NURSING HOME BOARD OF DIRECTORS AGENDA

County of Champaign, Urbana, Illinois
Thursday, September 11, 2008 – 6:00pm

Chapel, Champaign County Nursing Home
500 S. Art Bartell Road, Urbana

CHAIR: **Charles Lansford**

DIRECTORS: **Jan Anderson, Peter Czajkowski, Jason Hirsbrunner, Mark Holley, Alan Nudo, Mary Ellen O'Shaughenssey**

ITEM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF AGENDA/ADDENDUM

IV. APPROVAL OF MINUTES
a. July 28, 2008

V. OLD BUSINESS
a. Update on Nursing Recruitment (Mark Holley)

VI. NEW BUSINESS
a. Budget Update & Management Report (Mike Scavotto)
b. Marketing Committee Report (Czajowski, O'Shaughenssey, Scavotto)
c. Request for Nursing Home Representation at Public Forum

VII. OTHER BUSINESS

VIII. PUBLIC PARTICIPATION

IX. CLOSED SESSION PURSUANT TO 5 ILCS 120/2(c)1 to CONSIDER THE APPOINTMENT, EMPLOYMENT, PERFORMANCE, OR DISCIPLINE OF SPECIFIC EMPLOYEES OF THE PUBLIC BODY

X. CLOSED SESSION PURSUANT TO 5 ILCS 120/2(c)2 to CONSIDER COLLECTIVE NEGOTIATING MATTERS BETWEEN THE CHAMPAIGN COUNTY NURSING HOME AND ITS EMPLOYEES OR THEIR REPRESENTATIVES

XI. NEXT MEETING DATE & TIME

a. Thursday, October 16, 2008 at 6:00pm

XII. ADJOURNMENT

Minutes
Board of Directors
Champaign County Nursing Home
July 28, 2008

Present: Directors Lansford, O'Shaughnessey, Anderson, Hirsbrunner, Nudo, Czajkowski, Holley
Absent Directors:
Also Present: D. Busey, M. Scavotto

Chair Lansford called the meeting to order at 7:30 am.
A quorum was established and the agenda was approved as submitted (Motion Hirsbrunner; second Nudo, unanimous).

The minutes were approved as submitted (Motion Czajkowski, second Holley, unanimous)

Old Business: None

New Business

Stephen Philbrook continued the orientation of the Directors by presenting CCNH's volunteer program. Philbrook described the objectives of the current volunteer effort and the future direction of this important aspect of community involvement at CCNH.

Director Mark Holley provided extensive data in his presentation on nurse recruitment and retention, citing national, regional, and local sources and trends. Demand for registered nurses continues to increase. The continuing expansion of non-traditional job opportunities makes nurse retention by institutions like CCNH difficult.

Scavotto reviewed the operating results through June 20. Operations were helped by the receipt of $3306k in tax revenues. The YTD loss is $562k. Census has increased to 158. Payroll has been reduced decisively and CCNH managers are beginning to monitor their labor expenses more aggressively.

Scavotto summarized the situation with the current rehab therapy vendor. An RFP is in development and will be released as soon as all County solicitation criteria are met. The Board authorized management to proceed with evaluating suitable therapy vendors and selecting a replacement provider.

Public Comment

There was one community participant who urged the Board to continue its efforts to keep CCNH a viable community resource.

Next Meeting: September 11, 2008

Meeting adjourned at 8:20 AM. (motion O'Shaugnessey, second Hirsbrunner, unanimous).

Respectfully submitted.

Deb Busey
Recording Secretary

To: Board of Directors
Champaign County Nursing Home

From: M.A. Scavotto
Manager

Date: September 3, 2008

Re: Budget Update, Fiscal 2009

This memorandum updates my earlier one of August 24, 2008. I am not including the Excel worksheets as I did earlier nor am I including the Power Point presentation. Those files are available if anyone wants to take a look.

The seminal issue for CCNH remains its cash flow. The cash position was very thin at the end of August, when there were three payrolls. It has since bounced back. However, to give you an indication of how tight things are, we notice that the Medicaid check was lower than it should have been, indicating that State HFS may be recouping earlier over-payments. There's a whole host of issues with this topic; at this writing we've been in touch with our contacts at the State and hope we swing a break CCNH's way.

The August 24 budget memo resumes below. Look for updates in italics.

The timetable for this year's budget was not ideal. The budget was developed without your input and we will need to manage the budget calendar better next year. The County needed the nursing home's budget by the afternoon of Friday, August 22 and we were able to meet that deadline, and I can report that we had no time to spare.

I think that a realistic perspective to take regarding the budget is that, despite the tight timetable, the strategy for improving CCNH's operations remains the same – i.e., improve the census, improve the mix, keep our expenses under control. From that angle, nothing changes. We still need better revenue management and that effort continues, particularly in regard to Medicare rehab. We still need a better deal with AFSCME and those efforts continue.

The budget submittal is far from a finished product. The positive aspects of the budget are that we improved CCNH's internal projections and followed the MPA scenario very closely. The revenue projections, in particular, are based on specific blocks of resident days and the associated per diem rate. In the past, and in the first draft of this budget, the revenue projections were developed by using a global "per resident day" formula and there were wide swings in revenue dollars by payer. The totals were close, but the details

needed to be tighter. Finally, the County has a pretty good idea of how much spending authority to grant CCNH, which is something it must do every budget cycle.

The negative aspect of the budget is that expenses are incomplete. Salary increases are not included. The rationale for this is that negotiations with AFSCME have yet to begin and predicting any increase would be premature. Health insurance costs are understated; depreciation and interest are traditionally not included in the budget.

The main points regarding the budget are as follows:

1. **Census:** Average daily census is projected at 208, for an occupancy level of 86 percent. We have a few months left in the current fiscal year that we will use to keep increasing census. We are off to a good start, but last week tanked and there was little census action. We ended Friday with a census of 172.

   Census remains our greatest concern. We are coming off two slow weeks where activity at the hospitals was down. Yesterday, 9/2/08 census was 168; three CCNH residents were in the hospital and will be returning at Medicare A; there was on planned admission, so maybe by week's end we'll be back to 172.

   This point was hammered home to the County Board: we have to watch census. If it's not building, we may need further corrective actions and we may have to re-build the budget with a different census forecast.

2. **Payer Mix:** Medicaid continues to dominate at 64 percent; private pay is 29 percent, and Medicare A is 7 percent.

3. **Revenues:** Private rates increased 3 percent. Dementia services are still priced higher than routine nursing care and, within the dementia service, there are rates for low and high risk services. All private pay rates increase 3 percent.

   The following table offers a comparison of local area rates:

Facility	*Pvt*	*Semi*	*Dementia low*	*Dementia high*
Illini Heritage	*$105*	*$95*		
ManorCare	*$183*	*$152*		
Amber Glen	*$160-$195*	*$110-$145*		
Traditions	*$239*	*$160*		
Clark Lindsey	*$341*	*$220*		
CCNH	*$150*	*$150*	*$174*	*$184*

The Medicare Part A per diem increased 4 percent from $385 to $400. Part of this increase (3.4 percent) was due to a base fee increase from CMS and the remainder

to a change in the wage index, also generated by CMS. The average daily census in Medicare is budgeted at 15 and is in keeping with historical levels, with the exception of 2007. Length of stay management in Medicare is a huge issue. It appears to us that we can increase our length of stay with the patient base we already have; that will increase the number of Medicare days without new admissions. Continuing to develop our relationships with the local hospitals should give us added admitting activity, meaning that budgeted Medicare revenues could be conservative. Let's hope so!

Medicare Part B revenues were projected at $30k per month. We have had months where Part B was significantly higher. We are not convinced that this higher level of activity is sustainable.

Medicaid remains a wild card because we don't know what State HFS is thinking in regard to the IGT. We suspect there will be a restructuring towards certified costs, but have nothing definitive. Accordingly, we forecast no increase in the Medicaid rate and we hope to report later that the rate will increase.

4. **Tax Revenues:** Property tax revenues amount to $946,818 and we obtained that figure from County administration. On the Power Point presentation, that figure is buried in All Other Misc Revenue of $1.1 million. At some point late in calendar 2008, we will need to look at Tax Anticipation Warrants issued by the County which, in effect, advance us the cash for 2009 property taxes. We will need to recognize an interest expense.

5. **Salaries & Benefits**: Salaries continue at the current levels with regard both to hourly rate and number of FTE. In other words, the budget contains no projected salary increase pending the outcome of AFSCME negotiations and this has been the practice that the County has followed in years when a new collective bargaining agreement was being negotiated. The current benefits percentage was applied to salaries. Health insurance was forecast at the current rates, knowing that an increase is on the way.

   To keep things in perspective, a 3 percent salary increase adds about $188k in expense; a 10 percent increase in health insurance adds $60k in expense.

   The current staffing plan reflects the FTE complement post-layoff. So far, payroll costs are down as one would expect. Nursing staff on the units flex with volume.

   The HR manager accepted an offer from her former employer. I do not intend to fill the position.

6. **Non Labor Expenses:** In general, non-labor expenses closely approximate the MPA scenario. Where appropriate, line items flex with volume. Examples of flex items are drugs and food. Utilities, for instance, don't flex with volume; they might change with square feet, but not directly with volume.

The non-labor inflator was 3 percent. Food and utilities were higher at 5 percent. Professional fees changed dramatically once MPA's fees and the salary for the administrator were added.

Transfer expense for the IGT remains at the current level. There is a very good chance that this line item will be restructured, reflecting again the fluid state of Medicaid reimbursement.

7. **Gain (Loss):** There is a small gain forecast in the budget. Knowing that so much still need refinement, let's not be thinking about banking the surplus. Nonetheless, there are some structural aspects to the budget (volume, mix, Medicare A, expense control) that reinforce my belief that we can make a significant improvement in CCNH's operating performance.

Preparing the budget has been a good opportunity to get the MPA scenarios more formalized into CCNH's financial planning. The approach on the turnaround remains the same where results will be influenced most profoundly by how well we do managing revenues and improving our labor productivity. Cash flow, of course, is the most important benchmark on the road to self-sufficiency.

Please let me have any questions or comments; I'll get back to you as quickly as I can.

To: Board of Directors
CCNH

From: M.A. Scavotto
Manager

Date: September 3, 2008

Re: Preliminary Marketing Discussions

The purpose of this memorandum is to provide you with the insights learned from initial meetings with Mary Ellen and Peter regarding marketing and image for CCNH. As you can imagine, we are just getting warmed up.

There is a lot to do and it is crucial that we develop our idea of positioning to guide our efforts. In other words, every marketing effort should strive to communicate a consistent message to the public about CCNH.

There are serious issues regarding program costs and CCNH cash flow. We are nowhere near ready to assess our capabilities to fund and sustain a program. We do know that staying in the current spot is not smart and that we need to define our message and get it out to the Champaign-Urbana community.

Don't forget that we have a website that may lend itself to more sophisticated use.

Finally, Peter's comments went to the importance of selling trust in that CCNH will be open and still provide good care.

The Amazing Generation

The idea is that we capture the life stories of our residents in DVD format and/or that we publish them in book format. The DVD format allows the stories to be internally at CCNH as well as in the community at-large. Our residents have built businesses, have raised achieving families, have survived World Wars and the Great Depression....and they are being well cared for at CCNH.

Mission Re-Vamp

CCNH continues to fulfill its mission. A tag line might be something like "...continuing to care for those most in need..."

Human Interest Stories for Radio and Newspapers

Radio interviews using public service time were specifically mentioned.

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To: Board of Directors
Champaign County Nursing Home

From: M. A. Scavotto
Manager

Date: September 3, 2008

Re: Management Update – September 2008

This is the second in a series of updates designed to keep you current on developments at CCNH.

1. **Census:** Census is up to 168. We had been at 172 and should get back there this week. Our initial flurry of activity met with a downturn and the last two weeks have been frustrating. Obviously, if we enter the new fiscal year at the current census level, we're not in a good position. If we can continue to build each month, hopefully by an average census of 10, we should be within striking distance of realizing our census goal.

   Andrew and his team are out in the community, talking with providers and staying in touch with them. Mary Amin began staff training and development work in nursing. However, it turns out that she has excellent rapport with the hospital discharge nurses; we'll be taking advantage of Mary's skills there as well. Before we jump, though, we'll be checking out her non-compete with her previous employer.

   Andrew landed a contract with the Veteran's Administration. This puts CCNH in a position to attract residents from the Danville VA Hospital. There's not a lot of business here, but it's a very positive step forward. The rates are excellent.

2. **Operations:** The summary income statement for July appears below. Net income for July was $(138,006). In June, we had the benefit of $306k in tax revenues. The big issue for August was the cash impact of 3 payrolls. Cash got down to about $50k, but then bounced back with Medicaid receipts.

SUMMARY		Whole Dollar
Total Revenue	$	982,044.22
Total Salaries & Wages	$	426,749.56
Total Fringe Benefits	$	129,621.27
Total Commodities	$	72,998.42
Total Services	$	480,122.31
Total Capital Outlay	$	7,927.16
Total Transfers	$	2,296.17
Total Debt Repayments	$	335.27
Total Non-Personnel	$	563,679.33
Total Expenses	$	1,120,050.16
Net Profit/(Loss)	$	(138,005.94)

The cash flow worksheets are about to get some attention. Of specific concern is the static nature of the cash flow forecast. I would prefer that it flex with volume. Obviously, I am thinking that, as census rises, so do revenues and, therefore, cash. The current model does not allow such flexibility.

The Intergovernmental Transfer (IGT) restructuring has great significance for CCNH. As I write this on September 3, we have just had some conversations with State HFS. It seems that the State will be moving towards certified costs, which is what we suspected. However, it is likely to be after January 1. Recouping over-payments to County homes is the current emphasis. In this respect, we just got tagged with $56k at CCNH that was unexpected. These were "mass detail" changes that had built up for several months, were unrelated to the IGT, and were recovered all at once. It appears that CCNH will not get this money returned. The idea all along has been that we would negotiate the take-back with the State in order to keep the IGT program alive. The last thing the State wants is to hit financially weak homes hard – and CCNH is one of those facilities.

The rehab therapy bid process has concluded and all firms have been ranked using the evaluation matrix. The winners were Alliance Rehab and Rehab Care Group. The rankings were close with only one point separating Alliance and Rehab Care, and this is consistent with results we have seen elsewhere as these are both fine firms and very competitive. ONR, the current vendor, did not fare well in the rankings and we will be making the announcement and the change very soon, perhaps even today. This one is a done deal. If anyone wants to see the matrix rankings, give me a shout and I'll

send you the file.

MDI was the lone respondent to a software RFP. MDI is a utilitarian, functional system, nothing fancy, and it works. At issue is CCNH's need to replace its MDS application. The MDS application is from Senior Living Services and is not supported any longer. As I understand things, the company is in bankruptcy and the MDS application does not work well at all; in fact, CCNH staff is reduced to manual and duplicate efforts to get the application to work.

Taking just a bit of an aside here, MDS stands for Minimum Data Set. Every nursing home admission triggers an MDS on admission and at certain prescribed intervals as long as the resident is in the facility. State agencies and the Feds (Center for Medicare & Medicaid Services a//k/a CMS) use the MDS to compare facility performance and to set payment rates. The MDS should be viewed as accountability data. If we record something in the MDS, then we are certifying that it happened or was needed. Accuracy with the MDS is a big deal and not having an application that works is unacceptable.

The MDI system has an MDS that functions well and it has an integrated financial package. Our current financial application is workable but characterized by certain functions, like census, that are being duplicated manually because the system is unreliable.

The need for software could not come at a worse time, but it was anticipated in the cash flow projections. Right now, we are estimating $25k for the Web-based software and $30k in hardware. Those figures are for scoping purposes only and I'll keep you posted on how this shakes out. Waiting for improved cash flow is definitely probable on this one.

In the heads-up category, here are two quickies:

a. CCNH still does not have the CareWatch software. The cost is between $4 and $5k. This was an earlier MPA recommendation designed to improve the management of case mix under the Medicaid system. Improving case mix scores is the only way to boost Medicaid reimbursement under the Illinois Medicaid Case Mix reimbursement system As CCNH turns around, CareWatch will be a desirable management tool.

b. Local agencies are having increased difficulties filling our needs for nurses. The implication is that the local pool of nurses is tightening. Also, some potential – repeat, potential – difficulties with IMRF may complicate our ability to attract nurses into our per diem program. This is not good news and will require new ways of thinking about how we use agency resources. So, while we are challenged with the news, give us a while to play out the drama…we might be able to make it work to our advantage.

Finally, Andrew jumped on an offer from the VA to bid on some surplus electric beds. As you know, we are licensed for 243 beds but only had 190. So, as the story developed, Andrew bid $500 for a bunch of beds – something like 90 good electric beds – and he won. All he had to do was pick them up. Doing the math, CCNH did not need the full 80 or 90 beds, but Peoria County did. Peoria agreed to purchase beds at a cost that was a superior deal for them and that reduced our cost to a bare minimum level. This was great initiative on Andrew's part.

3. **Employees:** We continue working on quantifying the problem, which can be broadly stated as poor productivity reflected by high levels of absenteeism. We are working our way through some initial difficulties with the statistics and are making progress. I hope to start writing our negotiation position next week.

4. **Public Image:** See the memo in the Board mailing for more on this topic.

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As always, give me a call (314-434-4227) or zap me via e-mail if you have questions or want to discuss anything.

To: Board of Directors
CCNH

From: M. A. Scavotto
Manager

Date: September 3, 2008

Re: Board Meeting
September 11, 2008

The regular meeting of the Board of Directors will be held at CCNH on Thursday, September 11, 2008 at 6:30 pm.

The agenda and supporting materials are included in the attachments to this memorandum.

I look forward to seeing all of you on the 11th!