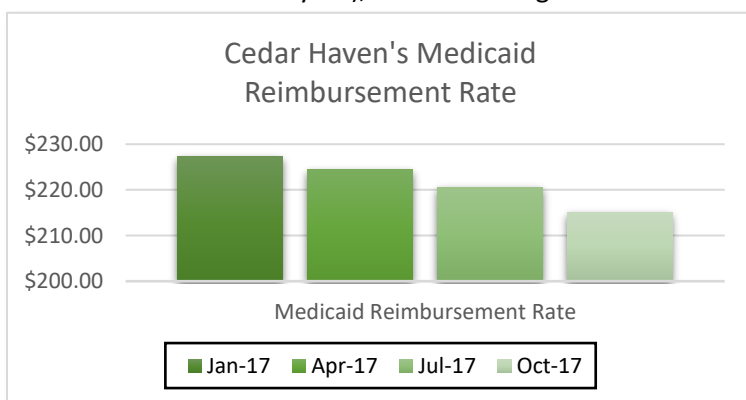


Dear Cedar Haven Team,

As you know from our previous letters, Cedar Haven is faced with external challenges that greatly affect our business. We are problem-solvers by nature and have organized a plan that would not only see us through these difficulties, but would also help us to improve the quality of care and state of Cedar Haven for the benefit of our residents, our team, and the community. We have proposed a plan to provide employees with as much as we can under the current circumstances and, as outlined below, to add more as soon as our strategies yield a financial improvement. Today we are writing to inform you about these hurdles, share the details of our proposed plan, and explain how we are preparing for success moving forward.

**Our External and Internal Hurdles:** The stage must be set with the external and internal impacts that Cedar Haven faces daily. Our strategic plan for success would help us overcome these difficult realities and provide more for our team.

1. Since our August 29<sup>th</sup> letter, we have received notice that the State of Pennsylvania is reducing our Medicaid reimbursement rate by an additional \$5.48 per resident per day as of October 1, 2017. **In total, since January 2017, our rate has gone down \$12.25 per resident day.** As a skilled-nursing facility committed to caring for the aging population of Lebanon County (with 86% Medicaid residents thus far this year), this rate change affects us dramatically.



2. The **staggering number of recent call-offs** has made our efficient operation even more difficult. In nursing alone, Cedar Haven experienced 219 call-offs in August and 155 call-offs between September 1<sup>st</sup> and 20<sup>th</sup>. Excessive call-offs affect resident care, lead to decreased morale for those who come to work, and dramatically increase overtime and agency costs.

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*The external events outlined in our August 29th letter had negatively impacted our business, demanded our attention, and necessitated change. **In light of additional challenges, we have evaluated all of our options with a fresh outlook.** Unfortunately, our current efforts and minor revisions to the collective bargaining agreement would not bring Cedar Haven to where we need to be given the current circumstances. Significant changes are required to ensure that Cedar Haven can continue to provide quality care to the Lebanon community. Given this, and after some 11 meetings with the Union, we have provided our Last, Best and Final proposal.*

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**Our Proposed Plan: The goal of our Last, Best and Final proposal is to prioritize the residents and employees, sustain the business through the Medicaid rate reduction, and then be able to reinstate some of the proposed concessions. Here are some of the key provisions of the proposal:**

1. **Maintaining/Increasing Wages:** We want to assure you that the comment of Steve Mullen (representative of AFSCME) that we have proposed a pay cut, published in the *Reading Eagle* on September 24<sup>th</sup>, is false. At no time during negotiations did we discuss or propose any wage reductions. In fact, we are proposing that wages for any bargaining unit employees earning under \$13/hour be increased to that baseline.
2. **Health Insurance:** We are proposing that Cedar Haven’s maximum annual defined contribution be reduced to \$3,050 per covered employee. To ensure that employees have the lowest premium option, a \$6,550 deductible plan is being offered, and the \$300 deductible plan would be eliminated since it was not as cost-effective for employees (in terms of premiums and maximum out-of-pocket costs) as the other plans that were offered. With this proposed change, employees’ pre-tax premiums would range from an estimated \$70.05 to \$309.32 per two-week pay period for single coverage. Because this is a pre-tax deduction, the real cost to employees would range from \$52.05 to \$229.82. Payments to employees who waive benefits and HRAs are not part of the proposal.
3. **Guaranteed Paid-Time Off (PTO):** We are proposing that employees be entitled to 7 premium-paid holidays if they work on such holidays, and up to 15 guaranteed days of paid time off (to be used as sick time or vacation) per year as set forth below:

Service Time	Entitlement Per Contract Year	Paid Holidays for all FT employees (Holiday pay for those who work)
0 months to end of 3 <sup>rd</sup> month	0 days	New Year’s Day, Easter, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day
4 months to end of 2 <sup>nd</sup> year	5 days	
3 <sup>rd</sup> year to end of 5 <sup>th</sup> year	6 days	
6 <sup>th</sup> year to end of 12 <sup>th</sup> year	7 days	
13 <sup>th</sup> year to end of 20 <sup>th</sup> year	10 days	
21 <sup>st</sup> year and over	15 days	

**25% of the above time would be front-loaded for use at the beginning of each quarter.** Employees may take this time if staffing allows, carry it forward for use during the year or be paid for unused time at the end of September 2018. Our proposal also includes the ability to take paid time off for family illness purposes in one-hour increments, and to allow employees who require long-term absences the ability to immediately access their salary continuation banks, without first having to use their available paid time off. While the above chart represents a reduction in paid time off, employees can earn up to a maximum of their vacation levels from the October 1, 2016 collective bargaining agreement (see section #4 below).

4. **Additional Paid Time Off Opportunities:** We want to have the financial ability to offer more paid time off to our staff. Although we have limited control over state and federal payments to Cedar Haven, we are focused on increasing revenue wherever we are able. For example, we are working to maintain our improved census in multiple ways, including ongoing clinical advances and enhanced marketing campaigns.

Our employees have some control over Cedar Haven’s expenses, too. You can have a positive impact by reducing unnecessary call-offs. Improvements in this area, through a commitment to work when you are scheduled, would dramatically improve Cedar Haven’s circumstances and decrease agency costs. This would allow us to funnel the savings back to you in the form of additional paid time off.

Every dollar saved is a dollar that would be available in the calculation for additional paid time off.

**How Employee Paid Time Off Distributions Work:** Employees would likely receive more paid time off every month as a direct result of improved facility performance.

In concept, each month the facility's net income minus obligations, including but not limited to the cost of required Capital Improvements and a scheduled amount to be paid to our vendors to bring our accounts payable back to appropriate levels, would result in an amount available for distribution. These earned paid time off days would be allocated to employees based on the years of service tiers. In addition, a significant portion of any net income minus obligations available as a result of any Medicaid rate increase would be shared with all employees as additional paid time off.

**Where Are We Now?:** Union members will be voting in the near future as to whether to accept our Last, Best and Final proposal. Their votes will have a big impact on our ability to offer more.

As forecasted, the plan provides employees with an opportunity for additional paid time off every month for all employees. The opportunity for distributions for our team is something we all want and can achieve by producing better outcomes. However, if there are negative impacts on the business, such as unforeseen capital improvement projects and/or the receipt of a strike notice, that would reduce or eliminate the distribution to employees, at least for the short-term and possibly for the balance of next year.

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*Cedar Haven has a plan in place (including the deployment of **US Nursing Corporation** staff from other areas) to ensure that our residents would continue to receive quality care in the event of a strike. **Please be aware that just the notice of a strike could cost the facility hundreds of thousands of dollars to engage such services, even if there is no strike.***

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**Success Moving Forward:** We are confident in Cedar Haven's ability to overcome these difficulties and emerge stronger, as an even more rewarding and fun place to live and work. A big shift of thinking is required, which would ultimately benefit all our team members. Consider the impact that a reduction in call-offs would have on our ability to approve time off when requested and to improve employee morale, especially on those shifts and units that have faced difficulties due to sporadic attendance.

You do have the ability to make a positive impact through your own actions.

For example, if all employees meet their commitments to their schedules, assist Cedar Haven in identifying potential new employees, and share ideas where we can further improve our business, then future paid time off distributions would be favorable for you all. We will continue to communicate with you concerning these topics as updates become available. If you have any questions concerning the above, please contact us at [questions@cedarhaven.healthcare](mailto:questions@cedarhaven.healthcare).

Sincerely,

Chas B. Blalack