



Berks Heim Nursing and Rehabilitation

Confidential Information Memorandum





Confidential Information Memorandum

Financial S&Lutions LLC (“FS&L”) and Griffin Financial Group, LLC (“Griffin”) are furnishing this Confidential Information Memorandum (this “Information Memorandum”) based on information provided by Berks Heim Nursing and Rehabilitation (the “Heim”) and the County of Berks, Pennsylvania (the “County” and collectively, the “Heim and the County”) and Complete Healthcare Resources, Inc. (“CHR”), the third party management company of the Heim, to a limited number of organizations who may be interested in exploring a strategic transaction involving the Heim. The sole purpose of this Information Memorandum is to assist the recipient in deciding whether to proceed with a further investigation of the Heim, its financial condition, results of operations and prospects. This Information Memorandum does not purport to be complete.

By accepting this Information Memorandum, the recipient acknowledges that if the County and the organization execute a transaction with respect to the Heim, the organization operating the Heim will be a non-profit organization and agrees to keep confidential the information contained herein or made available in connection with any further investigation of the Heim. This Information Memorandum may not be photocopied, reproduced, or distributed to others at any time without the prior written consent of the County. Upon request, the recipient will promptly return all material received from the Heim and the County, FS&L or Griffin (including this Information Memorandum) without retaining any copies.

This Information Memorandum has been prepared for informational purposes relating to a potential transaction only and upon the express understanding that it will be used for no other purpose. The financial information, estimates, projections and other information contained in this Information Memorandum were obtained from the Heim, the County, CHR and other sources, without independent verification by FS&L or Griffin. Such estimates and projections contained herein are necessarily subjective and judgmental and may or may not turn out to be accurate. None of the Heim and the County, FS&L, Griffin or any of their respective affiliates, employees or representatives make any express or implied representation or warranty as to the accuracy or completeness of the information contained herein or information which may be made available in connection with any investigation of the Heim.

By furnishing this Information Memorandum, none of the Heim, the County, FS&L, Griffin or any of their respective affiliates, employees or representatives undertakes any obligation to provide the recipient with access to any additional information. This Information Memorandum shall not be deemed an indication of the state of the Heim nor shall it constitute an indication that there has been no change in the business of the Heim since the date hereof.

This document does not constitute an offer to sell or a solicitation of an offer to buy any security.



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1.00 Executive Summary

1.10 Overview

Berks Heim Nursing and Rehabilitation (the “Heim”) is a county-owned, 420-unit nursing home community for elderly and/or infirm people, located in Berks County, Pennsylvania (the “County”). The Heim has served the community since 1952, replacing the Berks County Almshouse (the “Almshouse”), which had served as the County’s hospital, sanitarium, old-age home and prison since 1824.

Griffin Financial Group, LLC and Financial S&Lutions LLC have been retained by the County to assist with selling the Heim. All of the Heim’s 420 beds are registered with Medicaid and Medicare. In the most recent rating conducted by the Centers for Medicare and Medicaid (“CMS”), the Heim received an aggregate score of Four Stars out of Five Stars based upon a collective criterion of overall quality, staff ratings and health reviews. Please see Appendix B for the Heim’s most recent CMS survey.

The current Heim facility was constructed in 2005 and has a stone block and brick exterior. This 420-bed facility consists of seven 60-bed units, including one 60-bed Alzheimer’s unit. There are 56 semi-private beds and four private bedrooms in each unit, for a total of 392 semi-private beds and 28 private rooms. Of the 28 private rooms, seven are reverse air flow (infection control) rooms. One reverse air flow unit is located in each of the seven units.

For the fiscal year period ended December 31, 2017, the Heim’s occupancy exceeded 98% with an average daily resident census of 411.8 patients out of a daily capacity of 420.0 patients. Medicaid is the Heim’s largest payer, representing approximately 77.8% of patients for the 2017 fiscal year ended, followed by private pay patients which accounted for approximately 14.0% of patients during 2017. The remainder is a combination of Medicare, Medicare HMO and other insurance providers.

The Heim is presently managed by Complete Healthcare Resources, Inc. (“CHR”) pursuant to a contract that will expire on November 17, 2018 or may be terminated by the County after 120 days written notice.

1.20 Financial Summary⁽¹⁾

Displayed to the right is a summary of net revenue and earnings before interest, depreciation, and amortization (“EBIDA”) for the fiscal years 2013 through 2017. Financial information to the right is from the County’s audited financial statements and the County-prepared, internal, unaudited income statement as of December 31, 2017.

	Berks Heim				
	Summary Financial Data				
	Audited from County's CAFR				Unaudited
	2013	2014	2015	2016	2017
Total Net Revenue	\$ 40,974,069	\$ 41,017,728	\$ 41,886,562	\$ 47,896,629	\$ 50,593,420
EBIDA	\$ 4,644,544	\$ 5,562,693	\$ 4,417,382	\$ 2,990,072	\$ 3,998,724
EBIDA Margin	11.34%	13.56%	10.55%	6.24%	7.90%
Adjusted EBIDA	\$ 6,306,927	\$ 6,680,653	\$ 5,823,482	\$ 5,659,897	\$ 5,897,033
Adjusted EBIDA Margin	15.39%	16.29%	13.90%	11.82%	11.66%
Census (Total Patient Days)	150,981	150,607	150,079	150,660	150,312
Net Revenue Per Patient Day	\$ 271.39	\$ 272.35	\$ 279.10	\$ 317.91	\$ 336.59
Occupancy %	98.49%	98.24%	97.90%	98.28%	98.05%

(1) Please see Sections 5.10 and 5.20 of this document for detailed information relating to the Heim’s EBIDA and potential Adjusted EBIDA.



2.00 Investment Highlights

2.10 Among the Largest Nursing Homes in the County

With 420-beds, the Heim is the largest of the 15 nursing homes (both for profit and not for profit) located in the County and the fourth largest nursing home in Pennsylvania (among all for profit, not for profit and county-owned homes). The Heim is the only county-owned nursing home located in the County. There are a total of 2,399 Medicaid and Medicare certified beds across all of the nursing homes located in the County. The Heim's market share as of January 1, 2018 was 18.4% expressed as a percentage of occupancy (patient days to total capacity). Of the facilities located within the County, 11 of the 15 facilities have been experiencing high occupancy levels (> 92%), with the total County occupancy averaging 93% and the Heim averaging 98%. Data provided below is as of January 1, 2018 and was derived from CMS.

	Average Certified Beds	Average Residents	Average Occupancy	Total Certified Beds	Total Residents
Berks Heim	420	412	98.10%	420	412
National	106	85	80.50%	1,661,700	1,337,398
Pennsylvania	126	110	87.30%	88,175	76,967
Berks County, Pennsylvania	160	149	93.40%	2,399	2,241

2.20 Outstanding Record of Quality and Service

The Heim enjoys an excellent reputation for providing high quality services. The Heim provides an acquirer with a full service skilled nursing facility and rehabilitation center with a fully-equipped Alzheimer's unit, offering care 24 hours per day, 7 days per week, along with various ancillary services. The Heim maintains a rating of Four Stars out of Five Stars from CMS as of the last conducted survey on August 25, 2017. Please see Appendix B for this survey.

2.30 Consistently High Occupancy Rates

The internal, unaudited financial information presented below was prepared by CHR.

Berks Heim Occupancy, Per Bed Statistics					
	FYE				
	2013	2014	2015	2016	2017
Net Revenue	\$40,974,069	\$41,118,536	\$41,886,562	\$47,861,463	\$50,569,416
Occupancy Rate					
Capacity	153,300	153,300	153,300	153,300	153,300
Census (Patient Days)	150,981	150,607	150,079	150,660	150,312
Occupancy Rate	98.49%	98.24%	97.90%	98.28%	98.05%
Revenue/Total Beds	\$ 97,557	\$ 97,901	\$ 99,730	\$ 113,956	\$ 120,403



2.40 Alzheimer's Skilled Nursing Unit

In addition to traditional skilled nursing facility services, the Heim operates an Alzheimer's unit. The industry expects that there will be a need for more Alzheimer's care in the future. Alzheimer's Disease, which afflicts more than 5 million people in the U.S., is expected to afflict an estimated 16 million by 2050 (Source: Alzheimer's Associations 2017 Alzheimer's Disease Facts and Figures). Patients with advanced Alzheimer's Disease require extensive nursing resources and supervision.

2.50 Increasing Demand for the Heim's Services

Demographic trends favor operations such as the Heim. The U.S. senior population continues to rise and the U.S. Census Bureau projects that by 2020 there will be a senior population of 56 million and, by 2030 there will be a senior population of 74 million, raising demand for nursing services. According to the U.S. Census Bureau, individuals aged between 65 and 74 accounted for 8.6% and 9.0% percent of the population of the County and Pennsylvania in 2016. Individuals between the ages of 55 and 64 accounted for an additional 13.0% and 13.8% of the population of the County and Pennsylvania, respectively.

3.00 Business and Operations

3.10 History and Background

The Heim is the successor to what was known as the Almshouse located on Lancaster Avenue in Cumru Township, approximately 3 miles from Reading, Pennsylvania. The Almshouse operated from 1824 through 1951. As of the 1885 Report by the Board of Charities, the hospital complex was made up of 6 primary buildings and a number of smaller buildings for minor uses such as a creamery, bakery and slaughterhouse. The Almshouse sat on 514 acres of land, of which 434 acres were under cultivation with crops for the institution. The complex housed an Almshouse, hospital for the infirm, as well as an insane department.

In 1874, a new and modern hospital was constructed for the infirm, sick, disabled, and feeble-minded. The building measured 277 feet by 60 feet and stood at three stories with an attic and basement. The male and female patients were segregated on either side of the building's main wing. Each floor of the building contained spacious rooms designed to be occupied by two patients, 10 foot wide hallways, and water closets. The central wing, which extended to the building's rear, contained the kitchen and dining hall on the first floor and the chapel on the second.

As time went on, the hospital became more focused on the infirm and aged than the poor and mentally challenged. In 1952, the complex on Lancaster Avenue closed for good, being replaced with a new infirmary in Leesport called the Heim. The Heim remains in operation today as a county-owned nursing home. In 1957, the Almshouse complex was demolished and replaced with apartment housing, a shopping center, and the Governor Mifflin School.

The current Heim building sits on land in Bern Township. This area consists of more than 875 acres of land once owned by Gov. Joseph Hiester and acquired parcel by parcel by William W. Essick, founder of the Penn Optical Co.,



beginning in the 1920s. He ultimately gifted the entire acreage to the County with at least one specification—the county prison be built there. Through judicial and governmental decisions, county health and welfare institutions would be concentrated on these lands, just west of Route 183.

In 1949, the first architectural renderings of the new Heim building were rendered and in November 1949 the county voters approved a \$2.0 million bond issue for the project. In April 1950, with the acquisition of another nearly 34 acres, ground was broken. Another \$850,000 bond issue funded increasing construction costs. Construction of the original Heim cost \$3.0 million in total. When the original building was opened, it had a 400-patient capacity.

The current Heim facility was the result of a \$35.0 million project completed in 2005. The building includes approximately 260,000 square feet of resident living areas, kitchen and dining facilities, and nursing and administrative areas. Included in the facility is a 60-bed Alzheimer’s unit. The Heim building contains an in-house laundry facility capable of serving all adjacent county facilities including the Berks County Residential Center and the Berks County Prison.

The current Heim sits on about 42.0 acres which the County intends to subdivide from the larger County-owned tract in connection with the Transaction.

3.20 Services Offered at the Heim

Physician Services⁽¹⁾

- Full-time Medical Director
- Assistant Medical Director
- Two physicians

⁽¹⁾*All have a specialized interest in geriatrics*

Nursing Services

Twenty-four hour nursing services are provided by RN, LPN and CNA staff. The nursing team assists each resident to achieve and maintain his/her maximum level of independence and quality of life. All of the following specialized nursing services are available to Heim residents:

- Direct Observation Unit

A specialized, secured unit for those in need of a supervised yet homelike environment. Residents are cared for by staff that has received extra training in these areas. Individualized activities are provided and coordinated by the full-time activities therapist on this unit.



- Restorative Nursing Program
Nurses and Certified Nursing Assistants with specialized expertise in rehabilitation techniques assist residents to achieve their maximum level of function. A specific plan is devised and goals are set to help the resident remain as independent as possible.
- IV Therapy
IV Therapy is provided as an alternative method of assuring adequate fluid and hydration and is available upon recommendation of the physician for those residents that are unable to consume adequate amounts of fluids. Nurses have received training in the insertion and management of the IV lines and are in the facility 24 hours a day.
- Wound/Skin Care
Nursing staff has received specialized training to prevent skin breakdown and provide continuous intensive management/care.
- Behavior Management
The Heim has developed a Behavior Management Program for residents with dementia. This program encourages resident quality of life by evaluating and presenting activities that allow the residents to enjoy the intellect remaining at their present level of dementia.
- Additional Services
 - Rehab Services
 - Highly tailored physical, occupational and speech therapy programs
 - Pharmaceutical
 - Pharmaceutical needs are met through the on-site pharmacy. Medications and supplies can be obtained within hours of being prescribed. An in-house pharmacy is staffed with three registered pharmacists and two pharmacy technicians
 - Social Services
 - The Social Services staff of the Heim is dedicated to serving the residents and families alike. Residents are provided assistance in dealing with any social, emotional, environmental, family, or any issues affecting the residents' quality of life
 - Food and Nutritional Services
 - Registered dietitian on staff and two Dietetic Technicians that assure the nutritional needs and preferences of every resident are met
 - Activity Programs
 - Therapeutic and leisure activity is provided for residents
 - Spiritual Services
 - Religious services are provided to meet the spiritual needs of residents on a regular basis
 - Grooming Services
 - 2 full-time beauticians and a barber on staff



- *Environmental and Laundry Services*
 - Daily housecleaning services throughout the facility
- *Safety/Security/Service*
 - Full-time safety/security/service department
- *Medical Records*
 - Maintenance of documentation from each resident's medical record in an organized and secure environment
- *Heim Volunteer Organization*
 - Volunteers provide many functions at the Heim including:
 - Resident transportation to in-house Clinic areas for various doctor appointments
 - Entertainment or performance of special services (sponsor a bingo party, musical groups, pet therapy, etc.)
 - Financial support for resident needs through fundraising efforts held in conjunction with the Heim
 - Large group activities (dances, summer celebrations, holiday gatherings, etc.)

3.30 Real Estate and Facilities

The Heim is located at 1011 Berks Road, Leesport, PA, 19533 in Berks County, Pennsylvania.



The Heim facility is located on 42.0 acres of improved property. The entirety of the property occupied by the Heim is zoned as "Institutional/Recreational" and is part of a larger tract of County owned real estate. The 42.0 acres, along with any optional additional acreage, will be separated from the larger County owned tract in connection with the Transaction and deeded to the Purchaser.



Exterior:



Main entrance of the Heim



Exterior view of the Heim

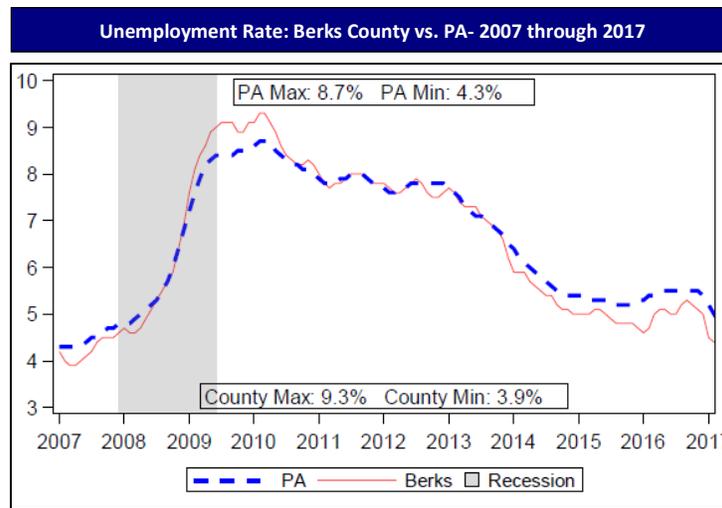


About 40% of the County’s area is devoted to farmland, which includes: dairy, poultry, swine, mushrooms, field crops, and fruit production. With its 1,586 farms and production valued at \$247 million, it is the third leading agricultural county in the State and 90th in the nation.

2016 Population		
Demographic	County	PA
Total Population	414,097	12,783,977
Female	210,555	6,528,935
Male	203,542	6,255,042
Population by Race		
White	83.6%	81.4%
Black	4.8%	11.0%
Other	11.5%	7.6%
Hispanic Origin (all races)	18.8%	6.6%
Population by Age		
Ages 0 to 17	22.9%	21.2%
Ages 18 to 24	10.0%	9.6%
Ages 25 to 34	11.9%	12.8%
Ages 35 to 44	11.9%	11.9%
Ages 45 to 54	14.5%	14.1%
Ages 55 to 64	13.0%	13.8%
Ages 65 to 74	8.6%	9.0%
Ages 75 and Older	7.3%	7.7%
Median Age	39.8	40.6

Source: U.S. Census 5 Year Estimate 2012 - 2016 (Tables DP05 and B01001)

The County’s unemployment rate was 4.5% at December 2017, compared to 5.0% at December 2016 and Pennsylvania’s unemployment rate of 4.7% at December 2016. When compared to Pennsylvania's metropolitan statistical areas, the Reading MSA - which makes up the entirety of the County - was tied with Altoona for eighth lowest unemployment rate. Rates ranged from 3.6% in Gettysburg to 5.9% in East Stroudsburg.





Listed below are the ten largest employers located within the County as of June 30, 2017.

Top 10 Employers by Employment in Q2 of 2017		
Employer	Product or Service	Number of Employees
East Penn Manufacturing	Manufacturing	7,363
Tower Health	Acute Care Health Services	7,270
County of Berks	Government	2,400
Carpenter Technology Corporation	Manufacturing	2,168
Reading School District	Educational Services	2,000
Supportive Concepts for Families	Behavioral Health Services	1,829
Wal-Mart Stores, Inc.	Retail	1,818
Bosco's Department Store LLC	Retail	1,740
Pennsylvania Government	Government	1,720
Penn State Health St. Joseph	Acute Care Health Services	1,536

Source: Quarterly Census of Employment and Wages; Center for Workforce Information and Analytics

3.50 Personnel / Labor Overview

The Heim currently employs 508 individuals (412 full time employees and 96 part time employees) in various capacities. The largest component of the Heim's operating expenses has historically been employee-related expenses due to the labor intensive nature of the Heim's operations. More specifically, the Heim's largest single operating expense has been nursing service salaries. Between 2012 and 2017, nursing payroll expense has averaged approximately 41.6% of total operating revenue. In addition to the nursing staff, employees include those in housekeeping, laundry, maintenance, dietary, social services, and other areas. Set forth below is a summary of employee head counts by department as of February 23, 2018.

Department	Part Time	Full Time	Total
Administration	3	5	8
Admissions	0	2	2
Dietary	11	36	47
Env Services	0	32	32
Financial Admin	0	5	5
Laundry	3	12	15
Materials Mgmt	0	3	3
Medical Services	0	5	5
Nursing	75	264	339
Nursing Admin	0	16	16
Personnel	0	2	2
Physician Services	1	0	1
Plant Operations	2	9	11
Social Services	0	5	5
Special Services	0	3	3
Staff Development	1	3	4
Therapeutic Activity	0	10	10
Grand Total	96	412	508



A majority of the employees of the Heim are covered by collective bargaining agreements. Registered nurses and Licensed Practical Nurses, excluding management level and supervisory nurses, are covered by the SEIU Healthcare Pennsylvania contract (“SEIU”), which expires on December 31, 2019. Excluding SEIU-covered professional employees, management level employees, supervisors, confidential employees and security guards, most other employees including barbers and beauticians, are covered by The United Food and Commercial Workers contract, which expires on December 31, 2019 (“UFCW”).

Of the 339 employees within the Heim’s Nursing Department, 327 employees are members of either SEIU or UFCW and 12 employees are nursing supervisors and not a member of either union. The breakdown by position and union is as follows:

Position	Union		Total
	SEIU	UFCW	
LPN Charge Nurse	5	0	5
LPN Staff Nurse	70	0	70
Nursing Assistant	0	209	209
Restorative Aide	0	4	4
RN Charge Nurse	15	0	15
RN Staff Nurse	24	0	24
Total	114	213	327

SEIU Healthcare Pennsylvania Contract

As part of the SEIU contract, employees and their families are offered hospital and medical insurance under PPO and HMO plans. The HMO plan will be discontinued effective December 31, 2018. Employees contribute to their insurance coverage based upon (i) whether or not he or she elects to cover additional family members on his or her plan and (ii) whether or not he or she has completed an annual Health Risk Assessment. Heim employees subject to the SEIU contract are also provided with vision services, basic dental coverage, prescription coverage, life insurance, accidental death and dismemberment coverage and participation in the County’s pension plan. The County’s pension plan was fully funded as of the last valuation date of January 1, 2017. The January 1, 2018 valuation will not be completed until June 2018. However, the County anticipates the plan will still be in a fully funded position. Please see Section 5.20 for adjustments to the Heim’s EBIDA relating to the discontinuation of participation in the County’s pension plan. As of December 31, 2017, full-time employees also receive short-term and long-term disability insurance which is fully-funded by the County. Please see Appendix A for schedules of new hire RN and LPN salaries for the duration of the SEIU contract.

The United Food and Commercial Workers Contract

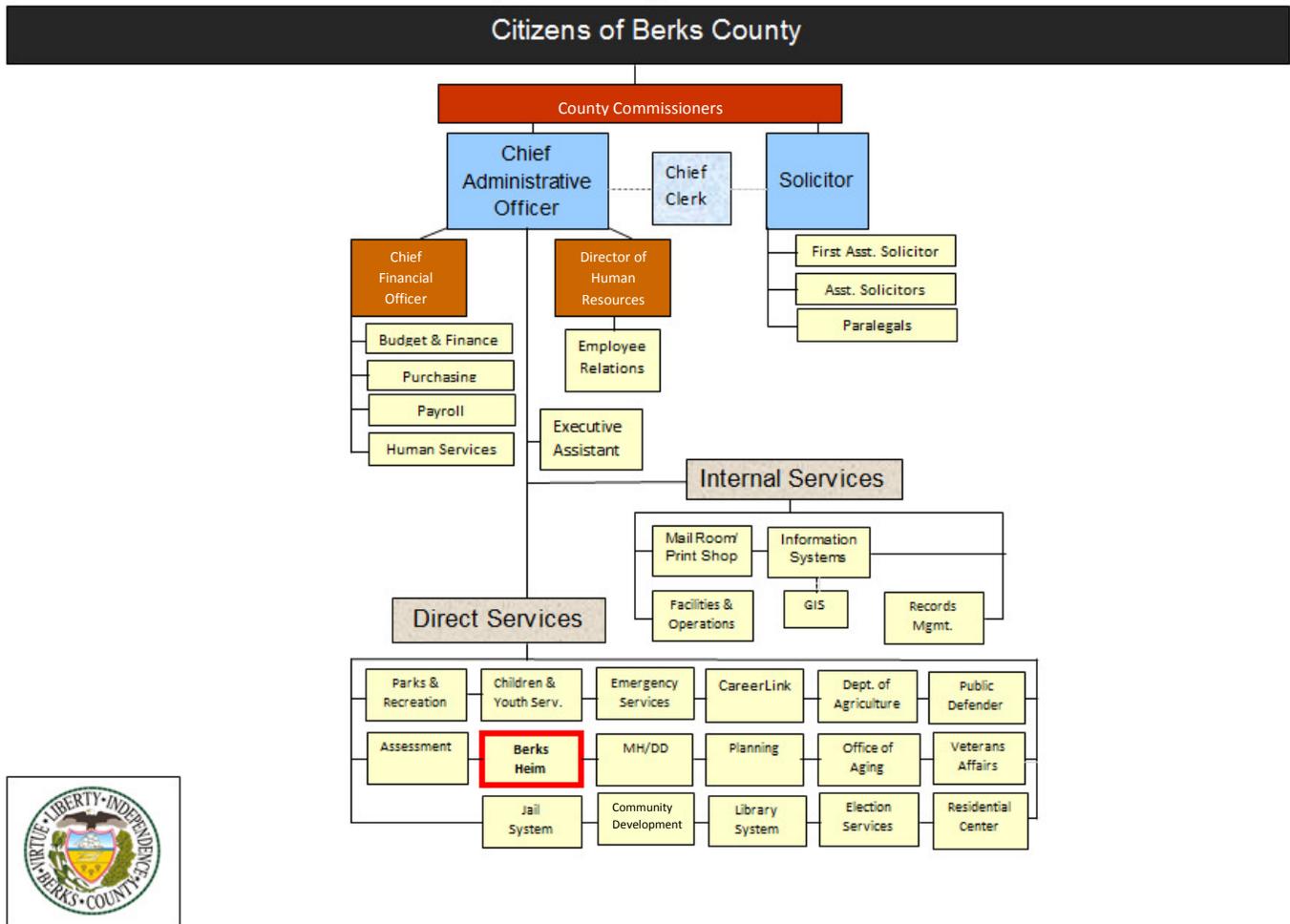
As part of the UFCW contract, employees are offered a composite rate per month toward a dental, prescription and vision program for members and their families. Heim employees covered under this contract also are eligible to participate in the County’s pension plan, which was fully funded as of the last valuation date of January 1, 2017. The



January 1, 2018 valuation will not be completed until June 2018. However the County anticipates the plan will still be in a fully funded position. Please see Section 5.20 for adjustments to the Heim’s EBIDA relating to the discontinuation of participation in the County’s pension plan. Please see Appendix A for schedules of new hire salaries under the UFCW contract for the duration of the contract.

3.60 Current Organizational Chart

County of Berks Organizational Chart





3.70 Outside Management Services, Referral and Other Agreements

A summary list of the Heim’s contractual agreements with third party management service providers is shown below. Copies of these contracts are provided in the data room.

Summary of the Heim's Third Party Management Services Contracts						
Company Name	Service Provided	Contractual Rate	Contract Expiration	Ability to Terminate at Will?	Penalty for Early Termination?	Notes
Aladdin Food Management Services	Food Management Services	Contracted amount for 2018: \$757.1k	12/31/2018	Yes; Notice period not detailed in contract	None	N/A
Aramark Management Services	Environmental & Laundry Management Services	Contracted amount for 2/1/2018 through 12/31/2019: \$36,036/mo	12/31/2019	Yes; 60 days notice required	None	N/A
Complete Healthcare Resources (CHR)	Management Services	2018 Contracted Rate: \$43,800/mo	11/17/2018	Yes; 120 days notice required	None	Monthly fee includes management fees of \$27,000 / month and wages for the Facility Administrator and the Business Manager
Security Guards Inc.	Guard and Security Services	2018 - 2019- \$17,595 per man hour; Not to exceed \$227k per year	12/31/2019	Yes; Based on hourly rates- will not be charged for services not rendered to Heim	None	Services provided to other Component Units of the County based on hourly utilization of employees

Additionally, the Heim has referral agreements with several nearby hospitals and rehabilitation centers including:

- HealthSouth Reading Rehabilitation Center
- Tower Health (The Reading Hospital)
- Penn State Health (St. Joseph’s Hospital)

In addition to the agreements summarized above, there are numerous other agreements between the County and other third-party companies for a variety of services including but not limited to dialysis services, laboratory services, chaplain/minister services, etc. Please see Section I.B.2 of the data room for a schedule of all third-party agreements and copies of each of the contracts to which the Heim or the County, on behalf of the Heim, is a party.

3.80 Other Matters

Admissions to the Heim

The Heim’s policy is to admit persons who require the provision of inpatient services that are needed on a daily basis, ordered by and provided under the direction of a physician. The Heim admits only those persons whose nursing care and physical needs can be provided by the staff of the Heim.

The admission process is a multifaceted process, which encompasses prompt evaluation of a myriad of information related to:

- The applicant’s medical and clinical needs;
- The Federal and State regulations including but not limited to PASARR, Utilization Management Review; and



- The criteria and requirements of Managed Care providers, Private Insurers, Medicare and Medicaid

The Heim also adheres to an Open Admission/Non-Discrimination Policy, which assures that every applicant for admission is considered without regard to race, color, national origin, religious creed, ancestry, age, sex or disability.

Department of Health Surveys

The Pennsylvania Department of Health Division of Nursing Care Facilities completed its last survey of the Heim on June 16, 2017. This survey revealed eight deficiencies, all of which were deemed corrected upon the completion of the Revisit Survey conducted on August 25, 2017. The Heim received an overall Four-Star rating as rated by the Five-Star Quality Rating System created by CMS. Please see Appendix B for the Heim's most recently conducted CMS survey dated August 25, 2017.

Schedule of Fees for Admissions to the Heim (derived from the County's website)

Room and Board:

Private Room rate is \$380.00/day. Semi-Private Room rate is \$350.00/day.

Rehab Unit Private Room rate is \$390.00/day. Rehab Semi-Private Room rate is \$370.00/day.

The fee includes: Meals, Laundry Service, Barber Services for men, Ladies' Haircut, Wash and Set every two weeks, and Incontinency Products.

Extra Costs:

Hair Care (permanent wave or color), Newspaper, Optical/Dental/Hearing aid replacement, Television Cable Charge, Medications for Private Pay

Miscellaneous:

Medications are billed separately through the Heim's provider. Physical Therapists, Occupational Therapists, Dentists, Optometrists, Podiatrists, Psychologists, and Psychiatrists are billed through Medicare Part A, Medicare Part B, and other insurance.

Litigation

No litigation, proceedings or investigations are pending or, to the County's knowledge threatened against the County on behalf of the Heim except ongoing litigation (excluding unasserted claims) resulting from normal operations of the County. None of these matters appear to portend an unfavorable outcome to the County which would have material adverse financial impact. The County shall contest all such cases vigorously unless a cost/benefit analysis of a particular case indicates settlement is in the best interest of the County. The County has no knowledge of any unasserted claims and assessments (considered to be probable of assertion and that, if asserted, would have at least a reasonable possibility of an unfavorable outcome). In addition, there is no litigation pending or, to the knowledge of the County, threatened, which in any manner questions the right of the County to sell the Heim.



4.00 Analysis of Census and Revenue

4.10 Census, Occupancy, and Per Bed Summary Statistics

The internal, unaudited financial information presented below was prepared by CHR.

Berks Heim Census, Occupancy, Per Bed Statistics					
	FYE				
	2013	2014	2015	2016	2017
Net Revenue	\$40,974,069	\$41,118,536	\$41,886,562	\$47,861,463	\$50,569,416
Census					
Average Daily Census	414.2	412.6	411.1	411.7	411.8
Total Licensed Beds	420.0	420.0	420.0	420.0	420.0
% of Licensed Beds	98.62%	98.24%	97.88%	98.02%	98.05%
Revenue/Avg. Daily Census	\$ 98,923	\$ 99,657	\$ 101,889	\$ 116,253	\$ 122,801
Occupancy Rate					
Capacity	153,300	153,300	153,300	153,300	153,300
Census (Patient Days)	150,981	150,607	150,079	150,660	150,312
Occupancy Rate	98.49%	98.24%	97.90%	98.28%	98.05%
Beds					
Nursing Home Beds	343.0	343.0	343.0	343.0	343.0
Short-Term Rehab Beds	17.0	17.0	17.0	17.0	17.0
Memory Support Beds	60.0	60.0	60.0	60.0	60.0
Total Beds	420.0	420.0	420.0	420.0	420.0
Revenue/Total Beds	\$ 97,557	\$ 97,901	\$ 99,730	\$ 113,956	\$ 120,403



4.20 Revenue and Census by Payor Summary⁽¹⁾

The internal, unaudited financial information presented below was prepared by CHR.

Berks Heim					
Revenue and Census by Payor					
Fiscal Year Ending December 31,					
	2013	2014	2015	2016	2017
Revenue (Room Charges)					
Medicare	\$ 4,331,053	\$ 3,199,495	\$ 4,524,916	\$ 3,743,998	\$ 5,174,941
Medicare HMO	205,377	227,012	321,465	279,421	497,891
Private	6,771,940	6,310,336	6,913,829	7,715,491	7,343,811
Medicaid	25,435,424	26,824,324	25,932,848	26,140,957	25,778,003
Insurance & Other	10,871	2,351,237	10,500	43,277	6,841
Total Room Charges	<u>\$ 36,754,665</u>	<u>\$ 38,912,404</u>	<u>\$ 37,703,558</u>	<u>\$ 37,923,144</u>	<u>\$ 38,801,487</u>
Patient Days					
Medicare	9,658	6,917	10,133	8,362	10,953
Medicare HMO	691	743	1,036	835	1,491
Private	21,847	20,082	20,963	22,752	20,972
Medicaid	118,756	122,865	117,912	118,641	116,889
Insurance & Other	29	0	35	70	7
Total Patient Days	<u>150,981</u>	<u>150,607</u>	<u>150,079</u>	<u>150,660</u>	<u>150,312</u>
Patient Count					
Medicare	26.5	19.0	27.8	22.8	30.0
Medicare HMO	1.9	2.0	2.8	2.3	4.1
Private	59.9	55.0	57.4	62.2	57.5
Medicaid	325.4	336.6	323.0	324.2	320.2
Insurance & Other	0.1	0.0	0.1	0.2	0.0
Total Patient Count	<u>413.8</u>	<u>412.6</u>	<u>411.1</u>	<u>411.7</u>	<u>411.8</u>

4.30 Payor Mix

The internal, unaudited financial information presented below was prepared by CHR.

Berks Heim					
Payor Mix by Patient Census					
Fiscal Year Ending December 31,					
	2013	2014	2015	2016	2017
Medicare	6.41%	4.59%	6.75%	5.55%	7.29%
Medicare HMO	0.46%	0.49%	0.69%	0.55%	0.99%
Private	14.51%	13.33%	13.97%	15.10%	13.95%
Medicaid	78.85%	81.58%	78.57%	78.75%	77.76%
Insurance & Other	0.02%	0.00%	0.02%	0.05%	0.00%
Total	<u>100.21%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(1) Does not include Disproportionate Share, IGT or MDOI revenue



4.40 Per Diem Rate by Payor

The internal, unaudited financial information presented below was prepared by CHR.

Berks Heim Per Diem Rate by Payor					
Fiscal Year Ending December 31,					
	2013	2014	2015	2016	2017
Per Diem Rate					
Medicare	\$ 448.44	\$ 462.56	\$ 446.55	\$ 447.74	\$ 472.47
Medicare HMO	\$ 297.22	\$ 305.53	\$ 310.29	\$ 334.64	\$ 333.93
Private	\$ 309.97	\$ 314.23	\$ 329.81	\$ 339.11	\$ 350.17
Medicaid	\$ 214.18	\$ 218.64	\$ 219.93	\$ 220.34	\$ 220.53
Insurance & Other	\$ 374.85	\$ -	\$ 300.00	\$ 618.24	\$ 977.31
Total Per Diem Rate	\$ 243.44	\$ 243.02	\$ 251.22	\$ 251.71	\$ 258.14

4.50 Summary Net Accounts Receivable Aging Analysis by Payor

The internal, unaudited financial information presented below was prepared by CHR.

Berks Heim Accounts Receivable Analysis- December 31, 2016 (\$)									
Payers	Age								Grand Total
	Current	30 days	60 days	90 days	120 days	150 days	180 days	210 days	
Insurance	108,776	56,785	16,920	11,838	6,090	6,778	-	(11,836)	195,351
Medicaid Non-Pending	1,616,236	1,603,274	40,643	14,193	12,880	11,646	9,475	62,696	3,371,043
Medicaid Pending	157,062	134,109	110,765	91,493	58,912	48,337	35,007	106,282	741,967
Medicare Part A	345,105	-	-	-	4,588	-	-	-	349,693
Medicare Part B	67,683	24,219	8,652	1,388	1,700	157	-	2,763	106,562
Private	144,923	46,438	22,829	25,744	17,340	15,204	15,301	270,480	558,259
Grand Total	2,439,785	1,864,825	199,809	144,656	101,510	82,122	59,783	430,385	5,322,875

Berks Heim Accounts Receivable Analysis- December 31, 2017 (\$)									
Payers	Age								Grand Total
	Current	30 days	60 days	90 days	120 days	150 days	180 days	210 days	
Insurance	126,123	162,342	41,943	13,098	6,394	15,021	5,855	9,490	380,266
Medicaid Non-Pending	1,684,765	1,637,136	46,781	24,173	5,859	154	135	96,096	3,495,099
Medicaid Pending	109,019	77,996	57,091	46,378	29,723	24,671	13,445	3,612	361,935
Medicare Part A	322,044	5,591	220	-	2,947	11,790	15,435	1,107	359,134
Medicare Part B	101,459	19,705	12,992	14,427	7,636	340	2,395	6,543	165,497
Private	200,097	70,083	30,596	31,693	19,343	17,137	21,562	359,503	750,014
Grand Total	2,543,507	1,972,853	189,623	129,769	71,902	69,113	58,827	476,351	5,511,945



5.00 Historical Financial Information

5.10 Income Statement Summary- Historical

Set forth below is the Heim’s historical income statement from fiscal years ending December 31, 2013 through December 31, 2016 derived from the County’s audited financial statements and ***the County-prepared, internal, unaudited income statement as of December 31, 2017.***

	Fiscal Year Ending December 31,				
	Audited Financial Statements from County CAFR				County-Prepared, Unaudited
	2013	2014	2015	2016	2017
Operating revenue					
Charges for services	\$ 38,241,317	\$ 38,256,074	\$ 38,880,691	\$ 38,757,649	\$ 39,670,094
Other operating revenue	2,732,752	2,761,654	3,005,871	9,138,980	10,923,326
Total operating revenue	\$ 40,974,069	\$ 41,017,728	\$ 41,886,562	\$ 47,896,629	\$ 50,593,420
Operating expenses					
Financial administration	\$ 2,220,290	\$ 2,553,421	\$ 2,458,501	\$ 2,974,441	\$ 3,249,151
Administrative expenses	2,194,943	1,390,631	2,168,214	3,235,239	2,177,435
Special services	147,701	151,084	151,131	160,370	159,130
Dietary	3,414,326	3,424,199	3,446,653	3,559,554	3,637,386
Laundry	671,221	663,790	689,508	680,902	639,383
Environmental services	1,758,145	1,768,797	1,863,050	1,923,284	1,959,114
Plant operations	1,338,238	1,385,639	1,379,449	1,419,855	1,418,898
Nursing	18,520,020	18,341,519	18,959,540	19,799,480	20,310,145
Physician services	73,786	73,386	71,163	75,714	77,722
Pharmacy services	563,180	512,819	764,044	678,849	816,535
Medical services	320,235	255,545	283,600	273,429	281,838
Therapeutic activity	447,184	436,470	451,534	468,052	493,108
Social service	266,995	262,964	263,535	267,747	274,459
Physical therapy service	1,953,767	1,627,074	1,772,389	1,659,385	1,841,563
Staff development	441,787	356,186	354,758	411,858	400,949
Materials management	202,782	199,113	245,280	254,075	183,200
Personnel	117,437	117,048	120,949	127,827	130,073
Security	251,237	248,191	244,424	241,104	248,381
Volunteers	65,193	68,104	70,456	72,318	75,482
Nursing administration	1,235,730	1,393,571	1,416,854	1,481,368	1,557,003
Admissions	125,328	132,383	166,516	196,699	198,741
Rehabilitation service	-	90,405	1,903	-	-
Depreciation	1,322,146	1,347,612	1,106,587	1,076,797	1,074,169
Total operating expenses	\$ 37,651,671	\$ 36,799,951	\$ 38,450,038	\$ 41,038,347	\$ 41,203,865
Operating income	\$ 3,322,398	\$ 4,217,777	\$ 3,436,524	\$ 6,858,282	\$ 9,389,555
Operating margin %	8.11%	10.28%	8.20%	14.32%	18.56%
Nonoperating revenue (expenses)					
Grants	\$ 5,328	\$ 60,558	\$ 423	\$ 8,587	\$ 8,384
Investment earnings	918	1,128	1,195	1,986	2,615
Change in fair value of interest rate swaps	-	71,265	64,199	(67,028)	44,678
Interest expense	(755,762)	(953,608)	(757,008)	(877,859)	(868,806)
Bond issuance costs	-	-	-	-	-
Contribution to General Fund	-	(2,696)	(125,729)	(4,945,007)	(6,465,000)
Total nonoperating revenues (expenses)	\$ (749,516)	\$ (823,353)	\$ (816,920)	\$ (5,879,321)	\$ (7,278,129)
Income before transfers	\$ 2,572,882	\$ 3,394,424	\$ 2,619,604	\$ 978,961	\$ 2,111,426
Capital contributions	14,202	-	-	-	-
Transfers in	5,535,920	-	-	15,000	-
Change in net position	\$ 8,123,004	\$ 3,394,424	\$ 2,619,604	\$ 993,961	\$ 2,111,426
EBIDA	\$ 4,644,544	\$ 5,562,693	\$ 4,417,382	\$ 2,990,072	\$ 3,998,724
EBIDA Margin (%)	11.34%	13.56%	10.55%	6.24%	7.90%
Adjustments to EBIDA⁽¹⁾	\$ 1,662,384	\$ 1,117,961	\$ 1,406,101	\$ 2,669,826	\$ 1,898,310
Adjusted EBIDA	\$ 6,306,928	\$ 6,680,654	\$ 5,823,483	\$ 5,659,898	\$ 5,897,034

Discussion of Operating Performance:

- The Heim’s operating revenue increased by 14% and 6% in FYEs 2016 and 2017 primarily as a result of an increase of CMS-related Intergovernmental Transfer payments (“IGT”) payments received (included in “Other Operating Revenue”
 - \$7.5 million and \$8.7 million in FYE 2016 and FYE 2017, offset by related expenses (Assessment Tax Expense (IGT)) of \$5.0 million and \$6.5 million in FYE 2016 and FYE 2017—contributing \$2.6 million and \$2.3 million in FYE 2016 and FYE 2017
 - See Section 5.40 for a Summary of the Heim’s IGT Revenue and Corresponding Expense for Fiscal Years 2016 through 2018
- Nursing salary expense as a percent of revenue declined to ~40% in FYs 2016 and 2017 compared to >55% from 2013 through 2015
- EBIDA and EBIDA margins declined since 2014, primarily attributable to (i) pressured margins relating to Medicaid / IGT patients and (ii) increasing payroll, administrative and dietary expenses
- See Section 5.20 for detail on adjustments to EBIDA

(1) Please see Section 5.20 for detail on suggested adjustments to EBIDA prepared without regard to Purchaser’s cost to replace certain indirect costs.



5.20 Gross Adjustments to EBIDA and Related Footnotes

	Fiscal Year Ending December 31,					County- Prepared, Unaudited
	Audited Financial Statements from County CAFR					
	2013	2014	2015	2016	2017	
EBIDA	\$ 4,644,544	\$ 5,562,693	\$ 4,417,382	\$ 2,990,072	\$ 3,998,724	
EBIDA Margin (%)	11.34%	13.56%	10.55%	6.24%	7.90%	
Adjustments to EBIDA						
Medicaid Rate Adjustment ⁽¹⁾	(1)	(1)	(1)	(1)	(1)	
Management and Consulting Fees ⁽²⁾	380,000	321,000	324,000	324,527	326,079	
Indirect Costs Reimbursed to County ⁽³⁾	279,996	294,185	297,688	414,774	724,143	
Pension Expense Paid to County ⁽⁴⁾	1,002,388	502,777	784,413	1,930,525	848,088	
Adjustments to EBIDA	\$ 1,662,383	\$ 1,117,960	\$ 1,406,100	\$ 2,669,825	\$ 1,898,309	
Adjusted EBIDA	\$ 6,306,927	\$ 6,680,653	\$ 5,823,482	\$ 5,659,897	\$ 5,897,033	

Footnotes: Adjustments to EBIDA

(1) Medicaid Rate Adjustment (Intergovernmental Transfer Payments)

- The Heim receives intergovernmental transfer payments (“IGT”) from the State based on reimbursement rates for county-owned nursing homes. Post-Transaction, these payments (and corresponding expenses) will be replaced with bed rate reimbursements for the Purchaser, which the County anticipates will be somewhat higher as a result of more favorable reimbursement rates to non-profit entities versus county-owned nursing homes. EBIDA set forth above does not reflect the Medicaid rate adjustment based on the Purchaser’s bed rate reimbursements.

(2) Management and Consulting Fees

- The Heim is party to a Management Service contract with CHR for management and administrative services. The contract does not provide for any clinical, medical or patient-care services. The contract expires by its terms on November 17, 2018 (and will be terminated by the County as of date of completion of the Transaction). Total fees paid to CHR associated with this contract are comprised of ~\$27,000/month for management fees and the remainder of the payment to CHR is wages for a facility administrator and a business manager. The Heim budgeted for total monthly management fee expense payable to CHR of \$48,300 per month for 2018.
- The Heim’s EBIDA is adjusted for the total management fees paid, totaling \$326,079 (~\$27,000/month), to reflect the elimination of such expense post-Transaction. This adjustment does not include wage expense for a facility administrator or business manager or other fees for management.



(3) Indirect Costs Reimbursed to County

- Set forth to the right is scheduled breakout of indirect costs reimbursed to the County from the Heim during the fiscal year ending December 31, 2017, both on a gross and normalized basis.
- The Actual Fiscal Year 2017 Expense column reflects the indirect costs reimbursed by the Heim to the County. Some of these costs are normalized to reflect lower historical expense levels for many of these expenses.
 - i. Actual insurance expense, facility support services and purchasing expense have been adjusted to reflect lower levels based on historical averages.

	Actual Fiscal Year 2017 Expense	Normalized Fiscal Year 2017 Expense
Insurance	\$ 112,141	\$ 65,000
Employee Benefits	\$ 1,237	\$ 1,237
Facility Support Services	\$ 511,720	\$ 250,000
Wastewater Treatment	\$ 32,648	\$ 32,648
Powerhouse (Hot Water)	\$ 246,840	\$ 246,840
County Solicitor	\$ 20,769	\$ -
County Commissioners	\$ 106,174	\$ -
County Budget Office	\$ 126,500	\$ -
Purchasing	\$ 83,346	\$ 45,000
Human Resources	\$ 156,425	\$ 155,000
Mailroom / printing	\$ 19,042	\$ 19,000
Information Systems	\$ 221,647	\$ 220,000
Telecommunications	\$ 11,035	\$ 11,000
County Treasurer	\$ 2,125	\$ -
County Controller	\$ 105,747	\$ -
Archivist	\$ 3,630	\$ -
Other	\$ 8,842	\$ -
	<u>\$ 1,769,868</u>	<u>\$ 1,045,725</u>

- Post-Transaction, the Heim will no longer incur expenses relating to the County Solicitor, County Commissioners, the County Budget Office, the County Treasurer, the County Controller, the Archivist (and other nominal expenses associated with the County).
- Total normalizing adjustments of \$724,143 were applied to the Heim’s 2017 EBIDA to adjust for these non-recurring expenses incurred by the Heim in 2017 that will no longer be incurred to the Heim post-Transaction as well as the normalization of certain other expenses in-line with historical levels, as outlined above. (This adjustment represents the difference between Actual Fiscal Year 2017 Expense and Normalized Fiscal Year 2017 Expense as shown in the table above).
- The County recognizes that some of the normalized indirect expense adjustments to EBIDA set forth above may be higher or lower than those which the Purchaser may incur.

(4) Pension Expense Paid to County

- The Heim’s employees participate in the Berks County Employees’ Pension Plan (“BCEPP”). As such, the Heim has historically allocated pension expense to the BCEPP based on the Heim’s eligible fringe wages as a percentage of the County’s total fringe eligible wages.
- The Heim’s EBIDA is adjusted for the elimination of payments to the County for participation in the BCEPP post-Transaction.
- The Purchaser will be solely responsible for the retirement and benefit plans it will offer to the Heim employees post-closing.
- Note that the 2017 allocation of pension payments is projected and subject to change upon receipt of the final pension actuarial reports which are anticipated to be finalized in May 2018.



5.30 Unaudited Income Statement Prepared by CHR for the Trailing 12-Month Period ending February 28, 2018

Displayed below are summary income statements for the Heim for Fiscal Year ending December 31, 2017 and the two-month periods ending February 28, 2017 and February 28, 2018. These statements were used to generate the trailing twelve-month ending February 28, 2018 operating results. *These unaudited financial statements were prepared by CHR, the third party management company of the Heim.*

Berks Heim Nursing Home INFORMATION GENERATED BY CHR				
	Fiscal Year Ending December 31, 2017	2-Months Ending February 28		TTM Ending Feb 28 2018
		2017	2018	
Operating Revenue				
Room and Board				
Medicare	\$ 5,174,941	\$ 851,749	\$ 708,088	\$ 5,031,280
Medicare HMO	497,891	114,418	109,835	493,308
Private	7,343,811	1,120,090	1,268,280	7,492,001
Medicaid	25,778,003	4,089,680	4,167,373	25,855,696
Disproportionate Share, IGT ⁽¹⁾ , MDOI	10,046,381	218,880	228,158	10,055,659
Insurance & Other	6,841	4,200	10,213	12,854
Room and Board	<u>\$ 48,847,868</u>	<u>\$ 6,399,017</u>	<u>\$ 6,491,947</u>	<u>\$ 48,940,798</u>
Speech Therapy	422,339	54,261	84,271	452,349
Physical Therapy	582,695	67,791	114,107	629,011
Occupational Therapy	632,020	55,488	141,631	718,163
Other Ancillary Revenue	(61,770)	(5,297)	(26,312)	(82,785)
Other Revenue	146,263	15,876	16,834	147,221
Total operating revenue	<u>\$ 50,569,415</u>	<u>\$ 6,587,136</u>	<u>\$ 6,822,478</u>	<u>\$ 50,804,757</u>
Operating Expenses				
Nursing Payroll	\$ 21,357,821	\$ 3,370,269	\$ 3,389,180	\$ 21,376,732
Nurse Agency	255	255	-	-
Nursing VHS	1,954,858	344,278	347,093	1,957,673
Other Nursing Expense	764,582	121,072	120,534	764,044
Other Ancillary Expense	69,827	12,621	8,336	65,542
Therapy Expense Part B	905,577	97,646	198,759	1,006,690
Therapy Expense Other	952,840	154,380	141,983	940,443
Pharmacy Expense Non-Billable	186,128	42,477	19,902	163,553
Pharmacy - Medicare/Insurance	613,889	111,584	110,689	612,994
Barber & Beauty	147,034	25,816	20,746	141,964
Activities/Social Services	862,646	137,957	142,111	866,800
Dietary Expense	2,993,717	468,677	474,593	2,999,633
Raw Food Expense	869,371	119,343	148,284	898,312
Administrative Expense	1,768,286	268,740	312,863	1,812,409
Admissions	199,065	31,554	32,655	200,166
Human Resources	132,584	25,080	25,457	132,961
Maintenance Expense	723,164	126,865	128,272	724,571
Security	249,966	40,856	39,791	248,901
Housekeeping Expense	1,904,882	315,430	309,674	1,899,126
Laundry Expense	712,902	117,198	110,888	706,592
Bad Debts	197,092	32,882	32,166	196,376
Telephone & Utilities	633,841	106,641	109,083	636,283
Property & Liability Insurance	153,809	26,328	25,299	152,780
Management and Consulting Fees	326,079	54,189	54,378	326,268
Assessment Tax Expense (IGT) ⁽¹⁾	7,576,172	-	-	7,576,172
Indirect Costs Reimbursed to County	1,769,904	294,984	274,854	1,749,774
Adjustment to Reconcile Pension & Workers Comp to CAFR ⁽²⁾	(1,389,595)	-	-	(1,389,595)
Other	-	185,404	185,404	-
Total operating expenses	<u>\$ 46,636,696</u>	<u>\$ 6,632,526</u>	<u>\$ 6,762,994</u>	<u>\$ 46,767,164</u>
Depreciation & Amortization	1,275,836	213,585	225,545	1,287,796
Interest (Income)/Expense	908,194	149,898	148,582	906,878
Total Other (Income)/Expense	<u>\$ 2,184,030</u>	<u>\$ 363,483</u>	<u>\$ 374,127</u>	<u>\$ 2,194,674</u>
Extraordinary (Income)/Expense	-	-	-	-
Net Income (Loss)	\$ 1,748,689	\$ (408,873)	\$ (314,643)	\$ 1,842,919
Net Income Margin %	3.46%	-6.21%	-4.61%	3.63%
EBIDA	\$ 3,932,719	\$ (45,390)	\$ 59,484	\$ 4,037,593
EBIDA Margin %	7.78%	-0.69%	0.87%	7.95%
Adjustments to EBIDA ⁽³⁾	\$ 3,065,824	\$ 54,189	\$ 54,378	\$ 3,066,013
Gross Adjusted EBIDA	\$ 6,998,543	\$ 8,799	\$ 113,862	\$ 7,103,606

- (1) Disproportionate share, IGT, MDOI revenue and related Assessment Tax Expense (IGT) correspond with reimbursement revenue received from the State for County-owned nursing homes. These payments (and corresponding expenses) will be replaced with bed rate reimbursements for the non-public MDOI. Please see section 5.40 for the County's IGT revenues and expenses for FYEs 2016-2018.
- (2) Adjustment to operating expense reflects an overstatement in CHR prepared expenses relating to pension and workers comp expense of \$972,928 and \$416,667, respectively for FYE 2017. CHR-prepared financial statements for FYE 2017 do not reconcile to County-prepared, unaudited financial statements for FYE 2017 as it relates to these line items.
- (3) Please see Section 5.20 for detail on adjustments to EBIDA for December 31, 2017. Interim EBIDA adjustments consist of management fees only for each two-month period.



5.40 Fiscal Year 2018 Budget

Set forth below is the Heim’s budgeted 2018 income statement. See Section 5.20 and notes for possible adjustments to revenue and expenses.

Berks Heim - 2018 Budget	
Budgeted Fiscal Year Ending December 31, 2018 Financial Information	
	Budgeted 2018
Revenue	
Medicare	\$ 6,213,927
Medicare HMO	925,724
Private Pay	7,136,484
Medicaid	26,003,175
Disproportionate Share, IGT/ MDOI	11,203,176
IRS Subsidy	5,230
Other Revenue	194,207
Total Revenue	\$ 51,681,923
Operating Expenses	
Salary Expense	
Management Expense- Full & Part Time	\$ 3,550,870
SEIU Union	5,007,795
UFCW Union	9,294,786
Overtime Pool	2,116,501
Salary- Other	27,406
Salary Expense- Total	\$ 19,997,358
Fringe Benefit Expense	
Fringe Benefit Expense with Pension	\$ 6,497,855
Fringe Benefit Expense- Total	\$ 6,497,855
Other Operating Expenses	
Enterprise Pension	1,727,318
Worker’s Compensation	673,202
Insurance Expense	125,744
Utilities	605,101
Interest Expense	864,061
Indirect Expense	1,649,119
Other Expense	9,561,179
Transfer of Net Assets to General Fund (IGT, MD01) ⁽¹⁾	7,439,000
FICA	1,529,798
Total Other Operating Expenses	\$ 24,174,522
Total Operating Expenses	50,669,735
Capital	\$ 482,000
Total Berks Heim Expense	\$ 51,151,735
Net Income Before Depreciation	\$ 530,188
Capital	482,000
Depreciation	(1,115,731)
Net Income/(Loss) @ Dec 31	\$ (103,544)
EBIDA	\$ 1,876,249
EBIDA Margin	3.63%

(1) Disproportionate share, IGT, MDOI revenue and related Assessment Tax Expense (IGT) correspond with reimbursement revenue received from the State for County-owned nursing homes. These payments (and corresponding expenses) will be replaced with bed rate reimbursements for the non-public MDOI. Please see section 5.40 for the County’s IGT revenues and expenses for FYEs 2016-2018.



5.50 Summary of the Heim’s IGT Revenue and Corresponding Expense for Fiscal Years 2016 through 2018

The Heim received IGT revenue (and incurred related expense) for the first time in 2016. Please see below for a schedule of the Heim’s IGT expense found in the “Disproportionate Share, IGT, MDOI (Medical Assistance Day One Incentive) Revenue” line item of the Heim’s revenue and corresponding “Assessment Tax Expense, IGT” incurred during each year. The information below was prepared by the County. Please see Section 5.20 for more detail relating to the Heim’s IGT revenue and expense.

The Heim IGT's IGT Revenue / Expense by Year Provided by the County		
Fiscal Year	Disproportionate Share, IGT, MDOI Revenue	Assessment Tax Expense, IGT
2016	\$7,527,793	\$4,950,000
2017	\$8,733,103	\$6,465,000
2018	\$9,880,507	\$7,439,000



5.60 Summary Historical Balance Sheet of the Heim

Set forth below are the Heim’s historical balance sheets from fiscal years ending December 31, 2013 through December 31, 2016 derived from the County’s audited financial statements and **the County-prepared, internal, unaudited balance sheet as of December 31, 2017.**

Berks Heim Nursing Home Historical Balance Sheets					
Financial Information from County CAFR					
Fiscal Year Ending December 31,					
	2013	2014	2015	2016	INTERNAL UNAUDITED 2017
Assets					
Current Assets:					
Cash and cash equivalents	\$ 255,622	\$ 261,882	\$ 338,977	\$ 213,950	\$ 344,592
Cash and cash equivalents- restricted	233,663	73,341	10,234	11,836	2,426
Investments, restricted	112,429	224,860	224,864	112,432	191,453
Accounts receivable, net	6,824,497	5,193,935	6,185,060	5,548,567	5,616,292
Due from other governments	-	-	-	-	-
Inventories	89,818	-	-	-	103,238
Prepaid expenses	46,746	89,015	95,567	92,688	26,973
Deposits	-	41,295	55,176	52,777	-
Total Current Assets	<u>\$ 7,562,775</u>	<u>\$ 5,884,328</u>	<u>\$ 6,909,878</u>	<u>\$ 6,032,250</u>	<u>\$ 6,284,974</u>
Noncurrent Assets:					
Employee pay advance	\$ 73,064	\$ 61,916	\$ 63,075	\$ 52,733	\$ 47,439
Investments	-	-	-	112,432	-
Pension asset, net	9,965,489	5,528,040	-	1,210,127	6,562,413
Capital assets:					
Building and improvements, net	29,258,272	28,549,986	27,605,331	26,655,751	25,759,704
Furniture, fixtures, equip & vehicles, net	575,080	253,687	696,989	628,248	606,411
Construction in progress	-	278,646	14,366	17,642	29,945
Total Noncurrent Assets	<u>\$ 39,871,905</u>	<u>\$ 34,672,275</u>	<u>\$ 28,379,761</u>	<u>\$ 28,676,933</u>	<u>\$ 33,005,912</u>
Total Assets	<u>\$ 47,434,680</u>	<u>\$ 40,556,603</u>	<u>\$ 35,289,639</u>	<u>\$ 34,709,183</u>	<u>\$ 39,290,886</u>
Deferred Outflows of Resources:					
Pension	\$ -	\$ 1,034,009	\$ 6,452,222	\$ 4,180,899	\$ 2,737,767
Unamortized bond refunding loss	-	-	-	-	-
Derivative swap agreement	-	71,265	135,464	68,437	113,114
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 1,105,274</u>	<u>\$ 6,587,686</u>	<u>\$ 4,249,336</u>	<u>\$ 2,850,881</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 47,434,680</u>	<u>\$ 41,661,877</u>	<u>\$ 41,877,325</u>	<u>\$ 38,958,519</u>	<u>\$ 42,141,767</u>
Liabilities and Equity					
Current Liabilities:					
Accounts payable	\$ 1,172,453	\$ 1,092,862	\$ 761,949	\$ 1,245,738	\$ 1,118,742
Accrued liabilities	832,395	-	1,000,986	1,099,572	1,257,612
Advance revenue	1,245	903,416	1,166	-	-
Due to other funds	12,864,280	8,633,998	6,394,478	2,582,337	-
Accrued interest payable	120,570	120,122	113,437	112,442	111,436
Compensated absences	316,057	314,663	334,863	289,109	285,738
Accrued claims health insurance	323,816	336,320	320,669	337,709	304,538
Accrued claims liability	167,994	164,301	151,476	151,525	142,614
Bonds payable, net	760,008	556,752	644,415	359,937	365,994
Total Current Liabilities	<u>\$ 16,558,818</u>	<u>\$ 12,122,434</u>	<u>\$ 9,723,439</u>	<u>\$ 6,178,369</u>	<u>\$ 3,586,674</u>
Noncurrent Liabilities:					
Compensated absences	\$ 584,641	\$ 610,292	\$ 682,973	\$ 534,082	\$ 635,414
Accrued claims liability	1,464,597	1,340,289	1,186,655	1,151,353	1,010,286
Pension liability, net	-	-	430,175	-	-
Bonds payable, net	22,287,570	21,916,015	23,213,521	22,671,052	22,123,418
Total Noncurrent Liabilities	<u>\$ 24,336,808</u>	<u>\$ 23,866,596</u>	<u>\$ 25,513,324</u>	<u>\$ 24,356,487</u>	<u>\$ 23,769,118</u>
Total Liabilities	<u>40,895,626</u>	<u>35,989,030</u>	<u>35,236,763</u>	<u>30,534,856</u>	<u>27,355,792</u>
Deferred Inflows of Resources:					
Deferred grant revenue	\$ 38,553	\$ 44,640	\$ 137,985	\$ 33,009	\$ 17,118
Unamortized bond refunding gain	2,697,462	2,405,621	660,387	609,588	558,789
Pension	-	-	-	435,317	4,752,893
Total deferred inflows of resources	<u>\$ 2,736,015</u>	<u>\$ 2,450,261</u>	<u>\$ 798,372</u>	<u>\$ 1,077,914</u>	<u>\$ 5,328,800</u>
Net Position:					
Net investment in capital assets	\$ 12,095,752	\$ 8,998,692	\$ 8,563,463	\$ 8,136,225	\$ 7,661,183
Unrestricted position (deficit)	(8,292,713)	(5,776,106)	(2,721,273)	(790,476)	1,795,992
Total deferred inflows of resources	<u>\$ 3,803,039</u>	<u>\$ 3,222,586</u>	<u>\$ 5,842,190</u>	<u>\$ 7,345,749</u>	<u>\$ 9,457,175</u>
Total Liabilities and Net Position:	<u>\$ 47,434,680</u>	<u>\$ 41,661,877</u>	<u>\$ 41,877,325</u>	<u>\$ 38,958,519</u>	<u>\$ 42,141,767</u>



5.70 Assets Proposed to be Transferred to Purchaser in Connection with the Sale of the Heim

Set forth below is the Heim’s County-prepared, internal, unaudited balance sheet as of December 31, 2017. The statements are unaudited and provided to assist the Purchaser in understanding what assets and liabilities are intended to be sold and what assets and liabilities are intended to be retained by the County in connection with formulating its non-binding indication of interest. Please note that these amounts will be “trued-up” with the County’s audited financial statements as of December 31, 2017 when such financial statements become available and then again as of the closing date pursuant to post-closing purchase price adjustments.

	Assets as of 12/31/2017 from County-Prepared, Unaudited, Internal Financial Statements	Assets Proposed to be Transferred to Purchaser
Cash and cash equivalents (unrest. / restricted)	\$347,018	\$0
Investments, restricted	\$191,453	\$0
Accounts receivable, net ⁽¹⁾	\$5,616,292	\$5,616,292
Inventories	\$103,238	\$103,238
Prepaid expenses	\$26,973	\$26,973
Employee pay advance	\$47,439	\$47,439
Pension asset, net ⁽²⁾	\$6,562,413	\$0
Net Property, plant and equipment ⁽³⁾	\$26,396,060	\$26,396,060
Total Assets	\$39,290,886	\$32,190,002

- (1) Please see internally prepared financial reports in the County’s data room for detail of net accounts receivable and related aging.
- (2) Net pension assets represent the Heim’s portion of the County’s plan assets in excess of related pension liabilities. The County’s pension plan was fully funded as of the last valuation date of January 1, 2017. The January 1, 2018 valuation will not be completed until June 2018, however the County anticipates the plan will still be in a fully funded position. Net pension assets will be assumed by the County along with future pension liabilities.
- (3) Net Property, Plant and Equipment is net of accumulated depreciation. A breakdown of Net PP&E by asset class is provided in Section 5.60 of the Memorandum.



5.80 Liabilities to be Assumed by the Purchaser

Set forth below is a schedule of liabilities to be assumed in connection with the Transaction. Please note that the Purchaser will not be responsible for acquiring any of the following liabilities outstanding as of the date of closing: (i) any outstanding current or long term funded debt attributable to the Heim and (ii) any Heim pension liability. A post-closing purchase price adjustment will be made to “true-up” variances between the CHR-prepared financial statements to the County’s audited financial statements and then again based on the Closing balance sheet on a post-Closing basis.

	Liabilities as of 12/31/2017 from County-Prepared, Unaudited, Internal Financial Statements	Liabilities to be Assumed and Paid by County	Liabilities to be Assumed by Purchaser
Accounts payable ⁽¹⁾	\$1,118,742	\$0	\$1,118,742
Accrued liabilities	\$1,257,612	\$0	\$1,257,612
Accrued interest payable ⁽²⁾	\$111,436	\$111,436	\$0
Compensated absences (current and l.t.)	\$921,152	\$0	\$921,152
Accrued claims health insurance	\$304,538	\$0	\$304,538
Accrued claims liability (current and l.t.)	\$1,152,900	\$0	\$1,152,900
Bonds payable, net (current and l.t.) ⁽³⁾	\$22,489,412	\$22,489,412	\$0
Pension liability, net	\$0	\$0	\$0
Total Book Liabilities	\$27,355,792	\$22,600,848	\$4,754,944

(1) The Purchaser will assume the Heim’s payables but the County, as agent for the Purchaser will pay Accounts Payable when due from funds provided by the Purchaser from the collection of Receivables pursuant to an escrow, lock box or other security device.

(2) Accrued interest related to outstanding Heim debt will not be assumed by the Purchaser in connection with the Transaction.

(3) Current and Long Term Debt will not be transferred to the Purchaser in connection with the Transaction.

5.90 Purchase Price Formula

The County proposes the purchase price be based on a multiple of 2017 adjusted EBIDA (adjusted through 2017 and again at closing plus any portion of the payable due to County from the Heim remaining post-Closing. In addition, the County will provide to the Purchaser with a net working capital adjustment determination, calculated as of the closing date of the Transaction, within 90 days of Closing. The Purchaser will have 60 days from the date of receipt of this determination to either agree with or dispute the determination. All disputes will be governed by the final Agreement of Sale.



6.00 Historical and Planned Capital Projects

6.10 Historical Projects

Set forth below is a schedule of the Heim's capital projects from 2013 through 2017:

Berks Heim's Historical Capital Projects by Type					
Capital Project Category	2013	2014	2015	2016	2017
Dietary Equipment	\$ 32,524	\$ 160	\$ 29,961	\$ 7,660	\$ -
Laundry Equipment	6,556	60,407	132,660	12,352	0
Medical Equipment	0	0	8,550	0	0
Office/Admin Equipment	0	3,990	0	0	18,177
Repair of Existing Equipment	263,792	0	0	0	0
Repairs / Improvements to Facilities	31,531	279,056	197,979	41,742	142,287
Security Enhancements	0	11,576	0	0	25,448
Vehicles, Other	47,515	0	0	0	29,245
Total	\$ 381,917	\$ 355,189	\$ 369,150	\$ 61,753	\$ 215,158

6.20 Scheduled Capital Projects

Set forth below is a schedule of the Heim's planned capital projects from the Berks Heim Capital Plan 2018 – 2022:

Berks Heim's Planned Capital Projected by Type						
Department	Capital Project Description	2018	2019	2020	2021	2022
Dietary	Dish Machine	\$ -	\$ 99,336	\$ -	\$ -	\$ -
Dietary	Pot & Pan Washing Station	-	-	20,000	-	-
Dietary	Electric Range	6,000	-	-	-	-
Dietary	Electric Convection Oven	8,250	-	-	-	-
Laundry	Replacement Dryer Steam Coils	9,600	-	-	-	-
Laundry	160lb Washer to replace 95lb washer	38,573	78,689	-	-	-
Plant Operations	Roof Repairs	40,000	-	-	-	-
Plant Operations	Replacement Sewer Ejection Pump	9,103	8,000	-	-	-
Plant Operations	Flooring Replacements-Dietary and Hallways	10,000	10,000	10,000	10,000	10,000
Plant Operations	Replacement- Double Egress Doors	45,000	-	-	-	-
Plant Operations	Parking Lot Improvements	125,489	-	-	-	-
Plant Operations	Building Façade- Pressure Wash and Sealing	189,985	-	-	-	-
Security	Wheelchair Bus	-	-	39,105	-	-
Security	Compact SUV	-	-	23,000	-	-
Security	Wheelchair Bus	-	-	45,000	-	-
Total		\$ 482,000	\$ 196,025	\$ 137,105	\$ 10,000	\$ 10,000



6.30 Subdivision and Utilities

The County is in the process of subdividing the land on which the Heim is located as described in this Information Memorandum. The final plan of subdivision is subject to the approval of Bern Township, which may require modifications to the initial plan submitted by the County; however, the County does not anticipate that any such changes would be material. Closing on the transaction will occur once subdivision approval has been obtained. The County anticipates that such approval will occur in the first quarter of 2019.

Utility services to the Heim are provided by a mixture of public utilities and County-owned non-public utility facilities, some of which also serve other County buildings on the County's north campus on an integrated basis. Utility services for the Heim will need to be separated from the utility services to the other County-owned buildings, either by the purchaser's entering into separate agreements with the public utility companies providing such services, which may require installation of additional public utility facilities such as gas or telephone lines; by separating existing utility services by the installation of separate meters; or by obtaining approval for a transfer of a portion of the County's contract rights to use such services to the purchaser. The County will work with the purchaser and the utilities providing such services to coordinate the separation of the utility services in order to ensure that the Heim has all utility services necessary for its operation at the time the closing occurs.



APPENDIX A- New Hire Salaries under Union Contracts

NEW HIRE RN RATES

1/1/17

	Shift	Start	Post Prob
GN	7-3	29.61	29.86
\$1.25 Shift diff.	3-11	30.86	31.11
\$.90 Shift diff.	11-7	30.51	30.76
RN Staff	7-3	30.77	31.02
\$1.25 Shift diff.	3-11	32.02	32.27
\$.90 Shift diff.	11-7	31.67	31.92
RN Charge	7-3	31.91	32.16
\$1.25 Shift diff.	3-11	33.16	33.41
\$.90 Shift diff.	11-7	32.81	33.06

NEW HIRE LPN RATES

1/1/17

GPN	7-3	20.96	21.21
\$1.25 Shift diff.	3-11	22.21	22.46
\$.90 Shift diff.	11-7	21.86	22.11
LPN Staff	7-3	22.97	23.22
\$1.25 Shift diff.	3-11	24.22	24.47
\$.90 Shift diff.	11-7	23.87	24.12
LPN Charge	7-3	23.96	24.21
\$1.25 Shift diff.	3-11	25.21	25.46
\$.90 Shift diff.	11-7	24.86	25.11

NEW HIRE RN RATES

1/1/18

	Shift	Start	Post Prob
GN	7-3	30.35	30.60
\$1.25 Shift diff.	3-11	31.60	31.85
\$.90 Shift diff.	11-7	31.25	31.50
RN Staff	7-3	31.54	31.79
\$1.25 Shift diff.	3-11	32.79	33.04
\$.90 Shift diff.	11-7	32.44	32.69
RN Charge	7-3	32.71	32.96
\$1.25 Shift diff.	3-11	33.96	34.21
\$.90 Shift diff.	11-7	33.61	33.86

NEW HIRE LPN RATES

1/1/18

GPN	7-3	21.48	21.73
\$1.25 Shift diff.	3-11	22.73	22.98
\$.90 Shift diff.	11-7	22.38	22.63
LPN Staff	7-3	23.54	23.79
\$1.25 Shift diff.	3-11	24.79	25.04
\$.90 Shift diff.	11-7	24.44	24.69
LPN Charge	7-3	24.56	24.81
\$1.25 Shift diff.	3-11	25.81	26.06
\$.90 Shift diff.	11-7	25.46	25.71

NEW HIRE RN RATES

1/1/19

	Shift	Start	Post Prob
GN	7-3	31.11	31.36
\$1.25 Shift diff.	3-11	32.36	32.61
\$.90 Shift diff.	11-7	32.01	32.26
RN Staff	7-3	32.33	32.58
\$1.25 Shift diff.	3-11	33.58	33.83
\$.90 Shift diff.	11-7	33.23	33.48
RN Charge	7-3	33.53	33.78
\$1.25 Shift diff.	3-11	34.78	35.03
\$.90 Shift diff.	11-7	34.43	34.68

NEW HIRE LPN RATES

1/1/19

GPN	7-3	22.02	22.27
\$1.25 Shift diff.	3-11	23.27	23.52
\$.90 Shift diff.	11-7	22.92	23.17
LPN Staff	7-3	24.13	24.38
\$1.25 Shift diff.	3-11	25.38	25.63
\$.90 Shift diff.	11-7	25.03	25.28
LPN Charge	7-3	25.17	25.42
\$1.25 Shift diff.	3-11	26.42	26.67
\$.90 Shift diff.	11-7	26.07	26.32

Addendum A
BERKS HEIM UFCW WAGE SCALE
2018 - 2019 Wage Scale

Job Classification	1/1/17 Wage Scale		1/1/18 Wage Scale		1/1/19 Wage Scale	
	Starting Rates (1/1/17 Rates + 2.5%)	3 Month (Starting rates + .25)	6 Month (3 month rates + .75)	Starting Rates (1/1/18 Rates + 2.5%)	3 Month (Starting rates + .25)	6 Month (3 month rates + .75)
Accounting Assistant/Medical Billing	18.60	18.85	19.60	19.07	19.32	20.07
Activity Therapist	14.50	14.75	15.50	14.86	15.11	15.86
Barber/Beautician	14.01	14.26	15.01	14.36	14.61	15.36
Canteen Clerk	13.20	13.45	14.20	13.53	13.78	14.53
Clerk Typist	14.50	14.75	15.50	14.86	15.11	15.86
Cook	14.50	14.75	15.50	14.86	15.11	15.86
Dietary Aide	13.55	13.80	14.55	13.89	14.14	14.89
Dietary Utility	13.20	13.45	14.20	13.53	13.78	14.53
Environmental Services Aide/Janitor	13.50	13.75	14.50	13.84	14.09	14.84
Laundry Operator	13.55	13.80	14.55	13.89	14.14	14.89
Laundry Worker	13.20	13.45	14.20	13.53	13.78	14.53
Maintenance I	16.40	16.65	17.40	16.81	17.06	17.81
Maintenance II	16.92	17.17	17.92	17.34	17.59	18.34
Medical/Central Supply Aide	13.55	13.80	14.55	13.89	14.14	14.89
Receiver	13.55	13.80	14.55	13.89	14.14	14.89
Switchboard Operator	13.20	13.45	14.20	13.53	13.78	14.53
Unit Secretary	13.72	13.97	14.72	14.06	14.31	15.06
Unit Secretary Coordinator	14.01	14.26	15.01	14.36	14.61	15.36
Pre-Class Aide (PCA)	14.40			14.76		
Nursing Assistant (NA)	14.84			15.21		
Certified Nursing Assistant (CNA)	16.11			16.51		
Restorative Nursing Aide (RNA)	16.11			16.51		



APPENDIX B- CMS Survey Dated August 25, 2017

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION (POC)		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 395094	(X2) MULTIPLE CONSTRUCTION: A. BLDG: <u>00</u> B. WING: _____	(X3) DATE SURVEY COMPLETED: 08/25/2017
NAME OF PROVIDER OR SUPPLIER: BERKS HEIM NURSING & REHABILITATION		STREET ADDRESS, CITY, STATE, ZIP CODE: 1011 BERKS ROAD LEESPORT, PA 19533		
STATE LICENSE NUMBER: 021202				
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE)	(X5) COMPLETE DATE
F 0000	INITIAL COMMENT Based on a Revisit Survey completed on August 25, 2017, at Berks Heim Nursing and Rehabilitation, it was determined that the facility corrected all the deficiencies cited during the survey of June 16, 2017, under the requirements of 42 CFR Part 483, Subpart B, Requirements for Long Term Care Facilities and the 28 Pa. Code, Commonwealth of Pennsylvania Long Term Care Licensure Regulations.	F 0000		

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE:

(X6) DATE:

Any deficiency statement ending with an asterisk (*) denotes a deficiency which may be excused from correction providing it is determined that other safeguards provide sufficient protection to the patients. The findings stated above are disclosable whether or not a plan of correction is provided. The findings are disclosable within 14 days after such information is made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

This form is a printed electronic version of the CMS 2567L. It contains all the information found on the standard document in much the same form. This electronic form once printed and signed by the facility administrator and appropriately posted will satisfy the CMS requirement to post survey information found on the CMS 2567L.