



## CHAMPAIGN COUNTY BOARD COMMITTEE AGENDA

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### JUSTICE & SOCIAL SERVICES COMMITTEE

Brookens Administrative Center, Lyle Shields Meeting Room

1776 E. Washington, Urbana

Wednesday, October 11, 2006 – 7:00 p.m.

**CHAIR:** Jan Anderson

**MEMBERS:** Carter, Greenwalt, Hogue, Hunt, James, Putman, Sapp, Tapley

#### ITEM

**I. CALL TO ORDER**

**II. ROLL CALL**

**III. APPROVAL OF AGENDA/ADDENDUM**

**IV. PUBLIC PARTICIPATION**

**V. NURSING HOME**

- a. Presentations From Consulting Firms to Provide an Operational Audit of the Champaign County Nursing Home
- b. Decision Regarding Whether or Not to Recommend Approval of an Audit Services Contract
- c. Recommend to the County Board Approval of Contract with Top Ranked Firm for Operational Audit of the Champaign County Nursing Home

**VI. ADJOURNMENT**

**ATTACHMENTS GIVEN  
TO THE COMMITTEE  
AT THE MEETING**

**JUSTICE & SOCIAL SERVICES  
COMMITTEE  
OCTOBER 11, 2006**

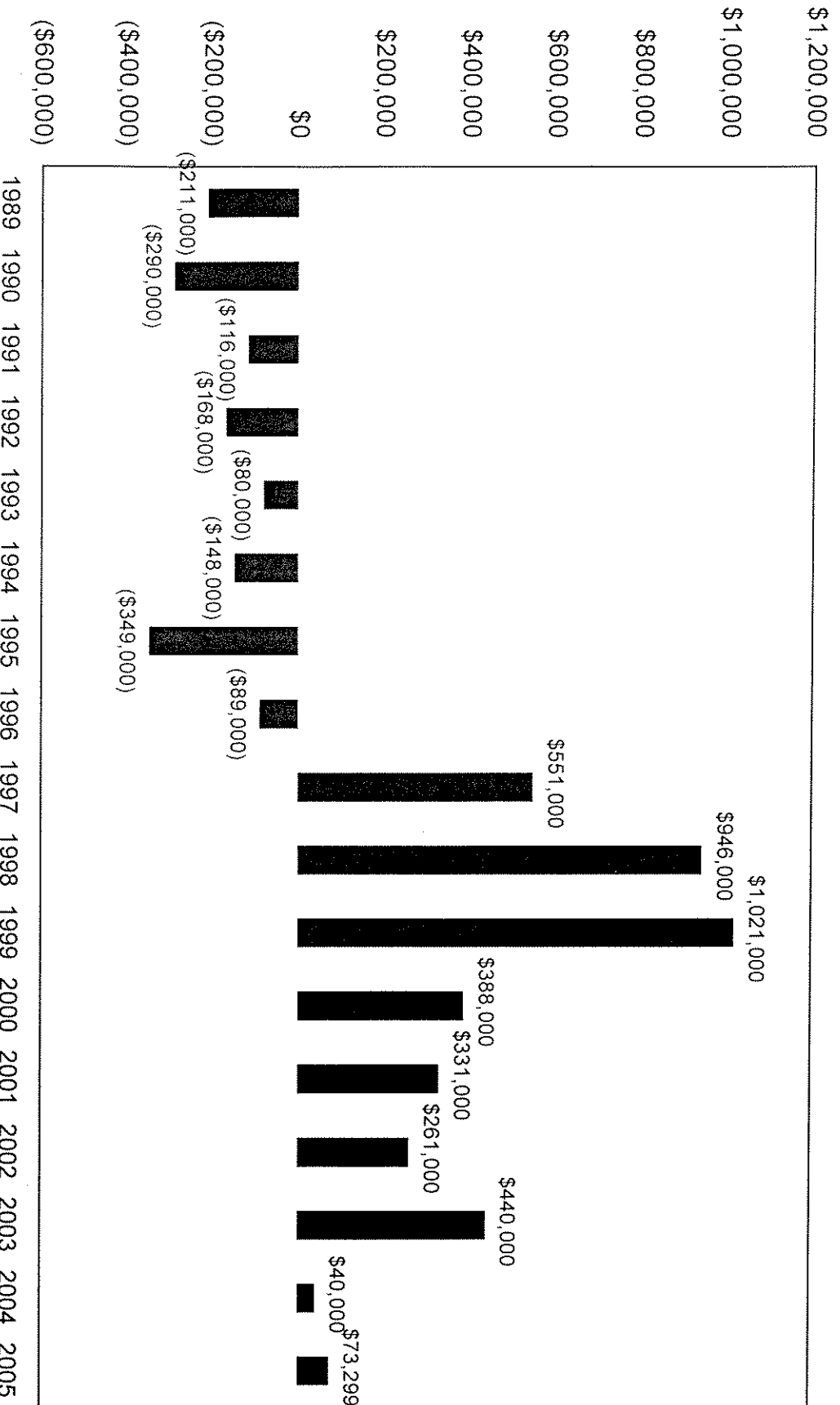
Contents:

1. Schedule of Presentations from Consulting Firms to Provide an Operational Audit of the Champaign County Nursing Home
2. Materials Distributed by Management Performance Associates
3. Materials Distributed by Health Management Associates
4. Written Materials Sent by Moore Diversified Service, Inc. in Lieu of a Presentation

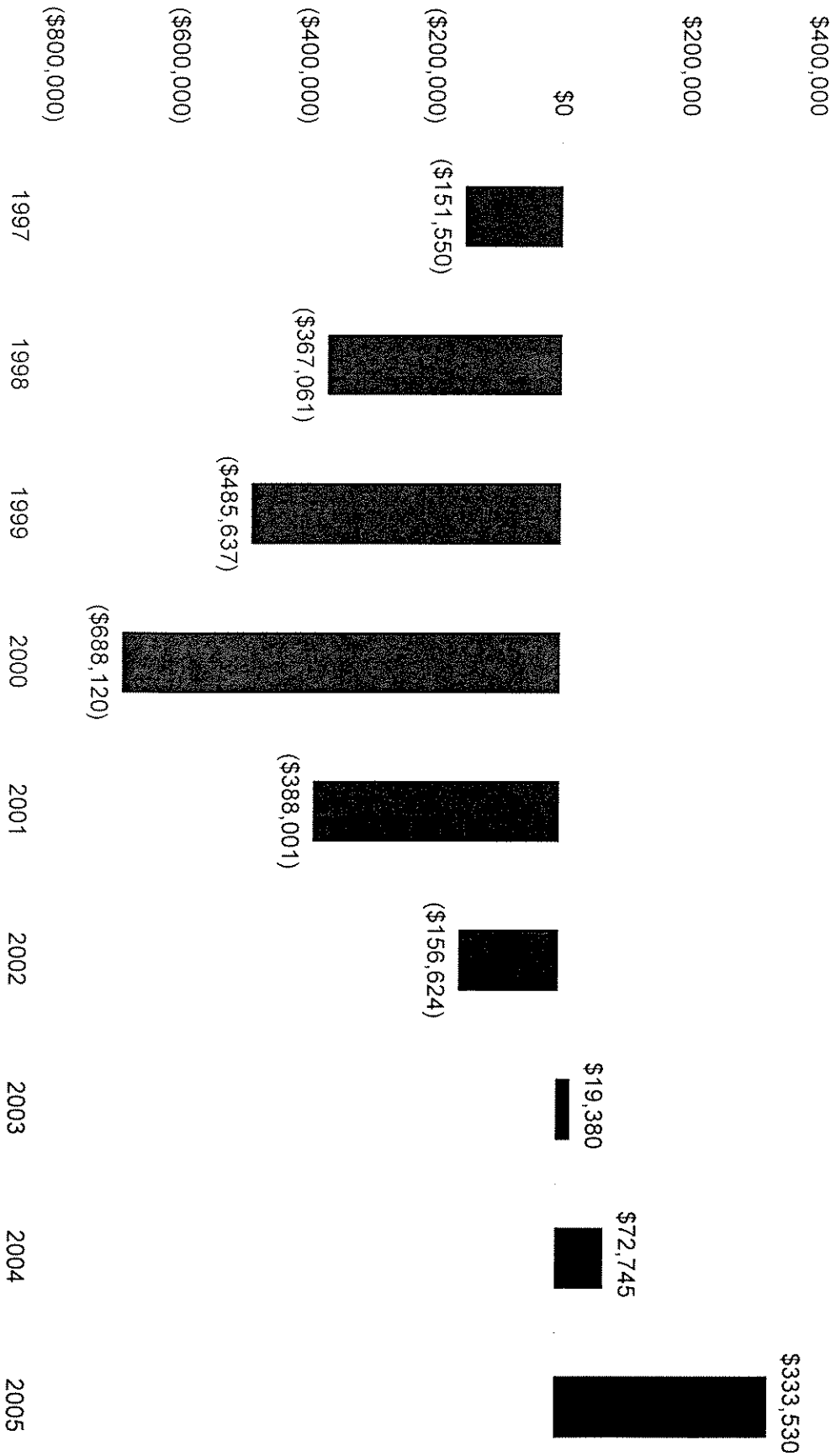
Schedule of Presentations From Consulting Firms to Provide an  
Operational Audit of the Champaign County Nursing Home

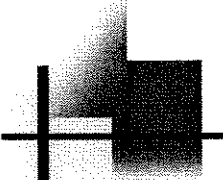
- |                      |  |
|----------------------|--|
| 7:10p.m. – 7:30p.m.  | Presentation by Management Performance Associates                                  |
| 7:30p.m. – 7:50p.m.  | Question & Answer Session Regarding Management Performance Associates Presentation |
| 7:55p.m. – 8:15p.m.  | Presentation by Health Management Associates                                       |
| 8:15p.m. – 8:35p.m.  | Question & Answer Session Regarding Health Management Associates Presentation      |
| 8:40p.m. – 9:00 p.m. | Review of Written Material from Moore Diversified Services, Inc.                   |
| 9:00p.m. – 9:20p.m.  | Discussion of Written Material from Moore Diversified Services, Inc.               |

DeKalb County Rehab & Nursing Center  
 Net Operating Income  
 1989 - 2005



Monroe County Care & Rehabilitation Center  
Net Operating Income  
MPA Begins in 2001





**Champaign County Board  
Justice and Social Services Committee  
Proposal Presentation**

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**Health Management Associates**

**Douglas Elwell**

**October 11, 2006**



# The Firm

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HMA is a national research and consulting firm specializing in complex health care program and policy issues.

Founded in 1985, HMA provides leadership and technical expertise to local, state and federal governmental agencies, foundations, multi-state health system organizations and single site health care providers, as well as employers and other purchasers in the public and private sectors.



# The Firm

continued

HMA is typically called upon to assist challenged institutions improve both health care quality and financial performance.

HMA has extensive experience in providing reimbursement consulting to state agencies, public and private hospitals, nursing facilities, physician groups and many other health care providers. In addition, our consultants work creatively with states to ensure optimal reimbursement rates for Counties.



# Proposed Scope

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HMA will conduct an onsite review of the nursing home, interview key personnel, and review relevant documents including, but not limited to: recent surveys, staffing ratios, labor contracts, financial statements, cost reports, and state plan documents.

Based on the review, HMA will identify opportunities to improve operational and financial performance.



## Team Members:

James Burkhart, CPA

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- CEO, American Senior Communities -- annual revenues of \$300M and over 6,000 employees.
- Exec VP and COO, Prime Care Properties, a senior housing provider, owned over \$400M housing assets.
- Sr. VP of Operations and Finance, NYSE GranCare, 4<sup>th</sup> largest US senior housing provider at that time.
- Sr. VP for Finance, Community Care of America, long-term care provider;
- VP Finance for Nationwide Care, senior housing provider in Indiana;
- Manager, Ernst & Young;
- Board Member and Treasurer of Hoosier Owners and Providers for the Elderly (HOPE)



**Team Members:**

**Douglas Elwell, Principal**

President,

Health and Hospital Corporation of Marion County;

VP Managed Care, and Regional Exec Director,  
Ancilla Systems, Inc.;

CEO, COO, CFO,  
St. Joseph Community Hospital;

Holds Nursing Home Administrator's license.

## Team Members:

**Lori Weiselberg, Senior Consultant**

Co-Principal Investigator/Director,

Chronic Care Disease Management Program at  
Chicago/Cook County Community Health Council;

Independent Consultant,

NYC Department of Health, Cook County Bureau of  
Health Services, Asthma Disease Management  
Programs;

Executive Director,

Lower Manhattan Area Health Education Center.

# MOORE DIVERSIFIED SERVICES, INC.

3001 Halloran Street Fort Worth, TX 76107  
817-731-4266 817-738-2031 fax  
www.m-d-s.com mdsresearch@m-d-s.com

September 8, 2006

Mr. Andrew Buffenbarger  
Administrator  
CHAMPAIGN COUNTY NURSING HOME  
1701 East Main Street  
Urbana, IL 61802

**RE: Work Scope Plan for  
Champaign County Nursing Home**

Dear Mr. Buffenbarger:

Consistent with the recent email information received, I am submitting a comprehensive work scope plan that responds to your needs and objectives at your community. MDS stands ready to respond to questions or to provide additional information upon more detailed discussions.

Contained herein are the following summary exhibits and attachments:

<u>Major Subject Matter</u>	<u>Exhibit Number</u>
• MDS Understanding of the Requirements	1
• MDS Approach to the Engagement	2
• MDS' Experience in Illinois Senior Housing Markets	3
• Detailed Operations Analysis Outline	Attachment A

## Work Scope Options and Professional Fees

We have provided a *Detailed Operations Analysis And Financial Benchmarking Analysis* work scope outline in Attachment A. The professional fee for this task shall be \$13,500. This firm-fixed fee does not include some direct cost expenses that will be incurred during the implementation of this engagement. These additional expenses typically include travel and lodging expenses incurred during a field trip to the community, long distance charges incurred during data collection and overnight courier charges. These expenses are billed at direct cost to the client – with no mark-up.

**Progress Payments** - As is normal company policy, MDS will require progress payments on this engagement. The progress payment schedule will be detailed in a jointly executed Memorandum of Understanding (MOU) that will be submitted by MDS once the desired work scope options are selected.

Mr. Andrew Buffenbarger

- 2 -

September 8, 2006

**Schedule**

Assuming a timely project authorization, this work scope can be completed within a 30 to 45 day period from authorization and receipt of community data to analyze.

After your review of this information, please contact my office to set up a conference call to discuss further. We look forward to working with you on this important engagement.

Very truly yours,

MOORE DIVERSIFIED SERVICES, INC.

*Jim Moore*

Jim Moore  
President

## EXHIBIT 1

### MDS' UNDERSTANDING OF THE REQUIREMENTS

Based on information received via email correspondence, MDS understands the following:

1. Champaign County Nursing Home involves 243 skilled nursing beds.
2. The operation currently has a moderately favorable private pay payor mix.
3. The current annual operating deficit is approaching \$2 million.
4. A tax levy subsidizes 40% of the deficit.
5. The balance of the deficit is covered by the County's general corporate account.
6. The primary objective is to determine reasonable approaches to achieving a balanced budget.
7. Item #6 is perceived as being determined by a comprehensive operational review.

***It is imperative that a practical, objective third-party evaluation be conducted in order to improve the financial situation without impairing reputation, standards of care or quality of life for the residents/patients.***

## **EXHIBIT 2**

### **TYPICAL APPROACH TO AN INITIAL OPERATIONS**

#### **SITUATION ANALYSIS AND FACT-FINDING TASK**

**MDS has designed a very important on-site situation analysis and fact-finding portion of the operations analysis task. The basic sequence is as follows:**

1. MDS submits a detailed planning "punchlist" requesting additional background information.
2. Rough/preliminary data, analysis results and preliminary work products will be submitted by MDS throughout the engagement.
3. Specific focus will always be on the key strategic goals of the engagement.
  - MDS and Client Team will mutually define specific objectives and expected outcomes early in this engagement
4. Confirm the detailed, specific approach to the engagement.

***MDS will obviously work to sharply define the important planning aspects of this engagement.***

### EXHIBIT 3

#### MDS' HAS EXPERIENCE IN THE ILLINOIS

#### SENIOR HOUSING AND HEALTH CARE MARKETS

Markets within the State of Illinois wherein MDS has conducted major engagements - including a mix of market feasibility, detailed financial analysis, consumer surveys and focus groups. MDS' experience includes both new to-be-developed communities as well as the evaluation/optimization of existing Senior housing campuses.

**Arlington Heights**

**Bethalto**

**Bourbonnais**

**Carbondale**

**Chelsea**

**Chicago**

**Decatur**

**Des Plaines**

**East Peoria**

**Elk Grove Village**

**Evanston**

**Fairview Heights**

**Freeport**

**Glen Carbon**

**Glenview**

**Hoffman Estates**

**Libertyville**

**Lincoln Park**

**Lisle**

**Moline**

**Naperville**

**Niles**

**Oak Brook**

**Oak Park**

**Orland Park**

**Palos Heights**

**Pekin**

**Quincy**

**Rock Island**

**Rockford**

**Springfield**

**St. Charles**

**Vernon Hills**

**Wheaton**

*Please review the MDS web page located at [www.m-d-s.com](http://www.m-d-s.com) for additional company background information.*

# **ATTACHMENT A**

## **DETAILED OPERATIONS AND FINANCIAL BENCHMARKING ANALYSIS**

**MOORE DIVERSIFIED SERVICES, INC.**

**3001 Halloran Street Fort Worth, TX 76107 817-731-4266 817-738-2031 fax**  
**www.m-d-s.com mdsresearch@m-d-s.com**

**ATTACHMENT A**  
**KEY TASKS INVOLVED IN A DETAILED**  
**FINANCIAL/OPERATIONS ANALYSIS**

**Objectives**

*Develop practical and prudent revenue enhancement and cost reduction initiatives in order to compare current operations with relevant industry benchmarks and possibly reduce operating expenses. The revenue enhancements will likely be limited due to current payor mix. MDS will identify variances from both accepted financial and staffing ratios and benchmarks and budget vs. actual financial results.*

**I. Conduct Financial Operations Analysis and Benchmarking<sup>1</sup>**

**1. Implement Overall Financial Analysis:**

- **Revenue – Attempt to Optimize Payor Mix:**
  - **Private pay**
  - **Medicaid**
  - **Medicare**
- **Operating Expenses – With Heavy Emphasis on Staffing**
- **Net Operating Income (NOI)**
- **Debt service (if applicable)**
- **Cash flow**

**2. Evaluate Key Operating Ratios:**

- **Operating expense ratio**
- **Expenses per patient/resident-day:**
  - **Overall**
  - **By individual department/cost center**

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<sup>1</sup>MDS proposes to also evaluate each operating department or relevant cost/profit centers. These “market rate” operational evaluations could offer some very significant and favorable financial improvement potential.

**Attachment A**  
**Key Tasks Involved in a Detailed**  
**Financial/Operations Analysis**

- **Operating profit margin**
  - **Net Operating Margin**

**3. Budgeting Process:**

- **Actual financial performance vs. budget:**
  - **Variance analysis?**

**4. Evaluate Current General and Administrative (G&A) Philosophy:**

- **What indirect costs are directly allocated to each individual operation or departmental cost/ profit centers?**
  - **Rationale?**
  - **Special allocations**
- **Identification of the specific services and benefits delivered from the “corporate central office” or general administrative department to the various cost centers:**
  - **Investigate the economies of scale**
  - **Review the rationale necessary central control**
  - **Evaluate the synergy of operations:**
    - **With other cost/profit centers**

***Expected Outcomes - MDS’ experience in engagements such as that to be implemented usually clearly indicates the potential for financial improvement without unfavorable impacts in three very important areas:***

- ***No reduction in resident/patient quality of care or quality of life***
- ***No significant financial impact on existing private pay residents/patients***
- ***No material change in the business plan or mission objectives***

**Attachment A**  
**Key Tasks Involved in a Detailed**  
**Financial/Operations Analysis**

**II. Detailed Evaluation of Tangible and Specific Departments or Other**  
**Cost/Profit Centers Objectives**

*True operations analysis and value engineering efforts must deal with the "lowest common denominators;" financials per patient/resident-day and detailed cost/profit center (departmental) analysis. This insures that no practical financial improvement areas are inadvertently overlooked.*

**1. For each living arrangement in nursing - as applicable:**

- Skilled Nursing
- Subacute
- Etc.

**2. Labor costs:**

- Direct
- Indirect

**3. Non-labor costs:**

- Consumables
- Equipment repairs and replacement costs
- Supplies costs
- Raw food costs
- Administrative supplies and associated costs
- Etc.

**4. Include analysis of other relevant operating entities:**

- General and administrative
- Management operation
- Fund raising/endowment entity (if applicable)

**Expected Outcomes** - *This type of detailed fact-finding situation analysis will lead to the preliminary identification of potential areas of future financial improvement.*

**Attachment A**  
**Key Tasks Involved in a Detailed**  
**Financial/Operations Analysis**

**III. Detailed Staffing Analysis**

**Objectives**

*A detailed analysis of each staffing position; by each individual FTE.<sup>1</sup> Staffing ratios (overall, hours per patient/resident-day, etc.) will be computed and evaluated. Overall operating efficiency will be evaluated - striking a delicate and necessary balance between operational efficiency and each resident's quality of life and quality of care.*

1. Ratios
2. Staffing Levels and Patterns
3. Wage Rates
4. Fringe Benefits
5. Turnover Trends

*Expected Outcomes - Labor is the major expense category for Seniors housing and health care. This important analysis will identify practical areas of staffing pattern improvement which can either be implemented immediately or on an employee attrition basis.*

**IV. Develop Appropriate Financial Structure for Each Cost/Profit Center**

(Absolute dollars, dollars/resident-day, and other appropriate ratios)

**Objectives**

*Based on the previous situation analyses, a suggested modified financial/operations structure will be recommended - where prudent and reasonably achievable.*

**1. Revenue:**

- *Earned directly from operations<sup>2</sup>*
- *Third party payors - as applicable*

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<sup>1</sup>FTE = Full Time Equivalent Employee

<sup>2</sup>Net cash - exclusive of any endowment proceeds, fund-raising and other non-operating revenue.

**Attachment A**  
**Key Tasks Involved in a Detailed**  
**Financial/Operations Analysis**

**2. Expenses:**

- **Direct costs incurred from operations**
- **Appropriate overhead and G&A expense allocation**
- **Compare with appropriate benchmarks**
- **Special analysis of direct hands on care costs and the administrative/supervisory structure**

**3. Net operating income:**

- **Establish realistic and achievable operating profit objectives**
- **Evaluate operating profit margin vs. benchmarks**

**4. Debt service allocation (if applicable):**

- **Interest**
- **Principal**

**5. Other non-operating revenue**

**6. Cash flow**

**7. Debt service coverage ratio (if applicable)**

**8. Average debt/unit (if applicable)**

**9. Other relevant operating ratios**

***Expected Outcomes - An optimized income statement will be created - showing the potential financial improvement that would result from implementation of changes recommended.***

**V. Identify the (Eventual) Financial Expectations of Each Cost/Profit Center Objectives**

***This task involves a philosophical evaluation of how an operation should operate in the future. It asks the question, "Should additional and more extensive cost reductions and value engineering be implemented?"***

**Attachment A**  
**Key Tasks Involved in a Detailed**  
**Financial/Operations Analysis**

**1. Should a particular cost/profit center's *stabilized* financial operations:**

- **Permanently operate at a loss?**
  - **Rationale?**
- **Operate at approximately break-even:**
  - **Before *any* debt service allocation?**
  - **At the cash flow level - *after* debt service?**
- **Be consistent with reasonable industry profitability benchmarks**
- **Deliver targeted operating margins based on:**
  - **Reasonable and achievable *objectives***
  - **Reasonable industry *benchmarks* comprised of:**
    - **MDS' extensive data base**
    - **Industry benchmarks**
    - **Other available benchmark data**

***Expected Outcomes*** - ***The outcome of this task will compare the overall improvements that have been made regarding financial/operations and the consistency of those improvements with the long-run business plan and operating philosophy.***

**VI. Recommend and Demonstrate On-Going Software Needs and Available Resources**

- **Problem identification software**
- **On-going tracking, budgeting and cost accounting software**
- **Recommend sources for procurement of proprietary software**

**Attachment A**  
**Key Tasks Involved in a Detailed**  
**Financial/Operations Analysis**

**VII. Recommend Practical Changes and Final/Formal Reporting**

**Objectives** - It is necessary to properly document the findings of this comprehensive engagement in an efficient and easily understandable manner.

1. Develop a *long list* and *short list* of recommended changes; setting tangible milestones for accomplishments:
  - Immediate changes
  - Next 90 days
  - Next 9 months
  - Next 12 to 24 months
  - Etc.
2. Submit Executive Summary operations and financial enhancement briefing documents
3. Document the key results of the engagement in several formats and make formal presentations to the client as necessary:
  - Executive Summary report
  - Formal/technical report
  - Deliver relevant spreadsheets

*Reports will be submitted first in preliminary format for review, then a finalized version will be submitted*

*This represents a preliminary outline of issues and initiatives. This outline will be refined, expanded and revised based on detailed discussions.*

# MDS

## THE SENIORS MARKET EXPERTS *SERVING CLIENTS FOR OVER 35 YEARS*

### SERVICES PROVIDED

- I Market Feasibility Studies
- I Operations Analysis
- I Financial Feasibility/Pro Formas
- I Strategic Planning/Retreats
- I Investment/Financing Advisory Svs
- I Development Consulting
- I Quick-Reaction Situation Analysis
- I Strategic Sales & Marketing Consulting

### MARKET SECTORS SERVED

- I Independent Living
- I Assisted Living
- I Alzheimer's/Dementia
- I Nursing/Rehabilitation
- I Subacute
- I Community Based Services
- I Respite Care

There is no substitute for experience.

MDS has conducted over 2,000 comprehensive consulting engagements in over 750 markets in 48 states. Major international engagements have been conducted in Mexico, Japan, Canada, France, United Kingdom and Australia.

MDS has also conducted over 800 videotaped focus groups. This has provided a unique qualitative insight into a variety of market segments. There is much more to evaluating the market than just "numbers." MDS has a unique national data base and experience regarding both the qualitative and quantitative aspects of the Seniors market.

MDS is a two generation company. Jim Moore, the company's founder, has over 40 years of industry experience. Lynne Moore, a seasoned MDS professional with over 20 years of MDS experience, is President and Project Manager for the MDS Research Company.

All this experience is implemented out of one central office to avoid inevitable dilution of talent. MDS has conducted more major feasibility studies and consulting engagements from a single office than any other consulting firm in the industry today.

For over 35 years, the firm has provided innovative consulting for a broad spectrum of national leaders and small organizations - with a balanced mix of both for-profit and not-for-profit clients.

*If you need to know the market - You need to know MDS*

# MDS

**Moore Diversified Services, Inc.**  
**Market Research/Business Consulting**

3001 Halloran Street, Fort Worth, Texas 76107  
817-731-4266 ! Fax 817-738-2031  
mdsresearch@m-d-s.com ! www.m-d-s.com

# PROFILE OF JIM MOORE

Jim Moore has over 40 years of industry experience and for the past 35 years the company that Moore founded - **Moore Diversified Services, Inc.** - has served literally thousands of national and international clients. Jim's company is heavily involved in market feasibility studies, detailed financial pro forma analysis, strategic planning, operations analysis and investment advisory services.

Moore spends most of his time in the trenches - the real world of Senior housing. Jim has personally conducted over 2,000 major Senior housing and health care consulting engagements in over 750 markets in 48 states - experience that is unmatched in the industry today. He has also conducted over 40 major international consulting engagements in Japan, Australia, China, Canada, Europe and Mexico.

He has moderated over 800 Senior consumer and business focus groups. As part of his consulting practice, he has actually lived briefly in over 80 retirement and assisted living communities. His clients include a broad spectrum of national leaders and small organizations - with a balanced mix of both for-profit and not-for-profit clients.

Moore is the industry's leading independent living and assisted living author. He has authored several hundred industry technical papers, trade journal articles, and a weekly business column for two major newspapers. He is the author of several books on Seniors housing. His previous book "*Assisted Living 2000 - Practical Strategies for the Next Millennium*" was an industry best-seller. His latest book "*Assisted Living Strategies for Changing Markets*" was released in May, 2001 and is in its second printing. His newest book, "*Independent Living, Congregate Care and CCRCs*" will be released in 2006.

For over 14 years he has authored the monthly column entitled, "*Senior Housing*" for *Contemporary Long Term Care Magazine* - a leading industry trade periodical. Jim also writes on a regular basis for three other leading Senior housing and health care publications, including the "*Assisted Living Executive*", the "*National Investment Center's Key Financial Indicators*" and "*McKnights Assisted Living*" periodical. Moore also writes a nationally syndicated Senior housing and health care column provided directly to Senior living communities and for inclusion in major state association newsletters and periodicals. Moore also publishes a monthly email newsletter that is distributed to industry CEO's, CFO's and COO's.

As a recognized national expert, his courtroom testimony as an expert witness is frequently in demand across the U.S. He has provided expert witness support and testimony in over 50 cases at the local, state and national levels.

He is past president of a major industry trade association. He is currently active in five major industry trade associations and serves on the Advisory Boards of several Senior housing and health care organizations. He is also on the Board of Directors of a major public Senior living company traded on the New York Stock Exchange. Jim has been a guest lecturer for "*The Business of Seniors' Housing & Care*" at Johns Hopkins University's Graduate Division of Business & Management and is currently lecturing at The Erickson School of Aging Studies at The University of Maryland.

Jim holds a Bachelor of Science degree in Industrial Technology from Northeastern University in Boston and an MBA in Marketing and Finance from Texas Christian University in Fort Worth, Texas.

## MOORE DIVERSIFIED SERVICES, INC.

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