AD HOC COMMITTEE ON THE FUTURE OF ROCK HAVEN

Minutes from May 10, 2023

CALL TO ORDER – Chair Mawhinney called the hybrid Ad Hoc Committee on the Future of Rock Haven meeting to order at 3:00 p.m. in the conference Room of the Department of Public Works.

COMMITTEE MEMBERS PRESENT – Chair Mawhinney, Supervisors Whitledge, Leavy, Rashkin and Richard and Community Member and Kolste.

COMMITTEE MEMBERS ABSENT – None

STAFF MEMBERS PRESENT – Natalie Rolling-Edlebeck, Nursing Home Administrator; Marilyn Burns, ADON; Kasey Strike, Administrative Secretary; Tonya Colvin, Business Services Manager

OTHERS PRESENT – Josh Smith, County Administrator; Dave Slusser, HR Director; Amy Spoden, Assistant HR Director; Jodie Surber, Financial Analyst; Sherry Oja, Finance Director; County Board Supervisors Mary Beaver, Tom Brien and Rich Bostwick; and Citizen Sheila Williams.

APPROVE AGENDA – With item 4C moved to the first item under section 4, Supervisor Whitledge moves for approval of agenda, second by Supervisor Richard. APPROVED.

APPROVAL OF MINUTES – Supervisor Whitledge moves for approval of April 26, 2023 minutes, second by Community Member Kolste. APPROVED.

REVIEW, DISCUSSION AND POSSIBLE ACTION

FINANCIAL AND OPERATIONAL ANALYSIS – Josh Smith, County Administrator reviews his memo regarding Fiscal and Operation Analysis and Next Steps (attached). There has been an increase in Medicaid and Medicare rates retroactive to July 1, 2022. The Medicaid rate in the prior year was $193.09 (estimated revenue of $5,563.228). Retroactive to July 1, 2022, the rate has gone up to $338.63 (estimated revenue of $9,887,996), for an increase of $145.54 (estimated revenue of $4,249,768). The Medicare rate increased $100.18 (estimated revenue $292,526). Combined estimated revenue increase in the 2023 Rock Haven budget due to these rate increases is $4,542,294. Increase is larger for Rock Haven than other facilities because Rock Haven has such a large Medicaid census.

Supervisor Rashkin joins via Zoom at 3:03 p.m.

Josh speaks on the Supplemental Payment increase. This is a payment county nursing homes receive from the state to make up for those Medicaid losses in the prior year. In 2021-22 the Medicaid rate covered about 49% of the cost of providing care and the 2022-23 rate will cover about 86% of the cost or providing care. The 2021-22 Supplemental Payment was $1,660,400.

The 2022-23 Supplemental Payment will be $3,828,600 and is split between the County's 2022 and 2023 budget years. We are expecting about an additional $950,000 from the Supplemental Payment in 2023.

Josh explains that Rock Haven is its own fund in the Rock County financial statements; therefore, any deficits and surpluses do not fall into the general fund, they stay in Rock Haven's own working capital. Even when factoring in the increases that would have occurred retroactive in 2022, based on losses Rock Haven would have experienced in 2022, the working capital is estimated to be in a deficit of $2.3 million.

Josh reminds the committee of the $7,388,202 from three County sources used to subsidize Rock Haven operations in the 2023 budget. By subtracting the combined estimated revenue increase due to Medicaid and Medicare rate increases and the Supplemental Payment ($5.49 million) from the three County sources ($7.4 million), it would imply that only $1.9 million would be needed from the three County sources to fund Rock Haven in 2023 budget-wise. However, adding that $1.9 million to the $2.3 million working capital deficit from 2022 that needs to be wiped out, would require a total of $4.2 million. We would like to use at least $4.2 million of the dollars budgeted this year to essentially break even.

Josh shares his recommendations that are based on this new information. His recommendations are listed in the memo.

Chair Mawhinney asks if we are paying for bed holds. Natalie Rolling-Edlebeck, Nursing Home Administrator says no, and explains that if a resident is on Medicaid we cannot charge Medicaid for the bed hold until 15 days have lapsed. If they have an HMO or Medicare, we still have to stop there because the HMO will have to go back for a reauthorization. If we were at full capacity (128), we as a county would be allowed to charge the bed hold rate.

There is a discussion about the recommended $1/hour add-on for all direct staff.

Supervisor Richard asks what it would take to open up the closed wing if the higher wage attracts more staff and everything is going good. Natalie says we have the referrals and discusses the number of nursing staff needed in the wing if opened. Josh asks the committee to keep in mind that the first thing we want to do is replace agency staff with Rock Haven staff.

Chair Mawhinney asks if Rock Haven pays CNAs for experience. Amy Spoden, Assistant HR Director answer that we can hire up to a 30-month step based on experience and anything beyond that are longevity steps so they would have to be with the County for that long to receive that.

Brief discussion is had on moving sales tax money.

Chair Mawhinney says the committee will hold off on this and put it on for the next meeting.

<u>ARPA PREMIUM PAY</u> – Jodie Surber shares a spreadsheet (attached) showing the estimated cost of Rock Haven premium pay using the premium pay calculations based on what was discussed at the last meeting. Changed to a total of $2,000 of premium pay per FTE. It would be 5 payments of $400 paid out every 4 weeks (every other pay period).

Jodie reviews the estimated cost of premium pay for those direct care staff that are ARPA eligible and those that are ARPA ineligible.

Jodie reviews the estimated cost of premium pay for the direct contact facilities staff. They are all ARPA eligible.

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Jodie reviews the estimated cost of premium pay for the facilities administrative staff that is ARPA eligible and the one staff that is ARPA ineligible.

Supervisor Richard asks to hear Natalie's thoughts about the concept. Natalie says sustaining the momentum of having a positive team has taken two years and a whole team effort. In a traditional nursing home, every assigned employee would be organizationally assigned to the nursing home. Rock County made the decision to keep Facilities under one to be able to care for all the other buildings. She does not think it is fair to say "the other folks" because "the other folks" are not working 24 hours with an expectation that they must turn a room around quickly. Natalie says she is always going to stand on it is a team approach.

Supervisor Richard says this was intended as a temporary measure to get to when the grid is implemented, and it seems to be a reasonable amount of money to yield some value to paychecks five times and asks for Natalie's thoughts on the overall concept. Natalie likes the idea of paying it out over a certain period because if an employee resigns, they don't get it. This also keeps reminding the staff that they are valued and appreciated, and it is to help them to get all the way to get the grid implemented. She reiterates that she thinks if we are going to do it for one, we should do it for all.

Community Member Kolste asks where the non-ARPA funds would come from. Josh answers that the non-ARPA money ($24,000) could come from the general fund and there is now the additional revenue in the Rock Haven budget that could be used.

Natalie requests that two HR staff members also be included in this premium pay bonus. They are the driving tool and help Rock Haven with interviews and hiring. Those are cross charges that Rock Haven would pay.

Supervisor Richard motions to implement the five-time bonus pay proposal, adding the two HR staff members. Second by Supervisor Whitledge. Community Member Kolste asks what percent of time the two HR staff spend at Rock Haven. Natalie says they spend more than 50% of their time dealing with Rock Haven issues. No other department is being cross charged for HR and Natalie thinks we need to show a little appreciation because they are doing the job. MOTION CARRIED.

<u>CONTRACTING OUT CERTAIN FUNCTIONS</u> – Josh says contracting was discussed at the last meeting, but we didn't move forward with it because Natalie was not here. Josh suggests that we roll the discussion of this into a future analysis for a third-party consultant. Now may not be the

right time given that contracting out certain functions would be a significant disruption and given the situation with the current revenue.

STAFFING AND SCHEDULING – Josh thinks this was about shifts and ways we could save money by doing different kinds of shifts. He doesn't think this should discussed this at this time. No one opposes.

CITIZEN PARTICIPATION, COMMUNICATIONS AND ANNOUNCEMENTS – None

NEXT MEETING DATE AND TIME – June 14, 2023 at 3:00 p.m. at the Department of Public Works.

ADJOURNMENT – Community Member Kolste moves to adjourn at 4:02 p.m., second by Supervisor Whitledge. SO ORDERED.

Respectfully submitted,
Kasey Strike

NOT OFFICIAL UNTIL APPROVED BY COMMITTEE.

Estimated Cost of Rock Haven Premium Pay Using FTE Listed in 12/5/22 Roster

Direct Staff

Rock Haven

Position	# of Employees	ARPA Eligible	Eligible FTE	PP Cost	ARPA Ineligible	Ineligible FTE	PP Cost
Activity Director	1	1	1.0000	$2,000	0	0.0000	$0
Activity Therapy Assistant	7	7	6.0000	$12,000	0	0.0000	$0
Activity Therapy Assistant Pool	1	1	0.4000	$800	0	0.0000	$0
Assistant Director of Nursing	1	0	0.0000	$0	1	1.0000	$2,000
Assistant Food Service Manager	1	1	0.8000	$1,600	0	0.0000	$0
Beautician	1	1	0.6000	$1,200	0	0.0000	$0
Central Supply Clerk	2	2	2.0000	$4,000	0	0.0000	$0
Certified Nursing Assistant	51	51	41.7000	$83,400	0	0.0000	$0
Certified Nursing Assistant Pool	23	23	9.2000	$18,400	0	0.0000	$0
Cook	7	7	5.4000	$10,800	0	0.0000	$0
Director of Nursing	1	0	0.0000	$0	1	1.0000	$2,000
Environmental Services Worker	15	15	15.0000	$30,000	0	0.0000	$0
Food Service Manager	1	1	1.0000	$2,000	0	0.0000	$0
Food Service Supervisor	4	4	3.0000	$6,000	0	0.0000	$0
Food Service Worker	16	16	8.7625	$17,525	0	0.0000	$0
Infection Preventionist	1	0	0.0000	$0	1	1.0000	$2,000
Licensed Practical Nurse	9	9	6.7000	$13,400	0	0.0000	$0
Licensed Practical Nurse Pool	4	4	1.6000	$3,200	0	0.0000	$0
Master Case Manager	1	1	1.0000	$2,000	0	0.0000	$0
Master Social Worker	1	1	1.0000	$2,000	0	0.0000	$0
Materials & Environmental Services Manager	1	1	1.0000	$2,000	0	0.0000	$0
MDS Registered Nurse	2	0	0.0000	$0	2	2.0000	$4,000
Nurse Manager	2	0	0.0000	$0	2	2.0000	$4,000
Nursing Supervisor	5	2	1.4000	$2,800	3	2.1000	$4,200
Registered Nurse	13	13	9.6000	$19,200	0	0.0000	$0
Registered Nurse Pool	4	4	1.6000	$3,200	0	0.0000	$0
Total	175	165	118.7625	$237,525	10	9.1000	$18,200

Facilities

Position	# of Employees	ARPA Eligible	Eligible FTE	PP Cost	ARPA Ineligible	Ineligible FTE	PP Cost
Rock Haven Crew Leader	1	1	1.0000	$2,000	0	0.0000	$0
Maintenance Worker IV	4	4	4.0000	$8,000	0	0.0000	$0
Total	5	5	5.0000	$10,000	0	0.0000	$0

<u>Administrative Staff</u>

Rock Haven

Position	# of Employees	ARPA Eligible	Eligible FTE	PP Cost	ARPA Ineligible	Ineligible FTE	PP Cost
Accounting Specialist	3	3	3.0000	$6,000	0	0.0000	$0
Administrative Assistant	1	1	1.0000	$2,000	0	0.0000	$0
Administrative Secretary	1	1	1.0000	$2,000	0	0.0000	$0
Admissions Coordinator	1	1	1.0000	$2,000	0	0.0000	$0
Business Manager	1	0	0.0000	$0	1	1.0000	$2,000
Medical Records Technician	1	1	1.0000	$2,000	0	0.0000	$0
Nursing Home Administrator	1	0	0.0000	$0	1	1.0000	$2,000
Nursing Staff Coordinator	1	1	1.0000	$2,000	0	0.0000	$0
Unit Clerk Coordinator	2	2	2.0000	$4,000	0	0.0000	$0
Total	12	10	10.000	$20,000	2	2.0000	$4,000

Facilities

Position	# of Employees	ARPA Eligible	Eligible FTE	PP Cost	ARPA Ineligible	Ineligible FTE	PP Cost
Administrative Assistant	1	1	1.0000	$2,000	0	0.0000	$0
Facilities Superintendent	1	0	0.0000	$0	1	1.0000	$2,000
Total	2	1	1.0000	$2,000	1	1.0000	$2,000

Premium pay per FTE: $2,000

5 payments of $400

Every 4 weeks (every other pay period)

Pro-rated by FTE

ROCK COUNTY, WISCONSIN

County Administrator
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Janesville, WI 53545
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DATE: May 10, 2023

TO: Members, Ad Hoc Committee on the Future of Rock Haven

FROM: Josh Smith, County Administrator

RE: Fiscal and Operational Analysis and Next Steps

Recently, the state Department of Health Services issued updated Medicaid and Medicare rates for the period July 1, 2022, through June 30, 2023. In addition, the Supplemental Payment, which provides additional funding to county nursing homes to help offset their losses from the Medicaid program, was increased for the same period. The result of these actions is that Rock Haven will be receiving significantly more funding than was anticipated for 2023 as budgeted.

Medicaid and Medicare Rate Increases

While we were aware of proposed rate increases as early as November 16, 2022, the actual rates are facility-specific due to such things as resident acuity. Therefore, we were not able to accurately estimate the level of the increase and its effect on Rock Haven finances until the final rates were entered into the state's payment system.

The table below shows the increase in Medicaid and Medicare rates, as well as the impact on the 2023 budget using the same assumptions regarding census and payor mix.

	Medicaid		Medicare	
2023 Budget	Rate	Estimated Revenue	Rate	Estimated Revenue
As Adopted	$193.09	$5,638,228	$478.68	$1,397,745
With New Rates	$338.63	$9,887,996	$578.86	$1,690,271
Increase	$145.54	$4,249,768	$100.18	$292,526

The combined estimated revenue increase in the 2023 Rock Haven budget due to these rate increases totals **$4,542,294**.

Rock Haven's estimated revenue increase is comparatively larger than other facilities because of its high Medicaid census, which in 2023 was budgeted at 80 of the 96 anticipated filled beds (or 83.3%). Medicare census was budgeted at 8 beds.

Supplemental Payment Increase

Because Medicaid rates do not cover the full cost of providing resident care, the state awards a Supplemental Payment to county nursing homes to make up a portion of this loss. The 2021-22

Medicaid rate covered about 49% of the cost of providing care (the 2022-23 rate will cover about 86% of the cost of providing care).

The 2021-22 Supplemental Payment was $1,660,400 and was based on Medicaid losses in the prior year. The 2022-23 Supplemental Payment will be $3,828,600, an increase of $2,168,200 that is split between the County's 2022 and 2023 budget years. We estimate the effect on the 2023 budget to be an increase of about **$950,000** as compared to the adopted budget.

Effect on 2022 Year-end Operational Results and Working Capital Net Position

In Rock County's financial statements, Rock Haven is considered an enterprise fund, which means it has its own working capital net position (fund balance) that fluctuates annually based on whether Rock Haven experiences a year-end operational surplus or deficit. Due to operational losses over multiple years, and even when incorporating the increased retroactive revenue from the rate increases and Supplemental Payment, we estimate Rock Haven's working capital balance to be in a deficit position of about $2.3 million at the end of 2022.

Effects on 2023 Budget

In the 2023 Budget as adopted, Rock Haven operations were to be subsidized by a total of $7,388,202 from three County sources:

- $5,064,564 in tax levy;
- $1,223,638 in ARPA lost revenue funds; and
- $1,100,000 in sales tax.

The combined estimated revenue increase due to Medicaid and Medicare rate increases and the Supplemental Payment total **$5.49 million**. All else being equal, this would mean that only $1.9 million would be needed from these three County sources to fund operations in 2023. However, leaving sufficient funding in Rock Haven's budget to, at a minimum, eliminate the working capital deficit would require that a total of $4.2 million remain.

In addition, there are many variables that could reduce the estimated amount of new revenue. For example, the $4.5 million that would be expected under the new rates based on assumptions in the 2023 budget will likely be less due to the average census thus far this year at Rock Haven being less than the 96 beds that were budgeted.

Conclusions and Recommendations

The increases in state and federal funding provide, at a minimum, short-term relief from the fiscal challenges facing Rock Haven in 2023. We anticipate Medicaid and Medicare rates to be similar for 2023-24, which would reduce the need to plan for significant changes in the 2024 budget as well. However, long-term challenges remain that, without careful planning, could impact the County's ability to support Rock Haven's operations in the future. The County should use this opportunity to develop a strategy to address the future needs of Rock Haven and skilled nursing in the community.

Based on this new information, I recommend the following:

1) Bring a resolution to the County Board to amend the 2023 budget to move the $1.1 million in budgeted sales tax from the Rock Haven budget to the excess sales tax account to be used for 2024 County highway construction and maintenance projects.

2) Leave the budgeted tax levy in the Rock Haven budget to account for unanticipated decreases in revenue (e.g., due to unfilled beds) or increases in costs, as well as to reduce the working capital deficit or increase net position if Rock Haven ends the year under budget.

3) Leave the $1,223,638 in budgeted ARPA funds in the Rock Haven budget. With the level of ARPA funds remaining unallocated countywide, this is a good use of ARPA funds that could provide future financial stability and flexibility to Rock Haven by increasing its working capital net position.

4) Use a portion of the anticipated revenue increase to provide an additional increase in wages for direct care staff, at an estimated minimum cost of $65,000 in 2023 and $266,000 in 2024 (see details below).

5) Proceed with bringing a resolution to the County Board for an ARPA COVID-19 premium pay program, which will help address wages until the new wage grid and the additional recommended increase can be implemented in October 2023.

6) Identify the scope of work and contract with a consultant to evaluate Rock Haven's long-term fiscal operations, develop a strategic plan that would allow Rock Haven to continue to operate under a reasonable tax levy commitment, and provide data on demographic trends and the future need for long-term care beds in our community. The 2023 budget included $75,000 for consulting services in anticipation of such a need.

If all these recommendations were implemented, and assuming that all other assumptions in the 2023 budget remain the same with the additional revenue increases noted, we estimate Rock Haven working capital would be, at most, in a positive net position of about $2.0 million at the end of 2023. This is similar to the pre-COVID net position in 2017 through 2019, which ranged between $1.8 million and $2.4 million.

Recommended Wage Increase for Direct Care Staff

In addition to the 3% cost-of-living adjustment (COLA) in 2023, Step 1 of the new wage grid represents an increase from Step 1 of the current wage grid by 17% for CNAs and 15% for RNs. However, Rock Haven has not been able to hire at Step 1 of its current wage grid, which limits the impact of the increases in the new wage grid for new hires. Overall, the increase in individual employee wages due to the COLA and the new wage grid ranges between 3.8% and 7.6% for CNAs and between 4.0% and 16.6% for RNs.

Despite these increases, wage competition in the market continues to increase. Because one intent of the increase in Medicaid and Medicare rates was to recognize these wage pressures, it is appropriate to use a portion of these funds to provide an additional wage increase to direct care staff and increase Rock Haven's ability to compete in the labor market. Consequently, we recommend implementing a $1/hour add-on for all direct care staff. This approach would provide an additional increase for CNAs of between 4.7% and 5.2% and for RNs between 2.3% and 2.7%, and it provides a comparatively greater increase to lower-wage staff. It should be noted that these cost estimates do not yet include overtime or pool hours worked, which would increase costs depending on how the new rule was written.