NURSING HOME BOARD OF DIRECTORS AGENDA

County of Champaign, Urbana, Illinois
Thursday, June 11, 2009 – 6:00pm

In Service Classroom, 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
May 20, 2009

V. PUBLIC PARTICIPATION

VI. OLD BUSINESS

None

VII. NEW BUSINESS
a. Board Education Session: Introduction of Jim Hronek , Volunteer Services Director, & Discussion
b. Management Report (Scavotto)
c. Budget Assumptions for FY 2010 and Cash Flow Model
d. Corporate Compliance Plan Draft

VIII. OTHER BUSINESS

IX. NEXT MEETING DATE & TIME
a. July 16, 2009

XII. ADJOURNMENT

Board of Directors
Champaign County Nursing Home
Urbana, Illinois
May 20, 2009

Directors Present: Nudo, Hirsbrunner, O'Shaughnessey, Czajkowski, Lansford, Anderson

Directors Absent/Excused: Holley

Also Present: Busey, Scavotto

1. Call to Order

The meeting was called to order at 6:00pm by Chair Lansford

2. Roll Call

Busey called the roll of Directors. A quorum was established.

3. Agenda

On motion by O'Shaughnessey (second Anderson) the agenda was approved (unanimous).

4. Approval of Minutes

On motion by Nudo (second O'Shaughnessey) the minutes of the April 16, 2009 regular meeting were approved (unanimous). On motion by Czajkowski (second Nudo) the minutes of the closed session of April 16, 2009 were approved (unanimous).

5. Public Participation

There was no public participation.

6. Old Business

There was no old business.

7. New Business

a. Director of Nursing

Andrew Buffenbarger introduced Karen Noffke as the new Director of Nursing. Karen presented her assessment of the strengths and weaknesses of the CCNH Nursing Department as she understood them to-date and responded to questions from the Board.

The MDS process and related coding skills will be receiving extra emphasis and training in the months ahead. The expected result should be improved documentation plus improved clinical work processes. There have been some recent nursing management hires, representing positions that have long been vacant; these should significantly improve our ability to create a positive work environment.

b. Management Report

Scavotto reported on operations thru March with some preliminary comments on April. CCNH continues to make progress paying its bills and handling fully-loaded expenses. Cash balance is at approximately $840k (5-20-09) but will be reduced by $500k as obligations are paid. The next cash crunch for CCNH to weather will be in July where there are three payrolls. CCNH is managing to pay its bills, but cash is still very tight. There has been good progress on reducing outstanding Accounts Payable. However, we will need to place more emphasis on getting FICA and IMRF obligations current. In other words, priorities will be shifting away from Accounts Payables.

There was discussion about CCNH's full financial requirements and the need for setting priorities for applying CCNH resources. Management will develop a cash flow model using current census levels so that the Board can do some strategic cash planning. The County has debt service requirements ($4 million construction plus $1.3 million loans) that are currently unmet and CCNH will be needing cash resources to advance its own programs in the future (dementia, for example).

d. Discussion regarding Nursing Home Outreach

Scavotto took March's marketing discussion, highlight two topics – Navigating the System and Dementia – and incorporated it into the Preliminary Marketing Plan Outline. There were no changes suggested. Scavotto will move towards organizing a speaker's bureau to present these topics at community events.

8. Other Business

There was no Other Business

9. Next Meeting Date

Thursday June 11, 2009, 6 pm.

10. Adjournment

The meeting adjourned at approximately 7:00 pm (motion O'Shaughnessy), second Nudo, unanimous)

Respectfully submitted

Michael A. Scavotto
Recording Secretary

To: Board of Directors
Champaign County Nursing Home

From: M.A. Scavotto
Manager

Date: June 4, 2009

Re: Management Report

As I write this update, census is at 183 and it has dropped from 195. Other facilities around the area are experiencing lower census levels, a phenomenon that we are seeing in other communities.

As you work your way through this memorandum, there are several things to keep in mind. As CCNH becomes better managed, it is learning more about the details of an operation and learning from its discrepancies.

April's results were not as good as expected, reflecting a small loss of $(3,882). Census was clearly a factor. Average daily census dropped from 195 in March to 188.5 in April. Medicare days totaled 561, the lowest we have seen since September 2008.Medicare A revenues were down by over $100k versus March. Medicare B continued strong at over $100k, but this reflects a number of private pay cases classed as Med B for billing purposes. (We also have some Medicare Advantage classed as private pay.) After you've worked your way through this report, I think you'll conclude that the biggest issue in April was revenue, in particular Medicare A. Medicaid revenues are up slightly.

On the expense side, agency costs were lower but we got hit with excessive ancillary costs from providers like Carle. We normally expect about $2k in this line item; we got rocked with $21k, which represents activity from prior months as well as April. We expect a large portion of this expense to be related to radiation and chemotherapy.

CCNH's payer mix continues to move in a positive direction. The following table provides the comparisons in this significant change:

Comparative Payer Mix
CCNH

	Dec-07 thru June	July thru Apr-09
Medicaid	62%	54.3%
Medicare	9%	12.0%
Pvt Pay	29%	33.7%
Totals	**100%**	**100%**

The Medicare program continues to develop with CCNH enjoying decent census levels. January remains our best performance at 1007 days for an ADC of 32.5; February had 822 days and March 770 (ADC 24.8). April lagged markedly with 561 days. Medicare activity is totally dependent upon hospital activity; when the hospitals are slow, so is CCNH.

Financial management continues to focus on the income statement and on cash holdings. This month marks CCNH's fifth reporting venture with accrual accounting. We will continue to refine our reporting throughout the year. Depreciation and County overhead are included in the statements.

For the five months ended April 2009, the results of operations are posted below.

Last Five Months w/Property Tax and County Overhead Allocated Monthly

	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Medicare A	$378,938	$393,509	$312,903	$308,040	$ 205,982
Medicare B	$33,110	$76,640	$81,919	$111,413	$106,523
Medicaid	$631,598	$641,202	$564,301	$616,157	$633,986
Pvt Pay	$303,626	$290,704	$288,402	$338,934	$324,167
Adult Day-Private	$5,825	$6,087	$12,885	$6,268	$7,824
Adult Day-TXX	$8,281	$9,824	$10,496	$11,606	$11,390
Miscellaneous	$ 21,358	$14,575	$(4,726)	$20,059	$55,613
Property Tax	$78,902	$78,902	$78,902	$78,902	$78,902
All Revenues	$1,461,638	$1,511,443	$1,345,082	$1,491,378	$1,424,387
All Expenses	$1,378,123	$1,410,572	$1,395,384	$1,429,717	$1,428,267
Net Gain/(Loss)	$83,515	$100,871	$(50,302)	$61,661	$(3,881)
Census	5916	6150	5483	5841	5845
change		4.0%	-10.8%	6.5%	0.1%
ADC	190.8	198.4	195.8	188.4	194.8
change		4.0%	-1.3%	-3.8%	3.4%
Full Time Equivalents			166.6	172.5	197.8
Pay Period Ending			2/21/2009	3/21/2009	4/18/2009

April's patient service revenue was $1.290 million. January was $1.417m; February was $1.271m; March was $1.392 m. Adjusting April to a 31-day month, April's revenues were about $60k less than March, representing a decline of 4 percent.

Cash position was $540k as of March 30. At May 31, cash was $1.001 million. We anticipate that cash will get very tight in July when it dips to $56k. As of this writing, we are working on a better cash flow model and hope to break it into service very quickly. Accounts Payable is at about 90 days. We are cleaning up outstanding bills and getting to a more current position but, because of the importance of FICA and IMRF, are giving these expenses a priority.

The following graphs provide a comparative statement of position for CCNH through April 2009. I expect to have a good idea of May's results by the meeting and will update you then. As all of you know by now, CCNH is a volume-sensitive operation.

The solid line is a trend line for the displayed data and it should appear in red on your computers. (These graphs will display best when viewed on your screens.)

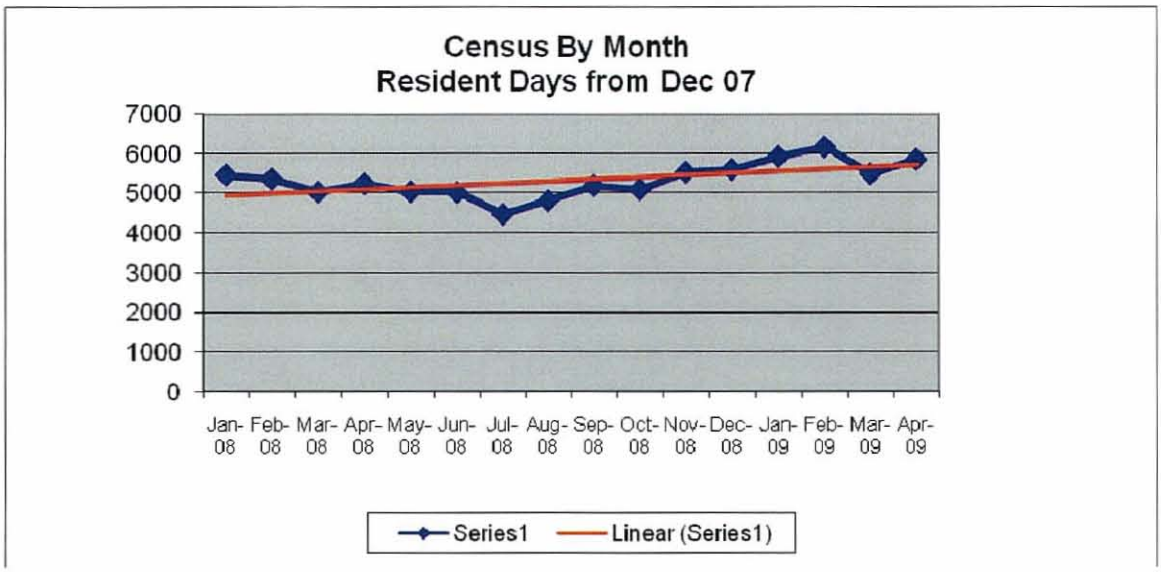
Census

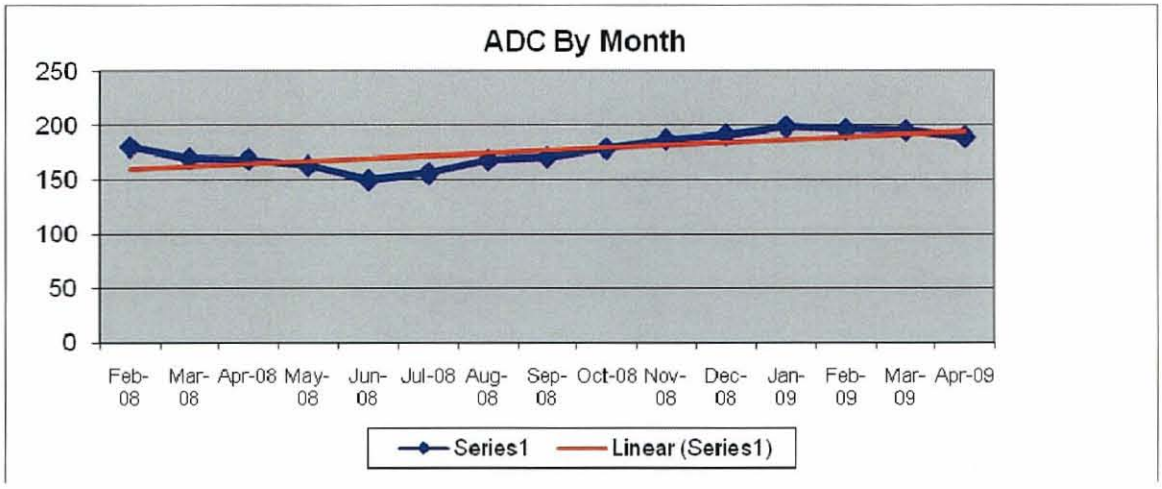
Census continues to solidify even though our target of 208 is proving to be elusive. So much of our volume is hospital-generated and both Carle and Provena are experiencing wide swings in occupancy.

The fiscal year got off to a good start as census is over 190 (ADC): Dec – 190.9; Jan – 198.4; Feb – 195.8; and Mar – 188.4.

Current Census by Payer by Month
(without bedholds)

Month	Pvt Pay	Medicaid	Medicare	Total
Aug	1707	3140	341	5188
Sep	1587	3003	505	5095
Oct	1796	3067	607	5472
Nov	1704	3070	917	5691
Dec	1823	3118	944	5916
Jan-09	2001	3142	1007	6150
Feb-09	1845	2816	822	5483
Mar-09	2166	2905	770	5841
Apr-09	2490	2794	561	5845





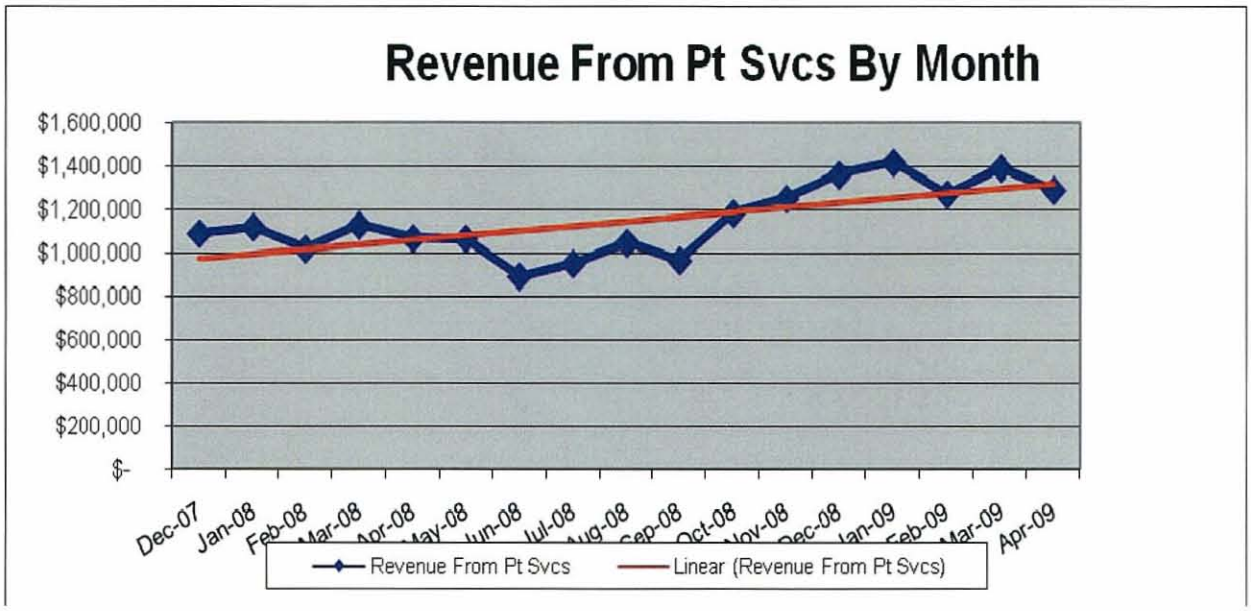
Revenues

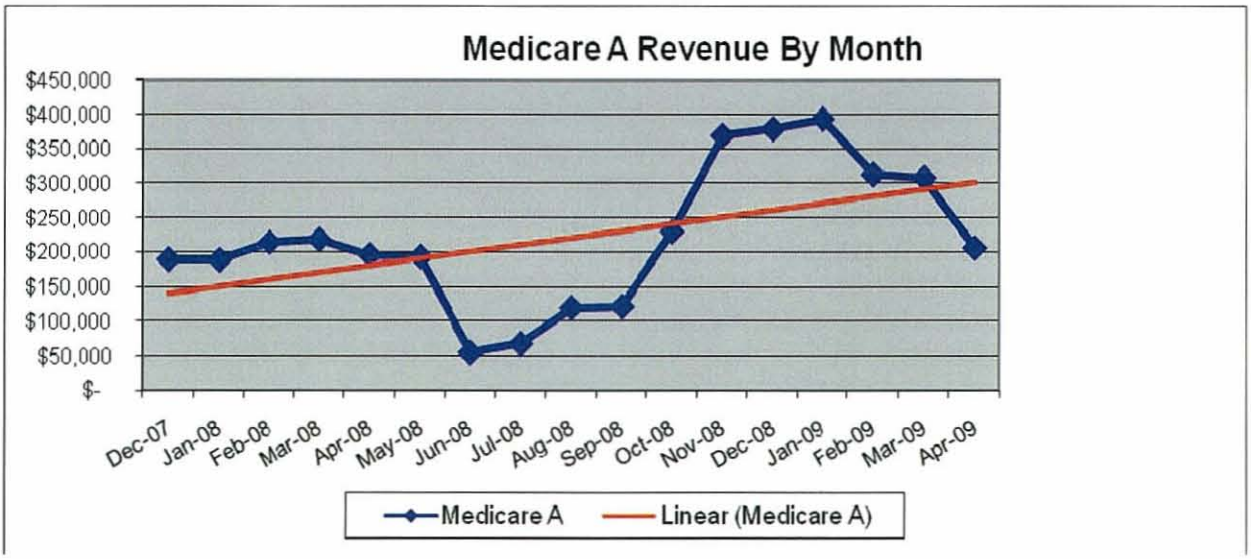
This month, April, we witnessed a drop in Medicare A, measured by the raw number of census days and by revenue per day. *This is the third straight month where Medicare A has declined.* The per diem reimbursement for April was $367. One has to retreat to September of 2008 to find a lower per diem.

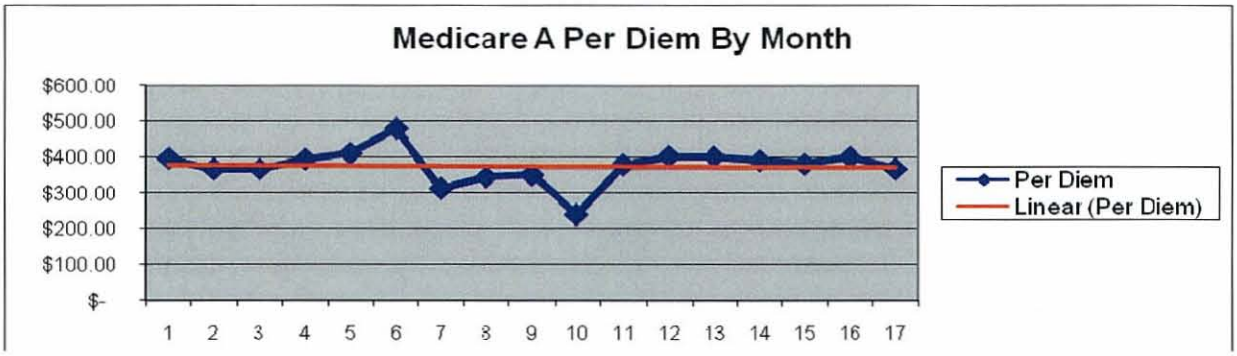
The Medicare per diem is a critical factor in building a better revenue base and we have significant improvements to make in our performance. The graph indicates that CCNH's Medicare per diem was at acceptable levels prior to June 2008 at roughly $400. The per diem dropped precipitously in June when admission sanctions were imposed. Since that

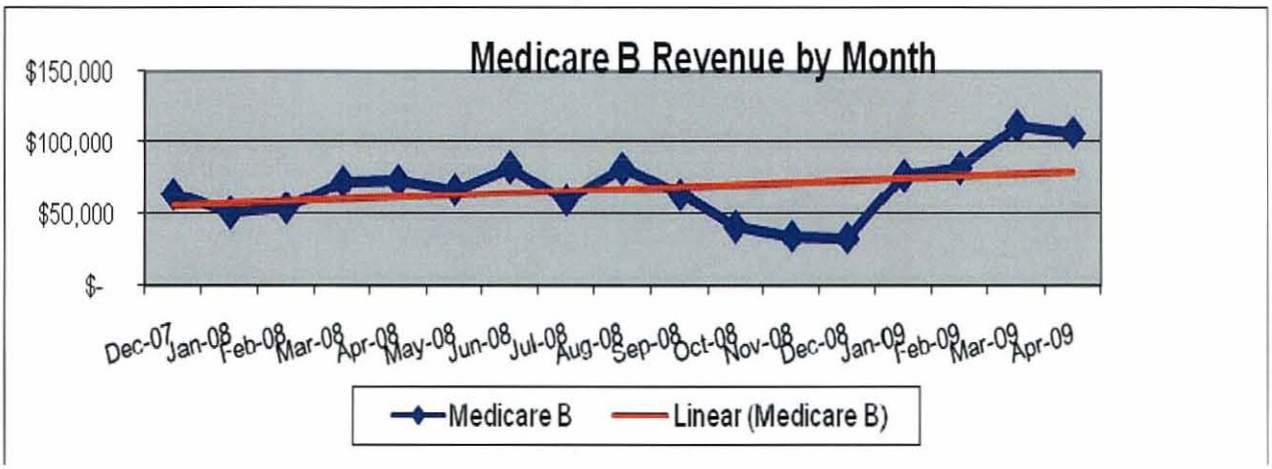
time, the per diem has recovered somewhat, only to drop miserably in September. October came back with a per diem of $379. The trend line in Medicare A is still positive. Also, take a look at the chart for Part B revenue which reflects private pay participation in Part B services.

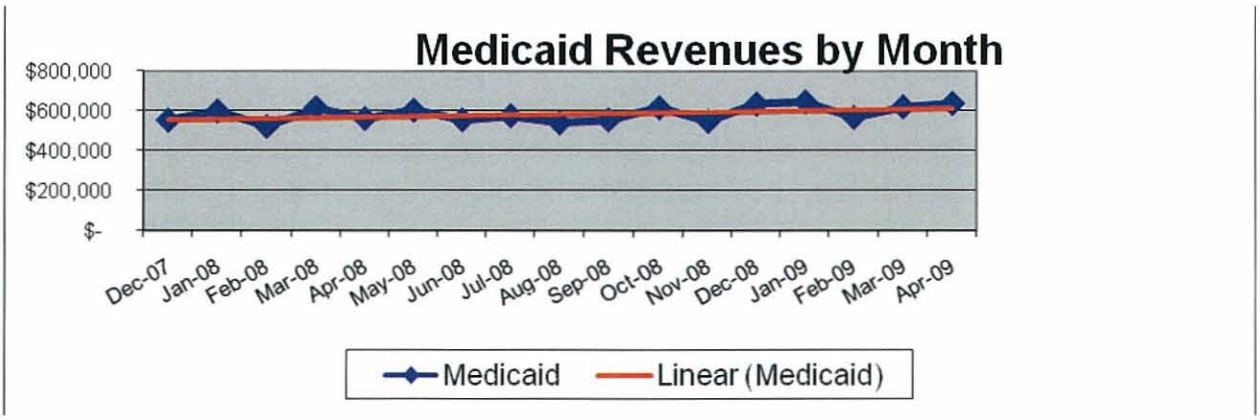
Medicaid revenues continue to be stable. If anything, Medicaid appears to be on the rise.

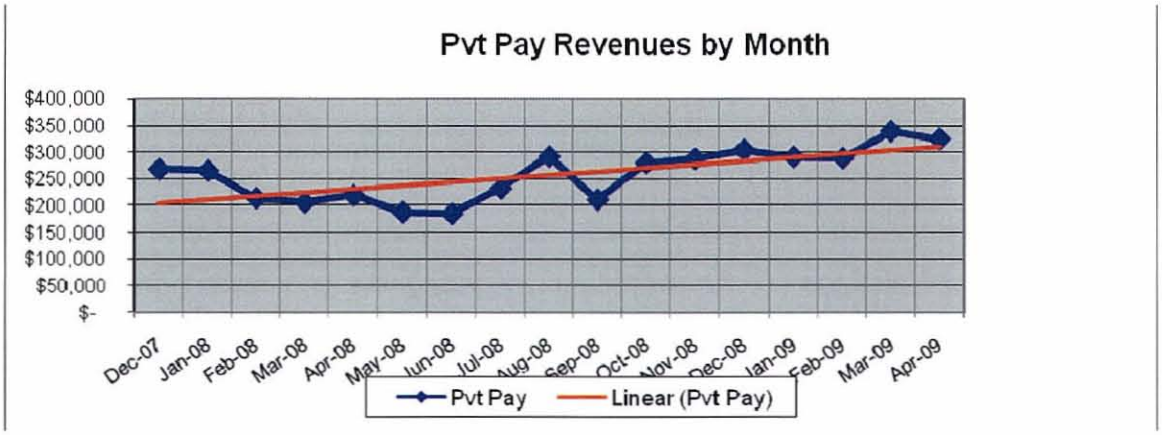


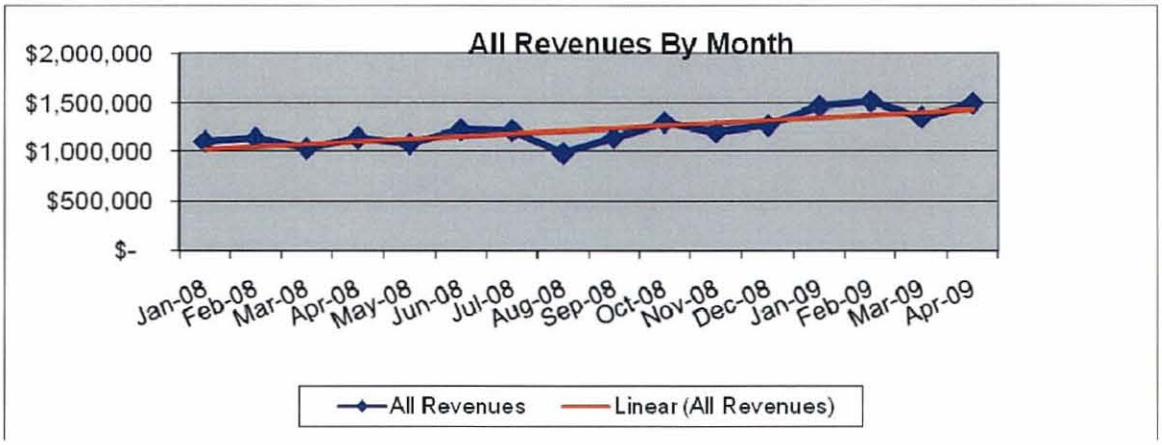



Medicare A Per Diem By Month
$600.00
$500.00
$400.00
$300.00
$200.00
$100.00
$-
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17
Per Diem
Linear (Per Diem)


Medicare B Revenue by Month
$150,000
$100,000
$50,000
$-
Dec-07 Jan-08 Feb-08 Mar-08 Apr-08 May-08 Jun-08 Jul-08 Aug-08 Sep-08 Oct-08 Nov-08 Dec-08 Jan-09 Feb-09 Mar-09 Apr-09
Medicare B
Linear (Medicare B)

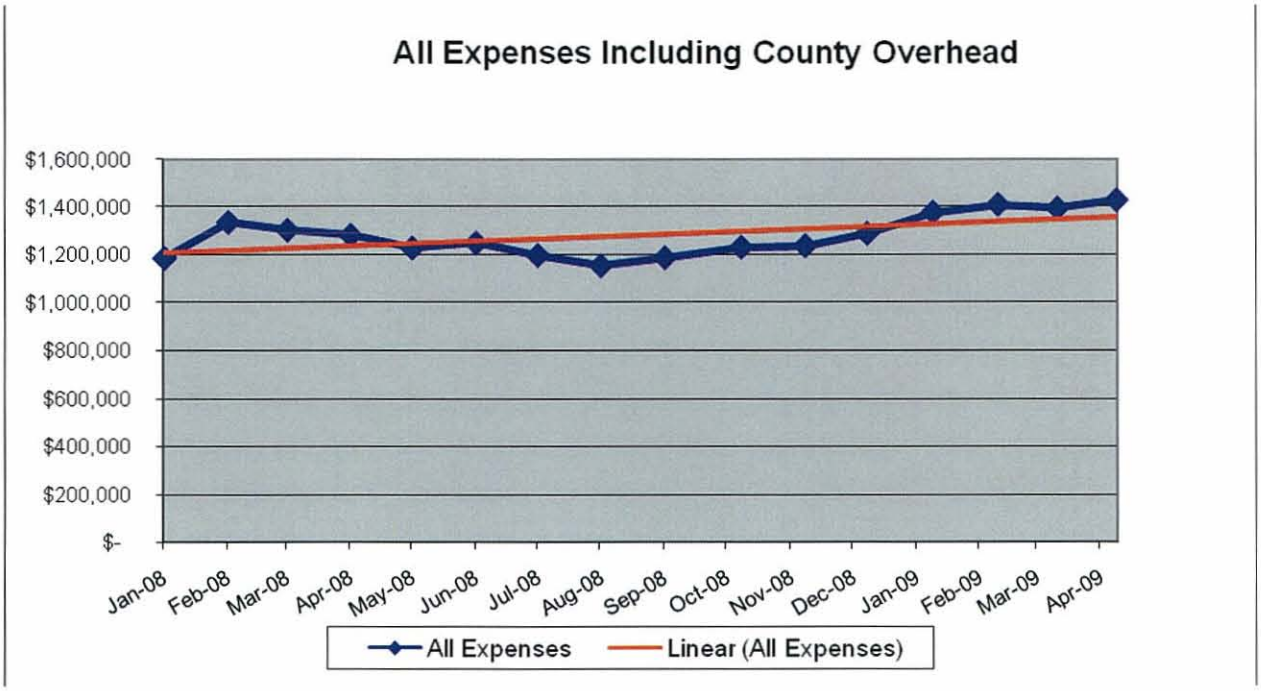

Medicaid Revenues by Month
$800,000
$600,000
$400,000
$200,000
$-
Dec-07 Jan-08 Feb-08 Mar-08 Apr-08 May-08 Jun-08 Jul-08 Aug-08 Sep-08 Oct-08 Nov-08 Dec-08 Jan-09 Feb-09 Mar-09 Apr-09
Medicaid
Linear (Medicaid)


Pvt Pay Revenues by Month
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
Pvt Pay
Linear (Pvt Pay)


All Revenues By Month
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
All Revenues
Linear (All Revenues)

Expenses

CCNH's expense control continues to be pretty solid and we owe that performance to Andrew and his crew. Some line items will show increased activity due to greater Medicare activity and to incremental costs associated with a growing census. These include drugs, medical supplies, and rehab salaries (non-licensed personnel). Rehab costs were lower in April – and so is the revenue – and it's good that this is the case.

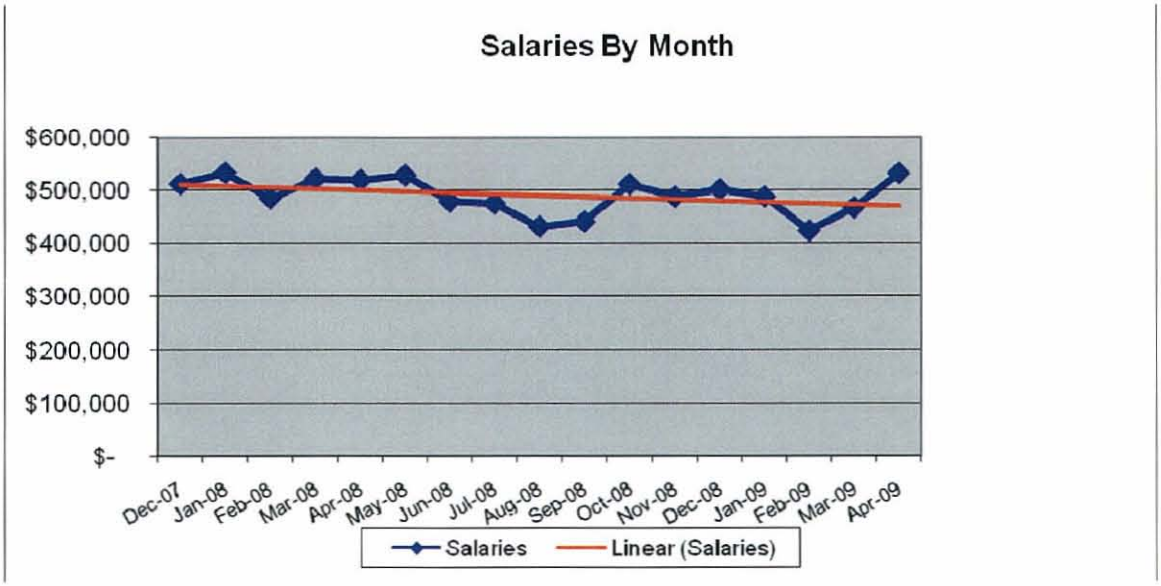


With only a few exceptions, expenses were within reasonable limits. Professional fees were up (at $29k) due to the engagement of an external MDS Coordinator, the interim DON, and special counsel fees.

Salaries continue to be our biggest cost. The raw salary data, adjusted for the accrual method of accounting, is:

Month	Salaries	Month	Salaries
Dec 07	$513,472	Sep 08	$441, 682
Jan 08	$533,987	Oct 08	$512,667
Feb 08	$485,964	Nov 08	$488,561
Mar 08	$522,836	Dec 08	$502,788
Apr 08	$520,501	Jan-09	$489,013
May 08	$529,580	Feb-09	$424,740
Jun 08	$480,220	Mar-09	$467,998
Jul 08	$476,495	Apr-09	$532,809
Aug 08	$432,380		

For the period January through June, salaries averaged $518,574. For the period June through April, the figure was $477,214– a reduction of 8 percent. Keep in mind that CCNH has entered a period where its PRN employees are working at the agencies. As a result, labor hours are down but agency costs more than off-set this reduction. This month, however, agency costs are down over prior months. (March agency was $132k and April was $138k.) Graphically, the salary relationship is:



Summary

CCNH is beginning to reflect a pattern: if census remains in the 190 area, it should be profitable. Admittedly, the income statement does not reflect full financial requirements yet; most likely, we will start paying debt service to the County in 2010. For Fiscal 2009,

CCNH has been self-sufficient and it appears that it can remain so as long census remains at approximately 190.

Census continues to be the big determinant of success and we have experienced some recent drops which have been sobering. The Medicare A trend line has turned positive but this program is totally dependent upon hospital referrals; there is nothing unusual about this. Medicare B was up significantly in January and February, moreso in March. Medicare B dropped by about $5k in April, but it's still a catching figure, indicating that private pay residents are using these services at a decent rate.

Revenues have increased and the expense level has stabilized. We have been able to manage CCNH's cash position but, as many of you have pointed out, CCNH is still operating on a very thin cash basis with lean months (July) ahead of us.

To: Board of Directors
Champaign County Nursing Home

From: M. A. Scavotto
Manager

Date: June 4, 2009

Re: Budget Assumptions
Fiscal 2010

The County is entering the budget process for fiscal 2010. Our objective is to have the budget draft for discussion at the July meeting with presentation to the County Board on Tuesday, August 25.

The following are the critical assumptions that we should be comfortable with:

1. **Inpatient Volume**

Average Daily Census:	195
Total Days	71,775
Occupancy Pct based on 243 beds	81 pct
Pvt Pay	30 pct (59 ADC)
Medicaid	50 pct (98 ADC)
Medicare	20 pct (39 ADC)

The ADC target is more realistic than the 208 I had set for 2009. CCNH has had much better luck at the 195 level than at the higher 208 figure. Where the budget program is aggressive is with the mix. Through March 2009, CCNH has experienced the following mix:

Pvt Pay	65 ADC
Medicaid	99
Medicare	29.3
Total	193.3

Shifting more to Medicare will require increased admissions from the hospitals. Programmatically, CCNH has the opportunity to make its services more attractive to different segments of the Medicare population and to the hospital/physician providers.

2. **Revenues**

General price level escalation	3 pct
Private Pay Rates	Update market survey
Medicare per diem	$390
Medicaid IGT per diem, 2009	$212 approx
Medicaid IGT per diem, 2010	Wild card, floor will be $212
Property Taxes, 2009	$948k
Property Taxes, 2010	$965k

3. **Expenses**

Non-Labor Items

Assume 3 percent for most items
Utilities and food projected higher at 5 percent
Therapy costs on per diem, vary with census
Variable items flex with census
Depreciation included
Interest expense ($4 m plus $1.3 m loans) makes a first appearance
IGT transfer expense likely to be revised and eliminated; timing????

Labor Items

Salaries generally rise 1 percent
No change in benefit percentages; using County supplied estimates
Changes resulting from collective bargaining will be reflected

4. **Cash Flow**

Attached to this mailing is a cash flow model that we have begun developing. It reflects actual results thru March. I have included the summary and the relevant assumptions only.

There are several conclusions to draw from the cash flow model.

- CCNH should be able to pay its operating expenses for 2009 including FICA and IMRF.
- CCNH is unlikely that further progress in reducing Accounts Payable will occur without using another tax anticipation warrant. This is not something I relish. Including interest expense obligations in the budget program for 2010 may make another tax anticipation warrant unavoidable.

- Operating performance could significantly enhance or erode CCNH's cash position. For example, if we collect cash faster than expected, we will finish the year with more cash. If census slips, as it might due to an overall economic downturn at the hospitals, we will see cash tighten up.

- The restructuring of the Medicaid IGT could represent additional revenues to CCNH. It is doubtful that this restructuring will be accomplished by July 1.

- CCNH will get hit with some capital expenditures. A small one looms with the requirement to add a smoke partition. Prudence dictates that we include a small amount for capital expenditures. Of course, depreciation is currently being used to cover routine operating expenses and this limits our flexibility.

To: Board of Directors
Champaign County Nursing Home

From: M.A. Scavotto
Manager

Date: June 4, 2009

Re: Compliance Plan (No action requested)

Incorporated into this month's mailing is a draft version of a Corporate Compliance Plan. The Plan is a work-in-progress and will always have that status.

I am not requesting any action on the compliance report at this time. Let's plan on spending more time on this in July.

Over the next few weeks, please get familiar with the material. The Red Flags section is new to all compliance plans and we have written a separate policy addressing identity theft. The Corporate Compliance Plan itself, though, is a foundation document that deserves to be treated seriously.

Regulatory oversight regarding false claims, quality of care deficiencies, and privacy (including identity theft..the new buzz) is heating up. As we get into the discussion, you will see readily that the administrative responsibilities are not getting any easier and that work process improvement will take center stage.

To: Board of Directors
Champaign County Nursing Home

From: M. A. Scavotto
Manager

Date: June 4, 2009

Re: Management Update

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

1. **Census:** April came in with an ADC of 195 – which was excellent. As you have noticed in my flash updates, we have been experiencing swings in census that seem to track with the hospital's census. Here's an anecdote that cuts to the core: this month, May, was the first month where Mary did not meet her admission target (22).

   So far, CCNH is doing better, but the road to self-sufficiency is never straight and smooth.

2. **Operations:** See the Management Report for the last five months operating results. April's results show a loss of $(3,882); the main factor seems to be a decrease in revenues, particularly in Medicare A.

   The MDI conversion is in process. Data is being forwarded to MDI and training is taking place. We will see much improved reporting with MDI, although I don't want to create the impression that MDI will be problem free. Right now, our statistics are unreliable because of the need for work-arounds with the current Lifecare system. We have private pay in Medicare and Medicare Advantage in private pay, and this is a situation that has long been in need of a remedy. With MDI we'll be able to bill by payer class by plan.

   Andrew reports hiring a new Director for Alzheimer's, Tonya Nielsen. Tonya formerly worked at Carle Arbours and has just about finished her RN coursework. Linda Kotynek has retired, but promises to be available for special events.

I thought things are starting to move on the IGT. I now think I was wrong. There has been no information coming out of HFS except that the department is swamped with State budget issues. The IGT is a low priority for HFS; we have been relegated.

I have a brief update on the involuntary discharge proceedings. Greenville Regional Hospital has provided us with a psychiatric evaluation which will be entered into the proceedings. It appears that there is clinical evidence that the resident must be cared for in a psychiatric setting. Here's where things stood last month:

> Things are moving slowly and none of us is optimistic about CCNH's chances of prevailing. Our strongest argument is that CCNH cannot meet the ongoing psych needs of the resident. The hearing was Friday, May 1. Our attorney is developing questions for Greenville Regional Hospital, which provided an inpatient psychiatric evaluation but no recommendation. Greenville isn't talking without a subpoena, so we are working on getting the information out of Greenville. The guardian refused to let us take the resident to another psych evaluation. These developments do not look good in the eyes of the hearing officer. CCNH has gone the extra mile – and then some – on this case.

The meeting with IDPH's Bill Bell has been delayed. It is something that will happen, but it does seem to be taking a long time to get the meeting.

Activity on our outstanding balances with Carle is heating up. The good part is that we can get these outstanding items behind us. The questionable part is our cash balance, meaning that cash continues to have peaks and valleys and run thin. Also, going forward, the discounts Carle is offering leave a lot to be desired as the price level is considerably above the Medicare fee schedule. Carle has reported that its lengths of stay are up because of increased difficulty transferring cases to skilled nursing; psych case are a particular problem. It's not hard to imagine that homes resist admissions that are too costly. My guess is that there is room for further discussion. There is no question that we owe Carle money; it's all about where we settle.

3. **Employees:** Negotiations continue.

4. **Public Image:** There has been no action on the speakers' bureau since the last meeting. Now that we have a Director for the Alzheimer's program we can start planning so speaking and educational activities.

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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.