



**COMMITTEE OF THE WHOLE - MINUTES
JUNE 19, 2012
5:00 P.M.**

MEMBERS PRESENT

Harriet D. Cornell, Chairwoman
Alden H. Wolfe, Vice Chair
Christopher J. Carey
Michael M. Grant
Jay Hood, Jr.
Patrick J. Moroney
John A. Murphy
Aney Paul
Ilan S. Schoenberger
Philip Soskin
Late:
Edwin J. Day
Toney L. Earl
Douglas J. Jobson
Nancy Low-Hogan
Joseph L. Meyers
Frank P. Sparaco
Aron B. Wieder

OTHERS PRESENT

Laurence O. Toole
Elana Yeger
Chris Seidel
Dave Bonk, CPA
Sean Mathews
Paul Brennan
Richard Maloney
Sue Rutledge
Chris Ludlow
Larry Sparber
P.T. Thomas
Damaris Alvarez
Suzanne Barclay
Ken Sincerbox
William Renc
Susan Sherwood
Mark Caren
Donna Pauldine
Waldermar Muniz
Joan Williams
Media
Karen Nicholson

Chairwoman Harriet D. Cornell called for the Legislature to move into the Committee of the Whole at 5:13 p.m.

Legislator Michael M. Grant moved to convene as a Committee of the Whole, which was seconded by Legislator Alden H. Wolfe and passed unanimously.

The Legislature now resolved itself into a Committee of the Whole, Chaired by Harriet D. Cornell to discuss the following resolutions:

A. COMMITTEE OF THE WHOLE

- 1. Referral No. 9485** – Continue The Review Of The Public Benefit Corporation Evaluation And Privatization Alternatives As Submitted By Toski & Company Dated May 17, 2012.

David Bonk, Project Leader

Yesterday Don Prior was here and covered the mental health recommendations from our report. I think one of the things that make this decision more difficult is the intertwining of the decision model of the hospital and nursing home together. There is a lot of data and what we want to do is simplify what the real decision model really looks like and use it as the backdrop. Hopefully it will assist everybody in the process of making their decisions

On pages 82-87 of the report are the eight recommendations. Item 1 and 2 covers the Department of Mental Health, which was reviewed yesterday. It is not until item 3 that we get into the impacts of the nursing home. (See attached recommendations).

Number 4 discusses hospital issues. When we get more into the nursing home this will become a little bit clearer how we arrived at this.

Number 5, if the decision is made to continue in operation or transfer the assets to a PBC or to an outside entity consideration should really be given to the CON, Certificate of Need, process, because that is an approved process from the State to go back and try to get money. In this environment right now it would be very difficult. When we talked earlier in other meetings one of the concerns we had as to why possibly Summit Park was not reaching utilization limits was because people really have a different perception of it. If you are going to keep it or if somebody else is going to run it what is going to need to happen is that entity is going to have to be rebranded so it gets out there in the community and is more visible than what it has been. The connotation of "safety net" is all we do and that is our primary focus has to go away if you are going to successfully compete in this market.

Number 6, if you move the operation out of the existing building what do you do with the building? There are potential options we included, but of course the other side is to leave it right where it is at. If you keep it, there is a need for renovations and modernization of the building to bring it up to speed for ongoing maintenance purposed over the next five to ten years. And we pegged that number overall in terms of the entire campus to be approximately \$19,000,000, which is not any kind of small change in any respect. About \$5,000,000 would be involved with the current nursing home and hospital portion of the campus. So really from our prospective when we are looking at it, even though you have other concerns campus wide, the real focus for us is really an additional expenditure of approximately \$5,000,000 over the next five to ten years for the maintenance of the building. That does not address any marketing or perception issues associated with its current location.

Number 7, discusses alternative recommendations if the Public Benefit Corporation is not approved. If Public Benefit Corporation is not approved by the State the facility should investigate other buyers or other people interested in running the nursing home as a hedge against future losses of running it at the County level. It could be transferred to a third party. It also falls to some extent in terms of transferring to a PBC, because technically when you are transferring the ownership of the nursing home and the hospital if you transfer it to a PBC then the PBC is technically a separate entity even though it is controlled by the County. As such, it is a transfer or a sale and money does flow back into the County as a result of the transfer of those assets. The other thing to consider is if a PBC did not work, if you are still deciding what to do with the facility, one of the other options would be to at that point look at creating a LDC, Local Development Corporation. We don't fully believe that is a long-range solution, but it allows the County to separate itself and get an inflow of cash to pay for some of the current operating expenses while some additional decision is made in terms of the long-range future of the hospital and the nursing home.

If you draw out the decision tree it is, do we keep it, do we get rid of it, do we divest, and how do we do that? Do we do it just straight out? Do we do it as a PBC? Do we look at an LDC if PBC is denied to protect the County's interests?

Chairwoman Cornell

You said with Number 7, if there was no PBC approval by the State we could investigate other buyers or, I think you said, transfer to a PBC.

David Bonk, Project Leader

Actually I meant LDC. I apologize.

Number 8, finally the other decision is to just keep it the way it is. What happens if you do that? Can you continue to operate it? Is the County willing to continually subsidize losses especially if the reimbursement environment gets tighter and tighter and inflationary pressures puts pressures on wages and other costs? If there is more funding necessary is that a risk that the County would actually want to take?

On the other hand, there is also the possibility that you can go in there with a turnaround mentality and clean out inefficiencies, and there are models to do that. Could you make it significant enough dent in the required subsidies every year to actually make it worthwhile to continue to operate it and to continue your mission?

Again, really the decision associate with the hospital and nursing home really stand with recommendations numbers 3 – 8.

If you recall in terms of the report each program was setup in a separate section. We addressed issues associate with the nursing home in one section, the hospital in another and mental health in another piece of the report. In each one of those pieces there were separate options listed and there was a discussion about what the impacts and implications were of each one of those options. The questions then is, if you take the nursing home side-by-side with the hospital and take each option sequentially side-by-side as they impact each the nursing home and the hospital, how does that affect your decision-making process? You can see that what happens is the hospital and/or the nursing home is really quite dependant on what happens with the other facility. When we did this report there was still question about the moratorium, but from all points of view that we have been able to investigate it looks like the moratorium is going to sunset with respect to transfers and creation of satellites effective December 31, 2012, which is a good thing, because now you have additional options.

If you want to move that to another facility by transferring it either through some kind of leasing arrangement or through some type of operating agreement while still maintaining ownership, but perhaps have the other hospital operate it and retain ownership. This is a possibility. It is also a possibility to just sell the hospital to somebody else or move it off campus or someplace else on the campus in a new building.

To some extent we have a few more options available to us. I have had a lot of calls and emails from people so there are obviously people out there interested and I think they are looking at it, because of the change in the moratorium now. It has created a new interest in the market. Where this comes to play is we have an older building and the hospital is sandwiched within the floors of the nursing home. As our recommendation states, if we were to create a new nursing home building to take advantage of the CON, increase value to both the County and to also a potential buyer, what do we do with the LTCH, Long Term Care Hospital? To maintain that and to add additional staff to support it by itself would actually increase your costs. In reality, that is not a great option. Should you choose to go down the route of taking advantage of the CON that will increase the value and create a different image for the County, which will change their market position and compete better, it now allows you the option of doing something else with the LTCH, Long Term Care Hospital. It can be moved, sold or you can continue to own it, but own it somewhere else at Nyack, Helen Hayes, Good Samaritan or whoever is the best candidate and mission and vision fits and is more closely aligned with the County's. The County could actually have some profit-sharing agreement, joint operation, or joint governance.

There were a number of different factors that impacted each one of these options whether to do nothing and hold on to the nursing home and hospital and what those impacts were and how they also impacted the hospital.

I will review the Recommendation Matrix (see attached).

Realistically on the size of the operation could you actually make some inroads into that \$2,75,000 operational deficit to create a breakeven situation? I think with some creative strategy that is possible. We are not saying that you should keep the nursing home, but it is something that is going to impact the PBC decision. If you transfer a poorly organized and inefficient organization to another entity that you are responsible for or that you have some ownership or oversight over you will just continue proliferating the problem, because you really have not solved the business model issue. I think when we talked in the first round of meetings and Scott had come out with his dual approach that we should investigate the PBC and there should also be an RFP out there to see if there was potential interest by outsiders in terms of purchasing. One of the things I had added into that was streamlining the organization and trying to cutback, bring the costs down and increase the revenues. There is going to be a period of time, no matter how fast you accelerate this process given the pressures you have seen recently with the finances in Rockland County, to bring these costs under control and try to bring this entity into at least a breakeven situation so scarce resources in the County can be used better in other areas. As you improve operations it generally adds value to the organization. If you are going to put the facility up for sale or if you are going to transfer directly to the PBC you have already created the footprint for a more efficiently operating organization and one that is taking a different perspective in terms of marketing, etcetera.

A lot of people look at the acceptance of the status quo, which would require additional funding of \$18,000,000 as a lot of money, but the key takeaway here is that two of the components of that \$18,000,000 are going to stay around no matter what decision you make and that is the \$9,350,000 OPEB, Other Post Employee Benefits, and cost allocations. I think cost allocations can be reduced and you will probably see some of that as the result of the layoffs and other things the County is doing. There will be trickledown in the cost structure of the County, which will then get allocated to the nursing home and hospital and will reduce those costs. No matter what you do you still have a relatively significant piece associated with OPEB and also with the cost allocations. The OPEB for the hospital was \$2,800,000. So together you are talking about a \$12,000,000 ongoing issue in terms of expenses. That is something that really has to be considered as we go through things.

When we looked at basic direct service costs we found that you were at the medium. So 50% of the organizations that you compete against are higher and 50% are lower. You are kind of dead center, but unfortunately your location in the downstate area puts a forceful pressure on salaries and benefits for people due to the cost of living and property prices in this area. That is going to be an ongoing battle and part of the problem you run into with a nursing home is that even under the newest methodologies from the State they don't adjust for this. There is a trend factor in it and that is the number the State uses to balance its own budget. With the Medicaid portion of the budget getting larger and larger every year one of the only area the State has to control how much dollars are spent in providing services is by to ratchet back that trend factor. If you really think about it there is no rational basis for it. You have people being paid by the hour and they are paid on a grade bases and that grade will increase very year even if you maintain utilization you are going to continue to lose money at a higher rate, because those reimbursement rates are not keeping pace with the cost of providing services. That is a dilemma not only for the County, but also for the not-for-profits.

We are seeing more and more single nursing home owners not knowing what to do and they can't stop the losses each year and they do not see an end in sight so they want to sell the facility and get out of the business. A propriety owner, unlike the County using tax money to subsidize, is going to have to take money out of his own bank account to subsidize the shortfall in the reimbursement that is paid to them by the State. If you are already paying taxes to the State and Federal government what is your incentive to subsidize an entitlement program? If you are in there to make a profit you shouldn't be subsidizing the health care industry. The proprietaries are struggling.

In the past not-for-profits had very good contribution levels from people through grants or direct support. With the recessionary trends they have seen that go away. Now the not-for-profits are in the same position with shrinking margins or negative and they don't know what to do with their facilities. Everybody is kind of in this dilemma. If you look nationally it is the position the individual nursing home owner is in.

The owners of 30 and more nursing homes they only need one Chief Financial Officer. If you divide a Chief Financial Officer's salary by a 200-facility system it is much smaller than an individually owned nursing home paying for the Chief Financial Officer, etc. A lot of people take that upper management piece out of the operation and place it at the corporate level so they are only paying one high-ticket salary and then they have supervisory people in different locations. That is the way they have been able to make more of a contribution to their profit than the standalone facility. There is also the issue of buying power. Owners of multiple facilities can leverage supplier contracts and cut deals.

These are the things we think about when we access the market or we access strategy and positioning of a facility. Can you successfully do in it singularly? Yes, there are people that still do it very creatively. You have to have a real pressure on cost.

The HEAL funding under the proposal for a reduction in beds could potentially offset some of the historical legacy costs of the organization. It doesn't appear at this point that it will come to fruition for Rockland County. Any hope of utilizing some State money under the HEAL-21 Program is pretty close to zero right now. We are not going to have that ability to offset some of the legacy costs even if we were to convert some beds. There are conversion methodology methods out there that impact rates and it is possible to go back and revisit that with the State and see if something can be worked out rate wise as an enhancement to the rate as a result of reducing beds if the State was intent on reducing beds in this area.

Improvements in the Information Technology infrastructure are one of the key issues. When you are analyzing a nursing home and/or hospital it is a value change. Every activity you take from every input to the point that it gets to the consumer you have to look at what value is added by each one of those processes. The easiest way to create value is to increase efficiency. If you have managers that are spending time writing reports or you are spending a lot of money on additional programming to do customized reports, because you have a hard coded system, you are spending more money than you should be. You don't have to necessarily have to do research and development internally if you have third party vendor software, which is supported by them. It has been tested in a number of facilities and people know what they want. It is designed in such a way to give useful information to people that are managing. That is ultimately how you maximize the value and the quality of the product that you get to the consumer.

You are a little bit handcuffed by the nature of the union contracts. A lot of the propriety entities and not-for-profits do not have unions. As a result they don't pay post-retirement benefits. In fact, the most current employees get very little contribution from the employer towards their benefits. Typically if you were to look at the market those employers pay slightly under the same level that we are seeing out here right now. There is nothing wrong with that. If you have a good employee the model should reward people that do a good job. There shouldn't be an entitlement that because you worked three years you are entitled to get "X". That model went by the waste side a long time ago and nobody does that or very few companies do. A recent study suggested that only 20% of employers on a national level contribute anything to post retirement health care benefits and regular health care benefits to employees. So if you are paying 80% to 100% of the benefits for your employee and there is no contribution on the employee side you are in that 20% of the population that is doing it, but 80% of your competitors are not. Again, good benefits is a great idea if an owner can compete freely in the market instead of having government intervention and making a profit then I could share that with my employees. When I have a government entity with its hand in the market depressing my reimbursement I can't do that, because my margins are too low and I can't compete against my competitors. We are adding cost to a system that really doesn't need any more costs added to it. It is a deficiency in the system. It is nothing against the unions. It is nothing against the intentions of the County or where this all started. We are in a really bad health care system right now that doesn't do a lot of things like rewarding people for being inventive and it doesn't give you incentives. There are no incentives for companies right now to go out there and really produce a quality product.

The current thinking is that you really have to look at the specific illness and the diagnosis and you have to build your processes around that not under the assumption that you are running a nursing home and this is how a nursing home runs. You have to create value at the diagnosis level with your processor. This is a whole new way of thinking. If you are going to stay in a status quo situation that is the kind of forward thinking that has to take place and the kind of decision models that have to be put in place. It makes it difficult if you are a government and you have all the regulation and charters. That was a huge reason why our recommendation pushed toward the Public Benefit Corporation. It gives a little bit more freedom to the Public Benefit Corporation to make those kinds of decisions on its own outside of the governmental intervention and regulations associated with the local government.

Chairwoman Cornell

I think this is valuable, Dave. Can we move a little bit more rapidly to get to some of the other options?

David Bonk, Project Leader

I really wanted to hit on what is going to stay around. The Department of Health should ask for an extension of the CON approval for construction of a new hospital. That is either predicated on keeping it in that kind of environment or once investments were made in the nursing home to build it if the County desires to sell it, it would be more marketable. It would be a new facility, more amenities towards the more modern way of thinking about how care should be provided in a home based setting and that creates value and marketability. The problem with that is if reimbursement is going to continue to decline and your investment increases your return on investment goes down. Because the direct operating portion that pays for the people and the supplies to care for people is being ratcheted down your return on investment goes down. What is the incentive for an owner to do that? That is the big question.

You have a jewel in that, because it is kind of hard to get right now. Albany got shot down twice. It is a very difficult, costly and time-consuming process. What forces your position in the market? Barriers to entry happen to be a huge factor in the decision model. In New York State, because there is a CON process, somebody can't just open a nursing home. They have to go through a whole regulatory process. That is a very key piece of the puzzle if you are either staying or selling, because it is a very valuable thing to have, but the return on your investment is not really there at this time. I think asking for an extension should be started sooner than later, because the CON approval sunsets in November. You should have some meetings with the State to see how open they are to some type of extension on that. Given all the other conditions that are happening out there in the health care industry in the County with respect to bond ratings and everything else see if you can get an extension so you don't lose it. You don't want really go back and reinvent the wheel again.

The Public Benefit Corporation again, it all leads to that. To segregate the facility from the government regulations, charters and approval processes; the only way to get the facility away from that is through a PBC otherwise you lose control of it. If you look at the PBC's everyone starts a PBC to protect the employees and protect the wage levels and for three years they continue to operate at the same levels they have been trying to get away from. If that is a conscious decision to take the path of a PBC then you also have to make the conscious decision that you are going to be funding almost the same level of expenses for whatever period you agree on unless there is some changes made in the business model and that is why the business model is key. Even though you are considering a dual track, why it is really important to add that third track is to get into the operations and look at it to see what can be eliminated, streamlined and made better. Nobody is saying to go in and do a hatchet job, reduce quality and make the place worse. The key is selectively going in there and understand the processes and make it work like a well-oiled machine. You may not be able to get the perfect benefit out of it at this point, because you still have the attachment to the County processes, but you set the stage for it to go out on its own at some point in a much better condition than what it is in currently. If you can reduce that \$2,700,000 non-legacy cost portion of the loss it is much better for the County as a whole. The money can go towards the capital improvements that are necessary in the building, other expenses that need to be paid or another department that could benefit.

We will get more into that tomorrow. We will incorporate it into the whole decision process.

We put the Local Development Corporation out there as a stopgap measure should you be stuck where you want to divest and the PBC is not going through so what do you do in the meantime? That is a safety net measure that could be done relatively quickly. It basically spins off of a not-for-profit organization. You sell the assets to the LDC, but you continue to own the operation. As part of the sale the LDC pays off the County with a bond to cover some operating expenses and anything else. The end result is the LDC has significant debt level to it, but that is a stopgap measure to the PBC. It could be done if you are looking at the option of divestiture. We would only suggest it at that point. If you are concerned or you make the conscious decision to keep it I would say that is probably not the way to go, because you are just going to increase your debt load, which you don't want to do when you are already losing money.

I think the overriding factor or the way I would approach it if it were my decision as a Legislator is to question what my real responsibility was in this area. Do I really need to provide these services? Do I need to provide the access to those services? Can I make sure I have enough providers in the County that could provide quality care and take care of my constituents and residents, but not actually have to get involved with the day-to-day management of it? Those are questions that everybody will have to do some sole searching and that is a decision the County will have to make. There are not many counties in the State that still have nursing homes. They are dropping every day too.

Obviously counties have been able to cut themselves off from that need to maintain the facility. Now we have a system whereby when people get old they need care and either you will provide it or somebody else will. Even if I am a private pay person with \$100,000 and only 50 years old and need long-term care the money will get eaten through rapidly and will be put on Medicaid in a very short period of time. There have been a lot of savvy things done with rich people that have been able to move money into trusts and only spend a couple of months in a nursing home before they are qualified for Medicaid. They have tried to close the loopholes. Another ethical issue is should you be able to maintain your wealth while in a nursing home using services being paid for by the public basically or should you really pay for it as a private pay? Maybe the government will address that at some time.

The average stay in a nursing home is 2.5 and 3.2 years. We have come to believe that Medicaid is the safety net population, but it is not. It is really the majority of the population out there these days. There are some other portions of the population that wouldn't qualify for Medicaid, because they are in the country illegally and in that case somebody has got to still provide care and that is really more of your critical safety net population.

Another factor is the mission of the County or the operator. You can actually deem yourself to be a safety net provider. When we dug into the number we don't believe you have 80% of your facility with the improvised poor that don't have Medicaid or another source of income for them so you are basically providing charity care. If you try hard enough there are places that will take them too.

One of the things you have to be really careful of is as we get into these home based care situations and similar types of services come online where lower level of acute patients can be placed in the community those people can actually be placed in certain types of group homes. That is where the emphasis is, to get those people into a residence type of situation and out of an institution. You will really see that population shrinking smaller and smaller. It is kind of the belief behind whether or not you should be in the business or not.

The problem with the sale is that it takes a while. If you agree to a sale today you have to go through the approval processes. It could take upwards of 18 to 24 months assuming the buyer has a good relationship with the Health Department. It can happen a little bit faster, which we have seen. The minute you say sale the population of consumer leaves and once they leave your utilization goes down. You can lay off people, but you still have to provide services so your costs are still there. The longer it extends the more expensive it becomes to try to do that. The only way to really get around it is to bet out in front of it. You have to talk with the community before you do it if you want to take away the potential of losing a lot of money as a result of that. Ultimately you get the windfall of the sale, but again the legacy costs continue. The \$9,350,000 in OPEB will continue every year even though you don't have the nursing home. It will go down over time, but predominately it will be hanging around \$9,000,000.

We do not believe closing the facility is a good idea. If you are going to close it you might as well sell it, because you basically going to get no value for anything so you at least get something on a sale. Closing would be the worst-case scenario if you needed to exit the business quickly. There is a value to selling it, because whatever you get you can put toward your legacy costs.

Those were predominately the recommendations on the nursing home.

The hospital is intertwined to that, because the decisions you make with respect to the nursing home now affect the hospital. If you close the nursing home, but want to keep the hospital open you have to think of how to staff maintenance, housekeeping and everybody else. If you do that the full cost of staffing those shifts will now have to be offset by a smaller profit producing strategic business unit – the LTCH, Long Term Care Hospital. It is very difficult to pull out the nursing home from the building it is in and still maintain the LTCH on a profitable basis. We estimate it at the end of 2012 it was probably throwing off somewhere in the neighborhood of \$750,000 to \$1,000,000 breakeven net income. There are indications that some of the rates are going to come down on that. There are a lot of questions about what is going to happen down the road. We will talk about that tomorrow.

The decision you make on one impacts the other. You could logically, for example, move the nursing and build a new nursing home, but you still have the LTCH in the current building. Probably at that point you make a decision alternatively to sell the LTCH or move it to another location, still retain ownership and enter into an operating agreement for someone to operate it. Maybe they purchase it through a long-term contract. These are options. You also have a CON to build a new hospital, which is a lot more risky, because you build a hospital building or an addition onto the nursing home to house the hospital and there are still questions about how the LTCH will be treated down the road. If MedPAC and Congress decide that LTCH should be paid the same as general hospitals the premium and the benefit of the LTCH is going to go away. You are going to get paid the same as a general hospital. On the other hand, the other option would be for MedPAC and Congress to for that select type of procedure the LTCH provides we are going to make it far and square between all providers and pay the hospitals the same amount. In that case you would still get the reimbursement at your current levels and it might make sense to move it.

What you do with the nursing home will impact what your decision tree looks like with respect to the hospital.

Chairwoman Cornell

Dave, does it make sense to take questions now on the nursing home?

David Bonk, Project Leader

Sure.

Mr. Meyers

Your group did a report with respect to Orange County where you recommended the sale of the nursing home. In Rockland County, because of the LTCH, you thought it was more palatable to do Public Benefit Corporation. But if you could transfer the LTCH beds to Helen Hayes, for example, and house it there under an agreement then would you recommend, because the Long Term Care Facility wouldn't be part of the equation any more, to go the sale route rather than the Public Benefit Corporation route as you recommended it on Orange County?

David Bonk, Project Leader

It is a hard question to answer. If you can create a situation like the models out there that are making money you could probably move to a PBC and be okay with it. The \$2,700,000, while it is a big number, there is a lot of play in there. You have a lot of things that you can scale back on if you were just operating a nursing home if you ran it exactly like the profit making nursing home model. I think you have a great location. From a per capita standpoint your markets there, but you need to reestablish yourself.

Orange County was a totally different situation. Year ago they created a management contract with a company out of New York City. One of the players is an attorney with deep pocket and the other person is an administrator and a proprietary owner. The way the contract was written they were actually given the right of first refusal should the County ever decide to go out of the business. Costs skyrocketed and when asking questions you find out that the guy is never there and things aren't happening. It was a bad management situation and they had lost a lot of money, the building and campus is aging. The dollar value of the contract was astronomical. I looked at that and I almost fell off my chair. It was inconceivable that you could pay three people that kind of money to run a nursing home. It was a totally different issue than yours; it was like get out of there as fast as you can, because it was a long-term contract.

The other part of it too that I really don't understand with most counties is that there is a history over a ten year period where the County facility losses money. Not only do they lose money, but also they start spending money at an alarming rate and nobody questions it. They just continue to subsidize it. As soon as everything tightens up everybody says that we have a problem with the nursing home so we have to get rid of it. It didn't just happen yesterday. It has been festering for ten years. Why did it come to the forefront? Because when things get tight everybody starts looking at everything. What used to be a blip on the screen now becomes a huge blip on the screen.

It is still a big question mark over there with everything that I have seen. We haven't really been involved since the report came out. One of the things about our service once the report is out everybody is either happy or if you are an employee not happy. It is just a bad situation and there is a lot of bad press out there. I understand why they are doing some of the things that they are doing with not releasing certain information, because it does impact your bargaining position with the potential buyer, but there is a lot of stuff I don't understand how this happens.

Specifically, I think you have a nice facility. You have people who are really invested. I discount the closure piece and that is a decision the Legislature has to make; I can't make that decision for you. Like I said, it would make more sense to sell than to close. Given that if you stay open, obviously you will maintain a certain number of your County employees. If you were to divest and sell it to a proprietary what generally happens is the CSEA has a private arm that comes in and negotiates with the new buyer with respect to wage contracts etc. The employees, former County employees, will still have jobs either employed by County or employed by the new proprietor they would still be part of that same union. It is not always that you are just totally out of a job. There is a small fraction that end up losing a job either because of competence issues or because of overstaffing.

Mr. Meyers

How much could you get by converting to a Public Benefit Corporation? How economically feasible that is going to be depends upon the will of the governmental entity to decide how long people's benefits will continue to be paid under the union arrangement. I think at one point the County Executive said five years. That could theoretically reduce any value transferring to a Public Benefit Corporation to nothing. Do you advice to simultaneously go down the road of seeking a Public Benefit Corporation right in New York State, doing Request for Bids and doing an evaluation to see what it is worth all at the same time?

David Bonk, Project Leader

You are moving down that same road. It is not an incremental approach to strategy change in positioning. You are taking what is considered a "revolutionary position" moving away from one model of positioning to a new model. Now what that model is going to be, whether you retain ownership as a PBC or even if everything blows up you still retain it, but you have already laid the groundwork to make the model better and that is a huge step in the right direction. It could end up being a sale.

Who knows during the election year what is going to happen with reimbursement. It is really difficult to peg right now. I can tell you without question I would bet any amount of money that the rates are coming down or at least stay lower. When you factor in the emphasis of managed care that is a totally different world. If you look at the long-range models that are out there for payment systems-bundled payment somebody is paid a bundle of dollars for your care at the hospital through post acute care and into the nursing home for approximately 30 to 90 days post acute. That is an extremely risky model and that is the one that is out there where everybody is moving.

Mr. Carey

When we spoke I was asking a little bit about the tight margins in the business, which you mentioned are 2.9%. I had asked you what the reality from your perspective and the industry of streamlining, which now you have put on the table. Has your thinking changed, because if I understood you correctly the last time we talked about the only way that would work is with a Control Board.

David Bonk, Project Leader

I am trying to think of what context I brought the Control Board into it. Control Board's have an ability to restrain spending and to stay on top of things. There is a downward pressure on expense. In Erie County they are trying to get bond financing and it is actually cheaper for the Control Board to go out and issue the bonds than it is for the County to issue the bonds. There is a bid dissention now in the County and they are saying that they should issue the bonds, because they want to reestablish their credit, but on the other hand it will cost the taxpayers more and the taxpayers want the Control Board to issue the bonds. They are just an oversight board.

I am not wavering from that 2.9% contribution margin. I think you can improve a contribution margin by more pressure on costs, because you are not going to squeeze it out of reimbursements. If you stayed at the same utilization, under the new methodology model that isn't approved yet, but it seems to be going that way, Rockland County would receive at the end of five years about a \$20.00 bump per day in their nursing home rate. So that is an increase in contribution margin, but over a five-year period of time your costs are going to go up at 3% per year. It is still going to average out. You have to look at the whole value change and make sure you don't have any additional costs or things that detract from your service. It has to be what is needed to get from point A to point B and produce a quality outcome. You have to have the right competencies and skill levels. If you were getting a margin of 2% on an ongoing basis I don't think we would be having this discussion today. The problem is that you are losing five times that.

Mr. Carey

As structured, can it make the transition to be that 2.9%? The way you answered it last time was not without a Control Board.

David Bonk, Project Leader

We look at the history a lot of times. We look at the mission of Summit Park – “We are going to be the Center of Excellence.” Well, really as far as nursing homes go you are kind of the County Nursing Home that is not necessarily the Center of Excellence. It is the same thing with the LTCH. So if you look at ten years worth of history how much have you moved toward that goal? If that was your vision and that is your strategy and mission going forward and in tens years you haven't been able to attain that how will you attain this model of producing an even higher level of quality and a lower cost? Unless somebody is holding somebody's feet to the fire daily and you have really aggressive business minded people that know the business that is the only way you will get to that point. The Control Board is that type of person that would keep their feet to the fire.

Chairwoman Cornell

As I understand it Medicare does not cover long-term nursing home care. Given the fact that the projections are for our greatly increasing older population you mentioned when talking about the sale you said something about that most of our patients can go elsewhere and you mentioned group homes. We are really talking about quite a number of people who may be needing nursing homes and can't afford or don't have the ability to spend down and go onto Medicaid. Group homes are very problematic. It took time for Hospice, which does not have a noisy crowd, to actually get zoning approvals. So I am not quite sure where people are expected to go. I think in your report you didn't actually look at New Jersey, because that is quite near to us, and many people do use nursing homes there. The State is projecting not a lot of excess nursing home beds over the next few years. What do people do? Where are they going to go, as they get older and need help? I raised the issue last night, which was that there is not much reimbursement for people who choose to keep their elderly at home. Without that kind of help you can't really expect that families are going to be able to cope with the numbers of aging people. What did you mean by the group home?

David Bonk, Project Leader

I think there are a number of different alternatives. If you are talking about people with behavioral illnesses/mental hygiene problem the possibility of a group home may be a fit if they are physically able to be in that type of situation.

Chairwoman Cornell

Where are these group homes going to come from for elderly people who might be presently in our County Nursing Home?

David Bonk, Project Leader

It is a change in the way health care is provided, the push toward home base care. I am not saying that they are necessarily available today. There are a number of models out there. There is the Assisted Living Residence. There are special needs living residences. There are Alzheimer's residences. There are also strict living residences. These are different than adult homes. There are a number of different strata where people can be slotted based on their specific requirements. The State has pushed that and they have had a number of opportunities for people to go out and take part in these programs, especially the ALR's, because the thought was they would eventually get rid of adult care facilities and move people into the ALR programs and create just one regulation.

To be honest, the providers are balking, because of reimbursement. There is no incentive for providers to do these great things to minimize cost. We penalize providers. It is a bad system. Everybody is complaining of the high cost of health care premiums. There are a number of configurations out there. There are assisted living programs, ALR's that have three different levels; independent housing and CCRC's so there are different ways to configure the model. Unfortunately, governmental entities are not allowed to participate like in the assisted living programs, because of the SSI issues.

Mr. Schoenberger

I very much appreciate the Recommendation Matrix. It clarifies in general terms a lot of things

I am still stuck on page 26 of your report (see attached). We talked about the operational expenses for the LTCH and the nursing home. Since we last met and talked, I and other Legislators met with the Assembly Ways and Means Committee staff, Senate Finance Committee staff and Moody's, Standard & Poors and Fitch ratings. With all of them we discussed the nursing home to a greater or lesser extent. I always refer to page 26 of this report and to my mind, and what I said to people, was that we show an \$8,500,000 loss in the nursing home, almost \$4,000,000 on the LTCH and the County's mission should be, like any other business concept, to reduce our loss and maintain our profit. When I look at the County's operating expense and you take out the OPEB, which I am very grateful for, but you have salary, wages, employee benefits, supplies and others, depreciation, which are all fine. When I get to County allocations I have to take a second look and I ask what does that comprise? In the loss for the nursing home of \$8,500,000, \$6,000,000 is County allocations. When I look at the profit of \$3,796,000 for the LTCH I notice there is a \$3,600,000 charge/reduction in allocations that results in \$3,800,000 for the LTCH. Are those County allocations the kind of allocations that can be broken out? Have you broken them out?

David Bonk, Project Leader

They are broken out at the bottom of that graph under net deficits.

Mr. Schoenberger

How much of that would we still have if we just said goodbye to the nursing home? Would we still have the \$4,000,000 for the Department of General Services?

David Bonk, Project Leader

Again, I would like to say that it all goes away, but historically we never see any type of allocated costs totally go to zero.

Mr. Schoenberger

I assume we still have to heat the building. I assume it still needs electricity. I assume there are things we are going to have to deal with if nobody was in the nursing home. It has to be cleaned and maintained. I am wondering about how much of the County allocation, \$5,900,000 for the nursing home or \$3,600,000 for the LTCH, are allocations that are coming off the top and contributing to either reducing the profit or contributing to the expense that wouldn't necessarily be there.

David Bonk, Project Leader

I think one way to look at it is for example, say square footage wise was split 40%/60% and I pay a Maintenance Director who is in charge of overall plant operations and maintenance \$100,000. If you close the nursing home what happens to the Director position? Does he go down to part-time? If you have a requirement that you need a Stationary Engineer on sight and he is that Stationary Engineer you can't get rid of the full time position so you have just shifted that cost over to the LTCH. So while you may be able to offset a portion of costs in another area and get rid of it, because the nursing home has gone away it still will be eaten up by other costs that are getting shifted back in. That is why we always say that it never goes way 100%.

Mr. Schoenberger

How do I understand in mother goose simplest terms, or anybody else understand, what of these County allocations would remain and what of these County allocations wouldn't remain if we were to in some way dispose of the nursing home and keep the LTCH or dispose of both?

The County's allocations for the nursing home and LTCH together is \$5,900,000 plus \$3,600,00 so that is \$9,500,000. If we were to close and board everything up tomorrow and everybody would be out in the street, which I know is not going to happen tomorrow, what about that \$9,500,000? Are we still going to have to carry that cost? I would like to know simply about the \$9,500,000.

David Bonk, Project Leader

Are you talking about getting rid of the nursing home completely and how much will remain for an LTCH? Are you talking if you close both of them how much would remain at the County level?

Mr. Schoenberger

Once again, we are only talking for the purpose of our discussion, not a decision. We are not talking about a recommendation. We are just talking about conceptually trying to understand it. I would like the answer to both of those questions you just asked if that is possible to do.

David Bonk, Project Leader

It will take a little digging, but we can get some kind of an estimate. Some of it depends on other operational and tactical strategies. For example, the informational technology piece, which is somewhere around \$1,800,000. If you went to an outside provider for that service even though you would have a big upfront cost in the first year, because you would have to buy the license for the software. Your annually operating cost for maintaining that software would go down to about \$12,000 per month. So you would be paying maybe \$200,000 upkeep, maintenance, research, and development that you are now paying a whole crew for.

Mr. Schoenberger

The two of them combined, the LTCH and nursing home, I am looking at about \$6,500,000 for Department of General Services. How did you come up with that amount?

David Bonk, Project Leader

Those numbers actually are coming out of KPMG's report. This is basically a recapitulation of KPMG's supplementary information at the end of their financial statement. If you were to pull out their annual financial statement from 2010 you will see that they made that breakdown. We just refined it a little more in between LTCH and nursing home, but in total for that building that \$9,500,000 is not our number.

There are statistical allocations that occur as par to of the cost allocation process at the County level where a lot of these allocated cost are coming from, but further beyond that on the cost reports that are filed with the Federal government/CMS there are additional statistical information that forces a facility to break it down by program and that is what we used to be able to go back and trace back each one of those costs from specific operating departments and place them in the right program area. That was the only way we can say, "How do we break this up."

Mr. Schoenberger

I am looking at a nursing home that has an operating expense loss of \$8,500,000 according to this report. \$5,900,000 of which is the County allocations. If we were to say that we were going to close the nursing home or dispose of it and I am looking at still having instead of an \$8,500,000 loss I now have \$5,900,000 that has to be picked up somewhere else - I need to know. I understand that somebody in a County department says to do 60%/40% and then since he did more work here next month we will do him 70%/30%. One of the reasons I thought we went through this process was to untangle these interrelated costs and figure out what they are. That was certainly one of the things that was said in the very beginning as to why we were going to hire consultants. We wanted to try untangle and see what is really Mental Health, Hospital and LTCH. I sit here and that is what I am trying to get clear and I have to confess that it is still not clear to me. I would like some clarification.

David Bonk, Project Leader

It is possible to get back into a more refined breakdown of those costs. From our perspective there is a concept and strategy where you get into theories of strategic vision verses strategic planning. One of the things it tells you is that you don't get mired by analysis paralysis. You can overanalyze something to the point where your strategy decision take you so far off your vision that you will never be a competitive performer in your market. What we do is we look at key components and try to identify that. We know allocated costs are an issue at the County level, but we also know those things have a tendency to be very sticky and not go away.

My best guess would be 60% of that cost is still going to remain at some point at some level, because you have DOT trucks, security guards employed on the campus, electricity and things like that. Again, this is why we say to get that divide and push it into the PBC, because the PBC is not necessarily going to buy services from the County. It is going to want to know what the County is going to charge and another company is coming in at 50% of that cost so the County does not get the contract. So that is the decision model in a PBC or in a business.

Mr. Schoenberger

Which remains to be seen if the State will allow us to do that or not.

ACTIONS:

Legislator Schoenberger:

- ✓ **Requested clarification of Hospital and Nursing Home County Allocations referred to on page 26 (attached) of the report to include:**
 - **What does the allocations compromise?**
 - **Who picks up the responsibility for the loss?**
 - **How much will the County owe if the hospital was closed and what allocations will remain and will not remain?**

Dave Bonk, Consultant:

- ✓ **Recommended to extend CON approval for construction of a new hospital, because it currently Sunset's in September of 2012.**

Chairwoman Harriet D. Cornell called to adjourn the Committee of the Whole and report back to the full Legislature at 6:43 p.m., which was moved by Legislator John A. Murphy and seconded by Legislator Douglas J. Jobson and passed unanimously.

Respectfully Submitted,

Darcy M. Greenberg, Proceedings Clerk

1. THE COUNTY SHOULD SHIFT MOST CURRENT COUNTY-OPERATED MENTAL HEALTH SERVICES TO COMMUNITY-BASED NON-PROFIT PROVIDERS, AND REDUCE THE DEPARTMENT OF MENTAL HEALTH TO A STRONG LOCAL GOVERNMENT UNIT (LGU) FUNCTION—SUPPLEMENTED BY SELECTED CORE FUNCTIONS BEST MAINTAINED BY THE COUNTY.

Counties are mandated to provide the LGU oversight/advocacy/planning/management functions outlined earlier in the report, and Rockland County should make a strong ongoing commitment to these system oversight functions, which will be especially important as more and more direct services are shifted to the non-profit sector and will need careful monitoring and evaluation to ensure that high quality services are provided, and that those in need of services will continue to receive them in a timely, high-quality fashion. At the same time, these LGU functions should be provided in the most cost-effective, efficient manner possible with lean staffing patterns that balance the needs for strong systems oversight and monitoring with the reality that there will be in the future much less need for administrative and financial support staff, as a result of fewer in-house services remaining to be directly administered by County staff.

With the recommended shift of the inpatient psychiatric unit to Nyack Hospital and most outpatient services to community-based agencies, we also recommend that the overall mental health system, and those served by it, will be best served if a few select direct services continue to be provided—at least for the next two or three years as the revised strengthened community-based service delivery system is fully developed and matures—by County staff. These include, as outlined in the options in Chapter 5, a smaller outpatient clinic provided for the most severe, at-risk clients historically served by the Pomona Clinic, the provision of a scaled-back Continuing Day Treatment program, provision of SPOA services, and the continuing provision of services to the County jail and courts

system. Additional state aid support should be sought to cover higher proportions of the costs of these transitional services, and the Sheriff and courts system should be expected to cover significant portions of the costs of the mental health services provided to them by the Department of Mental Health, instead of expecting DMH to continue to bear virtually the entire significant costs of providing these services.

2. WITH THE ANTICIPATED TRANSFER OF THE INPATIENT PSYCHIATRIC UNIT FROM SUMMIT PARK TO NYACK HOSPITAL, THE COUNTY SHOULD SEVER THE CURRENT RELATIONSHIP BETWEEN SUMMIT PARK AND THE DEPARTMENT OF MENTAL HEALTH, AND REMOVE ALL ASPECTS OF DMH FROM THE SUMMIT PARK ENTERPRISE FUND.

The Department of Mental Health, with its scaled-back footprint in terms of direct services, and the removal of any direct services provided in the Summit Park hospital setting, will have no need for any continuing relationship with Summit Park, the Enterprise Fund, or the overall Department of Hospitals. Furthermore, should the County decide to create a public benefit corporation to own and operate Summit Park (or anything that succeeds it) in the future, there would be no need or logic to having DMH be a part of such a corporation.

3. THE COUNTY SHOULD SEEK STATE APPROVAL TO CREATE A PUBLIC BENEFIT CORPORATION TO OWN AND OPERATE SUMMIT PARK NURSING CARE CENTER AND POTENTIALLY SUMMIT PARK HOSPITAL (WITHOUT THE INPATIENT PSYCHIATRIC UNIT).

This is not an automatic panacea to control or eliminate the historic Summit Park deficits, but it offers a more realistic opportunity to do so than continuing to attempt to manage the facility as a direct County operation. A Public Benefit Corporation would also be able to help retain the historic mission of the facility. The County would appoint representatives to the PBC's Board of Directors, and thus would continue to have a direct say in the operation of the facility, although the County would no longer have direct control over its operations and policies. Minus employees of the inpatient psychiatric unit (assuming shift of the unit to Nyack Hospital), the PBC would be able to retain current employees of Summit Park, depending on terms of the enabling legislation, while at the same time having more flexibility than currently exists with County ownership to negotiate separate labor agreements, and to implement other cost-saving approaches within the facility that may be inherently more difficult to accomplish in the County's political environment.

The creation of a PBC would enable the County to sell the facility's assets, taking advantage of the PBC's ability to issue bonds, and thereby create an infusion of cash that could be used in various ways by the County, such as paying off portions of the legacy costs that will continue regardless of whether the County remains in the nursing home/hospital business or not.

Legislation would need to be carefully drafted to limit Rockland County's future obligations to the facility under the PBC concerning future debts and potential continuing deficits. Legislation also would need to be drafted to authorize the potential use (should it be approved by the State) of Certified Public Expenditures for Medicaid services as a basis for claiming 50% federal financial

participation for nursing home costs, not fully reimbursed under the general Medicaid rate reimbursement methodology, that are currently subsidized by the County.

The PBC would become the owner and operator of the existing Summit Park facility, and would also become the decision-maker concerning the potential future construction of a new facility (see subsequent recommendation). The existing Summit Park property could revert back to the County if the PBC subsequently builds a new facility at another site.

Should this option to create a PBC not be approved by the County, or ultimately by the State, the alternate recommendation (see below) would be for the County to test the market by exploring options to sell the facility to a potential bidder committed to continuing its operation.

- 4. GIVEN THE UNCERTAINTY CONCERNING THE FUTURE SCOPE OF SERVICES AND MEDICARE REIMBURSEMENT OF LTCHs AT THE FEDERAL LEVEL, CONSIDERATION SHOULD BE GIVEN TO SEEKING TO HAVE THE OWNERSHIP OF THE LTCH (MINUS THE INPATIENT PSYCHIATRIC UNIT) TRANSFERRED TO HELEN HAYES HOSPITAL, RATHER THAN HAVING THE COUNTY CONTINUE OWNERSHIP OF A HOSPITAL WITH AN UNCERTAIN FUTURE. EVEN IF THE FEDERAL MORATORIUM CURRENTLY BLOCKS ANY SUCH TRANSFERS, CONTINGENCY DISCUSSIONS SHOULD BEGIN WITH HELEN HAYES HOSPITAL TO PREPARE FOR THIS POSSIBILITY, ONCE THE MORATORIUM IS LIFTED.**

This option could involve a shift of ownership of the hospital beds to Helen Hayes Hospital. It could include all 100 beds, or such number as would be negotiated with Helen Hayes. The sale price would be negotiated between the County and the State. This option could also involve the continuation of beds in the current Summit Park facility, or ultimately could include the possible construction of a new hospital facility, depending on what the future of LTCHs is determined by the federal government to be. This option could begin to be pursued immediately by the County, but could also become an issue addressed and finalized by the proposed Public Benefit Corporation.

As a government-owned and operated hospital, CMS may authorize, as not contrary to the moratorium, a transfer of LTCH beds from the County to either a PBC or Helen Hayes Hospital as public ownership and operation would continue. If the moratorium expires, transfer of LTCH beds to other community hospitals could be explored by the County as an alternative to Helen Hayes Hospital.

- 5. THE COUNTY SHOULD CONSIDER CONSTRUCTING A NEW NURSING HOME FACILITY APART FROM THE CURRENT SUMMIT PARK FACILITY, AND MAY ALSO CONSIDER A NEW HOSPITAL FACILITY, PENDING DECISIONS MADE CONCERNING FEDERAL RESTRICTIONS AND ANY HELEN HAYES DECISIONS.**

This decision would presumably ultimately be made by the proposed PBC. During the interim period, the current nursing care center in Summit Park would continue to operate as is, under County ownership. This recommendation assumes that the County itself would not construct a new

facility if the PBC is not approved, given the added debt structure it would have to take on to do so. Decisions about the number of beds in a new facility would need to be carefully considered, given population projections involving growth in the older population, and given the potential reimbursement implications of downsizing to a lower level of nursing home classification if fewer than 300 beds are included in a new structure and the nursing home is no longer considered hospital-based.

This recommendation is predicated on the assumption that the current Summit Park facility is not attractive for marketing purposes, and may be too inefficient to continue to operate cost effectively in the future, even though we have some reservations and concerns about the future of the vacant Summit Park facility that would result.

6. IF DECISIONS ARE MADE TO BUILD A NEW NURSING FACILITY AND/OR HOSPITAL, THE COUNTY SHOULD INVESTIGATE PLANS TO CONVERT THE EXISTING SUMMIT PARK FACILITY TO ALTERNATE USES.

Although this project is to consider options for the future of Summit Park Hospital and Nursing Care Center, the County should also consider potential options to adapt the existing buildings for re-use. Based on the existing building plans, there are several alternate uses that could be considered; however, all uses considered would need a full zoning study for compliance.

Potential re-use options could include:

- Office/Business
- Multi-Family Residence
- Hotel/Conference Center
- Educational (Community College)
- Mixed use of the above options

The size and bulk of the Building A may allow for a mixed-use structure, especially because the elevators are arranged in two separate banks, which can allow for separate building entrances. The large floor area on the lower levels can accommodate a variety of uses to support the primary use(s). If Building A is gut renovated from its existing hospital and nursing home use, the estimated construction costs for its reuse would range from \$72 million to \$100 million based on \$200 to \$300 per square foot. This cost would most likely be borne by a private developer.

7. ALTERNATIVE TO THE PREVIOUS RECOMMENDATIONS: IF A PUBLIC BENEFIT CORPORATION IS NOT APPROVED, THE COUNTY SHOULD CONSIDER DIVESTING ITSELF OF THE OWNERSHIP OF SUMMIT PARK, EITHER BY SELECTING AN ENTITY TO NEGOTIATE A TRANSFER OF OWNERSHIP, OR BY CREATING A REQUEST FOR PROPOSALS PROCESS TO EXPLORE INTEREST AMONG POTENTIAL BUYERS WHO MAY WISH TO CONSIDER PURCHASE OF EITHER THE SUMMIT PARK NURSING CARE CENTER, THE SUMMIT PARK HOSPITAL, OR THE COMBINATION OF BOTH.

A sale may be difficult given the facility location with respect to County property, and shared space and services, and it is difficult to know whether the County would be likely to receive full value on a sale, given current market conditions. However, the benefit of a possible sale is that there would be no further losses from the operation of the facility, and the County would receive an influx of cash for the sale. The current facility employees may be offered employment by the new operator, although not necessarily at the same salary and benefit levels (which could be addressed as part of the terms of sale of the facility). Current allocations of County costs to Summit Park would have to be reevaluated and either assigned to other County departments or some of the employees providing those services to Summit Park may be terminated, thereby potentially further reducing costs to the County in the future.

Should the County decide to sell the facility, in whole or in part, it would need to be clear about the terms under which it would be willing to consider transfer of ownership of Summit Park. For example, either in the RFP and/or in individual negotiations, the County may wish to clearly specify its expectations and any non-negotiable terms and requirements. The County would need to determine what levels of assurances it needs regarding residents, current employees and other future considerations in order to feel comfortable turning over control of the facility to a new owner. Any RFP or negotiation process could be undertaken with no obligation on the part of the County to go through with a final transfer if no offers meet the County's criteria and expectations. We would also suggest that the County consider a parallel strategy of pursuing the PBC recommendation while at the same time testing the market in terms of a possible sale of the facility to insure the strategies remain on target, should either option not result in a viable solution.

It should be noted that if the sale option is to be considered by the County, it is likely to take at least a year, and probably longer, for the full process to unfold and approval granted for the new owner by the State. Thus the facility would need to be maintained in operation by the County during this period of time, with continuing deficits for the County likely during this interim period. Therefore, it is advisable for the County and Summit Park to pursue concurrent cost reduction and utilization improvement strategies to minimize continued deficits during the interim period.

8. ADDITIONAL ALTERNATIVE TO THE PREVIOUS RECOMMENDATIONS: IF A PUBLIC BENEFIT CORPORATION IS NOT APPROVED, AND A SALE OPTION IS NOT CONSIDERED OR NO PURCHASE OFFER IS CONSIDERED ACCEPTABLE, THE COUNTY COULD CONSIDER MAINTAINING OWNERSHIP AND OPERATION OF THE EXISTING SUMMIT PARK FACILITY, BUT ONLY IF REVENUE ENHANCEMENTS AND COST REDUCTION STRATEGIES ARE IMPLEMENTED.

As noted at the outset of this final chapter, there are circumstances under which we believe the Summit Park facility could be operated under something close to break-even, and perhaps even "profitable" financial conditions, involving combinations of cost reduction and revenue enhancement strategies. But we also made clear our concerns that it would be difficult to ensure that such strategies could be fully and successfully implemented, without significant changes in leadership, management and financial accountability in the oversight of the facility. Should such changes be implemented—with compliance mechanisms put in place and followed—this could become a viable option, should the County decide it wishes to continue its mission to provide

nursing home and hospital services to the public in the future. But we would add one further caution: if such a decision is made to maintain ownership of the facility, it should be made with the understanding that the decision should be revisited over the next couple years, as the impact of changes in reimbursement practices and of changing realities related to the likely expansion of managed care programs becomes clearer in terms of their implications for future revenue generation for the Summit Park facility.

[RESERVED]

A	B	C	D
1	SUMMIT PARK HOSPITAL & NURSING CARE CENTER		
2	RECOMMENDATION MATRIX		
3			
4			
5	Nursing Care Center	Hospital	
6	OPTION 1 - STATUS QUO		
7			
8	<p>a Acceptance of the status quo would require additional funding in the neighborhood of \$ 18.0 million annually at 2010 levels of spending. About \$5.9 m of that is accounted for by cost allocations and \$9.35 by OPEB, leaving about \$2.75 in other operational deficits. This may be a conservative figure, if revenues decline in the future due to revenue shifts. The deficit could be potentially mitigated by use of CPEs if authorized for claiming federal financial participation.</p>	<p>The status quo actually generated a net positive balance for the hospital alone of about \$914,000, at 2010 levels of spending. This included OPEB costs of \$2.8 million and County allocations of \$3.6 million. Without these included, the LTCH would have reflected an even larger net "profit" for 2010.</p>	
9			
10	<p>b Initial analysis of direct service costs suggest direct routine services costs are at the market median</p>	<p>No change in the organizations legal form would maintain County sponsorship</p>	
11	<p>c Cost savings could be achieved through re-alignment at the administrative and middle management levels</p>	<p>No change would make organized labor negotiations less financially advantageous</p>	
12	<p>d HEAL funding under the proposal for a reduction in beds could potentially offset some of the historical legacy costs of the organization</p>		
13	<p>e Improvements in the Information Technology infrastructure could reduce county allocations for these services and reduce overall technology costs in the future.</p>		
14	<p>f Additional savings could be reached through positive collaboration with RAM and CSEA unions</p>		
15	<p>No change in the organizations legal form would maintain County sponsorship</p>		
16	<p>No change would make organized labor negotiations less financially advantageous</p>		
17			
18			

A	B	C	D
19	OPTION 3 – BUILD NEW NURSING HOME		
20	Nursing Care Center		
21	Significant investment to the County	Significant investment to the County	Hospital
22	Diminishing ROI given the reductions in Nursing Home Reimbursement	Diminishing ROI given the reductions in Hospital Reimbursement	
23	Some capital costs would be offset by savings from the existing building's inefficiency and future investment in the existing building's infrastructure	Some capital cost would be offset by savings from the existing building's inefficiency and future investment in the existing building's infrastructure	
24	May reduce energy costs and costs of maintenance in the near long-term	May reduce energy costs and costs of maintenance in the near long-term	
25	Definite marketing advantage	Definite marketing advantage	
26	Would result in the need to identify new use for existing building	Would result in the need to identify new use for existing building	
27	Would provide marketability in the event the County determines to sell the operation in the future	Would provide marketability in the event the County determines to sell the operation in the future	
28	Net added costs of about \$5 million a year in post-construction years		
29	OPTION 3A – EXTEND CON APPROVAL FOR CONSTRUCTION OF NEW HOSPITAL		
30			
31	Department of Health could be requested to extend the time for construction of new Nursing Home	Based on uncertainties resulting from federal moratorium and federal evaluation of the future role of LTCHs, the Department of Health could be requested to extend the time for construction of new LTCH beds	
32			
33	OPTION 2 – PUBLIC BENEFIT CORPORATION		
34			
35	Would allow County to maintain quasi sponsorship	Would allow County to maintain quasi sponsorship	
36	Would allow for sale of nursing home assets to PBC in exchange for proceeds from the sale which could be used to fund legacy costs	Would allow for sale of hospital assets to PBC in exchange for proceeds from the sale which could be used to fund legacy costs	
37	Potential advantages for labor restructuring	Potential advantages for labor restructuring	
38	May not be approved by the State Legislature	May not be approved by the State Legislature	
39	Would require establishment of a CON process with NYS	Would require establishment CON process with NYS	
40	Would require Department of Health approval to extend approval to construct new nursing home by the PBC	Would require Department of Health approval to extend approval to construct new LTCH by the PBC	
41			

A	B	C	D
42	Nursing Care Center	Hospital	
g	Has potential negative effects on the LTCH due to the federal (CMS) moratorium on LTCH facilities [add clarification related to moratorium, which isn't addressed yet in the report; refer to next section?]	Has potential negative effects on the LTCH with respect to the moratorium	
43	Use of CPEs could potentially mitigate the costs to the County of any subsidy provided to the PBC	The CPE approach to Medicaid reimbursement would have minimal impact on the LTCH as Medicare is the principal source of reimbursement	
44	i similar costs to status quo, with potential to reduce thru PBC management structure		
45	OPTION 5 – LOCAL DEVELOPMENT CORPORATION		
46			
47	a No change in capital cost reimbursement in sale of realty to a local development corporation	No change in capital cost reimbursement in sale of realty to a local development corporation	
48	b Low net book value of current capital assets	Low net book value of current capital assets	
49	c County would be obligated under leaseback arrangement	County would be obligated under leaseback arrangement	
50			
51			
52	OPTION 4 – SALE		
53	a Long process 9 – 18 months at minimum	Long process 9 – 18 months at minimum	
54	b Social/Ethical considerations due to abandoning mission and selection of purchaser	Social/Ethical considerations due to abandoning mission and selection of purchaser	
55	c Sale may be difficult given location with respect to county property, shared space, etc.	Sale may be difficult given location with respect to county property, shared space, etc.	
56	d May not receive full value given current market conditions	May not receive full value given current market conditions	
57	e No further losses from operation	No further losses from operation	
58	f Reduce annual costs by \$2.5 – \$3.0 m post sale years, plus one-shot revenues from sale of facility.	Following one-shot proceeds from sale, would be net costs to County in subsequent years, due to OPEB and County allocation costs without offsetting revenues.	
59	OPTION 4 – CLOSURE		
60	a Could take the form of a complete closure or partial closure	Could take the form of a complete closure or partial closure	
61	b Immediately cuts cost	Immediately cuts cost	
62	c Social/Ethical considerations due to abandoning mission	Social/Ethical considerations due to abandoning mission	
63	d Costs to maintain closed building or to find new use	Costs to maintain closed building or to find new use	
64	e No ability to recoup at least a portion of sunk costs	No ability to recoup at least a portion of sunk costs	
65	f About \$6 million additional deficit in closing year, after that, about \$5 to \$6 million a year in reduced annual deficits.	net deficit of between \$5 to & million annually post closure, with OPEB and County allocations continuing without offsetting revenues.	
66			

Summit Park

	2010		
	Hospital & Nursing Home		
	Total	LTACH	NH
Net Patient Service Revenue	52,607,201	20,071,443	32,535,758
Other Operating Revenue:			
County Jail	-	-	-
County of Rockland	3,074,763	3,074,763	-
Other	537,812	537,812	-
Total Operating Revenue	56,219,776	23,684,018	32,535,758
Operating Expenses:			
Salaries and Wages	29,419,878	6,809,155	22,610,723
Employee benefits	13,378,183	5,180,787	8,197,396
Supplies and other	6,643,565	3,193,001	3,450,564
Depreciation	1,990,342	1,062,971	927,371
County Allocations	9,545,320	3,641,865	5,903,455
Total Operating Expense	60,977,288	19,887,779	41,089,509
	(4,757,512)	3,796,239	(8,553,751)
Other			
OPEB	(12,169,461)	(2,816,591)	(9,352,870)
Interest Expense	(121,134)	(64,693)	(56,441)
County Transfers	-	-	-
Net Deficit	(17,048,107)	914,955	(17,963,062)
County Allocations:			
Admin & Gen'l	2,677,677	1,021,625	1,656,052
Insurance	355,604	135,675	219,929
Dept of Gen'l Svcs	6,512,039	2,484,565	4,027,474
	9,545,320	3,641,865	5,903,455