April 12, 2024
Revised July 29, 2024

Everest Hospital, LLC
111 Huntoon Memorial Parkway
Rochdale, MA 01542

RE: Analysis of the Reasonableness of Assumptions and Projections Used to Support the Financial Feasibility and Sustainability of the Proposed Project

Dear Management:

We have performed an analysis related to the reasonableness and feasibility of the financial projections (the "Projections") of Everest Hospital, LLC ("Everest" or "the Applicant") related to its Determination of Need ("DON") filing for the transfer of ownership of a long-term acute care hospital (the "Proposed Project"), described further below. This report details our analysis and findings with regards to the reasonableness of assumptions used in the preparation of the Projections and feasibility of the projected financial results prepared by the management of Everest ("Management"). This report is to be used by Everest in connection with its DON Application– Factor 4 and should not be distributed or relied upon for any other purpose.

I. EXECUTIVE SUMMARY

The scope of our review was limited to an analysis of the six-year financial projections for the Applicant for the fiscal years ending 2025 through 2029 prepared by Management and the supporting documentation in order to render an opinion as to the reasonableness of assumptions used in the preparation and feasibility of the Projections

The Projections exhibit a cumulative EBITDA surplus of approximately 5.1 percent of cumulative projected revenue for Everest for the period from year 1 (2025) through year 5 (2029). Based on our review of the relevant documents and analysis of the Projections, we determined the anticipated operating EBITDA surplus is a reasonable expectation and based upon feasible financial assumptions. Accordingly, we determined that the Projections are reasonable and feasible, and not likely to have a negative impact on the Applicant's patient panel or result in a liquidation of Everest's assets. A detailed explanation of the basis for our determination of reasonableness and feasibility is contained within this report.

II. RELEVANT BACKGROUND INFORMATION

The Applicant proposes to become the owner of Vibra Hospital of Western Massachusetts – Central Campus, a Long Term Acute Care Hospital ("LTCH") located in Leicester (Rochdale), Massachusetts (the "Hospital"). Pursuant to a Contract of Sale (the "Sales Agreement") and Operations Transfer Agreement (the "OTA") each dated May 11, 2023, by and among Applicant and Vibra Hospital of Western Massachusetts, LLC and its parent organization, Vibra Healthcare II, LLC (collectively, "Vibra"), Applicant will acquire the Hospital, including all real property on which the facility is located and personal and intangible property associated with operating the Hospital. As part of the same transaction, Applicant will also acquire The Meadows of Central Massachusetts, a Skilled Nursing Facility located at the same address as the Hospital (the "SNF").

The Applicant is a newly established Limited Liability Company with no historical financial activity or results. Accordingly, HMM, CPAs LLP considered the historical results of the Hospital, the projections prepared by the Applicant, and inquiries made of the Applicant as part of the preparation of this report.

III. SCOPE OF REPORT

The scope of this report is limited to an analysis of the six-year financial projections for Everest, the Applicant, for the fiscal years ending 2025 through 2029, prepared by Management, and the supporting documentation in order to render an opinion as to the reasonableness of assumptions used in the preparation and feasibility of the Projections. Reasonableness is defined within the context of this report as supportable and proper, given the underlying information. Feasibility is defined as based on the assumptions used the Proposed Project is not likely to result in a liquidation of the underlying assets or the need for reorganization.

This report is based on prospective financial information provided to us by Management. HMM, CPAs LLP understands the prospective financial information was developed and updated through March 2024 and represented the most current version of detailed multi-year prospective financial information available at the time HMM,CPAs LLP performed its procedures, and is still representative of Management's expectations as of the drafting of this report. HMM, CPAs LLP has not audited or performed any other form of attestation services on the projected financial information related to the operations of Everest.

If HMM, CPAs LLP had audited the underlying data, matters may have come to our attention that would have resulted in our using amounts that differ from those provided. Accordingly, we do not express an opinion or any other assurances on the underlying data presented or relied upon in this report. We do not provide assurance on the achievability of the results forecasted by the Applicant because events and circumstances frequently do not occur as expected, and the achievement of the forecasted results are dependent on the actions, plans , and assumptions of Management. We reserve the right to update our analysis in the event that we are provided with additional information.

IV. SOURCES OF INFORMATION UTILIZED

In formulating our opinions and conclusions contained in this report, we reviewed documents produced by Management as well as third party industry data sources. The documents and information upon which we relied are identified below or are otherwise referenced in this report:

- Financial Model for the Applicant for the periods ending December 31, 2025 through December 31, 2029;

- Contract of Sale between Nielk Equities, LLC, Vibra Hospital of Western Massachusetts, LLC, and Vibra Healthcare II, LLC dated May 11, 2023

- Operations Transfer Agreement between Nielk Equities, LLC, Vibra Hospital of Western Massachusetts, LLC, and Vibra Healthcare II, LLC dated May 11, 2023

- Financial Statements for Vibra Healthcare and its Subsidiary healthcare entities for the year ended December 31, 2019

- Financial Statements for Vibra Healthcare and its Subsidiary healthcare entities for the year ended December 31, 2020

- Financial Statements for Vibra Healthcare and its Subsidiary healthcare entities for the year ended December 31, 2021

- Financial Statements for Vibra Healthcare and its Subsidiary healthcare entities for the year ended December 31, 2022

- Financial Statements for Vibra Healthcare and its Subsidiary healthcare entities for the period ended November 3, 2023

- Census, Admissions, and Discharge data for Vibra Healthcare and its Subsidiary healthcare entities for the years ended December 31, 2019 through 2023

- Reimbursement rates and Contractual Summary Spreadsheet for Managed Care, Insurance, Medicaid and Medicare plans as provided by Vibra Healthcare.
- Medicare.gov Care Compare provider database, https://www.medicare.gov/care-compare/
- Staffing detail as provided by Vibra Healthcare.
- DON Regulations, 105 CMR 100.210
- CPA Report Guidelines from Lara Szent-Gyorgyi, Director, Determination of Need Program, dated March 2021
- Determination of Need Application Instructions

V. REVIEW OF THE PROJECTIONS

Occupancy:

Vibra Hospital of Western Massachusetts – Central Campus is currently licensed to operate 47 LTCH beds. As of late 2023, the LTCH unit was operating at approximately 50% capacity. The applicant plans to improve upon this by marketing services to upstream and downstream providers, working to enroll as in-network with additional managed care and insurance providers, and improving upon the facility's quality and patient satisfaction metrics. The projections assume a slow ramp up in census, with occupancy stabilizing at 90% by month 18. A summary of occupancy by pay source is included in the table below.

	2025 Total	2026 Total	2027 Total	2028 Total	2029 Total
Occupancy					
Medicare PPS Days	2,150	2,973	3,003	3,003	3,003
Medicaid PPS Days	2,583	3,577	3,614	3,614	3,614
Commercial PPS Days	5,211	7,204	7,276	7,276	7,276
Private PPS Days	6	-	-	-	-
Total PPS Days	9,950	13,754	13,893	13,893	13,893
Medicare IPPS Days	806	1,117	1,130	1,130	1,130
Medicaid IPPS Days	79	107	107	107	107
Commercial IPPS Days	222	303	305	305	305
Private IPPS Days	-	-	-	-	-
Total IPPS Days	1,107	1,527	1,542	1,542	1,542
Total Days	11,057	15,281	15,435	15,435	15,435
Capacity	17,155	17,155	17,155	17,155	17,155
% Occupancy	64.45%	89.08%	89.97%	89.97%	89.97%

Revenues:

Based on analysis of historical results of Vibra’s existing operations, the average reimbursement by pay source in 2023 was:

Revenue	
Medicare PPS Revenue	1,249.26
Medicaid PPS Revenue	1,132.79
Commercial PPS Revenue	1,435.26
Private PPS Revenue	1,188.42
Total PPS Revenue	1,316.40
Medicare IPPS Revenue	1,065.02
Medicaid IPPS Revenue	1,375.24
Commercial IPPS Revenue	1,313.46
Private IPPS Revenue	-
Total IPPS Revenue	1,136.16
Total Inpatient Revenue	1,300.74

The projections assume Medicare average rates will increase by 3% per year consistent, commercial insurance average rates will increase 2% per year, and Medicaid and Private average rates will be consistent year over year.

Revenue					
Medicare PPS Revenue	2,767,050	3,941,042	3,980,811	4,060,427	4,141,636
Medicaid PPS Revenue	3,366,320	4,661,761	4,709,982	4,709,982	4,709,982
Commercial PPS Revenue	7,628,904	10,757,588	11,078,146	11,299,709	11,525,703
Private PPS Revenue	7,128	1,188	1,188	1,212	1,236
Total PPS Revenue	13,769,402	19,361,579	19,770,127	20,071,330	20,378,557
Medicare IPPS Revenue	884,182	1,262,110	1,276,797	1,302,333	1,328,380
Medicaid IPPS Revenue	102,958	139,445	139,445	139,445	139,445
Commercial IPPS Revenue	297,480	414,141	425,863	434,380	443,068
Private IPPS Revenue	-	-	-	-	-
Total IPPS Revenue	1,284,620	1,815,696	1,842,105	1,876,158	1,910,893
Total Inpatient Revenue	15,054,022	21,177,275	21,612,232	21,947,488	22,289,450
Physician Services	630,523	871,530	880,370	897,977	915,937
Bad Debts	(225,809)	(317,661)	(324,188)	(330,672)	(337,285)
Other Income	11,278	15,586	15,743	16,058	16,379
Total Revenue	15,470,014	21,746,730	22,184,157	22,530,851	22,884,481

The increases in gross revenues are driven by gains in patient occupancy.

Expenses:

Operating Expense Assumptions:

Based on analysis of historical results of Vibra's existing operations, the average operating expense per patient day in 2023 was:

Nursing Admin	**93.56**
Direct Nursing	**604.84**
Nursing Supplies	**63.76**
Ancillary	**359.29**
Housekeeping and Laundry	**16.58**
Dietary	**47.14**
Social Services & Admitting	**89.93**
Maintenance & Plant	**61.10**
G&A	**78.43**
Benefits	**83.38**
Total Operating Expenses	1,498.01
EBITDARM	(165.23)

The projections assume that operating expenses will become more efficient based on higher utilization. The fixed portion of operating costs are not tied to census and are not projected to increase as occupancy increases. The result is that these costs are projected to assume a lower portion of total costs, resulting in better operating margins.

Nursing Admin	654,540	667,632	667,632	667,632	667,632
Direct Nursing	6,519,933	9,012,086	9,103,493	9,285,563	9,471,274
Nursing Supplies	687,309	950,024	959,661	959,661	959,661
Ancillary	3,873,002	5,353,402	5,407,699	5,515,853	5,626,170
Housekeeping and Laundry	115,992	118,308	118,308	118,308	118,308
Dietary	521,180	720,396	727,705	727,705	727,705
Social Services & Admitting	629,148	641,736	641,736	641,736	641,736
Maintenance & Plant	427,452	435,996	435,996	444,716	453,610
Fiscal	-	-	-	-	-
G&A	349,800	356,796	356,796	356,796	356,796
Benefits	921,850	1,274,211	1,287,135	1,312,878	1,339,136
	-	-	-	-	-
Total Operating Expenses	14,700,206	19,530,587	19,706,161	20,030,848	20,362,028
EBITDARM	769,808	2,216,143	2,477,996	2,500,003	2,522,453
Management Fee	752,701	1,058,864	1,080,612	1,102,224	1,124,268
EBITDAR	17,107	1,157,279	1,397,384	1,397,779	1,398,185

The projections also assume that fiscal and other back office services will be incorporated into a 5% “management” or “consulting” fee. The proposed operator has existing infrastructure in place, which will allow these services to be delivered more efficiently.

Rent and Financing Assumptions:

The purchase agreement calls for a sale price of $9,000,000 for both the LTCH and SNF Beds. The applicant is planning to finance 80% of the purchase price, or $7,200,000. The remainder of the purchase price will be funded via members equity. The lease agreement will call for rent satisfactory to cover the realty’s debt service plus additional rent sufficient to ensure a debt service coverage ratio of 1.35. The tenant (LTCH and SNF) will be responsible for all taxes, insurances, escrows, maintenance, repairs, and other additional costs necessary to ensure the lease is triple net.

The LTCH and SNF propose to allocate rent and other costs of the lease based upon licensed beds. For the purposes of the projection, we assume the LTCH is responsible for 36.43% of the costs (based upon 47 beds out of 129 combined beds). The proposed monthly rent calculation and expense is included in the table below.

Rent Calculation		
Purchase Price		9,000,000
Equity		1,800,000
Mortgage		7,200,000
Interest Rate	9%	
Term	25.00	Years
Monthly Payment		$60,422
Addtl Rent for DSCR	1.35	$21,148
Monthly Rent Facility		$81,570
LTAC Beds	47.00	
Total Beds	129.00	
Monthly Rent for LTAC		$29,719
Annual Rent for LTAC		$ 356,628

The impact of the rent and financing assumptions on operating projections are included below:

EBITDAR	17,107	1,157,279	1,397,384	1,397,779	1,398,185
Rent	356,628	356,628	356,628	363,761	371,036
Interest	11,056	15,282	15,437	15,746	16,061
Depreciation	33,168	45,846	46,311	47,237	48,182
	-	-	-	-	-
Net Income/(Loss)	(383,745)	739,523	979,008	971,035	962,906

VI. OPERATING METRICS

This section of our report summarizes our review of the reasonableness of the assumptions used and feasibility of the Projections. The following metrics are utilized in our analysis:

Profitability Metrics

- EBITDAR: Earnings before Interest, Taxes, Depreciation, Amortization, and Rent
- EBITDAR Margin %: EBITDAR divided by Total Revenues
- Net Income Margin %: Net Income divided by total Revenues
- Debt Service Coverage Ratio (DSCR): EBITDAR divided by Debt Service (Principal and Interest)

Profitability Metrics					
	2025 Total	2026 Total	2027 Total	2028 Total	2029 Total
EBITDAR	$ 17,107	$ 1,157,279	$ 1,397,384	$ 1,397,779	$ 1,398,185
EBITDAR %	0.11%	5.32%	6.30%	6.20%	6.11%
Net Income Margin	-2.480%	3.400%	4.410%	4.310%	4.210%
DSCR	1.35	1.35	1.35	1.35	1.35

As a note, the real property and debt service will be on a separate realty company owed by a related party. The proposed lease agreement maintains a 1.35 DSCR. The remaining metrics forecast a negative year 1 with improvement and growth in years 2 – 5 based on normalization of utilization and improved margins.

Liquidity Metrics

- Days Available Cash on Hand: Cash divided by [(Total Expenses less Depreciation and Amortization) * 365 days]
- Operating Cash Flow %: Net Cash Provided by Operating Activities divided by Total Net Revenues

Liquidity Metrocs					
	2025 Total	2026 Total	2027 Total	2028 Total	2029 Total
Days Available Cash on Hand	8.72	25.16	46.81	50.60	54.25
Operating Cash Flow %	-10.49%	4.91%	5.72%	1.19%	1.17%

The projections assume that cash on hand will grow over the projection period but that operating cashflow will increase in years 2 and 3 tied to stabilization of operations.

Solvency Metrics

- Current Ratio: Current Assets Divided by Current Liabilities
- Unrestricted Net Assets: Total Unrestricted Members Equity
- Total Net Assets: Total Members Equity

Solvency Ratios					
	2025 Total	2026 Total	2027 Total	2028 Total	2029 Total
Current Ratio	2.03	1.86	1.66	1.76	1.84
Unresticted Net Assets	30,855	270,378	249,386	470,421	683,327
Total Net Assets	30,855	270,378	249,386	470,421	683,327

The proposed operator anticipates funding year 1 solvency via working capital contributions. By year 2, operations are projected to stabilize allowing the facility to be solvent on its own. The company is projected to maintain a healthy current ratio in years 3 – 5 as unrestricted net assets increase.

VII. FEASIBILITY

We analyzed the Projections and Key Metrics for the Proposed Project. In preparing our analysis, we considered multiple sources of information including historical results, Management expectations, and other publicly available data. It is important to note that the Projections do not account for any anticipated changes in accounting standards. These standards, which may have a material impact on individual future years, are not anticipated to have a material impact on the aggregate Projections.

Within the projected financial information, the Projections exhibit a cumulative EBITDA surplus of approximately 5.12% percent of cumulative projected revenue for the projection period of 2025 through 2029. Based upon our review of the relevant documents and analysis of the Projections, we determined the anticipated operating surplus is a reasonable expectation and based upon feasible financial assumptions. Accordingly, we determined that the Projections are reasonable and feasible, and not likely to have a negative impact on the patient panel or result in a liquidation of assets of the project.

In addition, the members of the applicant have extensive experience operating other long-term care facilities and serving post-acute care populations in Massachusetts and

New York. The applicant's experience in these facilities supports the ability of the applicant to meet and exceed the financial results included in the projection. The applicant has begun the underwriting process for the purchase of the seller's real estate assets by a related party LLC. Based on the applicant's financial resources as well as existing relationships with lending institutions, this process is expected to be completed pursuant to the terms of the asset purchase agreements. We have no reason to believe that the applicant will not be able to obtain financing. Based on the projected financial information prepared by the applicant, the proposed project is financially feasible.

Finally, this report and underlying financial data have not been subjected to auditing or attest procedures. If HMM, CPAs LLP had audited the underlying data, matters may have come to our attention that would have resulted in our using amounts that differ from those provided. Accordingly, we do not express an opinion or any other assurances on the underlying data presented or relied upon in this report. We do not provide assurance on the achievability of the results forecasted by the Applicant because events and circumstances frequently do not occur as expected, and the achievement of the forecasted results are dependent on the actions, plans, and assumptions of Management.