



*Dedicated to Excellence*

# Memo

To: CBJ and AMBBA

From: Robert Rang, Administrator/CEO, and Anne Thibodeau, CFO

Date: March 29, 2023

Re: Bond Covenant Waiver

---

Jeff Rogers and Ryan Williams,

As representatives of Wildflower Court, we would like consideration for a waiver of the consultation requirements based on our 2022 projected debt ratio. According to our debt service agreement, Wildflower Court must have a debt service ratio of 1:1.15; for 2022, our ratio is less than 1:1, which puts us in technical default. Even though we are in technical default for 2022, all required payments are current, and we anticipate that all the necessary payments for 2023 will be as well. In addition, our cash on hand is above 30 days as required by the covenant.

There are many contributing factors to such a low debt service ratio. The most significant reason is the continued pandemic-related staffing crisis. We were unable to operate at full capacity due to the staffing shortages. Also, we continued to utilize traveling staff with a significant cost associated with their services.

Responding to the staff shortage, in September 2021, we temporarily closed one of our four units to consolidate staff intentionally keeping additional direct care staff in anticipation of reopening the unit at optimal safe staffing levels. In 2022, both the high cost of traveling staff and lack of available direct hires kept our staffing at 2021 levels. As such, we were unable to reopen the closed unit as anticipated keeping our census levels below normal. Wildflower Court revenue is driven predominantly by the census, this had an enormous effect on our year-end financials again in 2022, evidenced by our debt service ratio.

To address the issue in 2021, we partnered with Bartlett Regional Hospital to participate in the Earn-to-Learn program where we train our existing staff to become CNAs. This partnership while helpful, did not fully address our staffing shortages. We continued to rely on traveling

staff throughout 2022 even though we were actively recruiting full-time employees to fill the shortage.

To bring us out of technical default to our bond covenant, we attempted to increase our census by filling vacant rooms in the unit that has been partially reopened, reducing traveling staff as much as possible, delaying capital purchases, combining job positions, and actively hiring direct care staff. We were unsuccessful in reducing traveling staff instead are relying on them more heavily. Also, our average census in 2022 was 47 which was a decrease from the 2021 average of 52. The decrease was due to staffing levels, attrition of long-term residents, and a lack of qualified long-term admissions.

We applied for exceptional relief monies through the State that would provide additional revenue through an increase in our daily Medicaid rate and would assist in bringing us into compliance. Our request was initially denied, but with additional information provided was granted. Our daily rate was increased effective December 5, 2022, too late to help with our revenue for FY22. We also requested a lump sum exceptional relief payment which was granted and received in FY23, while valuable not in time to help with FY22.

In November, Wildflower Court initiated steps to potentially merge with another entity in Juneau anticipating continued revenue shortfalls. The Wildflower Court Board of Directors ultimately chose to merge with Bartlett Regional Hospital to ensure that Juneau would still have access to local sub-acute rehabilitation and long-term care services. The merger process is ongoing with weekly meetings between executive staff, Board members, and legal counsel for BRH and WFC as well as CBJ legal counsel. The final merger date is yet to be determined.

We appreciate the consideration. We fully understand what this means for our stakeholders and are working to ensure Wildflower Court can continue to provide a necessary service to the community. If you require any further clarifications or need any additional information, please let us know. Again, thank you for your time, and we look forward to hearing from you.

Sincerely,



Robert Rang  
Interim Administrator  
Wildflower Court