

County Executive Task Force
on the
Future of Ridgewood Care Center



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- I. Glossary of Terms
- II. List of Members
- III. Charge to the Task Force
- IV. Executive Summary
- V. Recommendations

Appendices (available upon request)

- A. WIPFLI 2013 Strategic Planning Study
- B. Ridgewood Financial Trend Data
- C. Ridgewood Reduced Census Data
- D. Wisconsin Nursing Home Trend Data
- E. National Nursing Home Trend Data

Glossary of Terms

ACA (Affordable Care Act): Federal statute signed into law by President Barack Obama on March 23, 2010. Under the act, hospitals and primary physicians would transform their practices financially, technologically and clinically to drive better health outcomes, lower costs and improve their methods of distribution and accessibility.

AFH (Adult Family Home): Residential long-term care facilities that provide personal care services, as well as room and board for up to six adults. Homes are typically located in specially retrofitted private houses in residential neighborhoods.

ALF (Assisted Living Facility): A housing alternative for older adults who may need help with dressing, bathing, eating, and toileting, but do not require the intensive medical and nursing care provided in nursing homes.

CBRF (Community Based Residential Facility): A place where 5 or more unrelated people live together in a community setting. Services provided include room and board, supervision, support services, and may include up to 3 hours of nursing care per week.

Chapter 51: Provides legal procedures for voluntary and involuntary admission, treatment and rehabilitation of individuals (adults and minor children) afflicted with mental illness, developmental disability, drug dependency, or alcoholism.

Chapter 55: Designed to establish those protective services and protective placements, to assure their availability to all individuals when in need of them, and to place the least possible restriction on personal liberty and exercise of constitutional rights consistent with due process and protection from abuse, financial exploitation, neglect, and self-neglect.

CPE (Certified Public Expenditure): A statutorily recognized Medicaid financing approach by which a governmental entity, including a governmental provider incurs an expenditure eligible for Federal match under the state's approved Medicaid state plan. The governmental entity certifies that the funds expended are public funds used to support the full cost of providing the Medicaid-covered service or the Medicaid program administrative activity. Based on this certification, the state then claims federal reimbursement.

Crisis Stabilization: Services that are direct mental health care to non-hospitalized individuals experiencing an acute crisis of a psychiatric nature that may jeopardize their current community living situation, or puts them at risk of psychiatric hospitalization.

DHS (Department of Health Services): Ten Divisions and Offices that work to protect and promote the health and safety of the people of Wisconsin.

The Department of Health Services provides high-quality, affordable health care coverage and public health services to Wisconsin residents; ensures that the care provided to Wisconsin residents is high-quality and provided in accordance with state and federal law; ensures that Wisconsin taxpayer dollars are being utilized effectively and efficiently by preventing and detecting waste, fraud and abuse; and works to continue Wisconsin's long tradition of strong health outcomes and innovation.

Family Care: A comprehensive and flexible long-term care service system, which strives to foster people's independence and quality of life, while recognizing the need for interdependence and support. Family Care improves the cost-effective coordination of long-term care services by creating a single flexible benefit that includes a large number of health and long-term care services that otherwise would be available through separate programs.

Fee for Service: Some Medicaid enrollees are served through a fee-for-service delivery system where health care providers are paid for each service (like an office visit, test, or procedure).

IMD (Institute for Mental Disease): A hospital, nursing facility, or other institution of 17 beds or more that is primarily engaged in providing diagnosis, treatment, or care of people with mental diseases. In Wisconsin there are two IMD's- Winnebago and Mendota.

Medicare: Federal health insurance program for people who are 65 or older, certain younger people with disabilities, and people with End-Stage Renal Disease. It is not based on income.

Medicaid: A joint federal and state program that helps low-income individuals or families pay for the costs associated with long-term medical and custodial care, provided they qualify. Although largely funded by the federal government, Medicaid is run by the state where coverage may vary.

SNF (Skilled Nursing Facility): A health-care institution that meets federal criteria for Medicaid and Medicare reimbursement for nursing care including especially the supervision of the care of every patient by a physician, the employment full-time of at least one registered nurse, the maintenance of records concerning the care and condition of every patient, the availability of nursing care 24 hours a day, the presence of facilities for storing and dispensing drugs, the implementation of a utilization review plan, and overall financial planning including an annual operating budget and a 3-year capital expenditures program.

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Charge to the Task Force

As promised in the County Executive's 2016 Budget Address, a County Executive Task Force was created to work with the Ridgewood team to maximize resources while still delivering the superior care to our Racine County residents. The Task Force was tasked with analyzing the available data and providing a recommendation regarding the following identified options for Ridgewood:

1. Status Quo
2. Staffing and Census Reduction
3. Continuum of Care Model ; CBRF
4. Chapter 51/55 inclusion; secure mental health facility
5. Transfer of Operations

Status Quo

Ridgewood would continue to operate a 200 licensed bed facility, in its existing building, with minimal renovations and no new construction. With the current population pay source, this option results in over \$2.3 million of county subsidy in the next 5 years.

Staffing and Census Reduction

Staffing and census reduction would be explored to assess if it will be of financial benefit for Ridgewood. This option would require closing a long term care Medicaid unit of approximately 50 beds.

Continuum of Care Model

Ridgewood would renovate a wing of the facility to include a Community Based Residential living space for up to 15 residents. This would serve as a feeder to the Skilled Nursing beds within Ridgewood and supply and constant referral base. The estimated cost for construction would be comparable to the Kenosha County construction which is quoted at \$18.2 million.

Chapter 51/55 Inclusion

Ridgewood would renovate a wing of the facility to accommodate 20-24 individuals with severe and persistent mental illness and advanced dementia/Alzheimer's. This wing would serve as a place to hold individuals for emergency detention under the Wisconsin State Statutes Chapter 51 and 55. The estimated cost for this construction would exceed the Brown County model which was quoted at \$900,000. In addition, our staff to patient ratio would have to increase to include psychiatric professionals.

Transfer Facility to Private Operations

Racine County would remove itself from the Nursing Home business and transfer the facility and its assets to the private sector while assuring high quality care and the integrity of the facility is preserved.

Executive Summary of the County Executive Task Force

1. Ridgewood's Past, Present, and Future Mission

The delicate balance of serving the most vulnerable adults in Racine County and ensuring sustainability of services has been present since the inception of a county-run facility in 1889. Racine's County home originated from poorhouses, which were created by the Wisconsin poorhouse law of 1849. The facility operated under several names: Racine County Asylum, Racine County Hospital for Mental Disease, and Gatliff Asylum.

As time progressed, so did the needs of the community. Demand grew for more sophisticated and organized programs; therefore, the county-run facility transformed from a general repository for the "undesirable" of society to a more comprehensive service center. The new target population included low-income elders and those with serious and persistent mental illness who were unable to live alone and lacked social support systems. By 1970, the asylum model had evolved into a 420 bed facility called High Ridge. The average census was about 350 residents and it employed as many as 600 people in full time and part time positions. High Ridge serviced the developmentally disabled, the mentally ill, and the elderly as a nursing home. The Mission of the facility was to primarily serve the Medicaid population of our area.

By the early 1980's, the State of Wisconsin started to create Community based programming as an alternative to institutionalization in order to control costs. Many County-run facilities around the State started to transfer their operations to the private sector because the cost of operation exceeded Medicaid reimbursement. After 16 years of the successful operation of High Ridge, Racine County was faced with the difficult decision of whether to stay in the business of institutional care for the elderly and disabled.

The County implemented a feasibility study required by State known as the Certificate of Need. This process controlled the amount of beds that were allotted, the cost of a new structure, and projected future costs and sustainability. The study resulted in the decision to create a downsized Skilled Nursing Facility as a financially feasible option. In 1986 Ridgewood was born. It was a state-of-the-art, 210 bed, long term care facility. Ridgewood would service the elderly and the mentally ill, treating those with mental illness within a semi-locked unit if necessary, and continue to provide for the Medicaid population of the area.

During the 1990's, the State continued to incentivize the counties of Wisconsin to leave the nursing home business. This was felt by the facilities in several different ways. The State levied bed tax was increased which resulted in facilities returning beds to the State. Lowering licensed beds was a means to offset costs, but a lower census and a steadily increasing tax meant no hope for regaining them in the future. Medicaid reimbursement continued to not

cover the rising costs of patient care. The daily reimbursement rate for a Medicaid resident in 1999 was \$95.66 and by 2015 it has only increased to \$148.90.

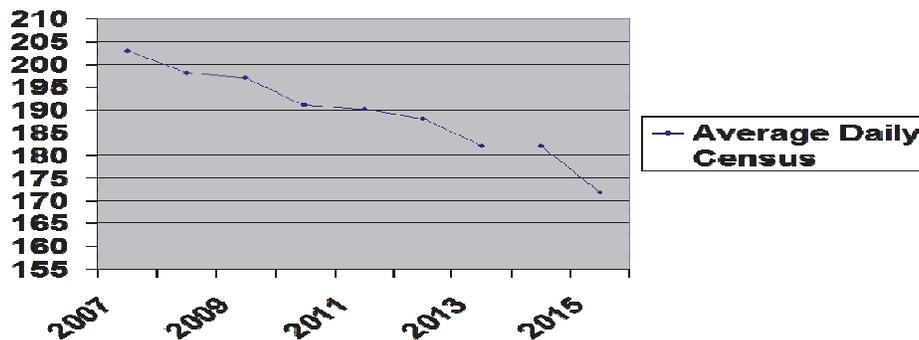
This history of the changing landscape of nursing home care leads to the present-day Ridgewood. After 30 years in operation, it's necessary to re-assess the mission and future vision for Ridgewood. It is the obligation of the County to ensure that Ridgewood Care Center not only provides excellent care to its vulnerable residents but also have minimum impact on the taxpayer levy. While Ridgewood experienced four years of a surplus, the last two years required reductions to staffing and subsidized operations with General Funds to meet the bottom line. This has left Ridgewood with less than \$500,000 in reserves and the maximum staffing reduction for the budgeted census that will sustain quality operations. In consideration of the WIPFLI study and trend data, Ridgewood will be on the county levy for operations by next year.

It is the role of the County Executive Task Force to explore the cost-benefit of maintaining the operations of Ridgewood at status quo. Below are some of the major considerations and obstacles in planning for the future of Ridgewood:

- Obligation to serve the most vulnerable through State-mandated services in our community in the most appropriate and least restrictive setting
- Increasing monthly bed tax
- Stagnant Medicaid daily reimbursement rate: \$148.90 currently
- Increasing cost of resident daily care: \$275 currently
- Minimum impact to the tax payer levy

2. Facility Operational Analysis

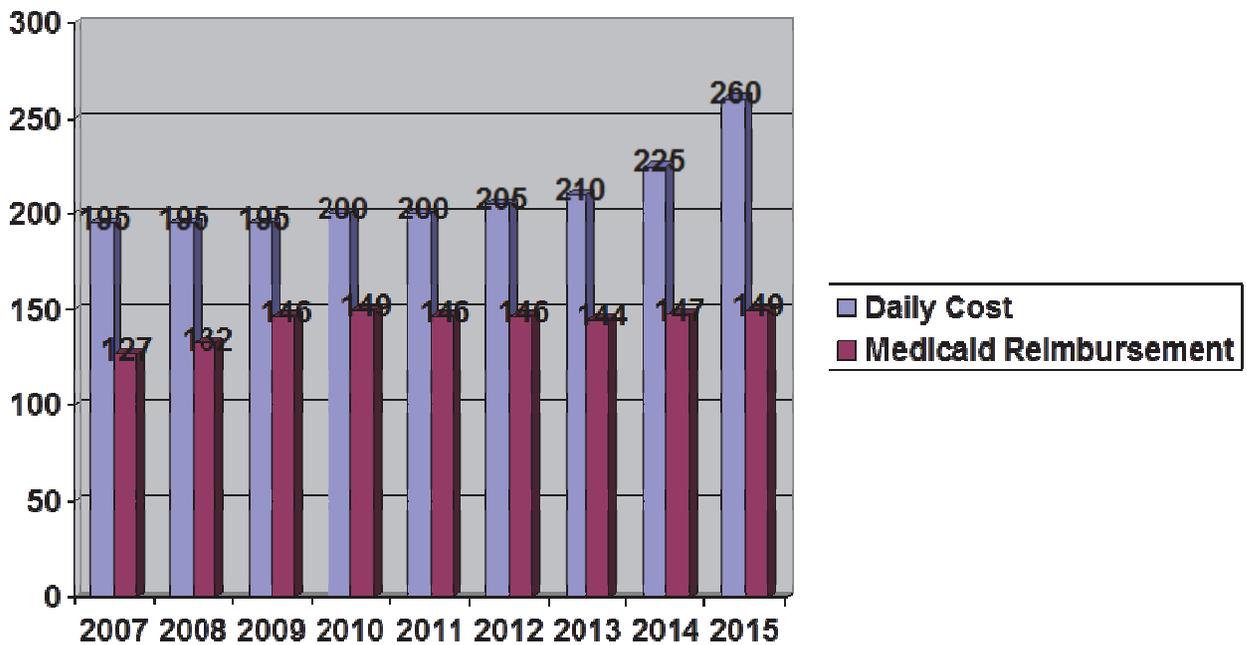
Ridgewood Care Center has experienced a steady decline in census over the past 10 years. Since 2007, the population has declined by over 15%. Community Long Term Care waivers with in-home nursing options have grown 50% in the past 10 years.



Racine County: Community Long Term Care Enrollment							
2008	2009	2010	2011	2012	2013	2014	2015
254	276	334	380	333	289	417	498

Medicaid Reimbursement Rates

According to the Wisconsin Department of Health Services, the percentage of the State’s Medicaid budget spent on Long Term Care dropped from 53% in 2002 to 43% in 2011. Furthermore, annual Medicaid Nursing Home days dropped from \$8.8 million in 2002 to \$5.7 million in 2012; this results in a 35% reduction saving taxpayers over \$300 million dollars a year.



Net Income Statement

In reporting the financial health of Ridgewood Care Facility, financial reports were based post transfer of funds from the Racine County General Fund. While Ridgewood has remained off the County Tax Levy, it is operated with the support of reserve funds to subsidize its operating losses.

Ridgewood Care Center			
YEAR	ACTUAL NET INCOME/(LOSS)	RETIREE INSURANCE NET COST	RIDGEWOOD CONTRIBUTION TO RETIREE INSURANCE
2014	(754,818)	1,075,876	298,683
2013	(1,206,617)	997,379	0
2012	(996,751)	767,671	700,000
2011	605,522	813,489	0
2010	434,920	910,042	0
2009	449,939	859,501	0
2008	88,953	967,736	0
2007	(906,248)	919,179	0

Payer Distribution Breakdown

Ridgewood Care Center has a comparable payer source breakdown as the private competitors in the area. The number of Medicaid recipients in Ridgewood is lower than Lincoln Village and almost identical to Becker Shoop.

Comparison of Racine County Facilities- 2015				
		Payer Source		
Facility Name	Beds	Medicare	Private	Medicaid
Wheaton Lakeshore Manor	50	25%	23%	52%
Becker Shoop Center	71	20%	19%	61%
Lincoln Village	122	9%	18%	74%
Ridgewood Care Center	200	19%	17%	64%

3. Staffing Efficiency

During the 2016 budget preparation, the steady decline in census was addressed and staffing levels were adjusted to a realistic resident census level of 190. The staffing level allows for appropriate growth without impacting the resident’s quality of care.

2016 Positions Eliminated/Unfunded	
CNA	12
LPN	3.6
RN	5
Rec Therapy	1.5
Food Service Worker	.4
Total	22.1

4. Strategic Options and Comparative Analysis

Brown County

Brown County started with an 80 bed skilled nursing facility and 31 psychiatric beds. Like many other facilities around the country, they were experiencing a revenue shortfall. After exploration of sustainability options, they chose to diversify their adult and long term care services. Through these efforts, they expanded services to include emergency protective placement and a crisis stabilization unit. Mental health integration was chosen as a means to fill a gap in the community and in hopes of creating additional revenue for the facility.

In 2014, Brown County built a 16 bed Community Based Residential Facility (CBRF) and 15 psychiatric beds. The cost of this construction was \$900,000. The Psychiatric beds were already established; therefore the remodel costs were minimal.

Jefferson County

Jefferson County had an outdated skilled nursing facility that was losing revenue. In order to draw in a more diverse payer source, they built a state-of-the-art facility in 2008. The construction of this facility totaled over \$14 million of bonded tax payer dollars. Within 2 years, the County saw losses of over \$2 million and projected higher rate of continued losses. The expenses of operating a facility of this magnitude exceeded their ability to maintain a sustainable revenue stream. As a result, a committee was formed to assess future options for

their facility. Two referendums were issued; the final referendum resulted in exploration of transferring the facility to the private sector. In 2010, the county nursing home was sold for \$8 million dollars.

Kenosha County

Kenosha County started with a 154 bed skilled nursing facility. Until 2008, Brookside Care Center was on tax levy and experiencing a downward trend in revenue and census. At that time, Kenosha County made the decision to diversify the payer source by including more Medicare and rehabilitation services. After several years of managing budget neutrality, they were again at a critical point of returning to tax dependence. Kenosha County has decided to implement a Continuum of Care model by expanding services to include a Community Based Residential Facility. Construction costs for this expansion are \$18.3 million.

Ridgewood Census and Staffing Reduction

Ridgewood would reduce staffing by 26.9 FTE (full time equivalent) and reduce census by approximately 50 beds. This would require closing a long term care Medicaid unit. The result would be a 28% reduction in Medicaid revenues and an 18% reduction in a small number of expenses. The maximum census would be 150 residents. This option results in an additional \$400,000 of county subsidy for 2016.

WIPFLI CPA's and Consultants

In 2013, Racine County authorized a Strategic Planning Study for Ridgewood Care Center. It encompassed a market study and analyzed various feasibility options for Ridgewood Care Center. Highlights from the study include:

- Racine County market would always need skilled nursing beds at the current level (679 beds).
- Ridgewood Care Center has had the largest Medicare market share in Racine County for the past 5 years (~40%)
- Ridgewood Care Center has had the largest Private Pay market share in Racine County for the past 5 years (~36%)
- There may be a market demand for additional Assisted Living Beds/Community Based Residential Facilities, Memory Care, and Adult Day Care in Racine County. This market, however, is becoming saturated for the frail and elderly population.
- Nursing Home Commission model was explored. It includes integrating behavioral health units and marketing to local counties for emergency placement beds. A Commission model would still encompass a Racine County

owned facility and employees, but the license would be turned over the authority of a Commission Board. The point of the Commission is to offset losses to the County due to caring for high cost residents admitted from other counties.

- A Continuum of Care model was also explored to build a Community Based Residential Facility on the Ridgewood Campus. This model has a consequence of potentially reducing traditional private pay and Medicare populations by changing the perception of the facility by serving clientele with behavioral challenges.
- The Study was completed with the Status Quo assessment showing that there is no financially sustainable future for Ridgewood Care Center without significant changes to the facility and operations.

Keefe & Associates Independent Study

Due to the changing landscape in Long Term Care, Racine County commissioned a study in 2001 to evaluate sustainability options for Ridgewood Care Center and Racine County. Three basic choices were put forth: status quo, sell, operate under new rules of long term care.

- Chronic staffing shortages existed and were predicted to culminate in 2020.
- Recommendations from the study include:
 - Decommissioning at least 20 beds; perhaps even more in next 3-5 years
 - Upgrading facilities for chronically mentally ill and dementia residents
 - Increase of wage and benefit levels to improve workplace environment
 - Improve marketability of facility by increasing number of private rooms with private bathrooms and creating a separate entryway for residents with Medicare and traditional geriatric residents.

Recommendation of the County Executive Task Force
on the
Future of Ridgewood Care Center

The County Executive Task Force on the Future of Ridgewood Care Center recognizes Ridgewood Care Center as a positive community asset and endorses the mission of Ridgewood as very important for Racine County.

After considerable research and deliberation, the Task Force on the Future of Ridgewood Care Center recommends that the Executive Committee of the Racine County Board authorize the County Executive to publish Requests for Proposals for a commercial real estate broker experienced and specializing in the sale of nursing homes in the State of Wisconsin, to broker the sale of Ridgewood Care Center on behalf of Racine County. This process will enable the Racine County Board to analyze prospects in anticipation of a transfer to private ownership of the facility.

Upon review of the information presented by the Task Force and further discussions, the Racine County Board needs to make a determination if Racine County should remain in the nursing home business.