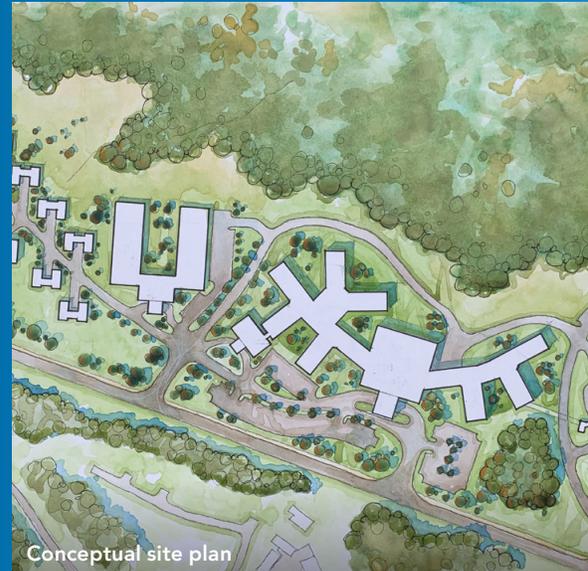


CIHA Tsali Care Case Study: How Our Advisors Assessed Replacement Programming



Conceptual rendering of the CIHA Tsali Care Center



Conceptual site plan

» SITUATION

Tsali Care's leadership originally engaged McMillan Pazdan Smith (MPS) in 2019 to complete a **Continuing Care Retirement Community (CCRC) Master Plan**. After a program option was selected, MPS then began work on the Tsali Care replacement design. As discussions with key community stakeholders evolved it soon became clear that the MPS Advisory Service team should be brought in to re-assess the market and financial plan moving forward.

» APPROACH

A market assessment was performed that evaluated national and local trends, determined the supply and demand of long-term care beds in the service area, and finally assessed the 'gap' or need for additional beds. A financial feasibility study was an additional tool developed to help the client synthesize a variety of financial and operational information to determine the return on investment. In terms of the site selection process, the financial assessment helped from a cost perspective to aid in decision making as well as key project stakeholders from civil design and construction to distill the major pros and cons/constraints for each option.

» DECISIONS

The key decisions that needed further due diligence were:

1. Site selection
2. Whether or not to include Assisted Living in phase one of the project scope
3. Determine the total bed count for Skilled Nursing, Memory Care, and Assisted Living
4. Use all variables to work toward an improved proforma from the Master Planning stage

KEY FINDINGS

Site Selection

Two site options were evaluated — one on top of the mountain and one lower near the base. The high-site option was over \$20 million dollars more costly as compared to the low-site option, largely due to the significant amount of earthwork that would be required. Aside from being physically closer to the hospital and the high elevation mountain views, the high-site option also had a number of constraints working against it.

Market Assessment

There is a deficit of skilled nursing facility (SNF) and memory care beds in the service area based on the majority of market demand methodologies used. The analysis provided a range of bed options from low to high based on current market share and growth potential. The most likely scenarios for SNF and Memory Care allowed Tsali Care leadership to confirm that Assisted Living should likely be included in phase one and part of the overall bed complement. While a full due diligence report on Assisted Living was not included in this initial scope of work, a preliminary market assessment was able to estimate the potential market capture needed to fill the targeted number of beds.

Financial Feasibility

Two book-end scenarios: 'best-case' and 'worst-case,' were modeled to estimate the profit and loss financial impact as well as the return on investment. The best-case scenario assumed the 'best' payer mix, the low-site option, and a higher occupancy rate — which allowed all **3 bed options** to yield favorable operating cash results. The worst-case scenario assumed the 'most likely' payer mix, the high site option, and the current day occupancy rate — **2 out of the 3 bed options** still yielded positive operating cash results although less favorable. Given the high cost of capital for the project however, the return on investment was unfavorable in all scenarios. While financial feasibility is an important factor for the project, it is only one factor of many, especially considering the community impact, as to why leadership would or would not move forward with the project.

RESULTS

Tsali Care leadership has selected a site and bed option and has given the approval to move forward with the design phase. The benefit of this study was to evaluate multiple variables that inform decision making for stakeholder alignment and long-term success. Completing this level of due diligence **before** design helps minimize the risk for project holds in later stages of project development.

» While financial feasibility is an important factor for the project, **it is only one factor of many, especially considering the community impact,** as to why leadership would or would not move forward with the project.

LOW-SITE OPTION

Allowed all 3 bed options to yield favorable operating cash results



HIGH-SITE OPTION

2 out of 3 bed options still yielded positive operating cash results although less favorable

