

Possible Universal Litigation and Appeals Settlement

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- ▶ Under this possible approach, roughly \$100 million can be added to further smooth transition
 - The approach would require the withdrawal of **all** pending litigation and outstanding operating and methodological capital appeals by all nursing homes.
- ▶ The additional \$100 million would transition homes such that:
 - No homes incur losses for the first two years
 - The losses of homes negatively impacted by pricing is reduced by roughly one-half
 - The gains of the winners is accelerated in the first three years
- ▶ Funding would be made available within existing resources and included within the Global Cap

Possible Universal Settlement Transition Approach

- ▶ Blended Price/ Blended WEF model is fully implemented in year one
 - No changes are made in the underlying blended price/ blended WEF methodology
 - Corridor Transition is eliminated
- ▶ Six year transition period remains in play under settlement transition approach
- ▶ **Transition Pool:** established to temporarily shift resources from winners to losers (\$100 million) in years one and two
- ▶ **Settlement Contribution:** of approximately \$100M is a permanent resource to mitigate impact of losers
- ▶ With these two transition pools in:
 - Years 1 and 2 there will be \$100 million in winners and no losers
 - Years 3 - 5 will transition \$100 million back to winners
 - Full implementation (Year 6) would result in \$200M in winners and \$100M in losers (versus \$200M in winners and \$200 million in losers)
- ▶ This approach would result in the following shift from winners to losers

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Full Imp)
Shift From Winners/ Transition Pool	\$100	\$100	\$75	\$50	\$25	\$0
Settlement Contribution	\$100	\$100	\$100	\$100	\$100	\$100

Possible Settlement Transition Example

Winner Facility Current Rate =\$85	Year 1 and Year 2	Year 3	Year 6 (Full Impl)
Blended Price	\$100	\$100	\$100
Transition \$ to Losers	(\$7.50)	(\$5.60)	\$0
Total Rate	\$92.50	\$94.40	\$100
Blended Price Compared to Current Rate	+\$7.50	+\$9.40	+\$15.00

Loser Facility Current Rate =\$115	Year 1 and Year 2	Year 3	Year 6 (Full Impl)
Blended Price	\$100	\$100	\$100
Transition \$ from Winners	\$7.50	\$5.60	\$0
Settlement Contribution	\$7.50	\$7.50	\$7.50
Total Rate	\$115	\$113.10	\$107.50
Blended Price Compared to Current Rate	\$0	-\$1.90	-\$7.50

Possible Settlement Transition Strategy

Corridor Transition						
	Year 1	Year 2	Year 3	Year 4	Year 5	Full Impl.
Winners	24,310,811	47,134,699	106,288,624	144,845,333	169,159,705	202,723,355
Losers	(\$33,100,527)	(55,924,459)	(115,078,217)	(153,634,976)	(177,949,354)	(211,513,083)
Settlement Transition						
Winners	96,770,148	94,497,606	119,088,543	146,966,814	174,845,085	202,723,355
Losers *	\$0	0	(27,878,271)	(55,756,541)	(83,634,812)	(111,513,083)

* 65 Homes that do not benefit under Settlement Transition will receive their Corridor Transition in Year 1 and 21 homes in Year 2

Possible Transition Under Alternative Universal Settlement Approach

Corridor Transition							
		Year 1	Year 2	Year 3	Year 4	Year 5	Full Imp.
Winners	Proprietary	14,956,594	30,152,941	62,167,058	84,766,789	99,394,795	120,577,438
	Voluntary	7,367,570	13,822,411	35,620,237	48,484,357	56,118,564	66,983,707
	Publics	1,986,648	3,159,347	8,501,329	11,594,186	13,646,347	15,162,210
Losers	Proprietary	(14,866,733)	(24,110,664)	(48,428,258)	(62,820,224)	(70,090,322)	(79,093,037)
	Voluntary	(15,036,767)	(25,440,985)	(51,747,030)	(70,665,574)	(84,469,548)	(105,513,980)
	Publics	(3,197,027)	(6,372,811)	(14,902,929)	(20,149,179)	(23,389,484)	(26,906,065)
Settlement Transition							
Winners	Proprietary	58,342,480	57,289,770	70,832,448	87,414,111	103,995,774	120,577,438
	Voluntary	31,185,853	30,385,981	39,349,152	48,560,670	57,772,189	66,983,707
	Publics	7,241,814	6,821,855	8,906,944	10,992,033	13,077,122	15,162,210
Losers	Proprietary			(10,424,779)	(20,849,558)	(31,274,336)	(41,699,115)
	Voluntary			(13,907,165)	(27,814,330)	(41,721,494)	(55,628,659)
	Publics			(3,546,327)	(7,092,654)	(10,638,981)	(14,185,308)