NURSING HOME BOARD OF DIRECTORS AGENDA

County of Champaign, Urbana, Illinois
Monday, July 12, 2010 – 6:00pm

In Service Classroom, Champaign County Nursing Home
500 S. Art Bartell Road, Urbana

CHAIR: **Mary Ellen O'Shaughnessey**
DIRECTORS: **Jan Anderson, Peter Czajkowski, Jason Hirsbrunner, Lashunda Hambrick, Alan Nudo, Charles Lansford**

ITEM

I. **CALL TO ORDER**

II. **ROLL CALL**

III. **APPROVAL OF AGENDA/ADDENDUM**

IV. **APPROVAL OF MINUTES**
June 14, 2010

V. **PUBLIC PARTICIPATION**

VI. **OLD BUSINESS**

None

VII. **NEW BUSINESS**
a. IDPH Report (Buffenbarger & Noffke)
b. Budget Assumptions for FY 2011
c. Management Report

VIII. **OTHER BUSINESS**

None

IX. **NEXT MEETING DATE & TIME**
a. August 9, 2010

XII. **ADJOURNMENT**

Attachments: Budget Assumptions for FY 2011, Management Report, Draft Salary Administration Proposal, Management Update

Board of Directors
Champaign County Nursing Home
Urbana, Illinois
June 14, 2010

Directors Present: Anderson, Hambrick, Nudo, Hirsbrunner, Lansford

Directors Absent/Excused: O'Shaughnessey, Czajkowski

Also Present: Busey, Scavotto, K. Noffke

1. Call to Order

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

2. Roll Call

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

3. Agenda & Addendum

On motion by Lansford (second Anderson the agenda was approved (unanimous).

4. Approval of Minutes

On motion by Anderson (second Nudo), the Board approved the minutes of May 6, 2010.

5. Public Participation

There was no public participation..

6. Old Business

There was no old business.

7. New Business

a. Revised Meeting Calendar

On motion by Lansford (second Nudo) the revised meeting calendar was accepted.

b. Budget Timetable for Fiscal 2011

The budget timetable was accepted as presented with discussion of assumptions set for the July meeting.

c. IDPH Report

Noffke updated the Board on the status of the recent rash of IDPH complaints. CCNH's appeal via Informal Dispute Resolution was successful. As a result, IDPH has recommended to CMS that Denial of Payment for the Medicare and Medicare programs end effective April 3, 2010. The fines and penalties still need to be resolved.

There is no guarantee that CMS will accept the recommendation of IDPH. As a result, the final resolution with CMS may remain unknown for another two weeks. It is important to note that the fines and penalties levies by IDPH and by CMS will need to separate resolution. Should IDPH accept the IDPH recommendation, then complaints 1, 2, and 3 are resolved. *(Legal counsel clarified on June 15 that there should not be a re-visit on complaint 3.)* Complaint 4 had no findings and was dismissed. Complaint 5, 6, and 7 are in the process of investigation but not appear to represent a scope and severity that would result in immediate jeopardy findings.

b. Management Report

Scavotto reviewed the financial affairs through April. As a result of CCNH's successful IDPH appeal, it is likely that April's statements will need revision. Specifically, $94k will be added back to net revenues meaning that net income for April should reflect a loss of $(49,408) rather than $(143,408). Year-to-date, the loss should be $(9,556) rather than $(103,556). A word of caution: nothing is official until CMS issues its findings.

Any mitigation of fines & penalties is likely to be reflected on the May statements.

Census for May continues to reflect positive developments. ADC for May was 206, consisting of 31 Medicare A, 98.2 Medicaid, and 76.8 Pvt Pay. Conversions from Pvt Pay to Medicaid numbered 399 days and should represent a revenue loss of approximately $24k on conversion from Pvt Pay to Medicaid status. (Assuming a difference of $60 between the average Private and Medicaid rate, which was the spread for April?) The number of conversions is significantly less than April's amount, but still higher than CCNH's historical pattern.

May's census figures represent an improvement from the fiscal year-to-

date payer mix. In particular, May's Medicare census represents 15 percent of total days versus 10.6 percent YTD; Medicaid came in at 47.6% for May versus 51.7 percent YTD.

Based on census alone, management is optimistic about May's results. Current census is at 209.

Progress on objectives is behind expectations, largely due to the IDPH issues.

8. Other Business

There was no Other Business

9. Next Meeting Date

Monday July 12, 2010, 6 pm.

10. Adjournment

Chair Hirsbrunner declared meeting adjourned at approximately 6:35 pm.

Respectfully submitted

Michael A. Scavotto
Recording Secretary

To: Board of Directors
Champaign County Nursing Home

From: M.A. Scavotto
Manager

Date: July 2, 2010

Re: Budget Assumptions/Parameters for Fiscal 2011

As I see the near-term environment for skilled nursing, I am characterizing Fiscal 2011 as a year of minimal revenue growth. The factors behind my rationale are as follows:

Revenues

1. Medicare updates will be minimal, perhaps even negative.

   CCNH will remain on RUGs 3.0 while the regulatory confusion surrounding RUGs 4.0 gets worked out by CMS. There are significant problems looming with this transition, not the least of which is the difficulty SNFs will have qualifying for high-level rehab reimbursement.

   Maintaining the current Medicare per diem of $410 will be challenging.

2. Medicaid reimbursement will be flat.

   Worst case – expect a Medicaid freeze imposed by the State.

   Better case – CCNH is able to hold its current rate, represented by a Standard Rate of $121.64 plus the 25 percent FFP of $18 associated with the still-to-be-negotiated Intergovernmental Agreement (IGA). That represents a total Medicaid rate of $139.64 for routine skilled nursing. (Hospice gets reimbursed only the Standard Rate.)

   What's at risk here is CCNH's performance under the Standard Rate, which can rise or fall depending upon quarterly coding performance. On the latest rate snap-shot, effective July 1 2010, CCNH has no defaults; its reimbursement went up. It will take continued diligence to maintain the rate.

3. Private Pay rates can be raised, but not enough to off-set the shortfalls created by Medicare and Medicaid.

   A comparative rate survey of area homes is attached, dated June 2010. For planning purposes, we are suggesting an increase of 3 percent.

Volume

There is nothing to indicate that CCNH can expect increased volume in 2011. Sure, we'd all like to see it, but none of us can make that forecast. So far for fiscal 2010, CCNH has hit its census target twice.

Recommendation for 2011: ADC of 195, same as 2010

Expenses

As always, salaries and benefits constitute CCNH's biggest expense. Health benefits and IMRF costs will be going up; the exact amount for health benefits is unknown at this writing.

Cash flow remains tight with accounts payable over 90 days at $1.031 million.

It is very likely that we can continue to exercise strict cost control over most non-labor items. However, there is no way CCNH can sustain any wage increase.

Recommendation for 2011: Wage freeze

Comparative Rate Survey

Nursing Home	Private	Semi-Private	Triple	Respite	Suite
Amber Glen	$165.00	$117.00		$125.00	$235.00
Heartland (Paxton)	$187.52	$169.18			
Helia	$178.00	$148.00	$138.00		
Illini Heritage	$115.00	$105.00			
Manor Care	$203.83	$174.28			
Meadow Brook	$356.00	$235.00			
Tuscola Health Care Center	$132.00	$119.00	$112.50		

Champaign Urbana Regional Rehab		
3-4 shared suite	$4850.00 a month	$159.45 a day
Semi Private with a shared bath	$5208.00 a month	$171.22 a day
Semi Private with a private bath	$5338.00 a month	$175.49 a day
Semi Deluxe with a private bath	$6119.00 a month	$201.17 a day
Private Suite with a private bath	$7780.00 a month	$255.78 a day
Private Deluxe	$8561.00 a month	$281.55 a day
Alzhiemer's unite		
Semi Private	$6531.00 a month	$214.71 a day
Private	$8561.00 a month	$281.55 a day

Jun-10

CCNH Rate History & 2011 Forecast

Rates						
Private Pay		**2009**	**2010**	**2011**	**Annual Increase**
Routine		$150	$155	$159	3%
Alz - Garden View		$174	$179	$184	3%
Alz - Garden View Court			$190	$196	3%
Hospice		$150	$155	$159	3%
Incontinence/Day					3%
Other Ancillary/Day		$4	$1.90	$1.96	3%
Adult Day Care		$65	$69	$71	3%
Medicaid					**Annual Chg**
Routine		$199	$ 198.79	$ 139.64	0%
Hospice		$118	$ 117.69	$ 121.64	0%
Medicare	Revenue	$ 398.52	$ 398.52	$ 410.00	
	Drug Per Diem	$ 25.00	$ 30.25	$ 25.00	
Medicare B		**2009**	**2010**	**2011**	
	Pts/ ADC	80	33	35	
	Net Rev/Pt/Mo	$300	$1,040	$1,103	

Champaign County Nursing Home
Fiscal Yar Ending 11-30-2011
Financial Pro Forma - Assumptions

Statistics	**2009**	**2010**	**2011**	**2011 Days**	**ADC**
Beds	243	243	243		
Average Daily Census (ADC)	186	189	195		
Resident Days	67,938	68,904	71,175	71,175	195
Occupancy	77%	78%	80%		
Payer Mix					
Private Pay	**37.0%**	**38.0%**	**38.0%**	**27047**	74
Routine	27.0%	30.0%	28.0%	19929	55
ALZ - Garden View	5.0%	4.0%	5.0%	3559	10
ALZ - Garden View Ct	5.0%	4.0%	5.0%	3559	10
Hospice	0.0%	0.0%	0.0%		
Shelter Care	0.0%				
SubTotal	**37.0%**	**38.0%**	**38.0%**	**27047**	74
Medicaid	**52.0%**	**50.0%**	**48.0%**	**34164**	94
Routine	35.0%	29.0%	29.0%	20641	57
ALZ - Garden View	11.0%	12.0%	11.0%	7829	21
ALZ - Garden View Ct	5.0%	8.0%	7.0%	4982	14
Hospice	1.0%	1.0%	1.0%	712	2
Shelter Care					
SubTotal	**52.0%**	**50.0%**	**48.0%**	**34164**	94
Medicare	**11.0%**	**12.0%**	**14.0%**	9965	27
Total	**100.0%**	**100.0%**	**100.0%**	**71175**	195

To: Board of Directors
Champaign County Nursing Home

From: M.A. Scavotto
Manager

Date: July 2, 2010

Re: Management Report

I offer a special note regarding this management report. CCNH won its appeal through Informal Dispute Resolution. As a result, Denial of Payment for New admissions ended effective April 3, 2010 with $94k in revenue still to be restored to the income statement. May's results, though positive at a gain of $91k, do not reflect any such restoration of revenue. There are still IDPH fines to resolve in the amount of $40k, approximately. When we get these matters resolved, we will adjust the income statement.

As I write this update, census has been running over 200.

Here's what's happened on admissions and discharges.

	Dec-09	Jan-010	Feb	Mar	Apr	May	June
Admits							
Pvt Pay/Insurance	12	8	10	17	4	8	1
Medicare A	18	16	6	23	21	21	24
Medicaid	1	1		1			1
Total	**31**	**25**	**16**	**41**	**25**	**29**	**26**
Discharges							
Pvt Pay/Insurance	11	13	17	13	11	14	8
Medicare A	11	7	5	6	9	12	14
Medicaid	4	1	1	1	3	1	3
Total	**26**	**21**	**23**	**20**	**23**	**27**	**25**

May's payer mix was 37 percent Private Pay, 48 percent Medicaid, and 15 percent Medicare. The Private Pay statistics contain 399 conversion days, many of which apply to prior months and which make meaningful comparison difficult. *CCNH does not admit Medicaid residents until they are Medicaid-eligible. These conversion days reflect*

residents who were admitted as Private Pay, have been paying as Private Pay, but have exhausted their funds and now must qualify for Medicaid.

May's results reflect a gain of $91k. Year-to-date, CCNH is reporting a loss of $(12)k which reflects both the government sanctions for April plus the full impact of all conversion days.

Private Pay revenues show the impact of the Medicaid conversions. Medicaid revenues were down while Medicare was the strongest performance CCNH has experienced in recent memory. *(Figures will not add to 100 percent.)*

	Mar-10	As Pct of Pt Revenue	Apr-10*	As Pct of Pt Revenue	May-10	As Pct of Pt Revenue
Medicare A	$326k	27.4%	$283k	25.2%	$433k	33.3%
Medicaid	$388k	32.7%	$540k	48%	$480k	37%
Pvt Pay	$434k	36.4%	$253	22.5%	$312k	24%

**April excluding impact of government sanctions*
Misc Revenue and Property Taxes excluded from calculation

Expenses were over budget by about $62k. Significant variances appeared in the following areas: salaries, utilities (electricity), and contract nursing. A curious phenomenon may be developing and we are watching it with great interest. Specifically, as we implement the Predictive Index, our applicant pool is smaller, creating the unintended consequence of increased agency usage. One can see this playing out in Nursing where Overtime was well over budget as were the use of Part-Time and No Benefit employees. Regular Full-Time Employees – in Nursing only – were under budget by about $20k; virtually every other Nursing labor category was up and management struggled to keep shifts covered.

Average daily census is showing signs of stabilizing. The recent history has been:

CCNH Average Daily Census
Dec 2008 thru Apr 2010
without bedholds

Dec	190.9	Aug	182.4
Jan 09	198.4	Sep	181.5
Feb	195.8	Oct	183
Mar	188.4	Nov	179.2
Apr	186.9	Dec	187.7
May	188.6	Jan-10	188.5
June	178.9	Feb	185.2
July	179.8	Mar	192.1
		Apr	195.9
		May	205.9

There is no question that census continues to be better than when we first began the turnaround effort. If you start with August, it looks like CCNH is picking up some speed. CCNH is a large facility with high fixed cost load; as a result, it has a high break-even point and census remains the critical factor in improving CCNH's position.

Medicare days were 976 in May for an ADC of 31.5, including the Medicare Advantage days, which does not pay on a par with traditional Medicare. Based on CCNH's recent experience, March's Medicare A volume represents a spike, but one that we'll take willingly. Here's the pattern:

Dec	884	July	442	Feb 10	471
Jan 09	938	Aug	485	Mar	803
Feb	755	Sep	470	Apr	741
Mar	675	Oct	528	May	976
Apr	540	Nov	448		
May	573	Dec	451		
June	396	Jan 10	644		

March's Medicare A revenues snapped our slump; April, without considering the government sanction, was better than many prior months, but not equal to March. In May, CCNH scored big, thanks to increased activity at Carle. Compare the results for Medicare A for the last 12 months versus the start of last fiscal year; we had been mired right around $200k and hadn't been able to get back to earlier levels, which approximated $400k.

Medicare A Revenues

First 4 months		Last 11 Months	
Dec	$379k	May 09	$211k
Jan-09	$396k	June	$195k
Feb	$313k	July	$179k
Mar	$308k	Aug	$198k
		Sep	$196k
		Oct	$226k
		Nov	$218k
		Dec	$209k
		Jan-10	$276k
		Feb	$208k
		Mar	$434k
		Apr*	$283k*
		May	$433k

*Without deduction for government sanction

As expected, Med B picked up in April reflecting $31k in revenues and continued to increase with May hitting $52k.

The Medicaid revenue pattern had been smoothing out. April's revenues reflected the receipt of a huge check for the 976 conversion days and that skewed things badly, as you will see below. In my March report, conversions amounted to 183 days, which is much more reflective of CCNH's normal pattern. May's conversions were 399, still high but nowhere near as dramatic as April.

When looking over the table below, keep in mind that CCNH went to the Standard Rate on October 1, 2009:

Medicaid Revenues Compared

Month	Net Revenues	Chg	Days	Chg
April	$633k		2885	
May	$596k	(5.8)%	2941	1.9%
June	$497k	(16.6)%	2725	(7.3)%
July	$538k	8.2%	2791	2.4%
Aug	$511k	(5)%	2652	(5)%
Sep	$561k	9.8%	2818	6.3%
Oct*	$382k	(32)%	3160	12.1%
Nov	$416k^	8.9%	2837	(10.2)%
Dec	$377k	(9.4)%	2937	3.5%
Jan 10	$430k	14%	2839	(3.3)%
Feb	$376k	(13)%	2788	(1.8)%
Mar	$389k	3.5%	2982	7%
Apr#	$540k	38.8%	2935**	(1.7)%
May	$480k	(11.1)%	3043	3.7%

**Medicaid revenues now recorded at net.*
^ Includes October's portion of certified costs
#Without deduction for government sanction
*** Without Medicaid conversion days*

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

Comparative Payer Mix
CCNH

	Dec-07 thru June	Sep-08 thru May-10
Medicaid	62%	50.0%
Medicare	9%	11.2%
Pvt Pay	29%	38.8%
Totals	**100%**	**100%**

The Medicare per diem has been consistently over $400. In January the per diem was $442; in February the figure was $428. In March, despite the high volume, the per diem dropped to $407. Without the impact of the government sanctions, the Medicare per diem dipped to $383; with the sanction, and as reflected in the graphs the follow, the per diem was $274. In May, the Medicare per diem was $444; this is by no means a record, but it is certainly respectable.

For the three months ended May 2010, the results of operations are posted below and include the impact of government sanctions.

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

	Mar-10	Apr-10	May-10
Medicare A	$326,417	$202,660	$433,080
Medicare B	$23,882	$31,245	$52,030
Medicaid	$388,912	$525,733	$480,162
Pvt Pay	$434,007	$253,218	$311,516
Adult Day-Private	$4,666	$8,234	$8,179
Adult Day-TXX	$13,108	$12,949	$13,122
Miscellaneous	$7,002	$3,595	$3,004
Property Tax	$80,973	$80,973	$80,973
All Revenues	$1,278,967	$1,118,607	$1,382,065
All Expenses	$1,228,928	$1,262,798	$1,290,299
Net Income/(Loss)	$50,039	$(144,191)	$ 91,766
Census	5956	5876	6383
Change		-1.3%	8.6%
ADC	192.1	95.9	205.9
Change		2.0%	5.1%
FTE	182.6	184	179

Cash position remains tight and this should come as no surprise even as census targets materialized in April and May. At April 30, cash was at $611k. The ending cash balance at May 31 was $951k. At June 22, CCNH has payable over 90 days of $1.031 million (excluding salaries, most benefits and FICA; including IMRF). Any way you evaluate this, cash position is still critical.

Month	Forecast High Balance	Forecast Low Balance
June	$1.240 million	$657k
July	$672k	$201k
Aug	$858k	$309k
Sept	$1.092 million	$266k

July remains an immediate concern because it contains three payrolls.

The following graphs provide a comparative statement of position for CCNH through May 2010.

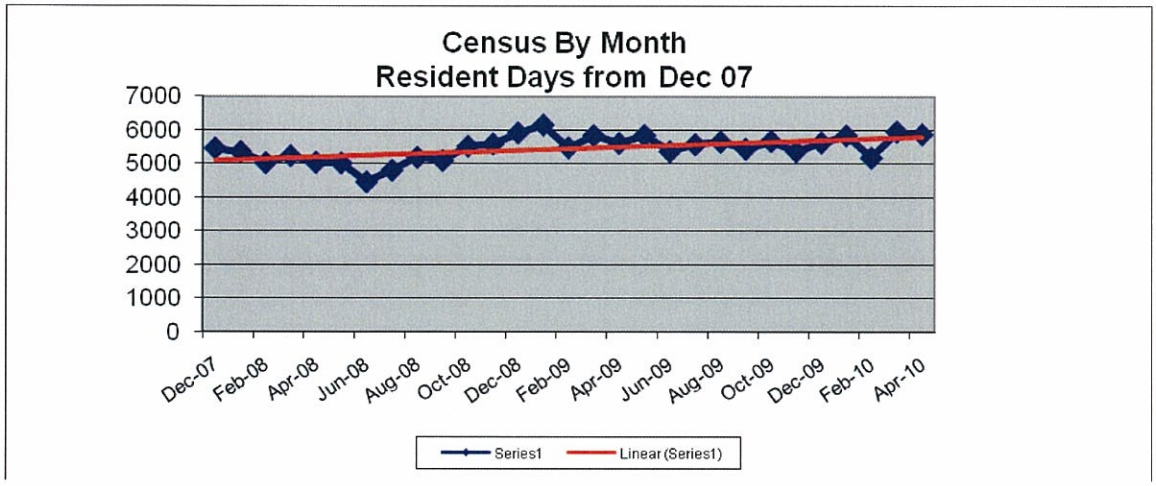
The solid line is a trend line for the displayed data and it should appear in red on your computers. (These graphs will display best when viewed on your screens.)

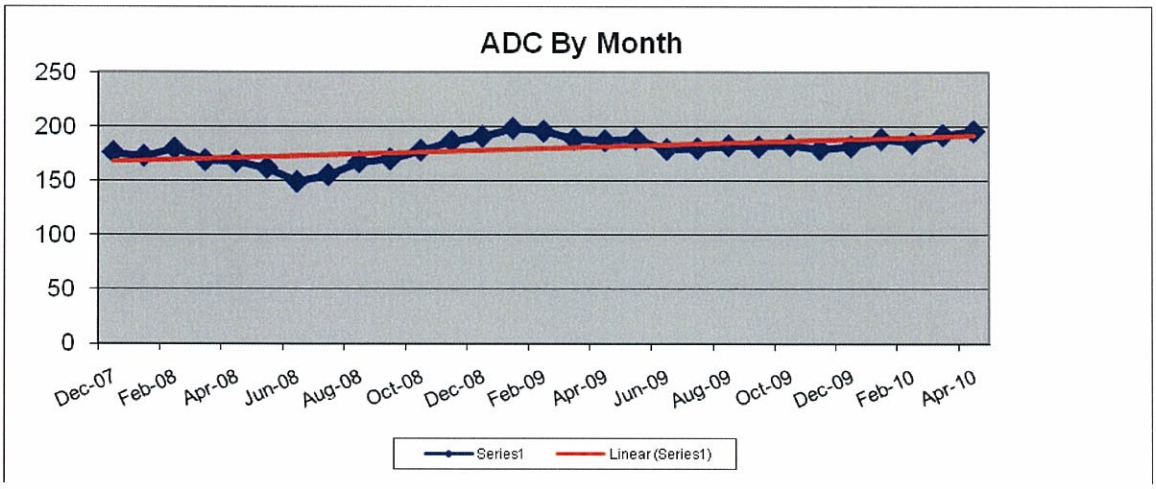
Census

Census continues to receive a lot of attention. Fiscal 2010 is off to a decent start with an ADC of 188.4 versus our target of 195. March has provided the strongest census this fiscal year with an ADC of 192.1.

Current Census by Payer by Month
(without bedholds)

Month	Pvt Pay	Medicaid	Medicare	Total
Aug -2008	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-2009	1906	3306	938	6150
Feb	1773	2955	755	5483
Mar	2102	3064	675	5841
Apr	2183	2885	540	5608
May	2332	2941	573	5846
June	2248	2725	396	5369
July	2342	2791	442	5575
Aug	2517	2652	485	5654
Sep	2156	2818	470	5444
Oct	1985	3160	528	5673
Nov	2092	2837	448	5377
Dec	2244	2937	451	5632
Jan-2010	2362	2839	644	5845
Feb	1926	2788	471	5185
Mar	2171	2982	803	5956
Apr	2200	2935	741	5876
May	2364	3043	976	6383





Revenues

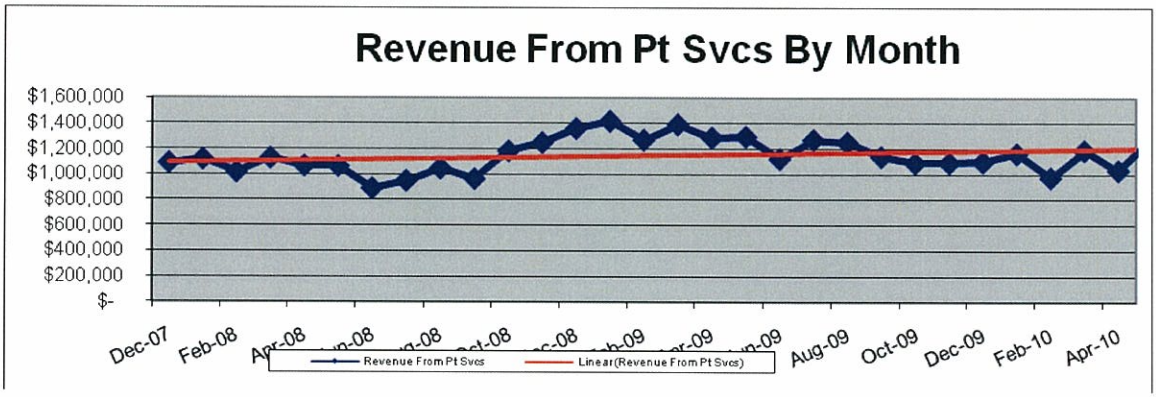
March's Medicare A activity reversed the sharp drop in Medicare volume that dates back to April 09. May was a great month for Medicare A with revenues totaling $433k – essentially a record performance in what has been a very difficult revenue segment to crack.

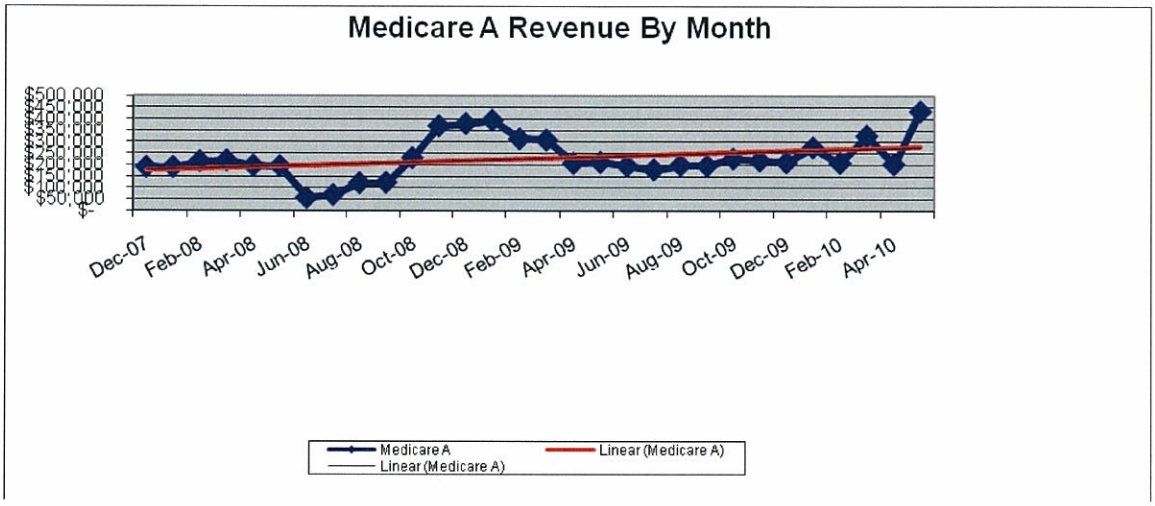
The Medicare per diem is a critical factor in building a better revenue base and we have significant improvements to make in our performance. For November and December, the per diem has been up - $486 and $465, respectively. January and February have followed

suit with $442 and $428, respectively. March was disappointing at $407; as noted earlier, Medicare Advantage's per diem is considerably less than traditional Medicare; at approximately $375 per Advantage day, the overall average can drop fast. The April per diem came in at $381. (Including the sanctions, April's per diem was $281.) May' figure was $444 – very solid.

The trend line in Medicare A is fragile. Because of better volumes in April and May, the trend is slightly up. Medicare census remains a critical ingredient to success and it also remains elusive. Also, take a look at the chart for Part B revenue; this classification continues to defy classification. The imposition of therapy caps played a huge role in reducing Med B revenues. However, with the recent removal of the therapy caps, Med B revenues bounced back in April and more so in May.

For the most part, Medicaid revenues continue to be stable. You will see from the graph that Medicaid revenues dived with the elimination of the old IGT program; however, our expenses also were reduced significantly. Generally, Medicaid revenues have been stable with some exceptions caused by conversions from Private Pay to Medicaid. As CCNH has had better total volume in April and May, Medicare has done much better and Pvt Pay has been holding steady.




Medicare A Revenue By Month
$500,000
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
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Dec-07
Feb-08
Apr-08
Jun-08
Aug-08
Oct-08
Dec-08
Feb-09
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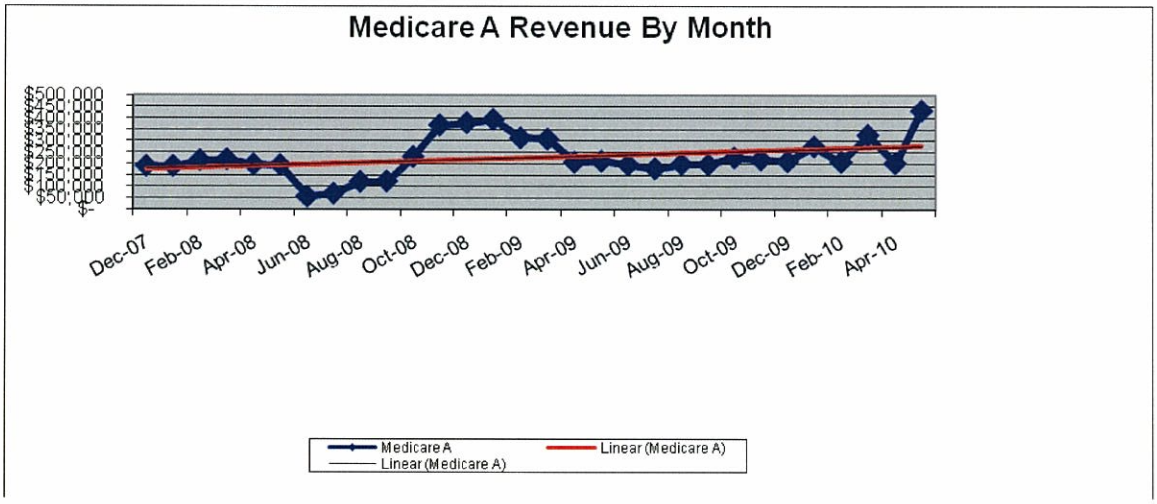
Medicare A
Linear (Medicare A)
Linear (Medicare A)


Medicare A Revenue By Month
$500,000
$450,000
$400,000
$350,000
$300,000
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Dec-07
Feb-08
Apr-08
Jun-08
Aug-08
Oct-08
Dec-08
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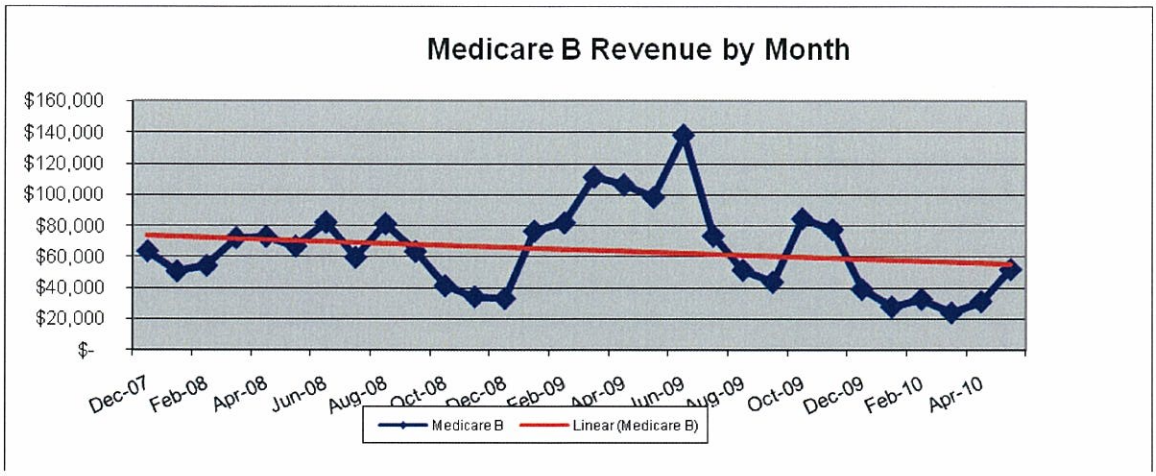
Feb-10
Apr-10
Medicare A
Linear (Medicare A)
Linear (Medicare A)


Medicare B Revenue by Month
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$-
Dec-07
Feb-08
Apr-08
Jun-08
Aug-08
Oct-08
Dec-08
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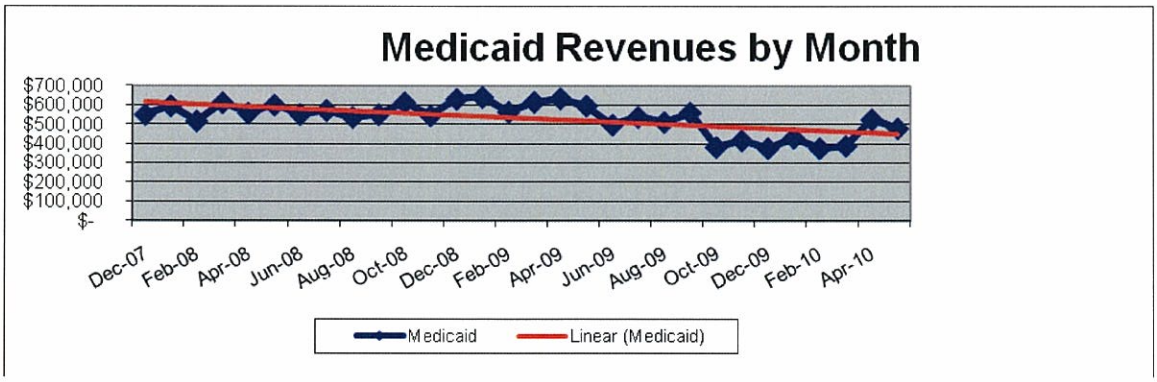
Dec-09
Feb-10
Apr-10
Medicare B
Linear (Medicare B)


Medicaid Revenues by Month
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$-
Dec-07
Feb-08
Apr-08
Jun-08
Aug-08
Oct-08
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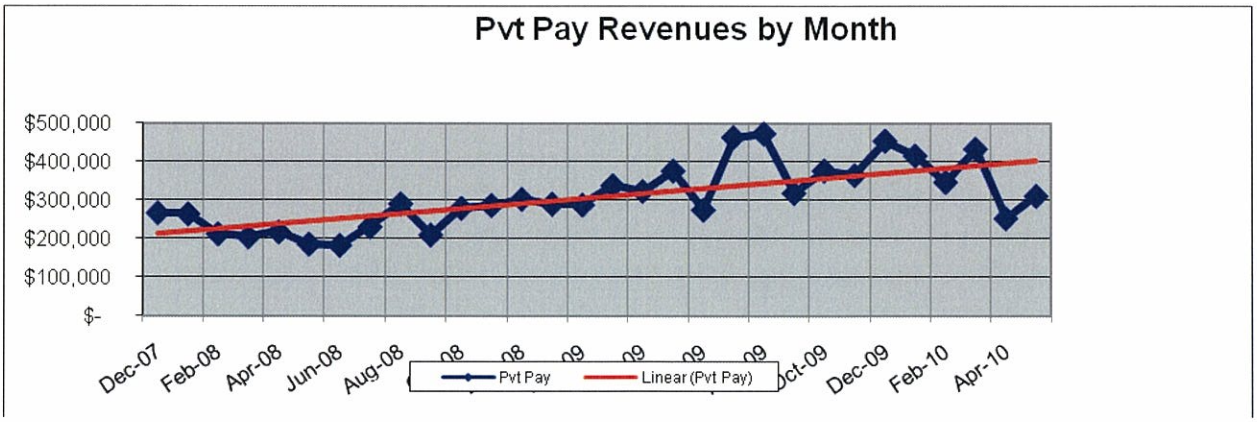
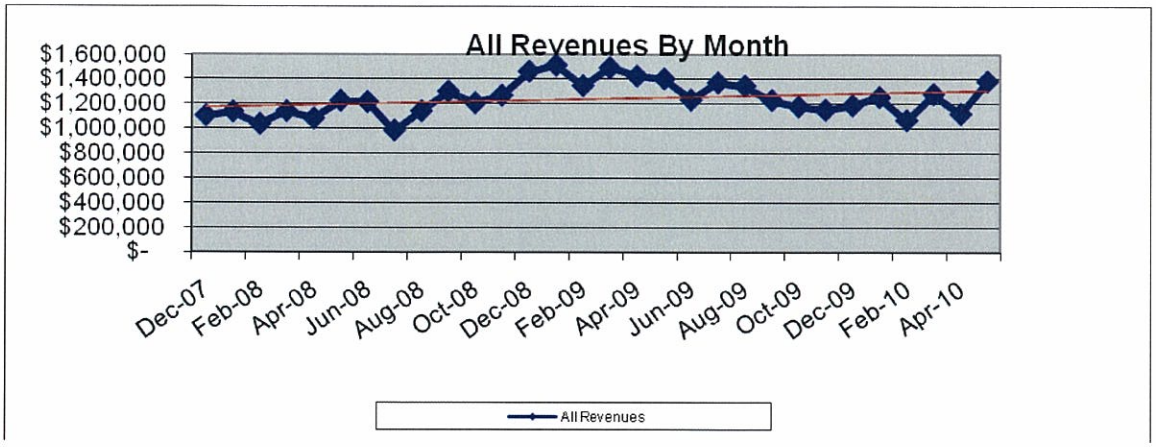
Feb-09
Apr-09
Jun-09
Aug-09
Oct-09
Dec-09
Feb-10
Apr-10
Medicaid
Linear (Medicaid)

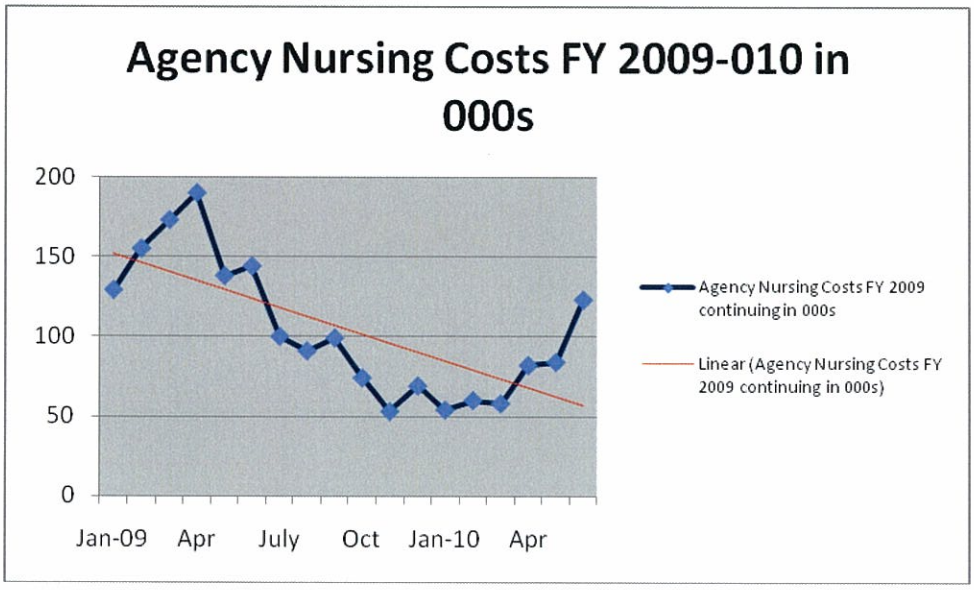

Pvt Pay Revenues by Month
$500,000
$400,000
$300,000
$200,000
$100,000
$-
Dec-07
Feb-08
Apr-08
Jun-08
Aug-08
Dec-09
Feb-10
Apr-10
Pvt Pay
Linear (Pvt Pay)



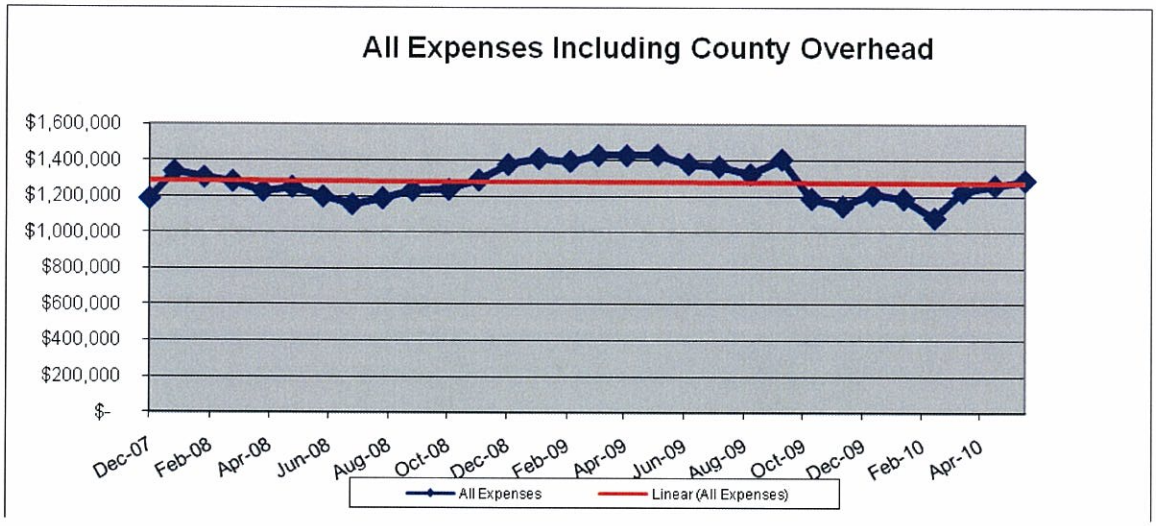
Expenses

CCNH's expense control continues to be pretty solid. In April, however, salaries were up over budget in several departments, but especially in Nursing Part-Time Employees, No Benefit Employees and in Nursing Overtime.

Other significant variances were Utilities (electric) and Contract Agency usage – which is a direct reflection of the difficulty experienced in covering shifts with CCNH personnel. Get ready for a shock because contract nursing costs spiked dramatically.

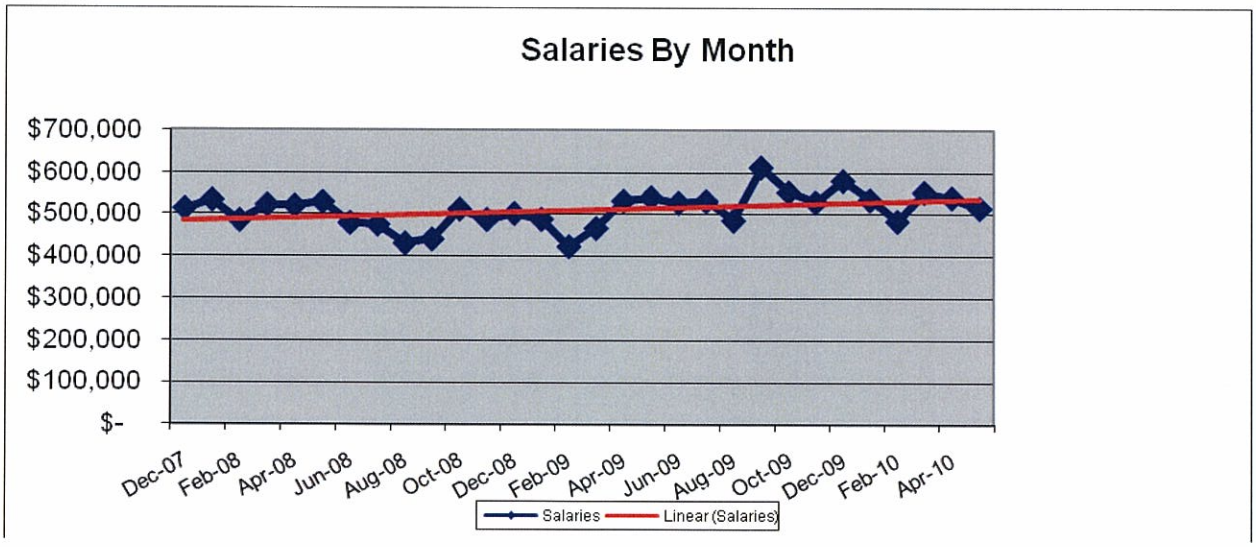


With the exceptions noted above, particularly in salaries, expenses were within reasonable limits. We will strive to get agency costs to lower levels. The figures since October 09 reflect the elimination of the transfer expense associated with IGT program.

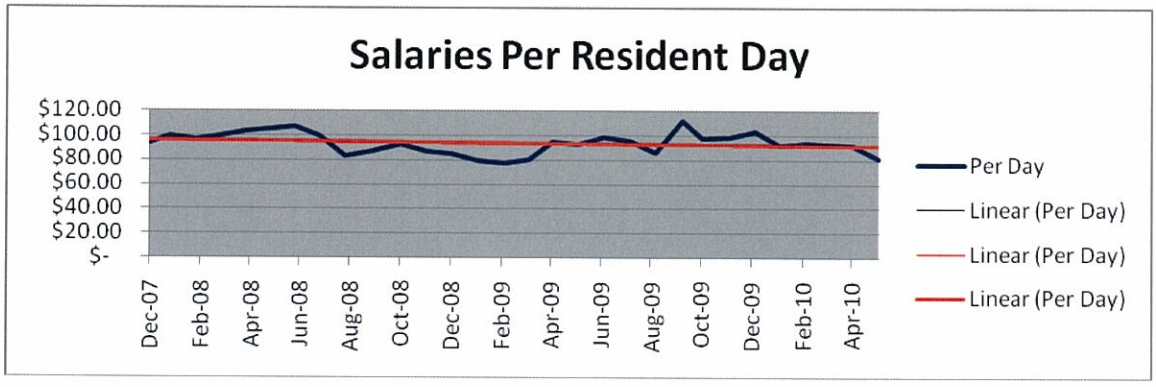


Salaries continue to be our biggest cost.

As we drop CCNH's dependency on agency staff, the current month May excepted, our own staffing costs are increasing. Graphically, the salary relationship is presented below.



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 *per day*, which – I would argue -include a large portion of total salaries, increase when volume declines. For Fiscal 2010, salaries per day average $95.50; *since January, the average is $90.18.* This last statistic is instructive as it points out the relationship between our own staffing cadre and agency usage. When agency usage is within our recent lower experience, our salaries per resident day run about $92. In May they averaged $80.83, which is a very significant decrease. Obviously, we benefitted from higher volume where staffing was more efficient; however, the variances in Nursing are significant and show clearly that we were not able to staff using our own employees.



Summary

Census continues to be the big determinant of success. April's census results were excellent; yet they are over-shadowed by the Denial of Payment problem. May's census was outstanding and so were the overall operating results. You can see the immediate and significant impact that results from higher Medicare census.

Cash remains very tight.

To: Board of Directors
Champaign County Nursing Home

From: M. A. Scavotto
Manager

Date: July 2, 2010

Re: Management Update

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

1. **Census:** CCNH's mix continues to improve. April's census of 196 plus May's great showing of 206 gives us a year-to-date average of 192.6. The goal is 195. We are certainly within striking distance provided the hospitals stay busy. We are direct beneficiaries of their discharge activity.

2. **Operations:** I remain in contact with Carol Wadleigh at the County Auditor's office. Carol was on vacation recently, so I need to re-invigorate the effort. The goal remains devising a software solution to financial reporting so that we can eliminate duplication of effort between the County Auditor and the nursing home.

   Our current difficulties with complaint surveys are serious. Our success with appeal aside, CCNH has just received at G citation for a laceration incident, emanating out of the last complaint investigation. At this level of deficiency citation, a G requires a re-visit which, in turn, increases the odds of surveyors citing additional findings. If that happens, the nightmare regulatory cycle kicks in again and we could be looking at a repeat of the past several months. The specific tag citation to be F323, which is a resident safety classification and which is sufficiently general to cover a multitude of errors. Everybody is on high alert.

   The complaints that have been submitted to IDPH tend to be family-driven and substantive. One can debate the degree of violation, but there does appear to be a legitimacy factor common to the complaints. We know that families have called in complaints; in at least one case, the family has mentioned the incident report, which is an indication that CCNH staff are likely to be involved. The message is that some families do not feel that their complaints are being taken seriously, despite the best efforts of CCNH to resolve them. (In every case that I have discussed *where dissatisfaction is known*, CCNH staff have been heavily involved with the family; so, there is a dis-connect somewhere.) Improving our customer service skills is of paramount importance and all departments will be brought into this effort.

Also, it's no secret that we are behind on our objectives; we intend to do better in the months ahead.

Regarding the IGT, we expect negotiations to begin in August. Our source on this is HFS itself. I'll keep you posted if and when anything actually develops.

It is becoming very apparent that future government revenues will be difficult to predict. Medicare updates are less than in prior years and, in some cases, will be negative. We are hearing talk of a Medicaid freeze in Illinois, which hardly comes as news given the State's budget position. The fiscal 2011 budget will be a challenge.

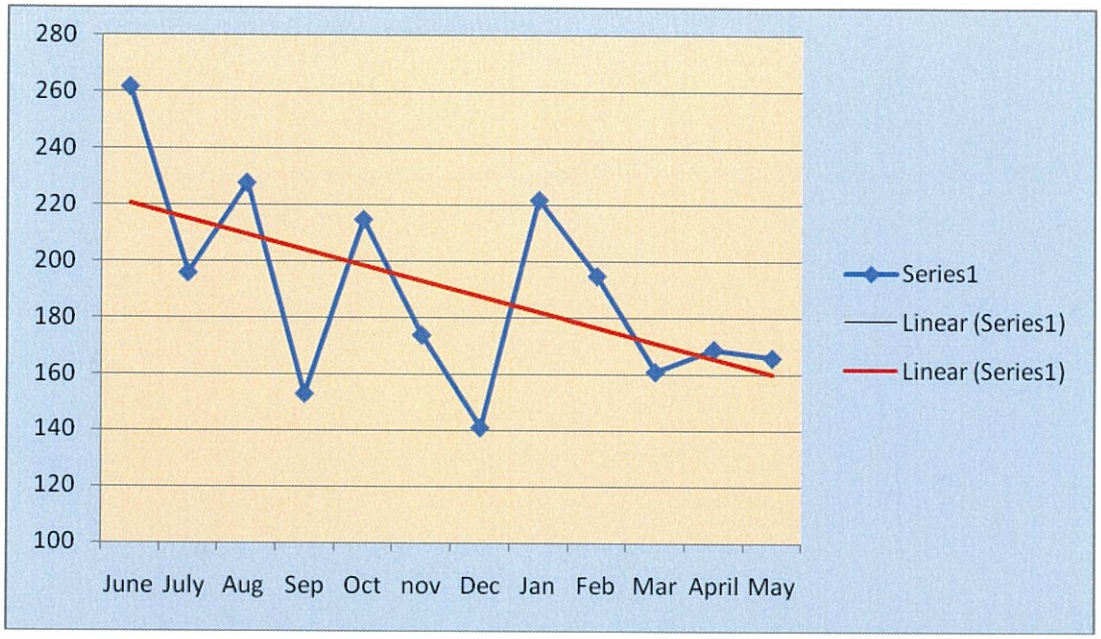
For the current year, fiscal 2010, we have received a request from the County that we increase our IMRF contribution by approximately $85k. CCNH is currently paying what is called the Phase-In Rate, which the County adopted for 2010. The idea is to move to the Annual Required Contribution Rate. We are seeing IMRF costs escalate for all Counties with some being as high as 11+ percent of salary; this is a serious budget concern but one that also gets to competitiveness in the market place. My sense is that we will be able to handle the extra $85k for 2010 if census stays up; give me a few more weeks before forecasting for 2011.

The first MPA Users' Group convened in Peoria on June 29. All MPA clients attended with the objective of commissioning a task force to develop a standardized approach to using the Care Watch software. Karen Noffke will be CCNH's representative and will make a great contribution. Several County facilities experienced "defaults" on the latest round of HFS rate setting; default is code for receiving the lowest reimbursement rate. Defaults happen when our process is flawed; on the latest HFS rate setting effective for July 1, CCNH had no defaults. The goal for the program is to derive a standard methodology for using the Care Watch application successfully.

We are working on a revised salary administration policy whereby the Nursing Home Board of Directors is responsible for CCNH's salary decisions. Our efforts are consistent with the County's use of the mid-point approach to salaries and with the use of point-rating to determine internal job equity. I hope to begin discussion on this in August.

3. **Employees:** The unscheduled absence position is looking pretty good; CCNH is showing a big improvement that appears to be standing the test of time.

Unscheduled Absences January 2009 thru May 2010



Here's a heads-up on what may be a developing issue. May's agency usage was back up to $122k and it reflects the inability to staff with our own employee group. Since agency usage had been declining, one must acknowledge that something changed; in prior months, CCNH had enough staff to do the job. (Agency costs started heading north in March and April, but they took off in May.) Andrew has an interesting observation, and it makes sense. Several years ago, drug testing was implemented and the applicant pool shrunk. May 2010 was the first full month for using the Predictive Index and it is quite possible that the applicant pool shrunk again. If that is the case, re-building our CCNH employee base is going to take some time.

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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.