

EXAMINATION WARRANT # 16-451500411-CP

REPORT OF EXAMINATION

OF THE

**GREEN RIDGE HEALTHCARE GROUP, LLC
SCRANTON, PENNSYLVANIA**

AS OF

DECEMBER 31, 2016

For Informational Purposes Only

Green Ridge Healthcare Group, LLC

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For Informational Purposes Only

Harrisburg, Pennsylvania
June 11, 2018

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation
Pennsylvania Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In compliance with instructions contained in Examination Warrant 16-451500411-CP dated January 23, 2018, and in accordance with provisions of the Pennsylvania Continuing Care Provider Registration and Disclosure Act, ("the Act"), as cited in 40 P.S. § 3219 et. seq., an examination was conducted of the records and affairs of

GREEN RIDGE HEALTHCARE GROUP, LLC

a continuing-care retirement community, ("CCRC"), hereafter referred to as the "Provider." This examination was conducted at the Provider's facility located at 2741 Boulevard Avenue, Scranton, Pennsylvania 18509.

The report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

This is the first examination of the Provider. This examination covered the period from January 6, 2012 through December 31, 2016 and consisted of a general survey of the Provider's business practices and management, and an evaluation of the Provider's financial condition, based upon the results of their annual audits, as of the latter date. Material subsequent events were also reviewed.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Pennsylvania Insurance Department ("Department"). The format of this report is consistent with the current practices of the Department and is limited to a description of the Provider, a discussion of key financial items that are of specific regulatory concern, and a disclosure of other significant regulatory information. The objective of this examination was to determine the extent of the Provider's compliance with the Act and 31 Pa. Code § 151 ("the Regulations").

For the fiscal years ending December 31, 2012 through December 31, 2016, the Provider's financial statements were audited by the certified public accounting ("CPA") firm of HW & Co. of Cleveland, Ohio. The CPA firm issued an unmodified opinion based on generally accepted accounting principles. The annual financial reports prepared by the CPA were reviewed during the examination and incorporated into the examination work papers.

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The examiner determined that the Provider did not present its financial statements in a comparable manner as required.

It is recommended that the Provider present its financial statements in a comparable manner pursuant to the requirements of 31 Pa. Code § 147.4(e)(2)(i).

HISTORY

The Provider is a for profit limited liability company formed on March 31, 2011 in the state of Ohio. On January 6, 2012, the Provider was granted a Certificate of Authority from the Department to operate as a CCRC. The Provider, Green Ridge Healthcare Group, LLC owns the fictitious name, Green Ridge Village of Scranton, as well as the fictitious name, Green Ridge Care Center, which operates the skilled nursing facility on the campus of Green Ridge Village of Scranton. The Provider entered into a lease with Scranton Manor Assisted Living Center for the provision of personal care.

DESCRIPTION OF FACILITY

The Provider maintains two independent living apartments through a lease with Kelco Properties, Inc. The apartments are located in a duplex home with the address of 401 Moltke Avenue, Scranton, Pennsylvania. Each of the apartments are approximately 700 square feet, with a kitchen, bedroom, living room, and full bath.

The Provider, Green Ridge Healthcare Group, LLC is the owner of the Green Ridge Care Center, a single-story brick building, on approximately four acres of land. The center is a skilled nursing facility with 95 beds. Green Ridge Village of Scranton operates the personal care home on the Provider's campus through an affiliated entity sharing common ownership known as Green Ridge Personal Care, LLC d/b/a The Gardens at Green Ridge for the provision of personal care services.

The Gardens at Green Ridge is a four-story brick building and 72 bed licensed personal care facility located at 2571 Boulevard Avenue, Scranton, Pennsylvania. The personal care facility is located on a half of acre in the city of Scranton, a mile from the nursing facility and directly across from the Regional Hospital of Scranton.

FEES AND SERVICES

As of December 31, 2016, entrance fees were \$3,600 for single occupancy and \$4,800 for double occupancy of the apartments. The monthly service fee at December 31, 2016, was \$300 for single occupancy and \$400 for double occupancy.

Payment of the independent living entrance fee entitles the residents of the Green Ridge Village of Scranton's independent living apartments to have priority access to its skilled nursing and personal care facilities should care become necessary. The independent living leases are not life-care contracts, and residents are responsible for paying the per-diem rates of the level of care required.

CCRC residents are entitled to use the common areas of the skilled nursing and personal care facilities located at Green Ridge Village of Scranton skilled nursing facility, Green Ridge Care Center, and the personal care home, the Gardens of Green Ridge and all offered activities. Other services included with the monthly service fees are maintenance and repairs of the grounds, snow removal, mechanical and electrical system maintenance, maintenance of supplied appliances, and one parking space. Additional services are offered on a fee-for-service basis. The specific services are outlined in the Resident Agreement.

REFUND POLICY

No CCRC agreements were terminated during the examination period. The following describes the Provider's refund policy, which complies with the Act and the Regulations.

Refund During the Rescission Period

The resident may terminate the agreement within seven days of its execution (rescission period). The Provider does not acceptance entrance fees until the occupancy date, and a resident can terminate the agreement at any time before occupancy without penalty.

Refund after Rescission Period But Prior to Occupancy

After the lapse of the seven-day rescission period, but prior to occupancy, if either party terminates the agreement, the entrance fee paid would be refunded, without interest, less any expense incurred by the Provider.

Refund after Occupancy

The entrance fee is amortized and accrued to the benefit of the Community at the rate of 20% per year, pro-rated monthly for a period of five years from the date of occupancy. After five years, the entrance fee shall be earned in full by the Community and no part will be refunded. The refund is reduced for any amounts owed to the Provider by the resident and any amounts to be charged against the refund as written in the agreement.

Refund Where Two Residents Execute the Agreement

If one of two residents covered under the agreement remains in the residence after the other resident's death or relocation from the Provider's facility, the refund of the entrance fee will be paid only after the surviving spouse, or other resident, has vacated the residence.

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

The management of the Provider is vested in its Board of Directors ("Board"), which was composed of the following members as of the examination date, December 31, 2016.

Name and Address	Principal Occupation
George S. Repchick, II Bedford Heights, Ohio	Health Care Executive President
William I. Weisberg Bedford Heights, Ohio	Health Care Executive Vice President

OFFICERS

As of the examination date, December 31, 2016, the following Officers were appointed and serving in accordance with the Provider's by-laws:

Name	Title
George S. Repchick, II	President
William I. Weisberg	Vice President

CORPORATE RECORDS

ARTICLES OF INCORPORATION

No amendments were made to the Articles of Incorporation during the period of examination.

BY-LAWS

No amendments were made to the by-laws during the period of examination.

ANNUAL DISCLOSURE STATEMENT

The 2016 Annual Disclosure Statement was reviewed for compliance with the Act, 40 P.S. § 3207, and the Regulations, specifically §§ 151.7 and 151.9. The examiner found that the 2016 Annual Disclosure Statement was not in compliance with all information required by the Act and the Regulations, as described below.

The Provider did not disclose a proper description of the independent living duplex, which requires a description of the physical property of the facility, including designation of the facility as urban, suburban, or rural and the number of acres occupied by the facility.

It is recommended that the Provider amend its Annual Disclosure Statement pursuant to the requirements of 31 Pa. Code §§ 151.7(c)(4)(i) - (ii).

The Provider did not maintain copies of the Annual Disclosure Statements for years 2012 through 2015 as required by the Regulation.

It is recommended that the Provider maintain copies of its Annual Disclosure Statements pursuant to the requirements of 31 Pa. Code § 151.7(f).

The Provider failed to document the delivery of the Annual Disclosure Statements for years 2013-2016 to the CCRC resident.

It is recommended that the Provider ensure delivery of Annual Disclosure Statements to CCRC residents pursuant to the requirements of 40 P.S. § 3207(c).

RESIDENT AGREEMENT

The 2016 Resident Agreement was reviewed for compliance with the Act, 40 P.S. § 3214, and the Regulations, specifically §§ 151.8 and 151.9. The 2016 Resident Agreement was not in compliance with all information required by the Act and the Regulations, as described below.

The Resident Agreement should contain a provision to provide for advance notice to the resident, of not less than 30 days, before any change in fees or charges or scope of care or services may be effective, except for changes required by State or Federal assistance programs. The examiner could not find such a provision.

It is recommended that the Provider update its Resident Agreement pursuant to all the requirements of 40 P.S. § 3214(a)(10).

PENDING LITIGATION

There was no known pending legal action or any known potential legal action which could have a materially adverse effect on the Provider's financial condition as of the examination date.

FINANCIAL STATEMENTS

The financial condition of the Provider, as of December 31, 2016, and the results of its operations for the last two years under examination are reflected in the following statements:

Comparative Balance Sheet;
Comparative Statement of Operations; and
Comparative Statement of Cash Flows

The financial information used to compile the following financial statements was presented in the Provider's audited financial statements as of December 31, 2016. There were no changes made to the financial statements as a result of this examination.

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**Comparative Balance Sheet
as of December 31,**

ASSETS	2016	2015
Current assets:		
Cash	\$ 235,019	\$ 184,560
Patient funds	23,764	10,811
Accounts receivable:		
Patients, net of allowance for doubtful accounts	850,743	843,327
Other	61,225	47,226
Estimated amounts due from third-party payors	147,297	132,011
Prepaid expenses	18,811	26,063
Total Current Assets	1,336,859	1,244,198
Leasehold improvements, furniture, fixtures, and equipment:		
Leasehold improvements	90,830	84,643
Furniture, fixtures, and equipment	179,591	154,718
	270,421	239,361
Less accumulated depreciation	120,750	89,531
	149,671	149,830
Other Assets		
Due from affiliates	1,915,069	1,186,818
Deposits	2,457	5,987
Total Other Assets	1,917,526	1,192,805
Total Assets	\$ 3,404,056	\$ 2,586,833
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Accounts payable, trade	\$ 271,886	\$ 193,746
Patient funds	23,764	10,811
Estimated amounts due to third-party payors	70,322	77,898
Payroll and other related accrued expenses	214,883	196,760
Accrued bed tax	140,112	143,739
Total current liabilities	720,967	622,954
Long-term liabilities:		
Deferred revenue	2,700	2,700
Total liabilities	723,667	625,654
Member's equity	2,680,389	1,961,179
Total liabilities and member's equity	\$ 3,404,056	\$ 2,586,833

**Comparative Statement of Operations
For the Year Ended December 31,**

	<u>2016</u>	<u>2015</u>
Net patient service revenue	<u>\$ 8,981,313</u>	<u>\$ 9,004,711</u>
Operating expenses:		
Direct patient care	4,314,422	4,692,599
General and administrative	906,995	847,422
Rent	1,544,350	1,504,237
Dietary	512,605	517,115
Housekeeping and plant operations	472,270	525,679
Depreciation and amortization	31,219	29,497
Bad Debts	141,616	89,140
Home office costs, affiliate	<u>349,100</u>	<u>379,064</u>
	<u>8,272,577</u>	<u>8,584,753</u>
Income from operations	708,736	419,958
Other income	<u>10,474</u>	<u>50,557</u>
Net Income	719,210	470,515
Member's equity, beginning	<u>1,961,179</u>	<u>1,490,664</u>
Member's equity, ending	<u>\$ 2,680,389</u>	<u>\$ 1,961,179</u>

**Comparative Statement of Cash Flows
For the Year Ended December 31,**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net Income	\$ 719,210	\$ 470,315
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred revenue	-	720
Depreciation and amortization	31,219	29,497
Bad Debts	141,616	89,140
Decrease (increase) in assets:		
Accounts receivable	(162,831)	263,686
Estimated amounts due from third-party payors	(15,286)	4,416
Prepaid expenses	7,252	2,458
Increase (decrease) in liabilities:		
Accounts payable	78,140	(52,444)
Estimated amounts due to third-party payors	(7,576)	(103,466)
Accrued expenses	14,496	77,543
	<u>806,240</u>	<u>782,065</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of leasehold improvements, furniture, fixtures, and equipment	(31,060)	(17,306)
Decrease in deposits	3,530	
Increase in due from affiliates	(728,251)	(599,314)
	<u>(755,781)</u>	<u>(616,620)</u>
Net cash used in investing activities		
Increase in cash	50,459	165,445
Cash, beginning	<u>184,560</u>	<u>19,115</u>
Cash, ending	<u>\$ 235,019</u>	<u>\$ 184,560</u>

NOTES TO THE FINANCIAL STATEMENTS

STATUTORY MINIMUM LIQUID RESERVE

\$9,057

In accordance with 40 P.S. § 3209, the Provider must establish and maintain a liquid reserve in an amount equal to or exceeding the greater of:

- (1) The total of all principal and interest payments due during the next 12 months on account of any mortgage loan or other long-term financing of the facility; or
- (2) Ten percent of the projected annual operating expenses of the facility exclusive of depreciation.

Of the above two requirements, the value of (1) is \$0, and the value of (2) is \$9,057. As of December 31, 2016, the Provider had established and reported a reserve of \$9,057 for this purpose.

ESCROW ACCOUNT REQUIREMENTS

The Provider does not accept deposits from CCRC residents prior to date of occupancy, and therefore maintains no escrow account. Should the Provider begin to accept entrance fee deposits from CCRC residents prior to the residents' right to take occupancy of the designated unit, the Provider must then establish an escrow account with a bank as required by 40 P.S. § 3212.

SUBSEQUENT EVENTS

The examiner was not made aware of any events subsequent to December 31, 2016, through the date of examination report that would have a material effect on the solvency of the Provider.

RECOMMENDATIONS

This is the first examination of the Provider. The following recommendations are being made as a result of the current examination.

1. *It is recommended that the Provider present its financial statements in a comparable manner pursuant to the requirements of 31 Pa. Code § 147.4(e)(2)(i).* (See "Scope of Examination", page 2)
2. *It is recommended that the Provider amend its Annual Disclosure Statement pursuant to the requirements of 31 Pa. Code §§ 151.7(c)(4)(i) - (ii).* (See "Annual Disclosure Statement", page 4)

3. *It is recommended that the Provider maintain copies of its Annual Disclosure Statements pursuant to the requirements of 31 Pa. Code § 151.7(f).* (See “Annual Disclosure Statement”, page 4)
4. *It is recommended that the Provider ensure delivery of Annual Disclosure Statements to CCRC residents pursuant to the requirements of 40 P.S. § 3207(c).* (See “Annual Disclosure Statement”, page 4)
5. *It is recommended that the Provider update its Resident Agreement pursuant to the requirements of 40 P.S. § 3214(a)(10).* (See “Resident Agreement”, page 5)

CONCLUSION

As a result of our examination, we conclude that Green Ridge Healthcare Group, LLC is not in compliance with all applicable Pennsylvania laws and regulations as they pertain to CCRCs as of December 31, 2016, as described in the Recommendations section on pages 9 and 10 of this report.

This examination was conducted by Barbara Kowalski.

Respectfully submitted,



Melissa L. Greiner

Director

Bureau of Financial Examinations



Matthew Milford, CFE

Examination Manager



Barbara Kowalski

Examiner-In-Charge