Gracedale Advisory Board
February 11, 2016, 4:30pm, Tower 1 Conference Room
Minutes

Members Present: Rosemarie Fehr; James Irwin; Susan Lawrence; MaryAnn McEvoy; Maryann Schmoyer; Ann Terres; Honorable Robert Werner

Members Absent: Deborah Jean DeNardo, J.D.; Reverend David H. DeRemer; Kenneth Sun, MD

County Council Member: Honorable Hayden Phillips

Public Present: Jack D'Allessandro, Phil Rissmiller, Judy Ryan, Tom Shortell

Staff Present: Stephen Barron, John Belko, Sue Edwards, Craig Gardner, David Holland, Jennie Repsher, Hector Rivera, Luann Vogel

Call to Order/Welcome:
The meeting was called to order by J. Irwin, Chair. He extended a welcome to the visitors.

Approval of January's Minutes:
A motion was made by A. Terres and seconded by M. McEvoy to accept the minutes from the January meeting. Motion carried.

Courtesy of the Floor:
J. Irwin asked everyone to hold any comments regarding the 501(c)(3) presentation until after the presentation.

By Guests:
None.

By Committee Members:
A. Terres asked that the visitors introduce themselves.

Chair Report:
J. Irwin stated that a letter was sent to Paul Brunswick thanking him for his time on the Advisory Board.

M. Schmoyer stated that a visitor had asked her why the Gift Shop is not open on a Sunday afternoon. It was noted that the Volunteer Coordinator staffs the Gift Shop when he is able, according to the volunteers he has. It is usually staffed every other weekend. S. Edwards stated that we could use another volunteer for the Gift Shop.

Director of Human Services Report:
D. Holland stated that A. Frantz was unable to attend today's meeting. The Area Agency on

Aging Advisory Council will again present the Outstanding Senior Awards Program on Thursday, April 28 at 1:00pm at Wesley United Methodist Church, 2540 Center Street, Bethlehem. All are welcome to attend.

Gracedale Administrator's Report:

D. Holland stated that the average census for January was 665 and the hours per patient day were 3.21.

D. Holland stated that the facility is currently in the middle of its annual survey with the Department of Health (DOH). The DOH plans on exiting tomorrow morning; they arrived unannounced on Tuesday at 8:00am. This is the typical length of a DOH annual survey. It was asked if the Advisory Board could be made aware of the survey results. D. Holland agreed to inform the board.

Other Business - 501(c)(3) Discussion:

J. Belko stated that Premier Healthcare Resources was asked by the County Council Clerk to complete a financial analysis for Gracedale becoming a 501(C)(3). Premier submitted a proposal, and it was decided that County Council did not want a financial analysis at that time. Instead, they requested an educational session. It will discuss the pros and cons regarding the different types of 501(C)(3) organizations. This will also be presented at County Council next Thursday.

The County Council Resolution is as follows:

> "Now, therefore, be it hereby resolved that the Northampton County Council requests that the Director of Human Services and Premier Healthcare Resources prepare and present an analysis of the prospect and procedures of transitioning the Gracedale Nursing Home to an Internal Revenue Code 501(c)(3) non-profit organization. The analysis and presentation should provide an understanding of the major challenges and benefits of such a decision if the Internal Revenue Code 501(c)(3) organization is an undertaking that warrants further County Council consideration. The cost of said report shall be included under the existing management contract between Premier Healthcare Resources and Northampton County."

J. Belko stated that the 501(c)(3) discussion has nothing to do with selling the facility. The goal of the presentation is to review the definition of a 501(c)(3), and to explore the three available options Northampton County has in operating different types of 501(c)(3) organizations. Premier manages both county homes and 501(c)(3) nursing homes. It is up to County Council to determine what makes sense from both a financial and overall perspective.

A 501(c)(3) organization is part of the federal tax code. It grants exemption from federal income tax. The county home remains neutral and cannot engage in lobbying activity.

Three Options of 501(c)(3)

Option 1 – Gracedale would become a charitable giving facility, meaning those donating to the facility can claim a tax break on their donations. Presently, someone who donates to Gracedale cannot claim their donation as a tax deductible contribution. Gracedale would remain a county home and a county department. There is nothing controversial about this option.

Option 2 – Gracedale would remain a county home, but the assets would be transferred to a 501(c)(3) that is controlled by the county. The county retains financial responsibility; which is no different than now. Gracedale would no longer be a county department, and the employees would no longer be county employees. Premier manages two county homes set up this way.

Option 3 – Gracedale would not be a county home; instead it would be controlled by a community board. County Council could not be a majority of the board. Gracedale would no longer be a county department, it would not be a county home and the employees would not be county employees. The facility would have to be financially solvent for this option, or potentially face bankruptcy.

Options 2 and 3 are mutually exclusive. You could be an Option 1 under both Options 2 and 3.

The common ground between Options 2 and 3 is that employees in both options are employed by the 501(c)(3) and not the county. The facility would not follow county policies, would not have to follow the county bidding process, would have its own Human Resources Department, its own Purchasing Department, etc. The pension and insurance would be carved out from the county. Workers' compensation and health insurance are typically purchased by the county; Gracedale would instead have to secure its own insurance coverage. The pension cost to the county would be reduced. Typically, a 403(b) retirement plan is used. The benefit program would be different and potentially less costly. It was asked if the pension and legacy costs are reduced, what would be the initial impact. J. Belko said that would have to be addressed in a financial study. The reduction of overall costs would seek to make the facility self-sufficient.

Different Option Reimbursement Structures

Option 1 – Gracedale could become a charitable giving 501(c)(3) and there would be no change in how the nursing home is reimbursed. The county helps develop a 501(c)(3) as a channel for private charitable contributions.

Option 2 – Gracedale is still county controlled; the assets are transferred to a 501(c)(3). Legally, it is a separate, non-county organization, but the board (County Council) can remain the same. The reimbursement remains on the same basis of rates for county-owned facilities. Non-county homes are reimbursed by their MDS; county home reimbursement rates were frozen and legislature determines the increases.

It was asked if the reimbursement would be better or less than Gracedale currently receives. J. Belko said it could be explored in a financial analysis. It was noted that if House Bill 1062 passes, the 10% county share would be eliminated.

Under Option 2, the facility is “controlled” by the county for MA reimbursement only. There is no difference in licensure or certification. New paperwork would have to be filed for a change of ownership, but there would be no change in the provider agreement.

Option 2 is similar to a municipal authority.

<u>Option 3</u> – Ownership of Gracedale would be transferred, not sold. It was asked who would control the initial appointees to the board. J. Belko stated that County Council would initially appoint a board, but beyond that they lose all control. After terms expire, sitting board members would control appointees.

Gracedale would be reimbursed as all other non-county facilities, and any county add-ons would be eliminated. The acuity rate of the residents would have to be examined; the sicker the residents are, the more the facility is reimbursed.

It was asked if the intergovernmental transfer (IGT) still holds under Option 3. J. Belko stated that years ago, counties would pool together money, the federal government would match it, and the funds would be distributed to all nursing homes in Pennsylvania. With the current IGT program, county homes are pooling together money which will only be redistributed to county homes. Under Option 2, Gracedale could participate in the IGT. With Option 3, Gracedale could not.

Case Studies

<u>Pleasant Valley Manor, Monroe County – Option 2 501(c)(3)</u>

At Pleasant Valley Manor, the board is a mix of three commissioners and two community members; it is controlled by the commissioners. The employees have a 403b pension plan. The majority of the reduction in wage/benefits is attributed to the pension change.

Pleasant Valley Manor has 176 beds and a couple hundred employees. It was asked if those who worked for Pleasant Valley Manor were considered full county employees before the facility became a 501(c)(3). J. Belko stated that the employees received a county pension if they qualified. He stated that when a facility becomes a 501(c)(3), one day the employees are considered county employees, the next day they are not.

It was asked if the employees at Pleasant Valley Manor belonged to a union before the facility became a 501(c)(3). D. Holland stated that he believed there was a union. There was a succession clause and they negotiated with Pleasant Valley Manor, Inc.

J. Belko stated that because Pleasant Valley Manor is considered a county home under Option 2, the county is ultimately responsible for any needed capital improvement expenses. D. Holland stated that Pleasant Valley Manor is self-sustaining on its operating budget, and the county funds capital expenses. That is how Monroe County chose to handle expenditures.

Susque View Home, Clinton County – Option 2 501(c)(3)

Susque View has 143 beds and four independent living apartments. Their net income is 1-2% of their gross revenue and they have $3 million cash in the bank. Their board consists of three commissioners and they have no community membership. The board drives the facility; it is still considered a county home. When the county experienced financial difficulties, they asked Susque View to make a nominal lease payment to the county, so the facility now pays the county $24,000 per year. The facility is completely self-insured.

Advantages

There is a separation of employees from the benefit program, and part-time employees would not take part in the benefit program. Gracedale could purchase its own Human Resources Department, Information Services, and other services at a potential cost savings. There would be a less formal bidding process for services.

Disadvantages

Option 2 – The county is still financially responsible. We would have to file an annual 990 Return. There would be a reduction of employees in the pool for self-funded programs; a cost analysis would have to be completed to see if this would result in higher costs for Gracedale or the county. Changing benefits could be met with union resistance. The county cannot allocate any overhead costs regarding Human Resources, Information Services, etc. to the facility.

It was asked how other facilities have absorbed the cost of contracting for services. J. Belko stated that other facilities have hired their own staff and usually contract with payroll, the business office, etc. For example, PointClickCare has its own budgeting piece of the software, as a 501(c)(3) the facility would purchase that portion of the package.

It was noted that currently Gracedale participates in CCAP for insurance and gets a great deal. D. Holland stated that under Option 2, Gracedale would still have access to CCAP because the facility would be county-owned. J. Belko stated that a financial analysis would help determine if becoming a 501(c)(3) would be good or bad for either the county or Gracedale. It was asked what a financial analysis would cost. J. Belko stated that Premier put in a bid to complete the study for $6,000. It was stated that currently, County Council simply wants to understand the different 501(c)(3) options more clearly.

Option 3 – Gracedale would have to be financially viable. There would be no support from the county. Separating Gracedale from the county may disrupt the goals of the facility. Once the board turns over, they could decide to run the facility as a for-profit home, instead of it being a facility for the indigent. The facility could not benefit from state contracts in this option.

It was asked what would happen if Gracedale was a 501(c)(3) under Option 3, and was not financially viable. J. Belko stated that the facility would have to declare bankruptcy or be sold. The county would have no responsibility to the facility.

It was asked if any facilities in Pennsylvania operate as a 501(c)(3) under Option 3. J. Belko stated that the only facility he knows of is Centre Crest in Centre County. There are currently 21 county nursing homes. It was asked how many of them operate as a 501(c)(3). J. Belko estimated that a third of county homes operate as a 501(c)(3).

J. Belko stated that Centre Crest had the lowest Medicaid rate in Pennsylvania. They were bringing in admissions, but still losing money. The decision to become an Option 3 501(c)(3) was for self-preservation. It gave them the acuity-base system for reimbursements.

Debt & Cash Management

Under Option 2, the county's bond rating would be impacted by the finances of Gracedale becoming a new entity. Under Option 3, there would be no impact. Both options require cash flow, but it is more critical in Option 3. For investment purposes, the facility would not fall under County Code in Options 2 and 3, meaning the facility could potentially earn a higher rate of return.

General Discussion

It was asked why the employees would want to stay if their pensions were cut. They took their jobs, with lower pay, because of the better benefit package. The good employees will end up finding employment elsewhere and make more money.

It was noted that there is a tremendous amount of reliance on the county with Option 2. J. Belko stated that under Option 2 there is generally more flexibility than Gracedale currently has. There is no bidding process, and you can contract with different organizations for ancillary services.

It was asked if, under Option 1, Gracedale could then use its 501(c)(3) status to apply for other non-profit grants. J. Belko stated that people who donate could write off their donations, and different grant options would be available.

It was asked if Gracedale's acuity rate tends to be higher because the facility takes harder cases. J. Belko stated that the average CMI in Pennsylvania is 1.0, and you can go up or down one hundredth of a point. Currently, Gracedale's CMI is .89. If Option 3 was chosen right now, Gracedale would receive 11% less in reimbursements than the average Medicaid home in that group. Heavy care residents, those that are an assist of two or three to go to the bathroom, do not pay as well as those receiving therapy, wound care and trach care. Option 3 would have to be looked at very carefully.

It was noted that with the passing of House Bill 1062, it would be beneficial for Gracedale to be a county home, to choose Option 1 or Option 2, or to simply do nothing. J. Belko stated that the finances would have to be examined.

Next Meeting:

A. Terres moved to adjourn, M. McEvoy seconded the motion. All approved, motion carried.

J. Irwin reminded Advisory Board members that the next meeting will be held on March 10, 2016, at 4:30 PM.

Meeting adjourned at 5:53 pm.

Respectfully submitted,
Jennie R. Repsher