NURSING HOME BOARD OF DIRECTORS AGENDA

County of Champaign, Urbana, Illinois
Thursday, July 16, 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**
June 11, 2009

V. **PUBLIC PARTICIPATION**

VI. **OLD BUSINESS**

None

VII. **NEW BUSINESS**
a. Board Education Session: Introduction of Bob Stuart , Director, Social Services, & Discussion
b. Management Report (Scavotto)
c. Budget for FY 2010 (Scavotto)
d. Corporate Compliance Plan Update (Scavotto)
e. Strategy Discussion: Future Options for CCNH (Lansford)

VIII. **OTHER BUSINESS**

IX. **CLOSED SESSION**

Closed session pursuant to 5 ILCS 120/2(c)2 to consider collective negotiating matters between Champaign County and its employees or their representatives.

X. **NEXT MEETING DATE & TIME**
a. August 13, 2009

XII. **ADJOURNMENT**

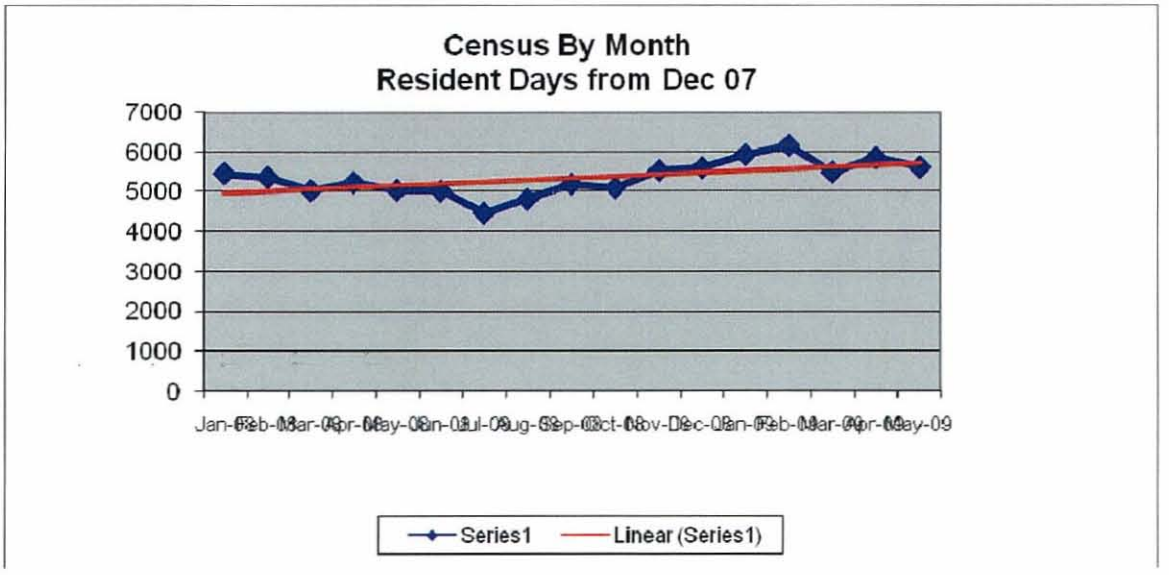
Census

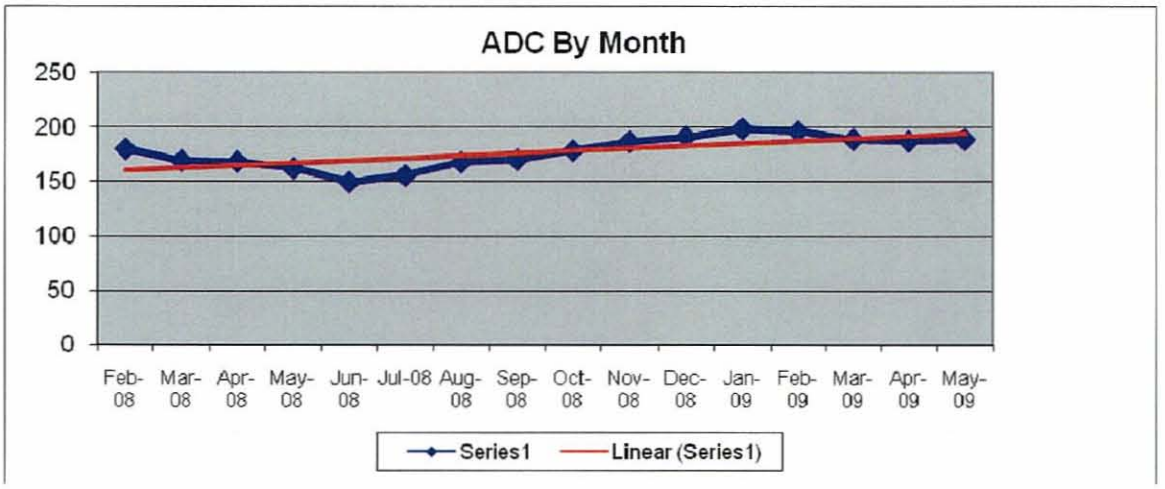
Census continues to receive a lot of attention. Our target of 208 has proven to be elusive. So much of our volume is hospital-generated and both Carle and Provena are experiencing wide swings in occupancy. We know that other homes are also experiencing lower census.

The fiscal year got off to a good start, tailed off, and is starting to come back.

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	3069	607	5472
Nov	1704	3070	917	5691
Dec	1788	3246	884	5918
Jan-09	1906	3306	938	6150
Feb-09	1773	2955	755	5483
Mar-09	2102	3064	675	5841
Apr-09	2183	2885	540	5608
May-09	2332	2941	573	5846



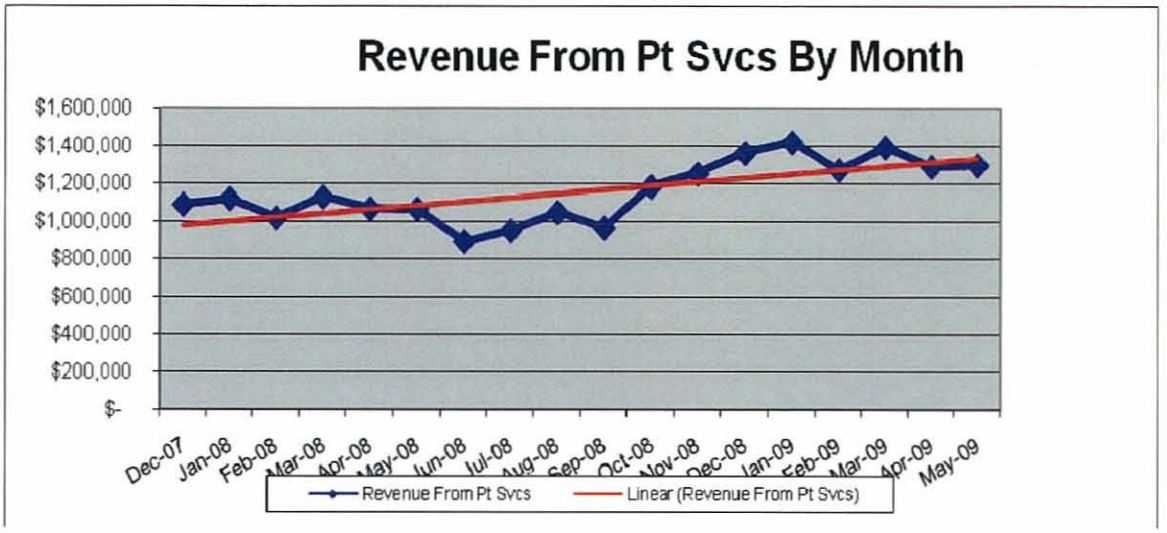


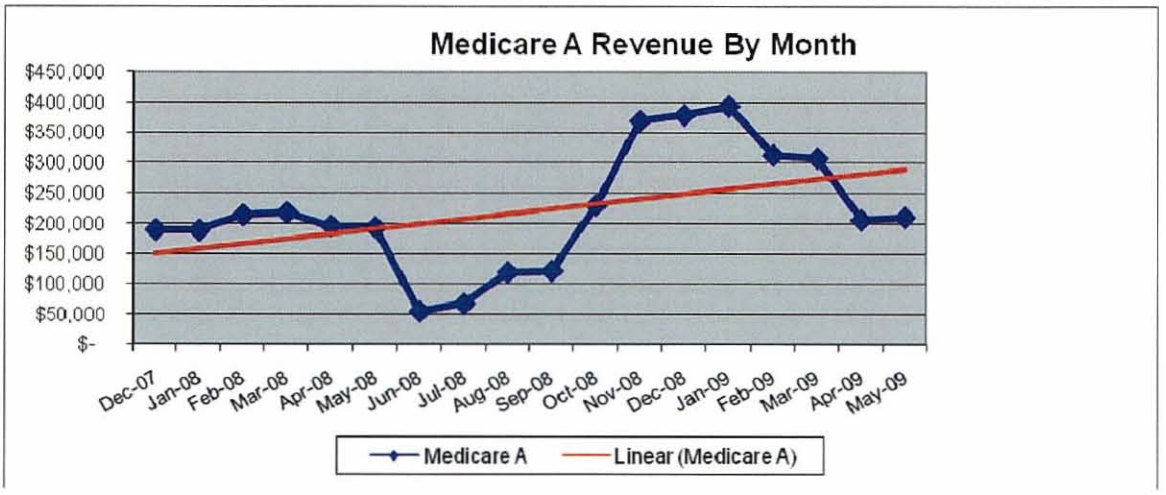
Revenues

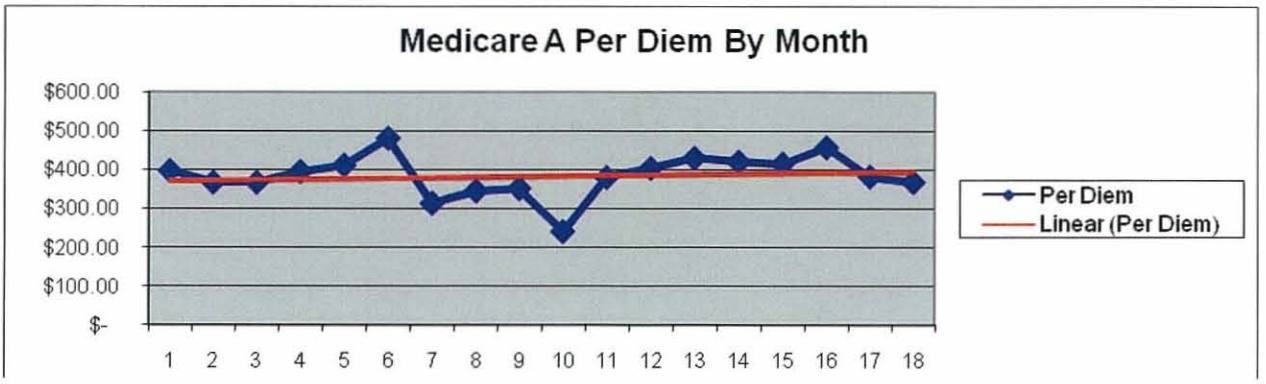
Last month, April, we witnessed a sharp drop in Medicare A, measured by the raw number of census days and by revenue per day. *April was the third straight month where Medicare A has declined.* The per diem reimbursement for April was $367. One has to retreat to September of 2008 to find a lower per diem. I am hopeful that April represents our low mark. May rebounded slightly, but Medicare A revenues are essentially flat over the last two months.

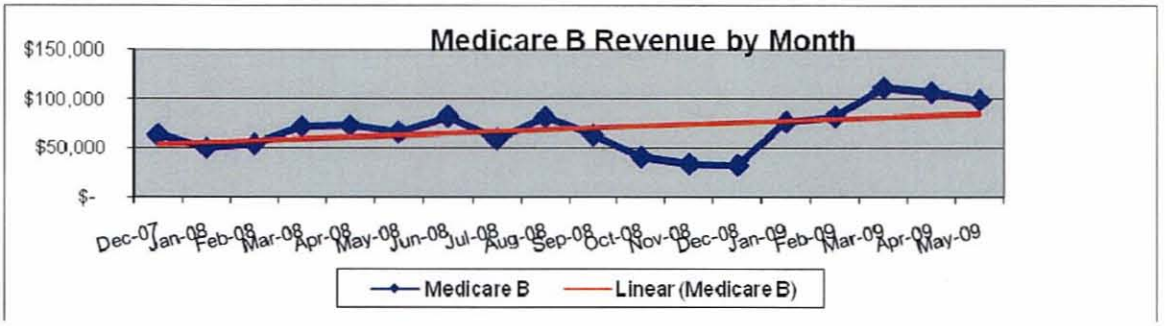
The Medicare per diem is a critical factor in building a better revenue base and we have significant improvements to make in our performance. The graph indicates that CCNH's Medicare per diem was at acceptable levels prior to June 2008 at roughly $400. The per diem dropped precipitously in June when admission sanctions were imposed. Since that time, the per diem has recovered somewhat, only to drop miserably in September. October saw a per diem of $379. April dropped to $381 and May was even lower at $367. The trend line in Medicare A is no longer positive, but has flattened. Also, take a look at the chart for Part B revenue which reflects private pay participation in Part B services.

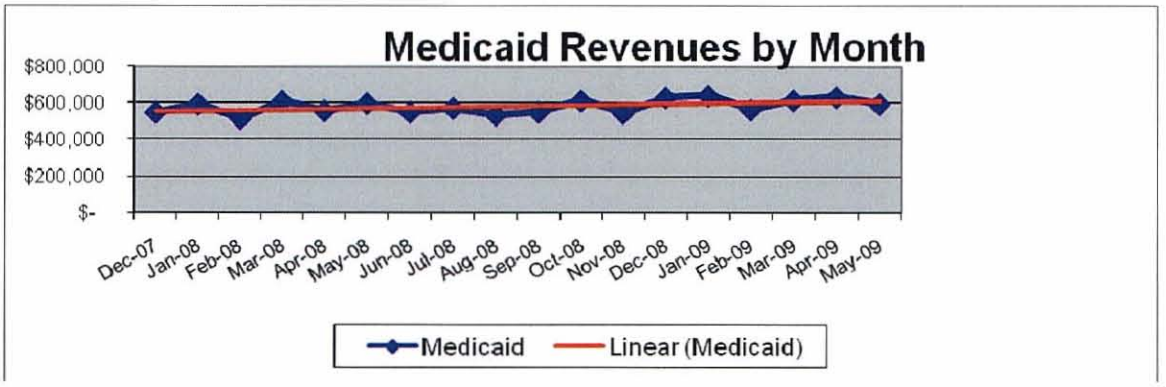
Medicaid revenues continue to be stable. Private Pay is doing well.

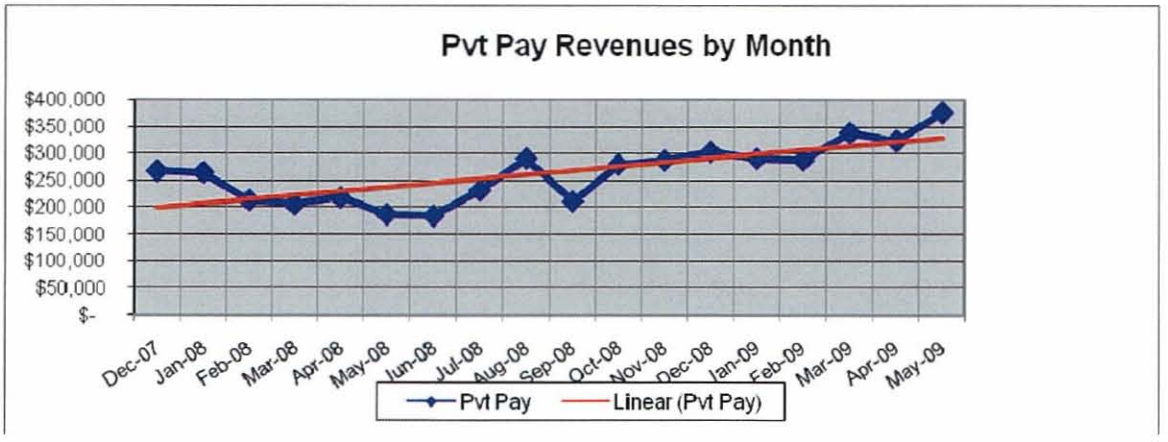

Revenue From Pt Svcs By Month
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$-
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Revenue From Pt Svcs
Linear (Revenue From Pt Svcs)

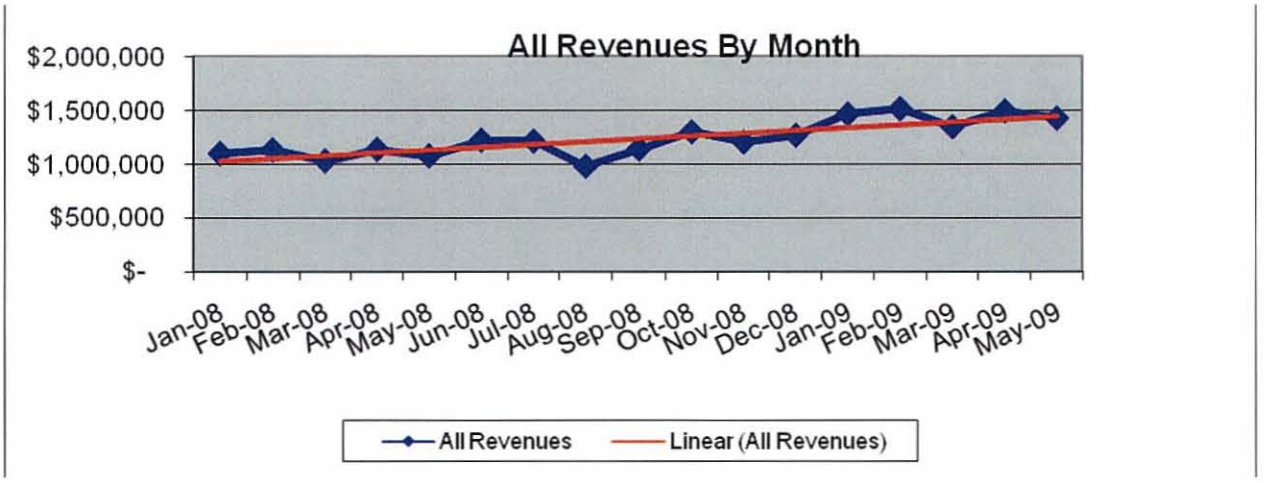

Medicare A Revenue By Month
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Medicare A
Linear (Medicare A)


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
18
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
May-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
May-09
Medicaid
Linear (Medicaid)

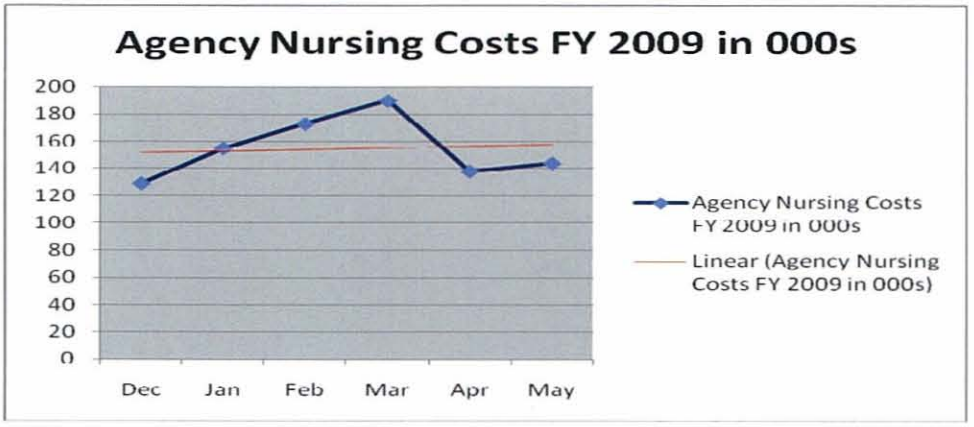

Pvt Pay Revenues by Month
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Pvt Pay
Linear (Pvt Pay)

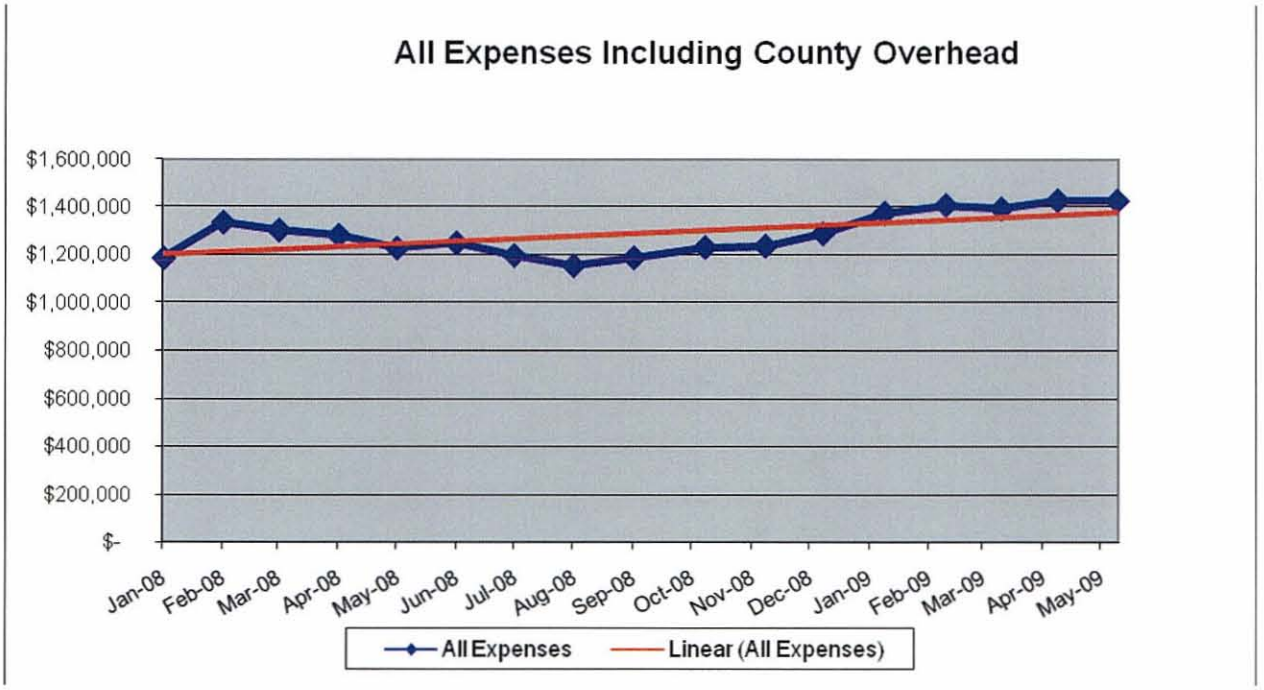


Expenses

CCNH's expense control continues to be pretty solid but could always be better. There are some big variable expense items that we watch closely. Examples are food, drugs, medical supplies. Rehab costs are also variable, and they are set by contract. Utilities represent a fixed cost; there is not much we can do to dramatically alter the cost incurred for gas, electric, and water.

The biggest thing we can do is adjust our labor hours to declining census. The staffing patterns reflect the daily workload. Getting ahead of agency costs is proving to be elusive. As the graph shows, we are up, then down. Part of the problem with agency costs is that we increase our own expenses when the no-benefit RNs convert from employee to agency status.



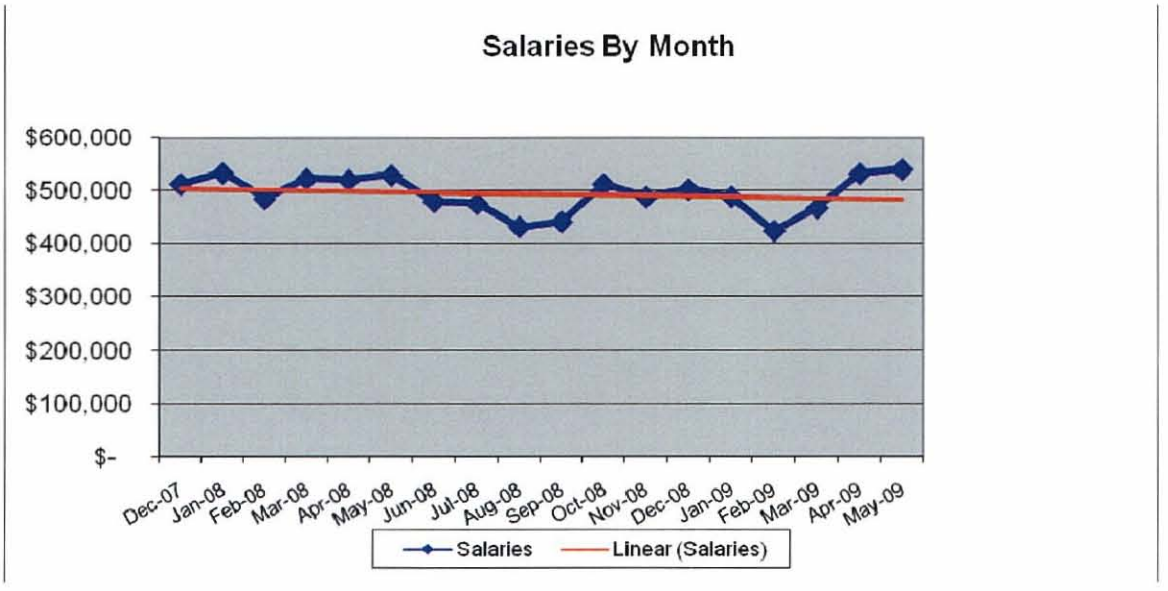


With only a few exceptions, expenses were within reasonable limits. Professional fees were down due to the departure of the interim DON. We continue to use an outside specialist for MDS services and we continue to incur extra legal fees.

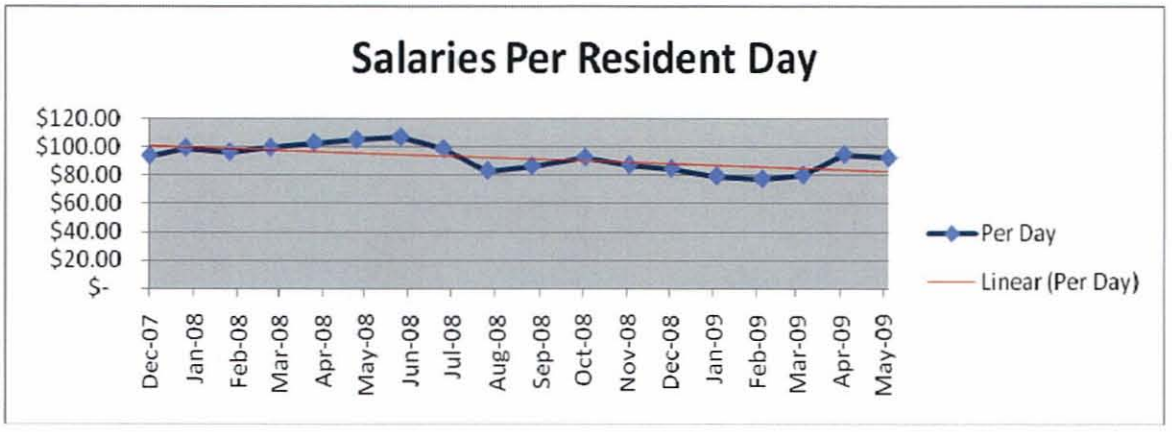
Salaries continue to be our biggest cost. The raw salary data, adjusted for the accrual method of accounting, is:

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	May-09	$540,868

For the period January through May, salaries averaged $518,574. For the period June through May, the figure was $482,518– a reduction of 7 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. March agency was $132k; April was $138k; May was $144k. Graphically, the salary relationship is:



This month, we are looking at salaries on a "per day" basis. It is no secret that we have been staffing up in the nursing department. You can see what happens when volume (census) dips in a healthcare facility. Fixed costs, which – I would argue -include a large portion of total salaries, increase when volume declines, and that is the pattern we are seeing below.



Summary

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 flattened; 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 and by another $8k in May, 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: July 8, 2009

Re: Budget Assumptions and Projections
Fiscal 2010

The following are the critical assumptions and budget summaries for Fiscal 2010. Appended to this memorandum are the budget worksheets and Income Statement for Fiscal 2010.

1. **Inpatient Volume**

Average Daily Census:	195
Total Days	71,775
Occupancy Pct based on 243 beds	81 pct
Pvt Pay	36 pct (70.2 ADC)
Medicaid	50 pct (97.5 ADC)
Medicare	14 pct (27.3 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.

For the 2010 budget, the percentage of Private Pay census remains the same as our current level at 36 percent. The total number of actual Private Pay days is projected to increase by 190 because the ADC is a bit higher that what we are currently running. Medicaid is projected to decrease from 52 in the current year to 50 percent in FY 2010. In terms of Average Daily Census, the Medicaid load is

expected to be 97.5. Medicare is forecast to increase from 12 to 14 percent of total days, yielding an ADC of 27.3. It is possible that we can improve our Medicare performance even further by pursuing some advanced rehab initiatives. This change of direction is in process, but feasibility will take more time to assess. Accordingly, we are submitting the budget will a less aggressive stance on Medicare.

2. **Revenues**

General price level escalation	3 pct
Private Pay Rates	$155 basic rate; $183 Alz
Medicare per diem	$398
Medicaid IGT per diem, 2009	$198.79
Medicaid IGT per diem, 2010	Wild card, floor will be $198.79
Property Taxes, 2009	$948k
Property Taxes, 2010	$965k

The Private Pay element of revenues is straight-forward; multiply the applicable number of days by the correct rate and you've got your number.

Our market survey indicates that CCNH is where it needs to be on rates. Here's a summary of the area facility rates:

	Private	**Semi-Pvt**
Area High	$341	$220
Area Low	$105	$95
Area Avg	$194	$160
CCNH Basic		$155
CCNH Alz		$183

(CCNH has 9 private rooms that are used primarily for isolation; they are priced the same as Semi-Private rooms.)

Medicare and Medicaid are quite different. We are forecasting no increase for either payer. For Medicare, there is no assurance that an increase will materialize. Increases in rates have been proposed, only to be off-set by other adjustments. With a new RUGs methodology currently in the works by CMS, there is no way to evaluate the impact on CCNH given our current knowledge.

For Medicaid, we understand that HFS' goal is to restructure the IGT by October 1. That's as good a date as any – all of the other dates have come and gone. There is simply no telling what will unfold as the IGT gets restructured. We know that, according to HFS' initial proposal, the current rate would serve as a floor – hence, our recommendation to maintain the current rate.

Property taxes represent about a 2 percent increase over 2009.

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 unkown

Where accounts do not vary with the volume of resident days, increases were projected at 3 percent; food and utilities, however, were forecast higher at 5 percent. Office supplies, housekeeping items, and general maintenance are examples of accounts that are not affected by volume.

For those accounts that a do feel the impact of volume – Medicare drugs, professional services in the therapy areas, medical supplies, food and nutritional supplements, for example, a 3 percent increase was applied to a cost-per-day and multiplied by the projected volume of resident days.

Interest expense makes its first appearance in CCNH's turnaround with approximately $200k to pay interest on $4m of construction loans plus $1.3m of County loans. The Grant Match (IGT Transfer expense) is calculated under the current methodology.

CCNH continues to absorb tremendous agency costs. The 2010 budget cuts agency usage by about $400k from the projected actual level of $1.6m for 2009. This reduction compares the number of caregiver shifts needed to manage the projected workload to the number of caregiver shifts we expect to be worked. The difference represents the agency expense.

Labor Items

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

We still await some definition from the bargaining process. Once details are better known, we can adjust the budget. The current staffing pattern remains in place; nursing continues to flex its staff according to census requirements. The budget reflects salary increases of 1 percent plus other items such as the productivity incentive.

4. Net Income and Cash Flow

From operations, CCNH is still losing money. The good news is that the loss drops to $(440)k, 30 percent less the projected level for 2009. For 2009, we are estimating an operating loss of $(623)k, which figure does not include any interest expense.

With Property Tax revenues included, CCNH projects to end the year with a gain of $525k. For 2009 we project that figure to be approximately $324k, so we are estimating a gain of considerable magnitude (62 percent).

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 October 1, but that is the date the pundits at HFS are shopping around.
- CCNH will get hit with some capital expenditures. One looms with the requirement to add a smoke partition. Depreciation is currently being used to cover routine operating expenses and this limits our flexibility. Keep your fingers crossed.
- Another Tax Anticipation Warrant may be needed in Fiscal 2010.

5. A Word of Caution

CCNH is in the midst of a turnaround. Turnarounds take time. Typically, turnarounds feel the slightest jolt in the marketplace simply because the margin for error is so small. That's the case at CCNH. We were doing great building up the census and getting the operation whipped into shape, and census dried up. If the decrease in census were due to some negligence on CCNH's part, our plight would be inexcusable. However, we are being buffeted by a general census malaise that has affected all homes.

Securing access to capital will only come from an operation that generates cash. We have gotten past the first hurdle of being able to handle our current obligations. Extinguishing outstanding Accounts Payable and remaining current is the next priority. We will continue to concentrate on boosting productivity and on managing revenues better.

To: Board of Directors
Champaign County Nursing Home

From: M. A. Scavotto
Manager

Date: July 8, 2009

Re: Management Update

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

1. **Census:** April came in with an ADC of 188.6 – lower than we would have liked to have seen. As you have noticed in my flash updates, we have been experiencing swings in census that seem to track with the hospital's census. Currently, census has been running at a comparable level, in the high 180s, but we had dropped to the 170s for a brief period of time.

2. **Operations:** See the Management Report for the last six months operating results. May's results show a loss of $(29.9)k; I had been expecting a greater loss. Private Pay revenues were very strong in May, and that was a saving factor. Medicaid revenues were down (6) percent over April, which is a bunch. Medicare revenues were essentially stable, down but only slightly.

   The MDI conversion is in process and it's for real. People are working long hours and their dedication to making the conversion is exemplary. All of you who have been through this process realize how much fun it is. Something is bound to go wrong; so far, it hasn't happened. Once converted, we'll run parallel systems and assess how well the conversion actually went.

   Meetings with the Carle Clinic regarding the possibility of Carle becoming more involved at CCNH have commenced. Chuck, Andrew, and Karen are involved in the process.

The word out of HFS is that the IGT will be re-structured by October 1. Every other prediction has proven to be incorrect so consider this in that light.

I have a brief update on the involuntary discharge proceedings. This little nightmare is taking on a life all of its own and CCNH is still providing extensive nursing services to a dementia resident who needs to be in a facility that can meet her needs. Apparently, the senior IDPH hearing officer was terminated from her employment at IDPH, meaning that our case is now without an IDPH manager and that we are delayed further. *Having just written this paragraph, we are informed that the administrative law judge has issued a draft decision denying the involuntary discharge; we have appealed.*

The resident complaint survey cycle is closed – finally. Obviously, we are a bit paranoid about getting into more "cycle trouble" with IDPH and Andrew pressed to get this survey cycle closed.

Expect to see a revamped Quality Improvement function in the near future. The current Quality Assurance activity has not been as active as it should be. Having a strong DON allows us to move forward with this important effort.

We appear to be close to resolving our outstanding balances with the Carle Clinic. The Clinic has agreed to accept the Medicare fee schedule for all balances outstanding as of mid-June. Subsequent balances are at a discount of 40 percent of billed charges. This is a huge concession on the prior balances. Going forward, a 40 percent discount from billed charges is still considerably higher than the Medicare fee schedule.

At Carle Hospital, we are still in discussions. There is disagreement over what services are actually owed, and that is a fundamental item that needs to get cleaned up. There is good news here, though. A dramatic portion of the outstanding billings were for wound care. You will be pleased to learn that we are now doing wound care in-house, eliminating this significant cost. This is just one of the things that a good DON can get accomplished.

3. **Employees:** Negotiations continue.

4. **Public Image:** No update since last report:

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.

******

NURSING HOME BOARD OF DIRECTORS ADDENDUM

County of Champaign, Urbana, Illinois
Thursday, July 16, 2009 – 6:00pm

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

ITEM

IX. CLOSED SESSION

b. Closed session pursuant to 5 ILCS 120/2(c)1 to consider the employment, compensation, discipline, performance, or dismissal of an employee

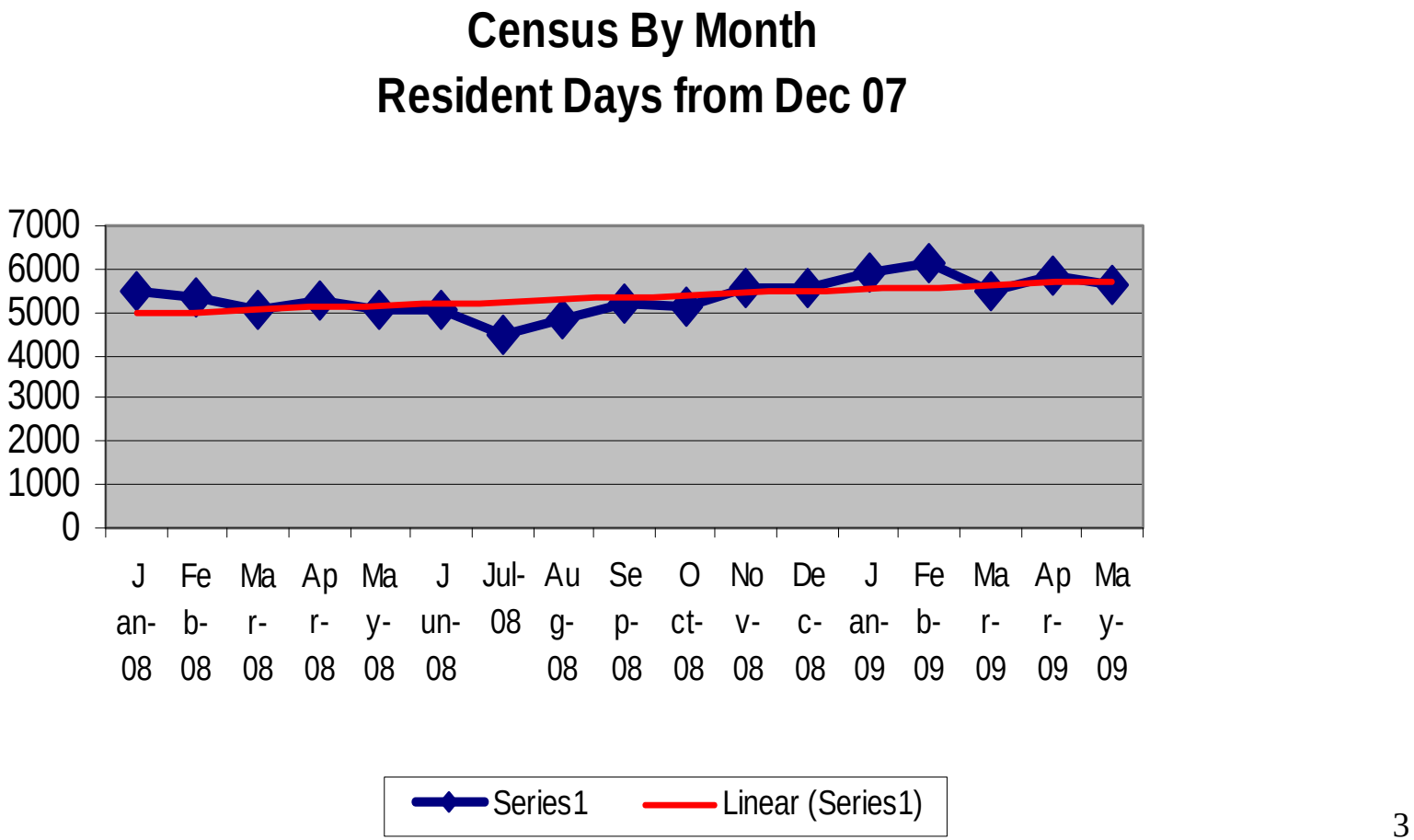
Champaign County Nursing Home

Quarterly Report Fiscal 2009
12/1/08 thru 5/31/09

Definitions

- Medicare A – Inpatient care involving rehab services; hospital stay required
- Medicare B – Therapy services provided outside of Part A; general resident population is eligible
- Medicaid - Public Aid Assistance

Inpatient Volume For Fiscal 2009



Inpatient Volume
Fiscal 2009 Dec thru May

- Total days – 34,846
- Average Daily Census (ADC) – 191.5 (193.3)
- Last report in parentheses
- Occupancy – 78.8% (80%)
- Private Pay - 34% (N/C)
- Medicaid – 53% (51%)
- Medicare A – 13% (15%)

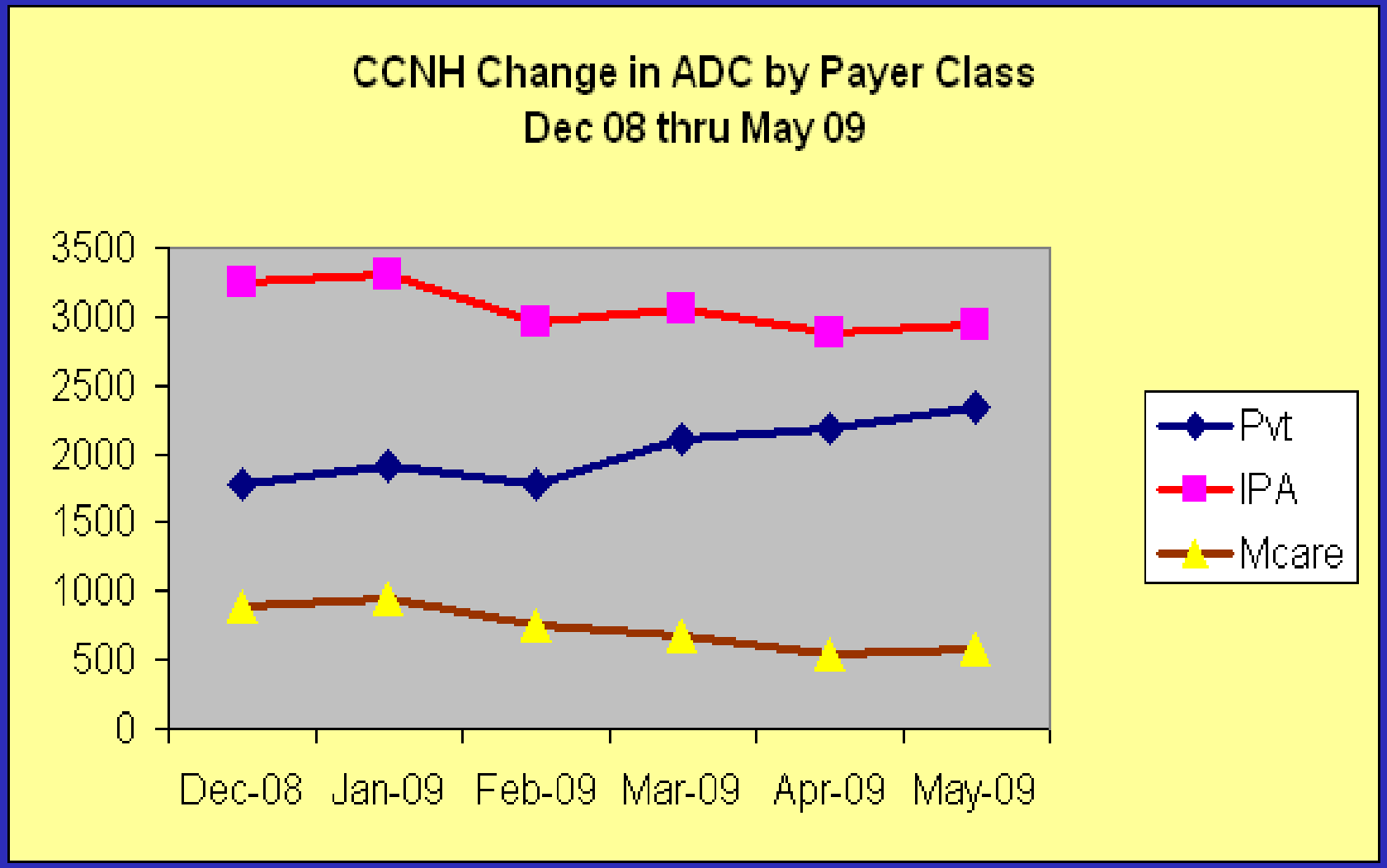
Change in Census and Payer Mix Fiscal 2008 v. 2009

	Dec 07-Nov 08			Jul 08-Nov 08			Sep 08-Nov 08			Dec 08-May 09		
Totals	Days	ADC	Pct	Days	ADC	Pct	Days	ADC	Pct	Days	ADC	Pct
Pvt	18694	51.2	30%	8329	54.4	32%	5087	55.9	31%	12084	66.4	35%
IPA	37383	102.4	60%	15361	100.4	59%	9142	100.5	56%	18397	101.1	53%
Mcare	5750	15.8	9%	2566	16.8	10%	2029	22.3	12%	4365	24.0	13%
Totals	61827	169.4	100%	26256	171.6	100%	16258	178.7	100%	34846	191.5	100%

Changes in ADC by Payer

	Pvt	ADC	IPA	ADC	Mcare	ADC
Dec-	1788	57.7	3246	104.7	884	28.5
Jan-	1906	61.5	3306	106.6	938	30.3
Feb-	1773	63.3	2955	105.5	755	27.0
Mar-	2102	67.8	3064	98.8	675	21.8
Apr-	2183	72.8	2885	96.2	540	18.0
May-	2332	75.2	2941	94.9	573	18.5

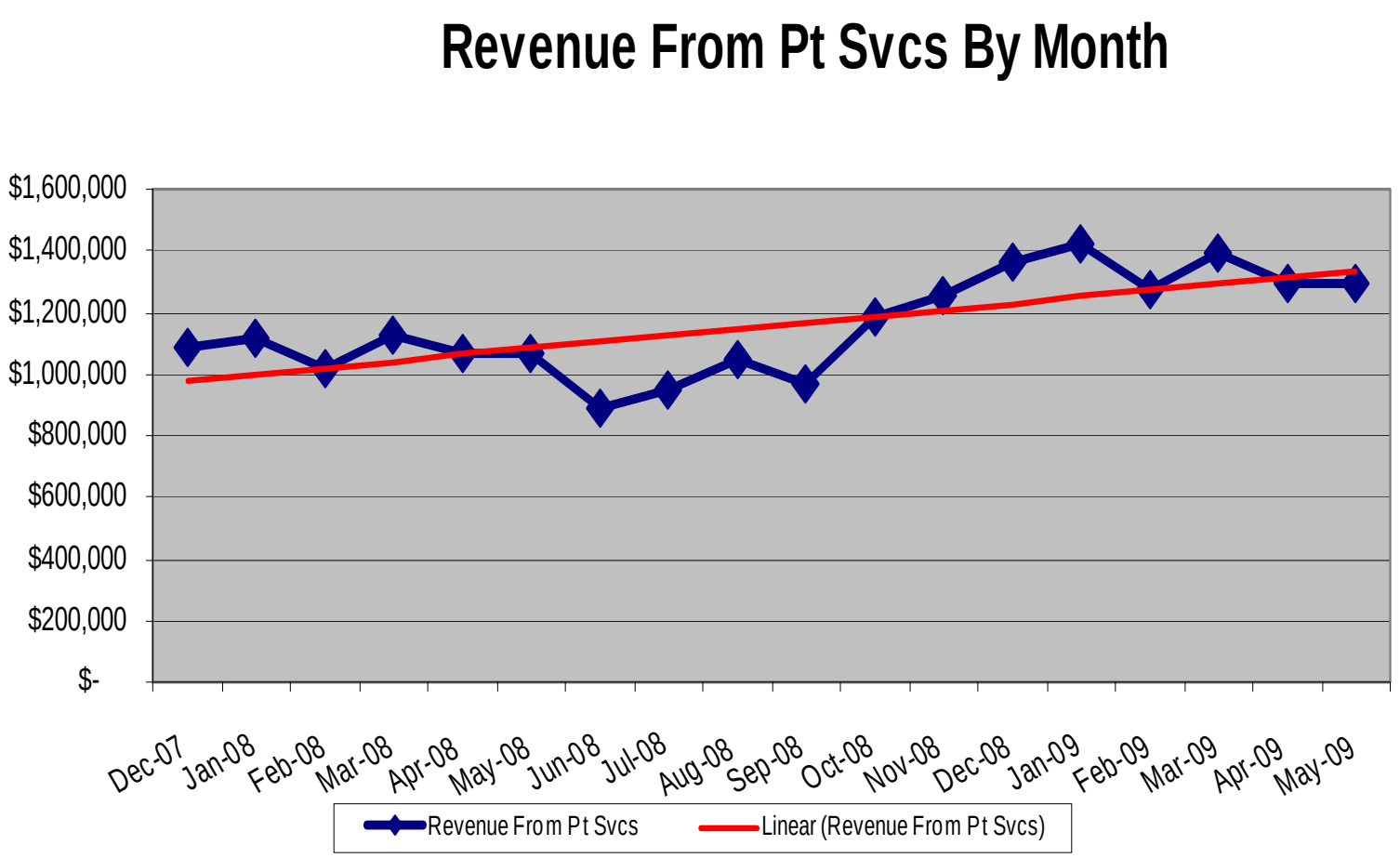
Changes by Payer Graphed



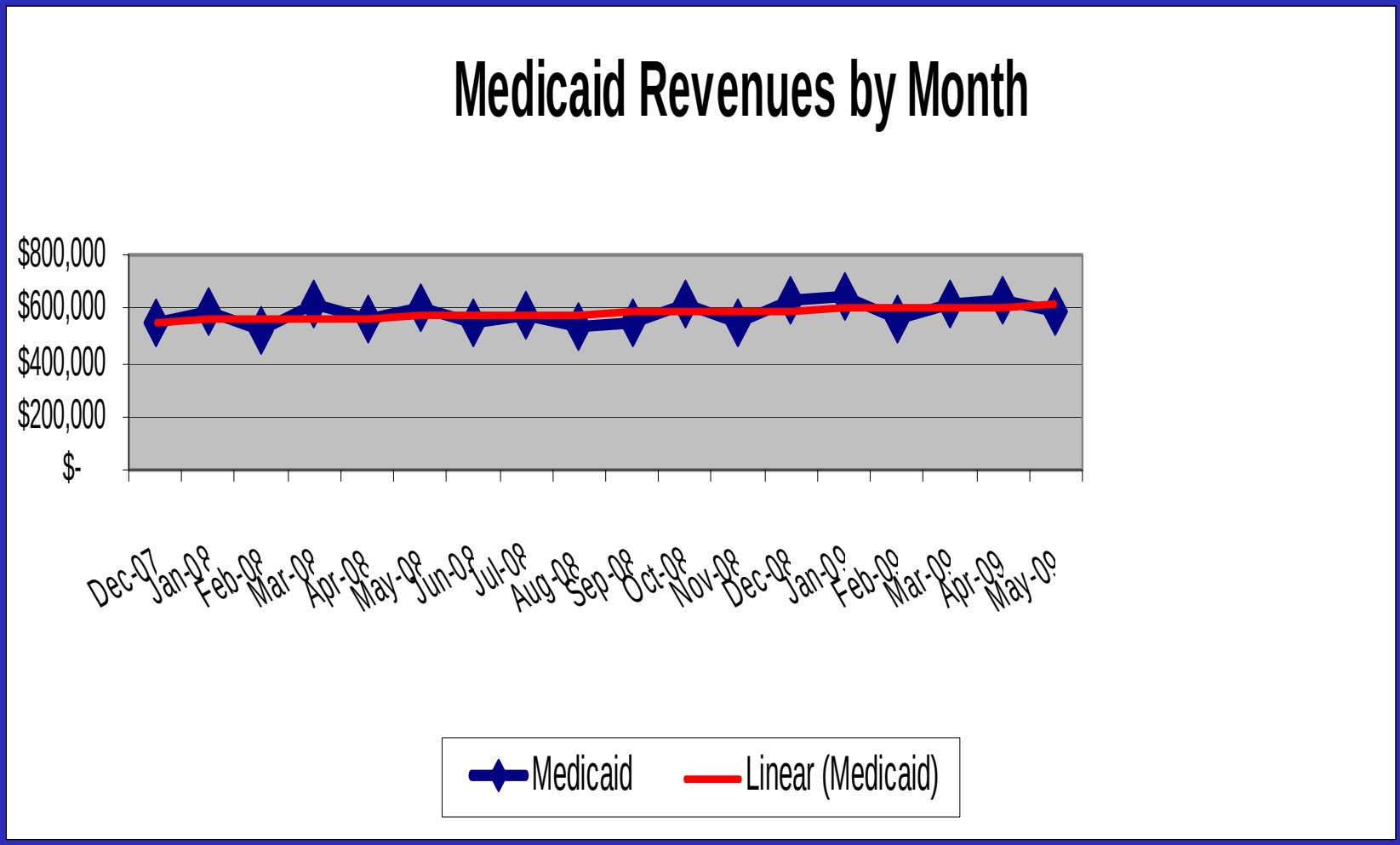
Volume Issues

- Medicaid continues to dominate payer mix
- Medicaid ADC – avg101.1 (99), up slightly
- Medicare ADC – 24 (29.3), biggest change
- Dementia services continue to run close to capacity of 60
- Private Pay ADC – 66.4 (60)

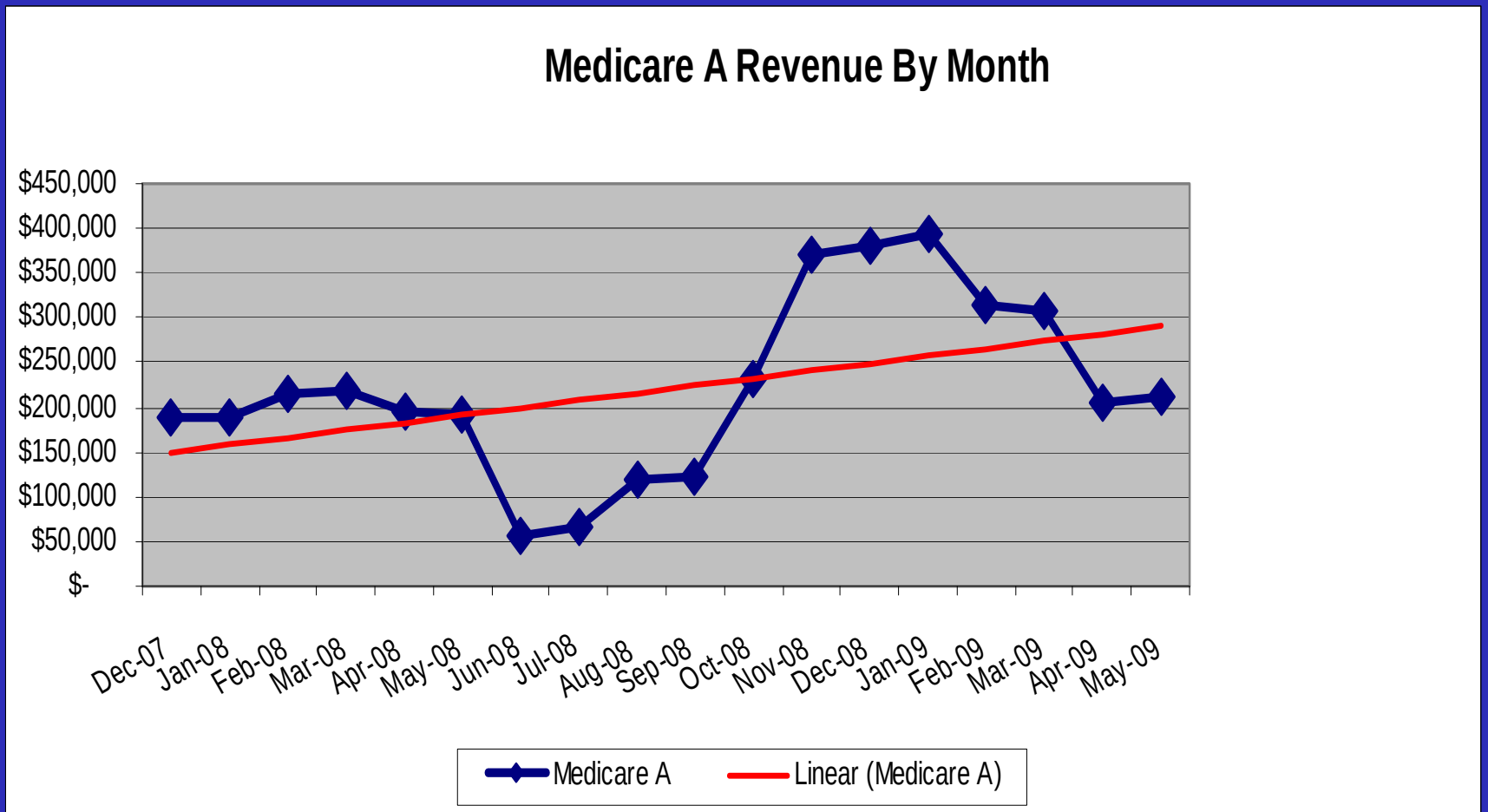
Operating Revenues



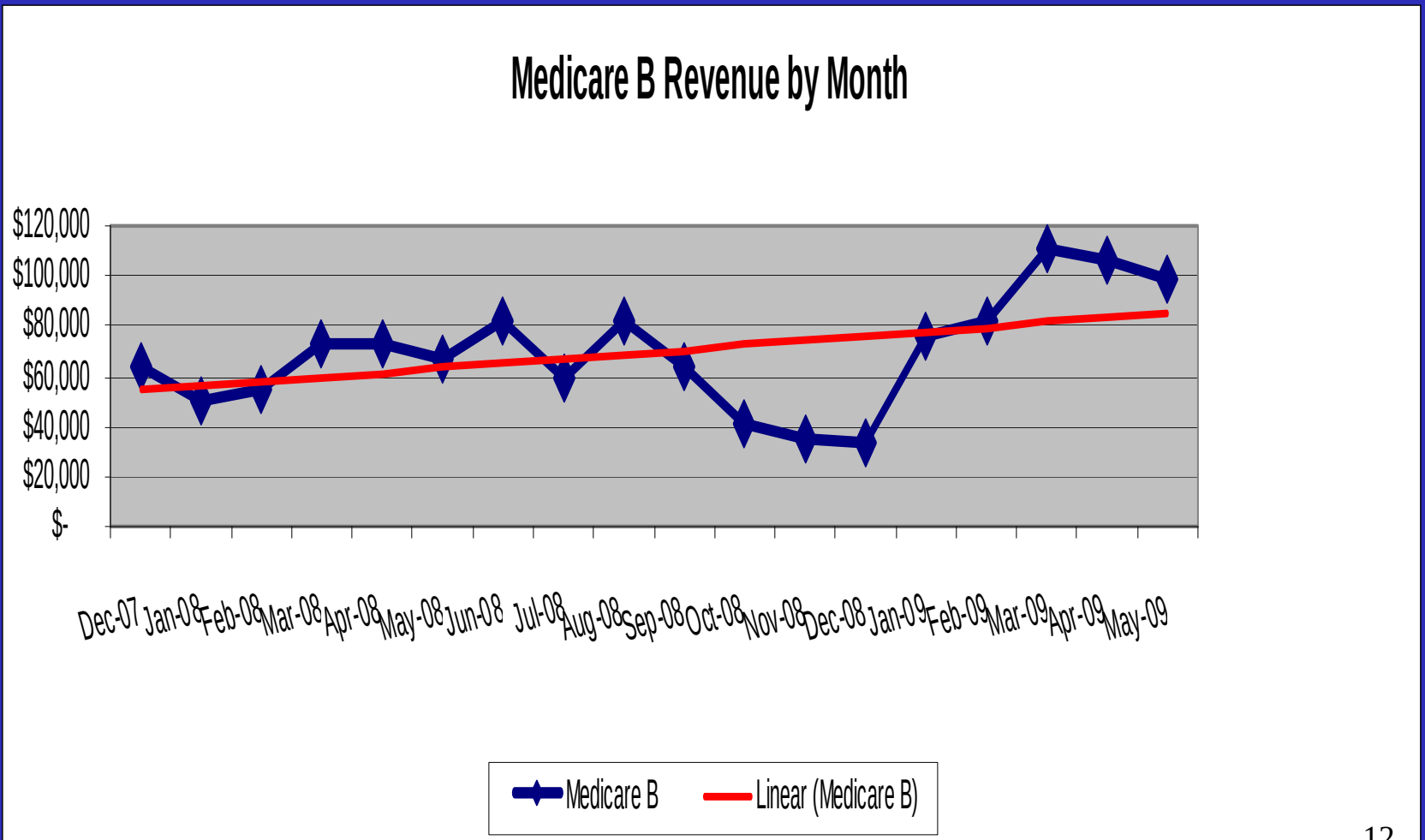
Operating Revenues



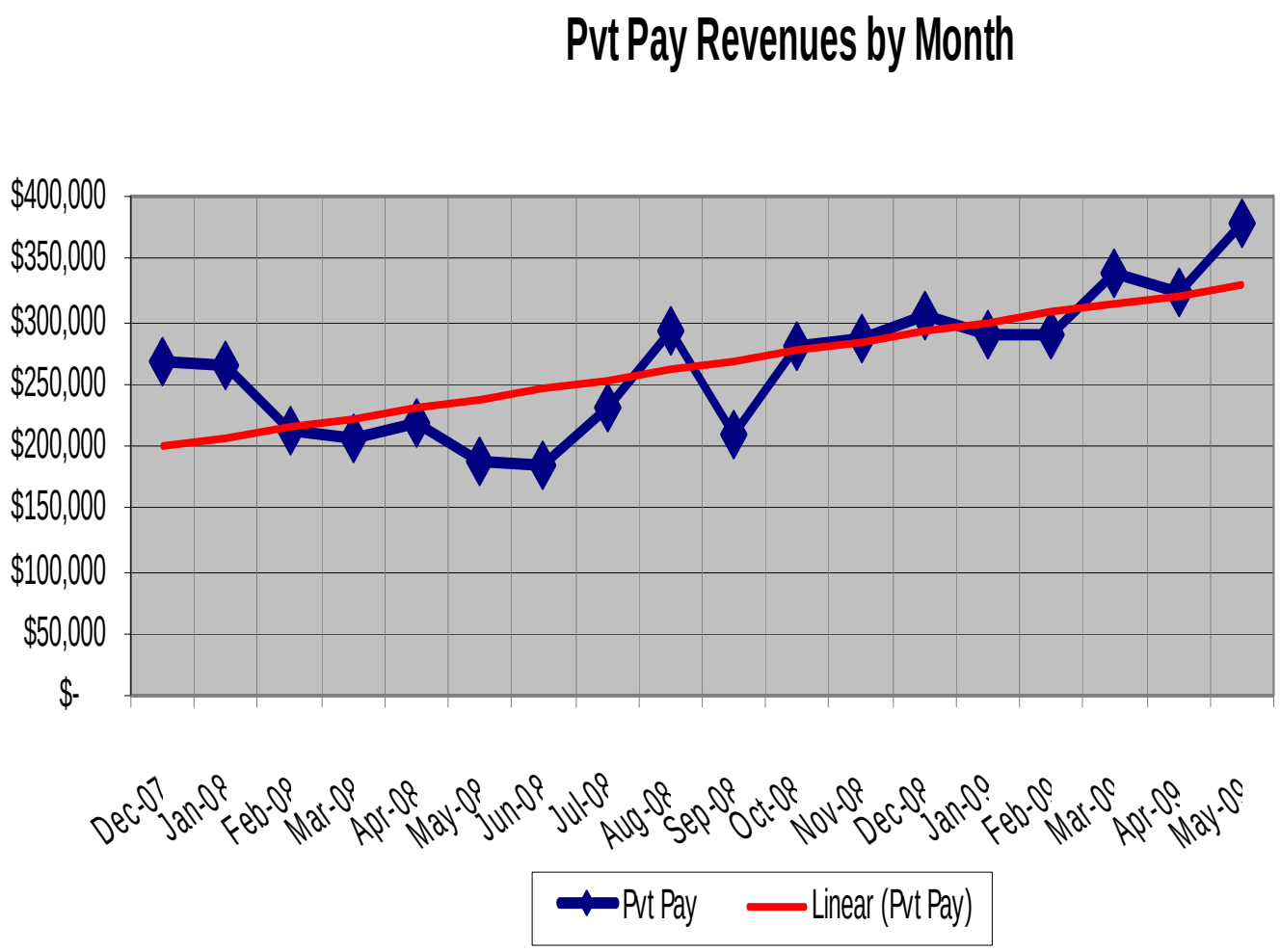
Operating Revenues



Operating Revenues



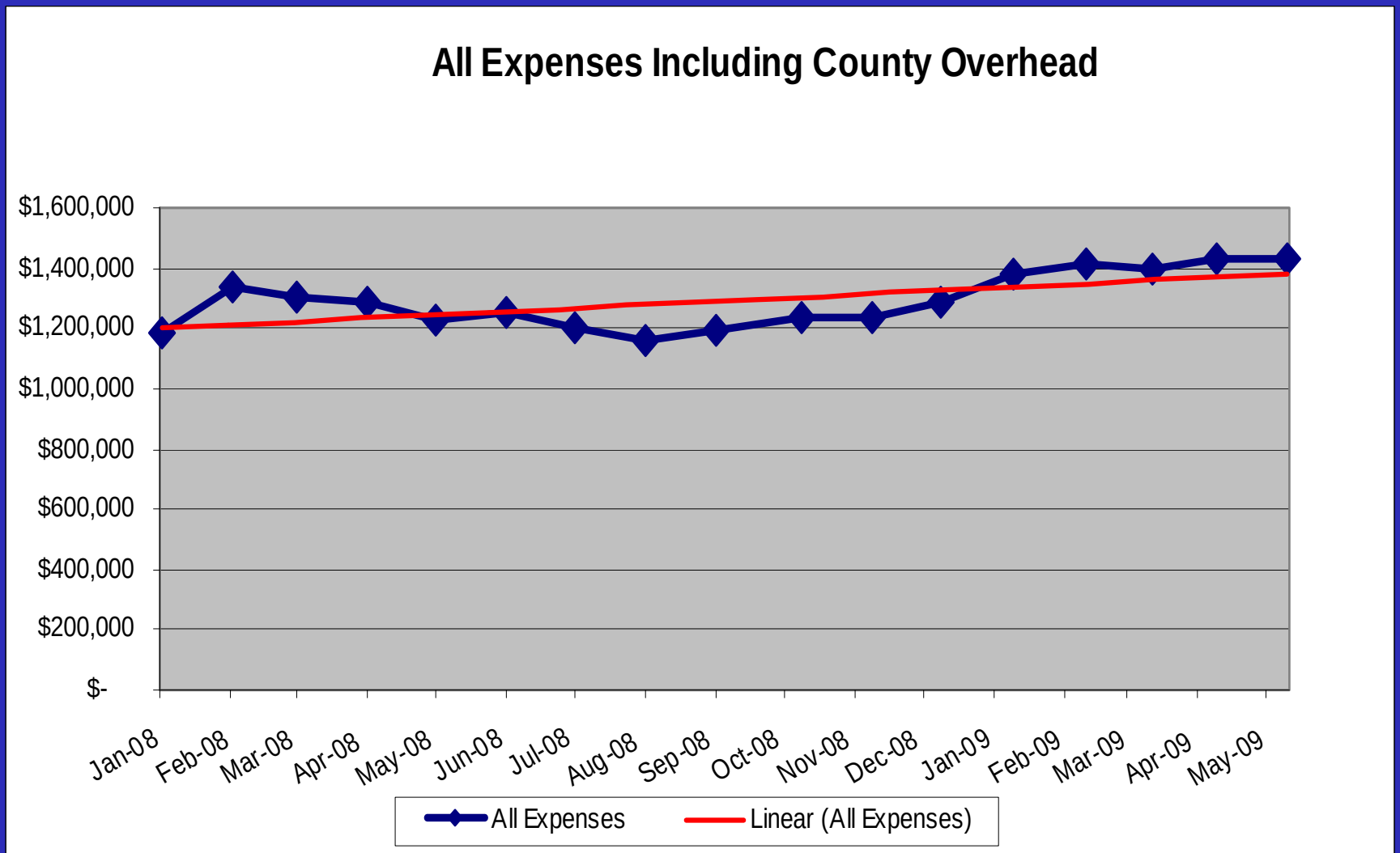
Operating Revenues



Revenue Issues

- Volume drives everything; high break-even point
- Restructured IGT target 10-1-09 – unlikely target
- Medicare no higher than 21.8 since March
- Medicare per diem dropping; lower hospital acuity?
- Medicare Advantage plans encroach market
- Dementia service remains 70 pct Medicaid

Total Expenses



Expenses

- Expense controls; flex staffing
- Nurse supervision rebuilding
- Salaries & benefits constitute largest expense (52% of total)
- Agency usage decreasing (Qtr 2 v Qtr 1 down 8%; June down even more $30k)
- Full financial requirements not met

Summary Last Six Months

	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
All Revenues	$ 1,461,638	$1,511,443	$1,345,082	$ 1,491,378	$1,424,387	$ 1,402,498
All Expenses	$ 1,378,123	$1,410,572	$1,395,384	$ 1,429,717	$1,428,267	$ 1,432,439
Net Gain/(Loss)	$ 83,515	$ 100,871	$ (50,302)	$ 61,661	$ (3,881)	$ (29,941)
Census	5918	6150	5483	5841	5608	5846
change		4%	-11%	7%	-4%	4%
ADC	190.9	198.4	195.8	188.4	186.9	188.6
change		4%	-1%	-4%	-1%	1%

Financial Program for 09

- Full accrual accounting
- Property tax allocated monthly
- Expenses fully loaded - depreciation, FICA, IMRF, County overhead
- Repayment of IGT overpayment and Tax Anticipation Warrants
- Cash flow still thin
- Basic cash position stabilizes

Keys to Success

- Maintain census; ADC of 208 unlikely
- Continued emphasis on rehab services
- Re-structured IGT rate (Medicaid)
- Staff development/training - coding skills
- Staff development - supervision
- Excellent customer service
- Regulatory consistency

Financial Objectives for 09

- Maintain positive cash flow from operations
- Pay fully loaded expenses on a routine basis
- Reduce/extinguish outstanding A/P obligations
- Establish cash reserves for operating contingencies and required cap ex
- Employee development & training

Cash Flow Thru May 09

• Census	191.5
• Net Income ($195,444)	$161,923
• Add back depreciation $(233,327)	$351,708
• Less property taxes ($315,606)	$(473,412)
• Avg monthly cash flow ($29,291)	$6,703
• Annually ($339,495)	$80,436

Ingredients Critical to Cash Flow

- Census
- Timing of Extraordinary Events
- Future Re-payment to Champaign County ($4m + $1.3m)