LEGAL NOTICE

Pursuant to Section 19a-486a of the Connecticut General Statutes ("C.G.S"), a nonprofit hospital seeking to transfer a material amount of its assets or operations or change in control of operations to a person that is organized or operated for profit must submit a determination letter to the Office of the Attorney General and the Office of Health Care Access ("OHCA") as to whether or not the provisions of the statute apply. In addition, a hearing on the determination letter must be held not later than thirty days after receipt of the letter.

Applicants
Hebrew Home and Hospital, Incorporated
Hebrew Home for Health & Rehabilitation, LLC

Town
West Hartford, Connecticut

Proposal
Operations Transfer of 257 Skilled Nursing Beds and Related Lease by Hebrew Home and Hospital to Hebrew Home for Health & Rehabilitation, LLC

Date
Monday, July 11, 2016

Time
4 pm

Place
Hebrew HealthCare, One Abrahms Boulevard, West Hartford, CT 06117

PROPOSAL DESCRIPTION

This CON Determination request is being submitted to the Attorney General and the Commissioner of Public Health pursuant to Section 19a-486a of the Connecticut General Statutes ("CGS"). The Petitioners are not, however, waiving their rights to assert that the proposed transaction described herein is not subject to the provisions of Section 19a-486 through 19a-486h of the CGS (the "Conversion Act"), and they expressly reserve their rights to claim that no CON Determination or other review is required under the Conversion Act because, among other reasons, the Hebrew Home and Hospital (the "Home") is not a "nonprofit hospital" as defined by Section 19a-486(1) of the CGS. Further, if it is a nonprofit hospital, for the reasons discussed in the cover letter submitted to the Attorney General with this CON Determination request, the proposed transaction is not subject to the Conversion Act because it would not constitute a transfer of a material amount of the Home's assets or operations or a change in control of operations.

The Home is a nonprofit nonstock Connecticut corporation exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code. The Home is a member of the Hebrew HealthCare family, which also includes Hebrew Health Care, Inc. as the parent, Hebrew Community Services, Inc., Hebrew Life Choices, Inc., Hebrew Healthcare Foundation, Inc. and the Connecticut Geriatric Specialty Group, Inc. (together "Hebrew HealthCare"). All are nonprofit entities organized as nonstock corporations.

The Home was originally founded in the early 1900s to provide long term care to members of the Jewish community in the area. In 1968, to better serve its population, the Home established a chronic disease hospital ("CDH"), which remains a subsidiary function of the Home. The Home currently holds licenses from the Department of Public Health for a 257 bed chronic and convalescent nursing home (the "skilled nursing home" or "SNF"), a 45 bed CDH, and an outpatient clinic. In addition to those three licenses, Hebrew Community

Services is licensed as an assisted living services agency, or ALSA. A copy of each Department of Public Health license held by the Home is attached.

The Home and Hebrew HealthCare have been experiencing ongoing losses, both at the Home and on a system-wide basis, due generally to the SNF. Consequently, several years ago the Boards of the Home and Hebrew HealthCare began to consider strategic and other options to strengthen their financial position while maintaining their mission to serve vulnerable older adults. In April 2016, following a failed affiliation with Hartford HealthCare and unsuccessful negotiations with Trinity Health-New England (Saint Francis), the Home and Hebrew HealthCare considered other options, including a proposal that Marvin J. Ostreicher, a well-known operator of nursing homes and owner of National Health Care Associates, Inc. ("NHCA") had made in January 2016 related to having NHCA acquire the operations of the SNF.

The Home and Hebrew HealthCare and Mr. Ostreicher have now negotiated the proposed transaction, which will be between the Home and Hebrew Home for Health & Rehabilitation, LLC ("HHHR"), a new LLC that Mr. Ostreicher has established that is not part of NHCA. The transaction has not yet been embodied in a formal agreement but is structured as follows:

- HHHR will lease the top three floors of the Home's building, which floors are currently occupied by the SNF and will continue to be used for that purpose. The leased premises will also include (1) all existing personal property, furniture, fixtures, equipment and other related assets necessary for the day to day operations of the skilled nursing facility, and (2) the basement, the kitchen of the building, a multi-purpose room, and the main lobby and the corridors leading to the elevators. The SNF will have a separate entrance from the CDH, so the lease will not affect access to the CDH, and HHHR will provide food service to the CDH.
- The Home will continue to operate its other services, specifically, the CDH, the adult day center, the outpatient rehabilitation service, the physician clinic, and the dementia clinic in the portion of the building not leased to HHHR.
- HHHR and the Home will share use of the administrative offices on the first floor and the Synagogue.
- The initial term of the lease is for 30 years with two 15 year renewal options.
- Rent will be set at an amount equal to the monthly debt service, replacement reserve contributions and mortgage insurance and liability insurance premiums that the Home is currently required to pay to Wells Fargo Bank pursuant to the HUD-insured A mortgage on the property. Commencing in the tenth lease year and each subsequent lease year, if HHHR has realized a certain net profit, base rents can increase. In addition to the base rent, HHHR will be responsible for property taxes applicable to its use of the premises.
- The Home will transfer to HHHR all its right, title and interests in certain assets related to the SNF and its operations, including all inventory, medical supplies and other supplies used in the operation of the SNF, all tangible and personal property used in its operation and not otherwise subject to the lease, all licenses and permits to the extent assignable, and provider numbers if assignable.
- HHHR will offer to hire substantially all the SNF's current employees, and, prior to the closing, will be permitted to negotiate a new collective bargaining agreement with the union. HHHR will assume the Home's currently liability for accrued but unused paid time off ("PTO"), which is currently valued at approximately $1,250,000.
- HHHR will pay $300,000 to the Home.
- Following the transaction, HHHR will be responsible for the SNF and will bill all payers for services of the SNF. At present, the primary payers for services are Medicaid and Medicare with some commercial insurance and private pay.

This transaction will provide an excellent outcome for the Home and the community. It will immediately improve the Home's balance sheet, which is currently in a significant negative asset position, and it will improve it further in the future by eliminating the ongoing substantial losses from the SNF. Further, it will relieve the Home of the obligation to pay the mortgage, which it would continue to be obligated to pay if it closed the SNF to stop the losses. The Home will continue to provide all other services it currently provides on a nonprofit basis, specifically, CDH services, geriatric psychiatric services, assisted living services, adult day care, and other services for the senior population. At the same time, the SNF will be transferred to a for-profit LLC owned by a well-regarded and well-known nursing home operator who will continue to make the services available for the community, although it is possible that the number of SNF beds could be reduced from 257 to 252 due to a lack of space after it is reconfigured.

As a result of the Proposed Transaction, the balance sheets of the Hebrew HealthCare and the Home will be improved through a combination of the removal of the PTO liability of $1,250,000 and the receipt of the payment of $300,000, resulting in a positive effect on the balance sheets of $1,550,000. The effects on the balance sheets if measured as of 9/30/15 are as follows:

	Home	Hebrew HealthCare
Total Net Assets	($24,976,667)	($23,853,399)
Transaction Effect	1,550,000	1,550,000
Net Assets Post- Transaction	($23,426,667)	($22,303,399)

In addition, the elimination of the SNF's operating loss will move the Home into a gain from operations.

At present, the SNF serves aging adults who require medical and supportive services and whose serious medical and/or cognitive impairments/chronic conditions make it difficult (or impossible) for them to live in a community setting. The average age of the population served is approximately 89. The target population is the same as the SNF's current population.

Pursuant to Section 19a-638(b)(4), residential care homes, nursing homes and rest homes such as the SNF are exempt from Certificate of Need review. The Petitioners hereby respectfully request confirmation that the proposed transaction is not subject to review under the Conversion Act or Certificate of Need rules.

ADDITIONAL INFORMATION
A copy of the certificate of need determination letter submitted to the Attorney General and OHCA as well as additional information on the scheduled public hearings can be found on the Hebrew Home and Hospital, Incorporated website at the following location: www.hebrewhealthcare.org