

02015-19-21
1-5-16

His response
to W. Ogles
Questions...

Exhibit B: Sustainability Plan

Overview

Medicaid Expansion favorably impacts this project. Based on our recent analysis, a sizable majority of our previous "self-pay" population will be Medicaid eligible. We have an efficient process for pre-screening for insurance eligibility and helping our consumers access these resources at the time they seek services. This is evidenced by our relatively high commercial insurance collections.

Our sustainability model is based on the following assumptions:

Annual Revenues

1. 75% capacity in Year 1 (we currently have the patient population to fill this building)
2. 95% capacity by Year 2 and beyond
3. 40% improved billing/collection ratios over existing outpatient care revenues. This projection is based on significantly better attendance for clinical appointments.
4. Average monthly collections for all tenants is \$1,300 month

Annual Expenses

1. \$25,000 - groceries
2. \$20,000 - utilities
3. \$12,000 - supplies
4. \$5,000 - specialized cleaning/other
5. \$30,000 - building maintenance/repairs
6. **TOTAL EXPENSES = \$92,000**

Other

1. No additional clinical staff will be added. However, we anticipate improved efficiencies by consistently running full groups (10 - 14 people) at nearby outpatient treatment facility. During our pilot project, we learned that regular attendance at clinical appointments is significantly better when our patients are in our transitional housing.
2. This sustainability plan does not include improved throughput for our residential treatment facility. We currently have patients that "overstay" in residential treatment due to the lack of safe housing. Having transitional housing should significantly improve our residential throughput, and prevent a patient without any billable insurance from taking up bed space when they are ready to move to outpatient care, provided they have appropriate and safe housing. Thus, the current pro forma is viewed as conservative.

REVENUE DETAIL

Level of Care (LOC) for Outpatient Treatment Required	Weekly Clinical Contact (Avg. Hours)	Number of Clients	Billing Rate (rounded estimate)	Monthly Income per Patient	Monthly Income per Patient Type (income x number of patients)
LOC 3.1	12.0	6	300 / day	\$9,000	\$54,000
LOC 2.5	6.5	5	100 / hour	\$2,600	\$13,000
LOC 1.7 – 1.5	4.5	2	100 / hour	\$1,800	\$3,600
LOC 1.3	1.75	2	100 / hour	\$175	\$350
TOTAL MONTHLY BILLING					\$70,950
TOTAL ANNUAL BILLING					\$851,400
PERCENTAGE IMPROVEMENT OVER EXISTING OUTPATIENT BILLING = 40%					\$340,560
PERCENTAGE OF EXPECTED COLLECTIONS = .57%					\$194,119
			Number of Clients	Monthly Rent	Total Rent (all clients)
			6	\$0	\$0
			5	\$100	\$500
			2	\$200	\$400
			1	\$400	\$400
				TOTAL MONTHLY RENT	\$1,300
				TOTAL ANNUAL RENT	\$15,600
TOTAL ANNUAL REVENUES (IMPROVED COLLECTIONS AND RENT)					\$209,719

TOTAL PROJECTED REVENUES (Revenues minus projected expenses)

Year	Census	Revenues	Expenses	Anticipated Profit
Year 1	75%	\$157,289	\$92,000	\$65,289
Year 2 and beyond	95%	\$199,233	\$92,000	\$107,233