | --- | --- | --- |
| **2019** | **2019** | | |
| **PALMER HEALTHCARE**  **CENTER** | **Hampden, MA 25th percentile** | **Hampden, MA 50th percentile** | **Hampden, MA 75th percentile** |
| $74 | $51 | $57 | $69 |
| $14 | $12 | $13 | $18 |
| $17 | $18 | $21 | $24 |
| $5 | $4 | $5 | $5 |
| $6 | $6 | $6 | $8 |
| $66 | $88 | $110 | $122 |
| $3 | $3 | $4 | $4 |
| $7 | $2 | $4 | $6 |
| $192 | $184 | $220 | $256 |

Observations:

* Wellman reports a cost structure lower than the median and 75th percentile historically and a slightly higher than the median for the projection upon completion of the project. However, as noted below in the financial ratios, Wellman remains either at or above the median in all of these categories and does not anticipate a negative impact on care as a result.

Expenses/Projected Operations/Observations (Continued)

* Historically, Wellman's costs, except for nursing have been within a reasonable range compared to facilities in the county. Upon completion of the Project Wellman’s cost will be slightly above the Median. The Nursing costs are expected to increase the most upon completion of the Project and are expected to be approaching the Median. As noted above Wellman will remain at or above the Median in all of the financial ratio categories analyzed, thus does not anticipate any drastic change in the operating structure for care of the patient panel.
* For purpose of this observation, it is assumed, with no other information on the future of various healthcare factors or changes, that the facilities in Hampden County will make no changes in nursing staffing.

**KEY FINANCIAL RATIOS**

In performing this analysis both Medicare and Medicaid cost report data maintained by CMS and the Massachusetts Center for Health Information and Analysis (CHIA) was utilized, with the aid of a proprietary software application. This allowed management the ability to compare key financial ratios with those of similarly located facilities. The ratios below are a common tool used by financial institutions and the health care industry to evaluate the operations of a health care entity.

Earnings before Interest, Depreciation and Amortization (EBIDA) Margin:

EBIDA is a measure of a company’s operating performance. Essentially, it’s a way to evaluate a company’s performance without having to factor in financing decisions, accounting decisions or tax environments. EBIDA Margin can be a meaningful gauge of a provider’s ability to contain costs, it offers a clearer reflection of operations by stripping out expenses that can obscure how the company is really performing. The EBIDA margin is calculated by dividing EBIDA by total revenue.

The greater a company’s EBIDA Margin, the lower the company’s operating expenses in relation to total revenue. EBIDA margin eliminates the non‐operating profitability and cash flow and is important in measuring performance across a single industry with companies of different size and tax situations.

The following chart shows the provider’s projected EBIDA Margin against the Hampden County Median EBIDA Margin.

|  |  |  |  |
| --- | --- | --- | --- |
| **2019** | **2019** | | |
| **PALMER**  **HEALTHCARE CENTER** | **Hampden, MA 25th percentile** | **Hampden, MA 50th percentile** | **Hampden, MA 75th percentile** |
| 17.3% | 1.8% | 8.1% | 9.8% |

|  |  |  |  |
| --- | --- | --- | --- |
| **2026** | | | |
| **PALMER**  **HEALTHCARE CENTER** | **Hampden, MA 25th percentile** | **Hampden, MA 50th percentile** | **Hampden, MA 75th percentile** |
| 25.2% | 1.8% | 8.1% | 9.8% |

**EBIDA**

Observations

* Wellman’s EBIDA was the highest in the county and is projecting to maintain that position.
* Additionally, for both 2019 and 2026 Wellman’s EBIDA is well over the top quartile which shows Management’s ability to contain and control operating cost.
* The EBIDA for Hampden County was assumed to remain at its 2019 level for purposes of this analysis.

Operating and Capital Budgets

In Benchmarking management’s projected financial analysis, we analyzed and considered Wellman’s past and present operating and capital budgets. Wellman does not maintain formal capital budgets. However, except for the first year following construction, a review of past and present capital expenditures indicates that Wellman intends to invest in the built environment of the residents at amounts consistent with the capital needs of a new property.

Planned Planned

2020 2025 2026

Capital Expenditures

$ 28,505

$ 50,000 $

50,000

Balance Sheets

In benchmarking management’s projected financial analysis, we analyzed Wellman’s balance sheets.

***Days Cash on Hand***

We analyzed Wellman’s days cash on hand ratio for 2019 and the last year of the projection, 2026. The days cash on hand ratio is a liquidity ratio that indicates an entity’s ability to satisfy its current operating expenses with the current cash available.

**Days Cash on Hand**

|  |  |  |  |
| --- | --- | --- | --- |
| **2019** | **2019** | | |
| **PALMER HEALTHCARE**  **CENTER** | **Hampden, MA 25th percentile** | **Hampden, MA 50th percentile** | **Hampden, MA 75th percentile** |
| 21.0 | 20.1 | 20.9 | 26.1 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2026** | | | |
| **PALMER HEALTHCARE**  **CENTER** | **Hampden, MA 25th percentile** | **Hampden, MA 50th percentile** | **Hampden, MA 75th percentile** |
| 115.0 | 20.1 | 20.9 | 26.1 |

Absent specific operating conditions and criteria, Worcester County days cash on hand data was assumed to remain constant

* + Wellman’s days cash on hand ratio is consistent with the county median on December 31, 2019 and is projected to be above the top quartile by 2026, the last year of the projection.

***Debt Service Coverage Ratio***

In Benchmarking management’s projected financial analysis, we considered the level of financing necessary to support the proposed project. In doing so, we analyzed the debt service coverage ratio of Wellman. The debt service coverage ratio measures Wellman’s ability to meet its annual debt service requirements. The debt service coverage ratio is an indicator used by lenders to determine an organization’s ability to incur additional financing and service its existing debt.

The following chart shows Wellman’s projected debt service coverage ratio compared to the Massachusetts debt service coverage ratio median:

`

|  |  |  |  |
| --- | --- | --- | --- |
| **2019** | **2019** | | |
| **Nursing Home** | **Massachusetts 25th percentile** | **Massachusetts 50th percentile** | **Massachusetts 75th percentile** |
| 3.35 | 0.62 | 1.47 | 5 8 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2026** | | | |
| **Nursing Home** | **Massachusetts 25th percentile** | **Massachusetts 50th percentile** | **Massachusetts 75th percentile** |
| 1.47 | 0.62 | 1.47 | 5.8 |

**Debt Service Coverage (DSC)**

* + Wellman’s debt service coverage ratio is above the Massachusetts’s state median in 2019 and at the median in the final year of the projection, 2026.

***Working Capital Ratio***

Is a measure of liquidity, meaning the business’s ability to meet its payment obligations as they fall due. Working capital is the money used to cover all of a company’s short‐term expenses, including inventory, payments on short‐term debt, and day‐to‐day expenses‐called operating expenses.

**\*2020**  **^2026**

**Working Capital Ratio** 2.23 1.36

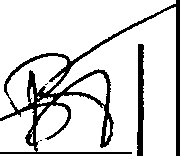
\* December 31, 2020 Financial Statements

^ includes Maturity on existing debt in 2027 of $1,440,000

2026 ratio 3.05 , excluding current maturity

* + Generally, a working capital ratio of less than one is an indicator of potential future liquidity problems.
  + As noted above, Wellman’s liquidity ratios are projected to be at or above state medians upon completion of the proposed project.
  + The above liquidity ratios have historically been accepted in the industry as an indicator of operational performance and financial health. As indicated above, the Wellman’s Key Performance Indicators (KPIs) before and upon completion of the proposed project are at or above the state medians. This is also consistent with management’s plans to operate the facility similarly to the past and present without any material alterations in operations or impact in care.

# EXHIBIT 4



Examiner



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Approved

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*J(*

P.C.

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William Francis Galvin

Secretary of the Commonwealth

One Ashbunon Place, Boston, Massachusetts 02108-1512

ARTICLES OF ORGANIZATION

**(General Laws, Chapter 156B)**

**ARTICLE** I

The exact name of the corporation is:

Wellman Healthcare Group, Inc.

**ARTICLED**

The purpose of the corporation is to engage in the following business activities:

To own and operate long-term care facilities, including nursing homes and rehabilitation facilities.

To ractici ate in governoental µrogra[1s of every kind, nature and <lescriJtion, includinc without li□itation, the r1edicaid and t1edicare programs.

To be a partner, joint v nture , zuarantor and partici?ant in any ventures.

o µu chase, lease, im rove, or otherwise acquire, }1old, O\ t1, sell or dispose of real and personsl rroperty of all inds, inciuding, but not li□ite to, land, buildinss,

business concerns and undert2kings, stoc s, Llortgages, bonds and other securities and 2ny interest in real or personal property incidental to the purposes of this coryoration.

To take all actions in furtherence of he follo\Jing.

To do any and all thines Jermitt2d a business corporatior, under Chapter 156B of the General Laws of the Commonwealth of Massachusetts.

See Continuation Sheets 2A - 2C.

*Note: Iftbe space provided under anJ' article or item on tbisform is insufficient, additions shall be set forth on one side only of separate 8 1/2 x 11 sheets of paper with a left margin of at least I inch. Additions to more than onearticle may be made on a single sbeet so long as each article requiring each addition is clearly indicated*

**ARTICLE** ill

State the total number of shares and par value, if any, of each class of stock which the corporation is authorized to issue.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| WITHOUT PAR VALUE | | | | | | WITH PAR VALUE | | | | |
| TYPE | NUMBER | | | OF | SHARES | TYPE | NUMBER | | OF SHARES | PAR VALUE |
| Common: | 200,000 | | | | | Common: | - | 0 | - |  |
|  |  | | | | |  |  | | |  |
| Preferred: | - | 0 | - | | | Preferred: | - | 0 | - |  |
|  |  | | | | |  |  | | |  |

**ARTICLE** IV

If more than one class of stock is authorized, state a distinguishing designation for each class. Prior to the issuance of any shares of a class, if shares of another class are outstanding, the corporation must provide a description of the preferences, voting powers, qualifications, and special or relative rights or privileges of that class and of each other class of which shares are outstanding and of each series then established within any class.

#### NONE

**ARTICLEV**

The restrictions, if any, imposed by the Articles of Organization upon the transfer of shares of stock of any class are:

#### NONE

**ARTICLE VI**

\*"'Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders:

See Attached

*\*\*ff tbere are no provisions state "IVone··*

*Note: The preceding six (6) articles are considered to be permanent and may ONLY be changed by filing appropriate Articles of Amendment.*

* 2 S s

CONTINUATION SHEET 2A

* 1. To subscribe for, receive, purchase or otherwise acquire, underwrite, obtain an interest in, own, hold, pledge, hypothecate, mortgage, loan, assign, deposit, create trusts with respect to,

deal in exchange, sell and otherwise dispose of, alone or in syndicates or otherwise in conjunction *or* partnership with others,

and generally deal in and with all or any of the following (hereinafter sometimes referred to collectively as "securities" or individually as "security"), namely: all kinds of shares, stock, voting trust certificates, trust certificates, bonds, mortgages, debentures, trust receipts, notes and other securities obligations, contracts, certificates of interest, units, choses in action and evidence of indebtedness generally of any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign and evidences of any interest therein in respect thereto; to acquire or become interested in any such securities by original subscription, underwriting, participation in syndicates or

otherwise, and irrespective of whether *or* not such securities are

fully paid or subject to further payments or assessments; and while the owner or holder of any such to exercise all the rights, powers and privileges of ownership or interest in respect thereof, including the right to vote thereon and otherwise act with respect thereto.

* 1. To conduct research, investigations and examinations of businesses and enterprises of every kind and description throughout the world with the aim of securing information and particulars for the investment and employment of capital.
  2. To promote, cause to be organized, finance and aid b)' loan, subsidy, guaranty or otherwise, any corporation, association, partnership, syndicate, entity, person, or governmental, municipal or public authority, domestic or foreign, located in or organized under the laws of any authority in any part of the world, any security of which is held directly or indirectly\_by or for the corporation, or in the 'business, financing or welfare of which the corporation shall have any interest; and in connection therewith to guarantee or become surety for the performance of any undertaking or obligation of any of the foregoing, and to guarantee by endorsement or otherwise the payment of the principal of, or interest or dividends on, any such security, and generally to do any acts or things designed to protect, preserve, improve, or enhance the value of any such

security.

* 1. To acquire, purchase, own, hold, operate, develop, lease, mortgage, pledge, exchange, sell, transfer or otherwise invest, trade *or* deal in, in any manner permitted by law, real and personal property of every kind and description or any interest

therein.

CONTINUATION SHEET 2B

* 1. To engage in any mercantile, manufacturing or trading business of any kind or character whatsoever throughout the world, and to do all things incidental to any such business.
  2. To acquire all or any part of the securities, goodwill, rights, property or assets of all kinds and to undertake or assume the whole or any part of the obligations or liabilities of any corporation, association, partnership, syndicate, entity, person, or governmental, municipal or public authority, domestic or foreign, located in or organized under the laws of any authority in any part of the world, and to pay for the same in cash, stocks, bonds, **debentures or other securities of this or *any* other corporation, or** otherwise in any manner permitted by law; and to conduct in any lawful manner the whole or any part of any business so acquired.
  3. To enter into any lawful arrangement for sharing profits, union of interests, reciprocal concession or cooperation with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, located in or organized under the laws of any authority in any part of the world, in the carrying on of any business which the corporation is authorized to carry on, or any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the corporation.
  4. To borrow or raise moneys for any of the purposes of the

\_0rporation and from time to time, without limit as to amount, to draw, make, accept, endorse, guarantee, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment thereof and of the interest thereon by mortgage on, or pledge, conveyance or assignment in trust of, the whole or any part of the assets of the corporation, real, personal or mixed, including contract rights, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such securities or other obligations o the corporation for its cor-po-rate purposes.

* 1. To lend money, either without any collateral security or on the security of real or personal property, and to enter into, make, perform and carry out, or cancel and rescind contracts of every kind and for any lawful purpose with any person, firm, association, corporation, syndicate, governmental, municipal or public authority, domestic or foreign, or others.
  2. •·To engage in the business of intermediation on such terms as may be arranged.

CONTINUATION SHEET 2C

( 1) To apply for, obtain, register, purchase, lease *or* otherwise acquire, and to•hold, use, pledge, lease, sell, assign, or otherwise dispose of formulas, secret processes, distinctive marks, improvements, processes, trade names, trademarks, copyrights, patents, licenses, concessions, and the like, whether used in connection with *or* secured under letters patent of *or* issued *by* any country or authority; and to issue, exercise, develop and grant licenses, in respect thereof *or* otherwise turn the same to account.

* + 1. To make any guaranty respecting securities, indebtedness, dividends, interest, contracts *or* other obligations so far as the same may be permitted to be done under the laws of The Commonwealth of Massachusetts by any corporation.
    2. To purchase or otherwise acquire, hold sell, pledge, transfer *or* otherwise dispose of and to reissue *or* cancel the shares of its own capital stock or any securities *or* other obligations of **the corporation in the manner and to the extent now or hereafter** permitted by the laws of The Con onwealth of Massachusetts.
    3. To do everythinr; necessary, proper, advisable or convenient for the accomplishment of any of the purposes *or* the attainment of any of the objects or the furtherance of any of the powers herein set forth and to do every other act and thing incidental thereto or

onnected therewith, provided the same be not forbidden by the laws of The Commonwealth of '.ass2c:1usetts.

In addition, the corporation has been formed for the purpose of carrying on any business and exercising all of the powers to do any and all of the acts and things herein set forth to the same extent as natural persons could do, and in any part of the world as

principal, factor, agent, contractor, trustee *or* otherwise, either alone or in syndicates, partnership *or* otherwise in conjunction with any person, entity, syndicate, partnership association or corporation, governmental, municipal or public authority, domestic *or* foreign; to establish and maintain offices and agencies and to exercise ailor any of its corporate powers and rights throughout

the world.

The foregoing clauses shall be construed as independent objects, purposes and powers and it is hereby expressly provided the foregoing enumerations of specific objects, purposes or powers shall not be held to limit or restrict in any manner the general powers of

this corporation under the la s of The Commonwealth of Massachusetts.

Article VI

OTHER LAWFUL PROVISIONS

* + - 1. The corporation may carry on any business, operation or activity referred to in Article 2 to the same extent as might an individual, whether as principal, agent, contractor or otherwise, and either alone or in conjunction or a joint venture or other arrangement with any corporation, association, trust, firm or individual.
      2. The corporation may carry on any business, operation or activity through a wholly or partly owned subsidiary.
      3. The corporation may be a partner in any business enterprise which it would have the power to conduct by itself.

( d)

whole or which by

The directors may make, amend or repeal the by-laws in in part, except with respect to any provision thereof law or the by-laws requires action by the stockholders.

1. Meeting of the Stockholders may be held anywhere in the United States.
2. Except as otherwise provided by law, no stockholder shall have any right to examine any property or any books, accounts or other writings of the corporation if there is reasonable ground for belief that such examination will for any reason be adverse to the interests of the corporation, and a vote of the directors refusing permission to make such examination and setting forth that in the opinion of the directors such examination would be adverse to the interests of the corporation shall be prima facie evidence that such examination would be adverse to the interests of the corporation. Every such examination shall be subject to such reasonable regulations as the directors may establish in regard thereto.
3. The directors may specify the manner in which the accounts of the corporation shall be kept and may determine what constitutes net earnings, profits and surplus, what amounts, if any, shall be reserved for any corporate purpose, and what amounts, if any, shall be declared as dividends. Unless the board of directors otherwise specifies, the excess of the consideration for any share of its capital stock with par value issued by it over such par value shall be surplus. The board of directors may allocate to capital stock less than all of the consideration for any share of its capital stock without par value issued by it, in which case the balance of such consideration shall be surplus. **All** surplus shall be available for any corporate purpose, including the

payment of dividends.

1. The purchase or other acquisition or retention by the corporation of shares of its own capital stock.shall not be deemed a reduction of its capital stock. Upon any reduction of capital or capital stock, no stockholder shall have any right to demand any distribution from the corporation, except as and to the extent that the stockholders shall have provided at the time of authorizing such reduct.ion.
2. The directors shall have the power to fix from time to time their compensation. No person shall be disqualified from holding any office by reason of any interest. In the absence of fraud, any director, officer or stockholder of this corporation individually, or any individual having any interest in any concern which is a stockholder of this corporation, or any concern in which any of such directors, officers, stockholders or individuals has any interest, may be a party to, or may be pecuniarily or otherwise interested in any contract, transaction or other act of this corporation, and
3. such contract, transaction or act shall not be in any way invalidated or otherwise affected by that fact;
4. no such director, officer, stockholder or individual shall be liable to account to this corporation for any profit or benefit realized through any such contract, transaction or act; and
5. any such director of this corporation may be counted in determining the existence of a quorum at any meeting of the directors or of any committee thereof which shall authorize any such contract, transaction or act, and may vote to authorize the same;

provided, however, that any contract, transaction or act in which any director or officer of this corporation is so interested individually or as a director, officer, trustee or member of any concern which is not a subsidiary or affiliat of this corporation, or in which any directors or officers are so interested as holders, collectively, of a majority of shares of capital stock or other beneficial interest at the time outstanding in any concern which is not a subsidiary or affiliate of this corporation, shall be duly authorized or ratified by a majority of the directors who are not so interested, to whom the nature of such interest has been disclosed and who have made any findings required by law;

the term ''interest'' including personal as a director, officer, stockholder, member or beneficiary of any concern;

interest and interest shareholder, trustee,

the term "concern" meaning any corporation, association, trust, partnership, firm, person or other entity other than this corporation; and

the phrase "subsidiary or affiliate" meaning a concern in which a majority of the directors, trustees, partners or controlling persons is elected or appointed by the directors of this corporation, or is constituted of the directors or officers of this corporation.

To the extent permitted by law, the authorizing or ratifying vote of the holders of shares representing a majority of the votes of the capital stock of this corporation outstanding and entitled to vote for the election of directors at any annual meeting or a special meeting duly called for the purpose (whether such vote is passed before or after judgment rendered in a suit with respect to such contract, transaction or act) shall validate any contract, transaction or act of this corporation, or of the board of directors or any committee thereof, with regard to all stockholders of this corporation, whether or not of record at the time of such vote, and with regard to all creditors and other claimants under this corporation; provided, however, that

1. with respect to the authorization or ratification of contracts, transactions or acts in which any of the directors, officers or stockholders of this corporation have an interest, the nature of such contracts, transactions or acts and the interest of any director, officer or stockholder therein shall be summarized in the notice of any such annual or special meeting, or in a statement or letter accompanying such notice, and shall be fully disclosed at any such meeting;
2. the stockholders so voting shall have made any findings required by law;
3. stockholders so interested may vote at any such meeting except to the extent otherwise provided by law; and
4. any failure of the stockholders to authorize or ratify such contract, transaction or act shall not be deemed in any way to invalidate the same or to deprive this corporation, its directors, officers or employees of it\_s or their right to proceed with or enforce such contract, transaction or act.

If this corporation has more than one class or series of capital stock outstanding, the vote required by this paragraph shall be governed by the provisions of the Articles of Organization applicable to such classes or series,

No contract, transaction or act shall be avoided by reason of any provision of this paragraph (i) which would be valid but for such provision or provisions,

1. A director of this corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that exculpation from liability is not permitted under the Massachusetts Business Corporation Law as in effect at the time such liability is

determined. No amendment or repeal of this paragraph (j) shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

1. The corporation shall have all powers granted to corporations by the laws of the Commonwealth of Massachusetts, provided that no such power shall include any activity inconsistent with the Business Corporation Law or the general laws of said Commonwealth.

1803.wtk

ARTICLE VII

The effective date of organization of the corporation shall be the date approved and filed by the Secretary of-the Commonwealth. If a *later* effective date is desired, specify such date which shall not be more than *thirty days* after the date of filing.

**ARTICLE VIII**

**The information contained** in **Article VIII** is **not a permanent part of the Articles of Organization.**

1. The street address *(post office boxes are not acceptable)* of the principal office of the corporation *in Massachusetts* is:

###### 625 Wellman Avenue, No. Chelmsford MA 01863

1. The name, residential address and post office address of each director and officer of the corporation is as follows:

President: Treasurer:

**NAME**

David M.

**RESIDENTIAL ADDRESS**

Cavalier 525 lJell an Avenue

###### No. Chelmsford, MA

**POST OFFICE ADDRESS**

###### Ci863 SAME

Clerk:



###### Assistant Clerk:

Directors:

Paul F. Bowler

James M. Tracy

###### David Cavalier

David Cavalier Paul F. ?,owler JarJes M. Tracy

41 Thorndyke Road lJorcester, MA 01506

4 Rose Lane Milford, MA 01757

###### 625 Wellman Avenue No. Chelmsford, MA

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SAME

SAME

1. The fiscal year (i.e., tax year) of the corporation shall end on the last day of the month of:
2. The name and business address of the resident agent, if any, of the corporation is:

###### December

**ARTICLE** IX

By-laws of the corporation have been duly adopted and the president, treasurer, clerk and directors whose names are set forth above, have been duly elected.

**IN** WITNESS WHEREOF AND UNDER THE PAINS AND PENALTIES OF PERJURY, !/we, whose signature(s) appear below as

incorporator(s) and whose name(s) and business or residential address(es) *are clearly typed or printed* beneath each signature hereby ass e ith the intention of forming this corporation under the provisions of General Laws, Chapter 1;6B and

do reby sin these ·c1es of Organization as incorporator(s) this ***,::)J/(2*** day of October , **J:9{** -2illJ2

David Cavalier

<signature on file>

*Note: If an existing corporation is acting as incorporator, type in the exact name oftbe corporation, the state or other jurisdiction where it was incorporated, the name of the person signing on behalf of said corporation and the title he/she bolds or other autboritJ' by which such action is taken.*

*fl *

TIIE COMMONWEALTII OF MASSACHUSETTS

 **ARTICLES OF ORGANIZATION**

(General Laws, Chapter 156B)

I hereby certify that, upon examination of these Articles of Organiza• tion, duly submitted to me, it appears that the provisions of the General Laws relative to the organization of corporations have been complied

with, and Ihereby approve said articles; and the filing fee in the amount of$ **275-having** been **faid,** said arti5.!es are deemed to have been filed with me this **211*cA,.*** day of ***rJ*** • ***1- 002..,***

*Effective date: \_*

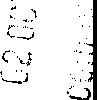
*<signature on file>*

**WILlJAM FRANCIS GALVIN**

*Secretary of the Commonwealth*

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FILING FEE: One tenth of one percent of the total authorized capital stock, but not less than **$1ZMli<J(** F x4h2ptlf ose of ftling, shares of

stock with a par value less than $1.00, or no par stock, shall be deemed to have a par value of $1.00 per share.

**TO BE FILLED** IN **BY CORPORATION**

**Photocopy of document to be sent to:**

#### MARK J. COLTIN, ESQ.

101 MERRIMAC STREET P.O. BOX 9601 - BOSTON, MA 02114-9601

Telephone:

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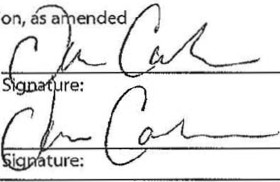
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# EXHIBIT 5

**Massachusetts Department of Public Health Determination of Need**

**Affidavit of Truthfulness and Compliance with Law and Disclosure Form ,oo.40S(B)**

Version: 7-6-17



**Instructions:** Complete Information below. When complete check the box 'This document isready to print:•. This wllldate stamp and locktheform. Print Form. Each person must sign anddate the form. When all signatureshave been collected, scan the document and e-mail to: [**dph.don@state.ma.us**](mailto:dph.don@state.ma.us)Include all attachments as requested.

Application Number: jPHC-21052014-LE Original Application Date: \_ .

Applicant Name: jwellman Healthcare Group, Inc.

Application Type: !Long Term Care Substantial Capital Expenditure

Applicant's Business Type: @Corporation OLimited Partnership O Partnership O Trust OLLC O0ther

Isthe Applicant thesolemember or sole shareholder of the Health Facility(ies) that are the subject of this Application? @ Yes *C* No

|  |  |  |
| --- | --- | --- |
| The undersigned certifies under thepains and penalties of perjury:   1. The Applicant isthe solecorporatemember or sole shareholder of theHealthFacility[ies) that are the subject ofthis Application; 2. I have read1105 CMR 100.000, the Massachusetts Determination of Need Regulation; 3. I understand andagree to the expected and appropriate conduct of the Applicant pursuant to 105 CMR 100.800; 4. I have read1 this application for Determination of Need including all exhibits and attachments, and certify that all of the information contained herein is accurate andtrue; 5. I have submitted thecorrect Filing Fee andunderstand it isnonrefundablepursuant to 105 CMR 100.405(8); 6. I have submitted the required copies of this application to theDetermination of Need Program, and, as applicable,to all Parties of Record andother parties as required pursuant to 105 CMR 100.405(8); 7. I have caused,as required, notices of intent to be published andduplicate copies to besubmitted to all Parties of Record,andall carriers or third-party administrators,public andcommercial, for the payment of health careservices withwhichthe Applicant contracts, and with Medicare and Medicaid, as required by 105 CMR 100.405((), et seq.; 8. I have caused proper notification and submissions to the Secretary of Environmental Affairs pursuant to 105 CMR 100.40S(E)and301 CMR 11.00; 9. If subject to M.G.L. c. 6D, § 13and958 CMR 7.00,I have submitted such Notice of Material Change to the HPC-in   accordance with 105 CMR 100.405(G);   1. Pursuant to 105 CMR 100.210{A)(3), Icertify that boththe Applicant andthe Proposed Project are in material and substantial compliance and good standing with relevant federal, state,and local laws and regulations, as well as with all previously issued Notices of Determination of Need andthe terms and Conditions attached therein; 2. I have read2 and understand the limitations on solicitation of funding from the general public prior to receiving a Notice of Determination of Need asestablished in 105 CMR 100.415; 3. I understand that,if Approved, the Applicant, as Holder of the DoN, shall become obligated to all Standard Conditions pursuant to 105 CMR 100.310, as well as any applicable Other Conditions as outlined within 105 CMR 100.000 or that otherwise become a part of the Final Action pursuant to 105 CMR 100.360; 4. Pursuant to 105 CMR 100.705(A), I certify2that the Applicant has Sufficient Interest in the Site or facility; and 5. Pursuant to 105 CMR 100.705(A), I certify2 that the Proposed Project isauthorized under applicable zoning by-laws or ordinances,whether or not a special permit isrequired; or,    1. If the Proposed Project is not authorized under applicable zoningby-laws or ordinances, a variancehas been received to permit such Proposed Project; or,    2. TheProposed Project is exempt from zoning by-laws or ordinances. | | |
| **Corporation:**  Attach a copy of Articles of0rganlzatlon/lncorporati  David Cavalier | | Date  9-.;;i..3 *-oLl*  Date |
| CEO forCorporation Name:  DavidCavalier |  |
| Board Chair for Corporation Name: |

**This document is ready to print:** D Date/time Stamp: ------

1been informed of the content of

2been informed of/that

# EXHIBIT 6

COMMONWEALTH OF MASSACHUSETTS Palmer Healthcare Center

jlnvoice Number

DON FILING FEE

**!Description PO No Date Amount! Discount**I **Net Amount!**

Filing Fee 09/30/21 $37,676.77 $37,676.77

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**Check Date:** 09/30/21 **Check Number:** 20593 **Amount:** $37,676.77 1

THE KEY TO DOCUMENT SECURITY• HEAT ACTIVATED THUMB PRINT • ADDITIONAL SECURITY FEATURES INCLUDED • SEE BACK FOR DETAILS

**WELLMAN HEALTHCARE GROUP, INC.**



. **OBA PALMER HEALTHCARE CENTER**

250 SHEARER STREET . PALMER, MA 01069

FREEDOM CU 53-8598 / 2118

##### Thirty-Seven Thousand Six Hundred Seventy Six 77/100 dollars, . ..· - *i*

• ' • '*:* • ..,. •.• 4·.• • :< . •• ' . - ·-i·I ..;,· i:: ""X°·

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PAY TO THE· ORDER

OF

·COMMON.WEALTH OF MASSACHUSETTS

DATE

09/30/21

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AUTHORIZED SIGNATURE <SIGNATURE ON FILE

Redacted information



20593

AMOUNT

$37,676.77

