JL Consulting, LLC Services and Firm Qualifications

INTRODUCTION

JL Consulting, LLC is a health care consulting firm specializing in Financial Services and Major Restructuring Assignments. The firm was founded in May 2001 and has conducted a broad range of financial services and health care restructuring engagements in more than 45 hospitals in the Tri-State area, with the great majority of these engagements located in New York based providers.

As President and Chief Executive, I (John Lavan) am personally involved in all of our client assignments. In that regard, I bring more than 40 years of diversified healthcare experience in this industry, which includes having served in the following positions:

- Consulting Leader and Financial Services Practice leader at KPMG
- Chief Financial Officer of the New York Presbyterian Health System
- Board Member at several not-for-profit Healthcare Organizations
- President and CEO of JL Consulting, LLC

The firm employs two other professionals with varied financial services experience, who have collectively worked in this industry for more than 35 years. In addition, we have been able to attract and engage other professionals (i.e. Revenue Cycle, Chief Medical Officer, etc.) should the engagement objectives call for these skills.

OUR EXPERIENCE

Relevant New York Engagements

The great majority of our firm’s experience has been accumulated in assisting our New York based provider clients. Also, to be clear, while some of our Hospital clients own nursing homes, home care agencies, etc., the overwhelming majority of our work is, in fact, hospital based.

Also, to be clear, many of our engagements over the past three years have been complex and multi-dimensional. Often, they include more than one, and sometimes several of the services for which JL Consulting, LLC has the particular expertise. A brief summary of relevant New York healthcare engagements during the last three years is as follows:
Kingsbrook Jewish Medical Center (2006 – Present)

JL Consulting, LLC has been retained by KJMC for approximately 10 years, having initially been engaged to assist the Chief Executive Officer, Dr. Linda Brady with some financial reporting transparency issues. This engagement ultimately informed the CEO on a number of financial/operational issues that led to our ongoing Financial Services Retainer.

Our Financial Services to KJMC include a number of services including:

Revenue Cycle Assistance

We assist KJMC in a variety of ways including the production and analysis of periodic Realization Reports which assist Finance in validating its Revenue Reporting procedures by utilizing subsequent cash receipts as a validation tool. We also have a JL Consulting, LLC Senior Consultant on-site 3 days per week conducting Revenue Cycle special projects.

Financial Turnaround Plan Development

We have assisted KJMC in one Turnaround Plan which reacted to a number of adverse reimbursement changes (including Medicare’s 75% Rule) and other operational issues that threatened KJMC’s financial performance and liquidity. We prepared Service Line Profit and Loss Statements from a “home grown” Cost Accounting System that we developed with KJMC which highlighted KJMC’s strengths and weaknesses and helped add structure to its annual corrective action plans.

Third Party Reviews (Managed Care Contracting)

Our ongoing Financial Services Retainer includes the negotiation of all of KJMC’s and Rutland NH’s managed care contracts. On average, we have achieved annual increase on Commercial Insurance negotiated contracts that are more than 3 times the CPI increase, which has helped KJMC migrate governmental payment rate increase that have generally been less than annual inflation.

Restructuring

We are assisted KJMC and MediSys in evaluating a consolidation of the KJMC and Brookdale campuses and auxiliary healthcare operations.

South Nassau Communities Hospital (2013 – Present)

We are engaged by the CEO and CFO to prepare baseline projections and to assist Senior Management and the Board in evaluating their medium to long term capital needs including their physical presence on the Long Beach peninsula.

Montefiore Health System (June 2015 – Present)

We are engaged by the Executive Management Team to assist MHS in strategizing and formulating projections for their Medical Village Projects. The Medical Village Projects affect their
sponsored network of community teaching hospitals and represent an important component of the Health System’s DSRIP strategy.

**Peconic Bay Medical Center (February 2014 – Spring 2015)**

We were engaged to assist Senior Management and the Board in evaluating and navigating an affiliation strategy which could either result in PBMC joining a larger health system or in several Suffolk County institutions formulating a new local health system.


We served as a Restructuring Advisor to SUNY – Downstate in their efforts to restructure the institution to both mitigate unwieldy deficits and enable the institution to assume a leadership role in the Brooklyn marketplace. Downstate has engaged Pitts Management Associates (PMA) as its Restructuring Firm.

**MediSys Health Network (2011 – 2012)**

We were engaged by Board of MediSys in May 2011 as Restructuring Advisors. At the time of our engagement, MediSys consisted of 4 Hospitals, 3 Nursing Homes approximately one dozen other provider corporations, a managed care company (Neighborhood Health Providers (NHP)), a Managed Care Organization (Royal Healthcare) and approximately twelve other active supporting organizations. Our assignment was to assist MediSys in developing a sensible Restructuring Strategy that would focus on preserving healthcare services in the most vulnerable communities that MediSys serves.

It was also obvious that MediSys had virtually no liquidity and growing operating deficits in virtually all of the healthcare providers for which MediSys was the “sole corporate member.”

Recognizing that any credible Restructuring Strategy would require a great deal of cash, we were able to convince the Board of MediSys to sell or divest certain assets that could raise cash and assist in the restructuring of certain of its provider Balance Sheets.

While this engagement is ongoing, it contains several of the types of engagements skills for which we seek to be pre-qualified by DASNY, for example:

**Healthcare Facility Reorganization and Re-engineering**

Brookdale Hospital Medical Center is one of the larger MediSys providers and has struggled with consistent operating deficits in the $40-$50 million range over the last several years. The deficits are largely structural in that the Hospital has lost nearly a third of its inpatient volume during the last decade, yet operates a physical plant that cannot be easily reduced. That said, we are bringing the institution through a core transformation that has, most importantly:

- eliminated bottlenecks and inefficiencies in its Emergency Department which has been one of the main reasons why BHMC has lost volume
- restructured GME and clinical departments to become more patient care focused, while restructuring and reducing oversized residency programs that have contributed to its inefficiency
- reduced length of stay such that BHMC has currently stabilized discharges, while operating an average daily inpatient census of 30 fewer patients
The combined re-engineering is in the process of implementing more than $26 million in expense reductions which should generate approximately $20 million in annual margin improvement.

Financial Turnaround Plan Development and Implementation

This same engagement involves a very detailed financial turnaround plan which when fully implemented will reduce BHMC’s deficits by more than $25 million annually. That said, BHMC’s deficits are structured and partly a consequence of its governmental payer mix, though more a consequence of the size and under utilization of its campus.

Restructuring

Recognizing that BHMC’s deficits could not be sufficiently mitigated without a significant influx of volume and that’s in itself, was unlikely without a controlled closure of a nearby competitor, JL Consulting, LLC approach another of its clients, Kingsbrook Jewish Medical Center (KJMC) about voluntarily closing its hospital and moving its hospital operations to the Brookdale site, under the sponsorship of KJMC, which has been endorsed by the MediSys Board.

This strategy was endorsed by the Medicaid Reform Taskforce (MRT) Brooklyn Workgroup and has applied for HEAL 21 Funding to execute this strategy, which will also entail restructuring the BHMC Balance Sheet by resolving approximately $300 million in liabilities.

Lenox Hill Hospital (2007 – 2011)

Engaged by the CEO to perform various financial services projects and also assisted in recruiting a new CFO to the organization. Included in our projects was the preparation of an Affiliation RFP which included the criteria for Lenox Hill joining a health system and how best Lenox Hill could market themselves to existing large health systems in their marketplace. In this regard, our assistance included educating the Board and Medical Board on the advantages of various affiliation strategies and the need for Lenox Hill to become part of a larger organization. This engagement ultimately resulted in Lenox Hill selecting North Shore Long Island Jewish Health System as their partner.

Saint Vincent’s Catholic Medical Centers (September 2009 – May 2010)

JL Consulting, LLC was asked by the CEO of Saint Vincent’s Catholic Medical Centers (SVCMC), Henry Amoroso, with the encouragement of DOH to help SVCMC assess their restructuring options and potentially find an academic medical center or strong health system partner to secure SVCMC’s future. I was engaged as a Restructuring Advisory and participated in constructing a Transformation Plan which would substantially shrink the SVCMC campus footprint, thereby significantly reducing its monthly operating deficit and making it more attractive to a potential partner.

Realizing that my firm was too small to take on all aspects of the Restructuring, I advised the Board in ultimately selecting Grant Thornton as its Chief Restructuring Officer. This was completed in early 2010 and I remained engaged to assist Grant Thornton in assessing the situation in the early months of their involvement. Unfortunately, SVCMC’s quest to find a partner failed in the spring of 2010 and as its losses were still overwhelming at that point, a Plan was developed to close the Manhattan campus and sell certain of its other providers and healthcare assets.

As my firm had presided over a recent Plan of Closure in the New York market, I remained as the Advisor to Grant Thornton through the closure process and wound down my activities in mid-2010.
Brooklyn Queens Health Corporation (October 2008 - December 2009)

This engagement involved our selection by the Board of the Brooklyn Queens Health Corporation (BQHC) as their Chief Restructuring Officer (CRO). BQHC included two hospital corporations, Wyckoff Heights Medical Center, in Brooklyn and Caritas Healthcare, which included St. John’s Hospital and Mary Immaculate Hospital as well as Monsignor Fitzpatrick Nursing Home. All of Carita’s providers were in Central Queens.

As CRO, my responsibility was to work closely with the NYS Department of Health and DASNY to stabilize Wyckoff Heights Medical Center, which was on its way to a $30 million deficit in 2008 and to mitigate losses at Caritas while attempting to find a stable health-system partner who would acquire Caritas, likely, following a Chapter 11 Reorganization.

Ultimately, this engagement proceeded along two very different paths:

Wyckoff Heights Turnaround

We believed that the factors that contributed to Wyckoff’s $30 million loss were largely correctable and proceeded with an aggressive Turnaround Plan which included:

- Renegotiation of All Managed Care Contracts
- Revenue Cycle Improvements
- Third Party Rate Enhancements
- Operational Efficiencies

While still struggling with liquidity and the adverse impacts of governmental payer reductions, Wyckoff Heights Medical Center finished 2009 with breakeven operating results.

Caritas (Restructuring/Closure)

While on a trajectory to significantly improve on a 2008 Operating Loss of $60 million, it became clear in early 2009 that finding a strong health system partner was not possible during the short run and that DOH/DASNY could no longer support Caritas with its limited HCRA Restructuring Pool Loans. In January of 2009, we began the painful process of developing a Plan of Closure with the Caritas Board and ultimately filed a Liquidating Chapter 11 Plan with the US Bankruptcy Court in February 6, 2009. JL Consulting, LLC then presided over a very quick, yet effective closing process which held patient safety as our paramount objective.

Our engagement continued through the Caritas Bankruptcy, where we:

- Collected Outstanding Accounts Receivable
- Paid Off all Debtor in Possession Financing
- Sold all Real Estate Assets and Inventory
- Paid Off DASNY’s Secured Loans
- Coordinated with the Creditors Committee
- Participated in Settling WARN Litigation
- Filed Final Cost Reports and Settled Open Medicaid Issues
- Assisted in Filing a Final Plan of Liquidation

While ongoing, this Bankruptcy is nearing conclusion.
Greater New York Hospital Association (Stress Testing)

We were approached by GNYHA to develop a methodology to “stress test” hospitals in the most vulnerable areas of the downstate New York market as a means of providing an “early warning” system for identifying potential crises at the individual hospital level and more importantly at the market level.

Our approach was cash flow based and involved developing a predictive model as to which quarter and which year a cash crisis would occur for each hospital tested, given various levels of proposed Medicare and Medicaid payment reductions, if implemented. We also illustrated for GNYHA, how certain hospitals had been surviving by not funding certain obligations, when “stress testing” indicated that the institution should already be illiquid.

Ultimately, this “stress testing” identified Central Brooklyn as a major problem area and informed the MRT Brooklyn Workgroup in making certain of their recommendations.