

**Board of Directors
Champaign County Nursing Home (CCNH) –Minutes
Urbana, Illinois
June 13, 2016**

Directors Present: Emanuel, Anderson, Cowart, Hodson, Sutton

Directors Absent/Excused: Banks, Palinkas

Also Present: Snider, Gima, Noffke, Busey, Brennan

1. Call to Order

The meeting was called to order at 6:00 p.m. by Chair Emanuel.

2. Roll Call

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

3. Approval of Agenda

The agenda was approved as distributed (motion by Cowart, second by Sutton, unanimous).

4. Approval of Minutes

The open session minutes of May 9, 2016 were approved as distributed (motion by Sutton, second by Hodson, unanimous).

5. Public Participation

Richard commented that he was misquoted as being able to hear the lint collection system in his room and noted that he is only able to hear the collection system in the courtyard at night. Richard additionally expressed concerns that the collection system runs constantly throughout the night and produces a lot of noise.

Pattsi Petrie asked the board if the outstanding bill for new computers is included in the accounting total of what is still owed to vendors. Additionally, Ms. Petrie encouraged the board to include a third level of appeal in the grievance process of the Nursing Home's Personnel Policy. Finally, Ms. Petrie provided her analysis of the Board of Director's recommendation to County Board. She summarized the importance of increasing the nursing home's subsidy to ten cents in order to continue providing Medicaid services to residents of the county who are dependent on the nursing home's services.

6. Communications

Ms. Emanuel asked for the management's response in regards to the complaints about the lint collection system noise and appearance. Ms. Noffke explained that the County's Facilities Director and the engineering firm that designed the system have each inspected the system. She noted that the system is less disruptive during the day and a fence has been ordered to improve the appearance. Mr. Gima noted that the dryers do not run after 8 p.m., and he will contact the engineering firm to determine why the system continues to make noise throughout the night.

Ms. Emanuel asked the board to consider Ms. Petrie's public comments in regards to the importance of increasing the tax subsidy for the nursing home's continued operations. Mr. Sutton supported Ms. Petrie's comments.

7. Nursing Manager Report – Lori Campbell, Assistant Director of Nursing

Lori Campbell introduced herself to the board as the Assistant Director of Nursing and noted that she has 31 years of experience in long term nursing care. Ms. Campbell noted that Ms. Noffke has been an excellent mentor and has pushed staff members to do their best work. Since Ms. Noffke has started at the nursing home, Ms. Campbell noted that resident restraints and side rails on patients' beds are no longer used due to safety concerns. Additionally, Ms. Noffke has pushed staff members to improve their investigation skills in order to be better prepared for interviews with the Illinois Department of Public Health.

Ms. Campbell noted that the nursing department has seen many improvements in the past few months. She explained that the nursing schedule for June does not include the use of any agency staff members, and seven new nurses have been hired and fully trained. Additionally, electronic medical records have allowed the nursing managers to closely monitor the nursing staff's documentation skills.

8. Champaign County Nursing Home Study Session

a. Summary of Last Study Session

Ms. Emanuel summarized that the issues facing the nursing home were discussed and ranked at the previous nursing home study session. Strategies for dealing with the issues were developed and a vote was taken to determine what options the nursing home has going forward.

The board determined that the options going forward include: continuing operations as they currently are; altering management at the nursing home including the options of downsizing, expanding services, having the County self-manage the home, altering the management contract with the existing company or searching for a new management company; ask the voters to increase the tax subsidy for nursing home operations; sell the nursing home facility to outside operators; or lease the facility to other operators.

After the board voted on the five options, it was determined that the best options for the nursing home includes seeking new management services and asking the voters to increase the tax subsidy for operations. The board made a motion to request an RFP for new management services to be prepared for the July board meeting, to put a referendum to the voters for additional funding on the November ballot and to not recommend the sale of the nursing home facility.

After the motion was made, the board requested more information be provided on the nursing home financial statements including the nursing home's assets, liabilities, payables and receivables. Additionally, the board asked to review the current management contract and capital plan.

b. Financial Information

Mr. Anderson asked for the annual cost per resident. Mr. Gima noted that the most recent data available for cost per resident day is from 2014 and is estimated to be \$200 per resident day. Mr. Anderson asked if this number has changed in the past two years. Mr. Gima noted that he thinks the cost per resident day has decreased in the past two years.

Mr. Anderson asked for other area nursing facilities' average cost per resident day. Mr. Gima explained that other area nursing facilities have lower average costs per resident day due to lower costs for employee benefits and retirement options. Mr. Gima estimated that Champaign County

Nursing Home spends about 35% of wages on benefits while non-government facilities spend about 20-25% of wages on benefits.

Mr. Anderson asked if the difference between area nursing facilities and Champaign County Nursing home is the amount of money spent on retirement and benefits or if area nursing facilities run their homes more efficiently. Mr. Gima noted that it is too hard to determine due to large differences in operations at each area facility as compared to each other and Champaign County Nursing Home.

Ms. Cowart asked how many other area nursing facilities have unionized workforces, and how many employees retire from the nursing home each year. Mr. Gima noted that no other area facilities have organized unions. Ms. Hodson noted that about 3 employees retire from the nursing home with some sort of retirement benefits. Ms. Cowart asked how many years an employee must work at the nursing home to get retirements benefits. Ms. Busey noted that an employee hired before 2011 must work 8 years to receive retirement benefits, and an employee hired after 2011 must work 10 years to receive retirement benefits.

Ms. Emanuel asked for an explanation of intergovernmental transfers and the associated financial impacts. Mr. Gima explained intergovernmental transfers are additional funds that the nursing home receives from the State of Illinois. The state is then allowed to receive federal matching dollars based upon the amount of money given to the nursing home for its operations. The federal government will reimburse 50% of reported costs to the state, and the nursing home receives a percentage of those federal funds through the state. Mr. Gima noted that about \$10 is received for every reported Medicaid day.

Ms. Emanuel asked for the additional big pieces of funding that the nursing receives for operations beyond intergovernmental transfers. Mr. Gima noted that Champaign County provides funding through a property tax levy in the amount of \$1 million annually. For the past 6 years, Champaign County has issued tax anticipation warrants at the end of November for the nursing home to receive 85% of the tax levy in December and the additional 15% in August. Normally, Champaign County would give the nursing home the tax levy money in June and September, but the tax anticipation warrants allow the nursing home to receive the money upfront to continue operations without any shortfalls.

Ms. Emanuel and Mr. Sutton questioned whether there was an additional source of funding through a loan from Champaign County. Ms. Busey clarified that the nursing home borrowed \$2.8 million from the county's general corporate fund between 2005 and 2008. The last of those loans were forgiven three years ago when the nursing home began repaying a \$4 million construction loan, which is a county general corporate fund obligation according to the bond covenants. The nursing home is repaying the loan at the cost of \$330,000 annually, and because the nursing home began repaying the construction loan, they were forgiven for the remaining amount of money borrowed between 2005 and 2008.

Ms. Busey reminded the board that funded depreciation can be added to the nursing home's plans for moving forward. Mr. Gima noted that increasing occupancy and revising the payor mix can be strategies used to improve the financial situation of the nursing home and fund depreciation. Mr. Gima noted that increasing the census to 190 residents (15 Medicare residents and 60% Medicaid residents) could increase revenue by over \$1 million each year. Increasing Medicare to an average of 20 residents per year would generate an additional \$1.7 million in revenue each year.

Mr. Gima noted that the first four months of FY2016 show the nursing home is currently breaking even. Ms. Petrie asked if outstanding and unpaid invoices are included in the

assumption that the nursing home is not operating at a loss. Ms. Emanuel supported Ms. Petrie's question and asked for further explanation. Mr. Gima explained that all payables have been recognized on the nursing home's financial statements. Mr. Brennan explained that the nursing home operates on accrual basis, which is currently breaking even, but there are items on the historical statements that have yet to be paid. Mr. Anderson noted that although the accrual sheet may show the nursing home breaking even, there are still unpaid and outstanding bills. Mr. Brennan confirmed.

The board of directors and management company spent time clarifying differences in accounting terminology. Mr. Gima explained that accrual accounting recognizes revenue that is anticipated to be collected and expenses that are incurred but have not yet been paid. Mr. Gima provided the following example: if \$1 million is collected in Medicare revenue, then \$1 million is put on the income statement as revenue and on the balance sheet as accounts receivable. If there is \$900,000 of expenses, then \$900,000 is put on the income statement as expenses and on the balance sheet as accounts payable. However, if there is not enough cash on hand, a check may only be written to pay \$500,000 of the \$900,000 owed.

At this point in the example, Ms. Busey noted that although expenses may be fixed and anticipated, revenue cannot be fixed and anticipated due to a multitude of issues including what the state owes the nursing home and the fluctuation in the amounts of money the state sends. Ms. Busey further noted that this problem with unreliable revenue has caused the current accounts payable issues. She asked the management company if they can continue to tell the board that the nursing home is operating at a breakeven point when they reconcile anticipated revenue that is never received. Mr. Gima confirmed and noted that the actual amount of revenue received is detailed in the monthly cash report. Mr. Sutton supported Ms. Busey claims and asked for the actual amount of money received to be reflected in the complete financial statements rather than showing anticipated revenues. Ms. Emanuel and Mr. Sutton both commented that the uncertainty of state payments has led to inaccuracy of the nursing home's financial statements.

c. Capital Plan

Mr. Gima reported that in May 2014, GHR Engineers and the County Facilities Director compiled a ten year projection report detailing the capital needs at the nursing home. Of the projects listed, the water heater replacement project and the lint collection system have already been completed. The remaining projects will cost roughly \$1.9 million and include projects for preventative maintenance.

Ms. Cowart asked if it is currently possible to start funded depreciation and contribute any amount of money towards the fund. Ms. Emanuel noted that there is no cash on hand to start funded depreciation because the nursing home is operating at a loss for the current year.

Preliminary Recommendation to the County Board

At the previous study session, the board made a motion to request an RFP for new management services to be prepared, to put a referendum to the voters for additional funding on the November ballot and to not recommend the sale of the nursing home facility.

d. Final Recommendation to the County Board

MOTION by Anderson to recommend to the County Board the request for the County to issue an RFP for new management services by the end of 2016 to coincide with a new contract beginning in July 2017, to put a referendum on the November ballot asking voters for an additional operational

funding amount to be determined by the County Board and not to exceed ten cents, and not recommend pursuing sale of the nursing home facility; second by Sutton. Upon vote, **MOTION CARRIED.**

9. Approval of Revised Nursing Home Personnel Policy – Grievance Step 4

Ms. Emanuel reminded the board Ms. Petrie’s public comment about adding a third level of appeal to the grievance process and asked the board for their input. Mr. Anderson commented that he does not see the need for a third level of appeal and noted that the second level of the appeal process ensures that the County Administrator would have the grievance reviewed by the State’s Attorney’s office. Ms. Busey confirmed and noted that this revision was written at the request of the full County Board to be in compliance with the County’s general personnel policy.

Mr. Sutton commented that he thinks the County Administrator does not seem like a logical final decision maker and noted that he sees the logical final decision maker as the County Board Chair. Ms. Emanuel asked what the current County Board personnel states on this issue. Ms. Busey noted that the County Board’s current policy states the grievance would go to the policy, personnel and appointments committee; however, the county board believes that a large committee such as the policy, personnel and appointments committee is not the best way to vet a grievance issue. The County Board decided that it was in their best interest to let the County Administrator vet grievance issues.

MOTION by Anderson to approve the revised Nursing Home Personnel Policy – Grievance Step 4 as it is presented before the board; second by Sutton.

Ms. Hodson asked what is different in this revision of the policy versus what was approved and sent to the County Board in a previous meeting. Ms. Busey noted that the policy now states County Administrator instead of Nursing Home Board of Directors in the section marked Grievance Step 4.

Ms. Emanuel asked if adding Grievance Step 4 to the personnel policy is a concern for management. Mr. Gima stated that it is not a concern for management.

Upon vote, **MOTION CARRIED.**

10. Management Report

a. Management Report

Mr. Sutton asked for accounts payable information to be shown in detail rather than a lump figure in order for the board to better understand the financial position of the home. Mr. Sutton and Ms. Hodson noted that it would be helpful to see accounts payable that are outstanding past a certain number of days. Mr. Gima noted that a detailed accounts payable report can be compiled; however, he noted that the level of detail the accounting system is able to compile in a single report is extensive. Mr. Brennan and Mr. Gima noted that they are available to sit down with board members to explain the extensive reports once they are compiled. Mr. Anderson noted that this information would be of interest to the full County Board as well.

Mr. Sutton stated that he will sit down with Mr. Gima and Mr. Brennan to look over the extensive list and he will provide a report at the next board meeting. After discussions, the board determined that they would like to know which vendors in the extensive accounts payable list are not being paid on a continuing basis. The board also determined that they would like to develop a strategy for dealing with outstanding payments to vendors as quickly as possible so

vendors who provide the nursing home with quality products and services are not upset.

Ms. Petrie clarified that outstanding accounts payable to vendors negatively impacts the entire County's reputation with vendors that conduct daily business with the County. She noted that vendors who do not routinely work with nursing facilities do not know the extent of financial problems that face the nursing home industry and the reputation of the County as a whole suffers when those vendors are not paid. Ms. Emanuel and Mr. Anderson confirmed Ms. Petrie's comments. Mr. Anderson noted that quality of vendors willing to work with the County will suffer if the County has a reputation for not paying outstanding bills.

Ms. Emanuel asked the management company to work with the board to prioritize the payment schedule for outstanding bills and report a plan for dealing with this problem to the board at the next meeting. Mr. Gima noted that lines of communication will be improved to better inform the board of the payment schedule for outstanding bills, and he reminded the board that no vendors have discontinued providing services to the nursing home.

b. Cash Update

The board discussed this item during Item 8.b.

c. Census Development/Marketing

The board discussed this item during Item 8.b.

11. Other Business

None.

12. Next Meeting Date & Time

The next meeting date and time for the monthly Nursing Home Board of Directors is Monday, July 11th, 2016 at 6:00 p.m.

13. Adjournment

Chair Emanuel declared the meeting adjourned at 8:23 p.m.

Respectfully submitted:
Brian Nolan
Recording Secretary