AD HOC COMMITTEE ON THE FUTURE OF ROCK HAVEN

Minutes from June 14, 2023

CALL TO ORDER – Chair Mawhinney called the hybrid Ad Hoc Committee on the Future of Rock Haven meeting to order at 3:05 p.m. in the conference Room of the Department of Public Works.

COMMITTEE MEMBERS PRESENT – Chair Mawhinney, Supervisors Rashkin (via Zoom) and Whitledge and Community Members Casares (via Zoom) and Kolste.

COMMITTEE MEMBERS ABSENT – Supervisors Richard and Leavy

STAFF MEMBERS PRESENT – Natalie Rolling-Edlebeck, Nursing Home Administrator; Kasey Strike, Administrative Secretary; Virginia Johnson, Administrative Assistant

OTHERS PRESENT – Josh Smith, County Administrator; Amy Spoden, Interim HR Director (via Zoom); County Board Supervisors Mary Beaver, Tom Brien, and Rich Bostwick (via Zoom)

APPROVE AGENDA – Supervisor Whitledge moves for approval of agenda, second by Supervisor Kolste. APPROVED.

Chair Mawhinney welcomes Community Member, Manuel Casares to the committee. Community Member Casares says he is happy to be here and hopes to be of service.

APPROVAL OF MINUTES – Supervisor Whitledge moves for approval of May 10, 2023 minutes, second by Community Member Kolste. APPROVED.

REVIEW, DISCUSSION AND POSSIBLE ACTION

ARPA PREMIUM PAY RESOLUTION UPDATE – Josh Smith says the County Board approved the resolution as recommended by this committee. Payments were a little late to be every other pay period. Staff will get the premium pay on the next two pay periods and then it will skip one and then staff will get it every other pay period until the end of September. Josh says Natalie Rolling-Edlebeck, Nursing Home Administrator sent out communications to staff to let them know.

Natalie shares the two questions that staff have had regarding the ARPA premium pay. Josh gives clarification on how premium pay for Pool staff is computed. Kasey Strike, Administrative Secretary has responded to those staff members that had questions. The response has been very positive and saw people get on the Health Service Committee call today and thank the Board.

RECOMMENDATIONS ON 2023 BUDGET FUNDING SOURCES – Josh passed out a copy of his May 10, 2023 memo regarding Fiscal and Operational Analysis and Next Steps (attached) which was shared at the last meeting. The memo included several recommendations that the committee wanted to go over the next time they met. He is looking for a recommendation from this committee as to which direction to go regarding items B, C, and D on the agenda.

<u>SALES TAX</u> – Josh reviews his recommendation regarding sales tax.

Josh says these are sort of interim steps to take based on what we learned about the additional funding. He explains the decisions specifically on sales tax, tax levy, and ARPA do affect the future of Rock Haven in so much as the more money that is left in, the more Rock Haven would come in over budget at the of the year and the more that would increase Rock Haven reserves, which is currently in a deficit.

Natalie speaks on CMS rescinding the mandation for employees to be vaccinated. She is hopeful that will bring more applicants. The referrals are there, we do not have the employees to open the fourth wing now. More Rock County employees means less agency staff. She believes the revenue stream would continue to come in once we get that wing open, if and only if we get those applicants.

Supervisor Rashkin leaves the meeting at 3:15 p.m.

Community Member Casares motions to strike #1 from the recommendations. MOTION FAILS for lack of a second.

Supervisor Rashkin joins the meeting via Zoom at 3:17 p.m.

Natalie says Rock Haven budgeted for 96 beds in 2023, so if the wing was to open, we know there would an influx in some costs such as food, pharmacy services, staff, etc. The rooms in that wing are in good shape, so there would be no increased costs to get the rooms ready.

Supervisor Rich Bostwick joins the meeting via Zoom at 3:20 p.m.

Community Member Kolste motions to return the excess sales tax to the excess sales tax account, second by Supervisor Whitledge. Discussion is had about whether the excess sales tax could be used for debt. Chair Mawhinney moves to make an amendment that the sales tax goes for capital projects, second by Community Member Casares. Discussion is had on capital projects and Josh clarifies that the intent of his recommendation is for capital projects throughout Rock County not just Rock Haven.

Amended motion. Ayes – Mawhinney and Casares. Noes – Whitledge, Rashkin and Kolste. MOTION FAILS.

Original motion. Ayes – Mawhiney, Whitledge, and Kolste. Noes – none. Abstained - Rashkin and Casares. ADOPTED.

TAX LEVY – Josh reviews his recommendation regarding tax levy. Josh clarifies that this is a source that can be used for capital projects if there is a surplus that falls to the fund balance and the fund balance balances in a positive.

Community Member Casares leaves the Zoom meeting at 3:30 p.m.

Community Member Kolste motions to leave the budgeted tax levy in the Rock Haven budget, second by Supervisor Whitledge. Ayes – Kolste, Mawhinney, Rashkin, Whitledge. Noes – none. ADOPTED.

ARPA – Josh reviews his recommendation regarding ARPA money and the pros and cons us using this money.

Community Member Casares joins the meeting via Zoom at 3:31 p.m.

Supervisor Whitledge motions to the $1,223,638 in budgeted ARPA funds in the Rock Haven budget, second by Community Member Kolste. Ayes – Whitledge, Kolste, Yuri, Mary. Noes – none. Abstain – Casares. APPROVED.

SUPPLEMENTAL WAGE INCREASES FOR DIRECT CARE STAFF - Josh reviews his recommendation regarding supplemental wage increases for direct care staff. Discussion on the estimated cost of this and who is considered direct care staff.

Supervisor Rashkin motions to use a portion of the anticipated revenue increase to provide an additional in crease in wages for direct care staff, second by Community Member Kolste. Ayes – Rashkin, Kolste, Mawhinney. Noes – Whitledge. Abstain – Casares. APPROVED.

CONSULTING SERVICES FOR STRATEGIC FINANCIAL PLANNING - Josh says that even with the influx of revenue from the rate increases we still need breathing room to not be in a stressful spot to have to figure what to do. He suggests using the time now to come up with a longer-term plan and bring in resources to help do that and give more stability to Rock Haven in the future. There is $75,000 in the budget for consulting services but it's hard to say how much those services would end up costing. Josh explains the process if the committee chooses to go this route.

Community Member Casares motions to adjust #6 from $75,000 to $35,000. Josh explains that there is already $75,000 in the Rock Haven budget for consulting services, but we could put a limit on it now or put a limit on it later after getting responses to a Request for Publication. MOTION FAILS for lack of second.

Community Member Kolste motions to proceed with putting together a scope for request proposals, second by Whitledge. Ayes – Kolste, Whitledge, Mawhinney, and Rashkin. Noes – Casares. Abstain – none.

CITIZEN PARTICIPATION, COMMUNICATIONS AND ANNOUNCEMENTS – Natalie announces that Kasey is leaving Rock Haven to take a position in the county she resides in.

NEXT MEETING DATE AND TIME – July 12, 2023 at 3:00 p.m. at Rock Haven.

ADJOURNMENT – Supervisor Rashkin moves to adjourn at 3:54 p.m., second by Supervisor Whitledge. SO ORDERED.

Respectfully submitted,
Kasey Strike

NOT OFFICIAL UNTIL APPROVED BY COMMITTEE.

ROCK COUNTY, WISCONSIN

County Administrator
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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.

<u>Medicaid and Medicare Rate Increases</u>
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.

<u>Supplemental Payment Increase</u>
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.

<u>Recommended Wage Increase for Direct Care Staff</u>
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.