



# The Future of Ridgewood Care Center





# Ridgewood's Changing Purpose





# Past County Responsibility

- ▶ Prior to 2008, Racine County was responsible for the long-term care services of the indigent (Medicaid population)
- ▶ The County was obligated to fund 40% of these costs
- ▶ Waiting lists were common and long
- ▶ Nursing homes filled the gap created by waiting lists



# Family Care

- ▶ In 2008, Family Care shifted the responsibility from the County to the State to provide services to the elderly, the physically disabled, and the developmentally disabled
- ▶ Family Care eliminated wait lists and created more community options to provide services to these populations
- ▶ Residents have different and more long-term care choices
- ▶ Family Care has the goal to keep patients at home rather than in nursing homes



# Changes in Long Term Care

- ▶ Today, most Family Care members do not reside in Nursing Homes
- ▶ Community Based Long Term Care caseloads have doubled in the past 10 years due to nursing home diversion and increased community options
- ▶ Patients who do need nursing homes will have a high acuity (severity) rate (i.e., Medicaid may not cover their care)



# Role of Ridgewood

- ▶ Nursing homes are no longer needed to fill gap (no waiting lists)
- ▶ Nursing homes have expanded to include more rehabilitative services
- ▶ Ridgewood was established as a for profit enterprise fund to compete in the market
- ▶ This was a fundamental change approved by the County Board



# Ridgewood's Mission Statement

Ridgewood Care Center is a county-owned multi-specialty long-term care facility. We are dedicated to providing high quality skilled nursing care and rehabilitation services to Racine County residents. In partnership with the Human Services department, we provide a competitive continuum of long-term care and community based services in the most appropriate settings ensuring choice, dignity, and quality of life.



# Question

How does Racine County guarantee access to “high quality skilled nursing care and rehabilitation services” for Racine County residents and maintain financial sustainability?



# Ridgewood Today



# Successful Payer Mix

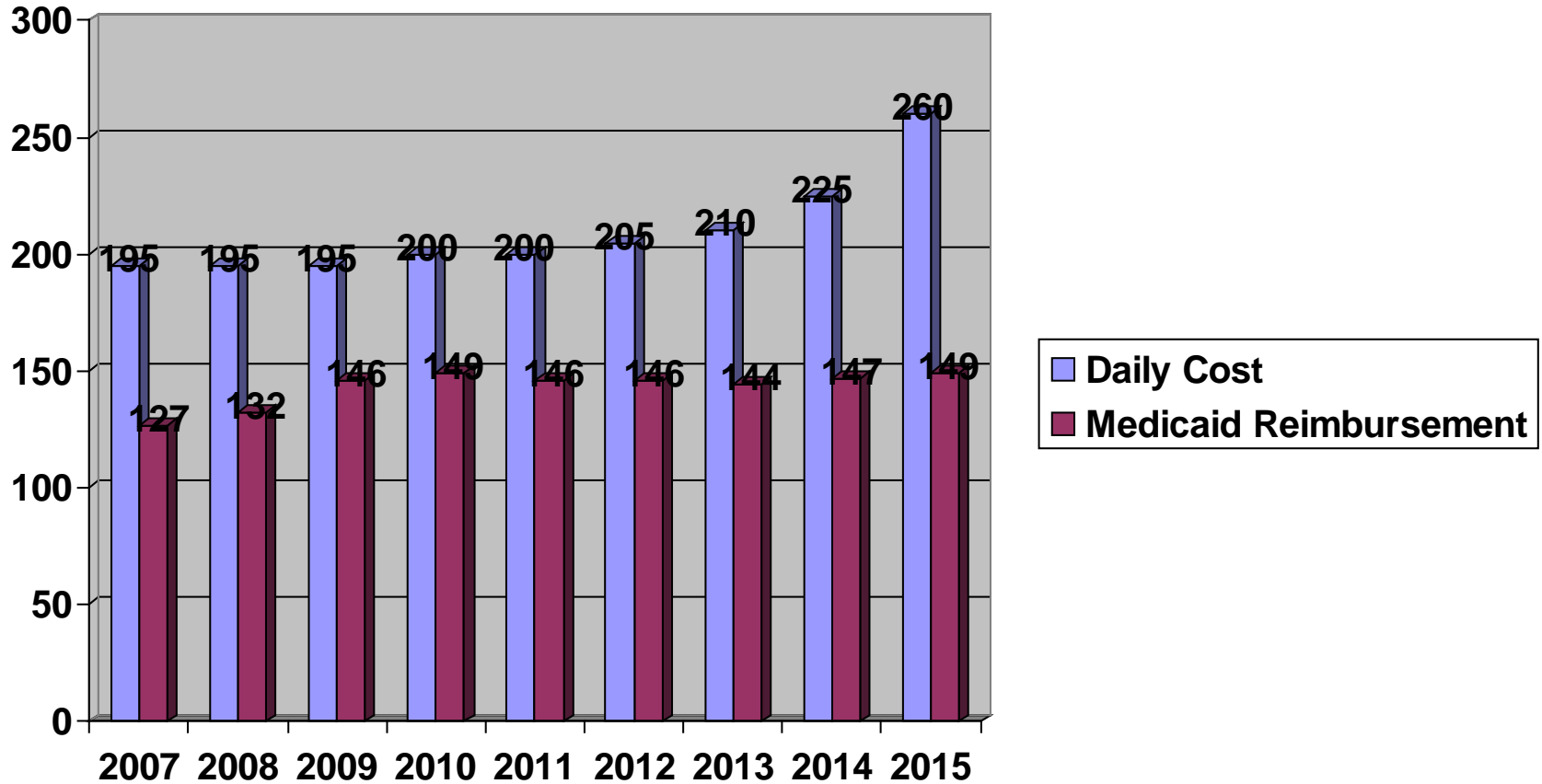
- ▶ In order to compete in this business, Medicare, Private Pay, Rehab Services, and other non-Medicaid services are needed
- ▶ Successful providers are selective in their admission process
- ▶ To attract this profitable population, Ridgewood must compete against community partners

# Competition in Area

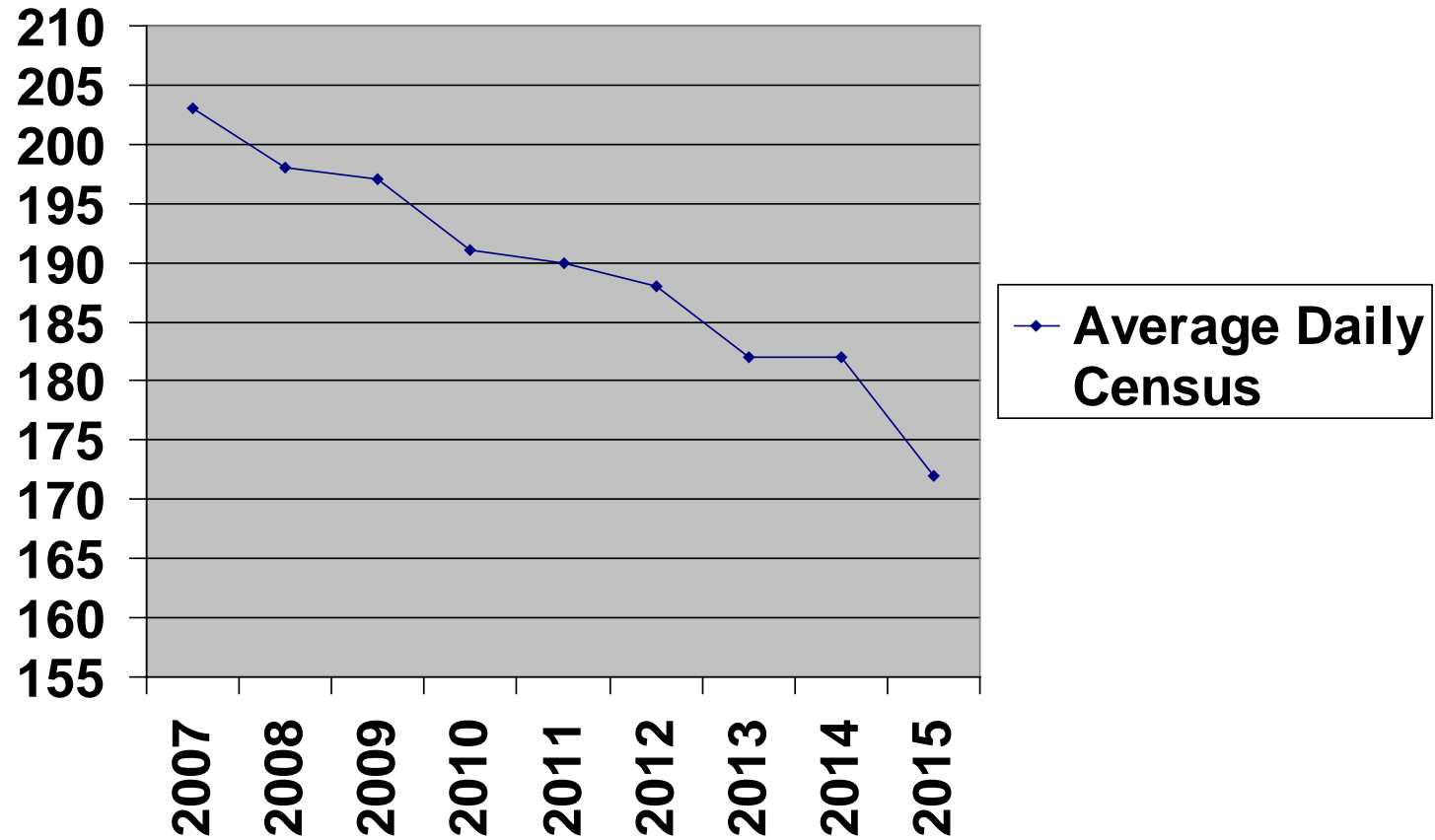
- ▶ Lakeshore Manor: 50 bed facility– holds 50% Medicare census
- ▶ Siena on the Lake: Looking to obtain nursing home bed licenses– may take another 20–25 Medicare
- ▶ Becker Shoop: 20% Medicare or 14 beds
- ▶ The Villa: 9% Medicare or 11 beds

***Current Ridgewood Medicare Census:  
25 beds or 14%  
(Numbers can vary)***

# Ridgewood Daily Cost vs. Medicaid Reimbursement



# Average Daily Census



# Current Capital Budget

RACINE COUNTY										
FIVE YEAR CAPITAL IMPROVEMENTS PLAN				3205 Wood Road - Ridgewood Care Center						
Description	PRIOR PERIODS APPROVED			CAPITAL 5 YEAR PROPOSED PROJECT					TOTAL 2016-2020	FUNDING 2016-2020
	2014	2015	FN.	2016	2017	2018	2019	2020		
Yearly Painting & Wood Finishing	15,000	20,000	3,6,7	20,000	20,000	20,000	20,000	20,000	100,000	(100,000)
Beds & Bariatric Beds	15,165	24,796	5,6		30,900	31,827	32,782	33,765	129,274	(129,274)
Flooring	15,000	30,000	6,7	30,000	25,000	25,000	25,000	30,000	135,000	(135,000)
Power Optimizer		9,500	3,4						0	0
Yearly Mechanical Repairs		7,000	6		14,000	7,000	7,000	7,000	35,000	(35,000)
Lifts		10,046	6		24,360	12,731	13,113	13,506	63,710	(63,710)
Yearly Electrical Component Maintenance		15,000	3	15,000	15,000	15,000	15,000	15,000	75,000	(75,000)
Tub		19,195	5		23,928	24,646	25,385	26,147	100,106	(100,106)
Replacement of Nurse Call System		130,000	5						0	0
Replace Kitchen Cabinets on units		80,000	5			95,500			95,500	(95,500)
Yearly Air Duct System Cleaning		35,000	3	35,000	35,000	35,000	35,000	35,000	175,000	(175,000)
Upgrade Florescent Lighting to LED			5	22,000	22,000				44,000	(44,000)
Burner Replacement			5	180,000	180,000				360,000	(360,000)
Replace RN Station /Med Room					78,000	59,740	61,532	63,378	262,650	(262,650)
ITEMS UNDER \$20,000 COMBINED	26,826	2,500	5,6	16,500	1,500	1,500	1,500	1,500	22,500	(22,500)
<b>TOTALS</b>	<b>71,991</b>	<b>383,037</b>		<b>318,500</b>	<b>565,188</b>	<b>232,444</b>	<b>236,312</b>	<b>245,296</b>	<b>1,597,740</b>	<b>(1,597,740)</b>
<b>Funding Sources:</b>										
Service & User Fees		(112,000)							0	
Proceeds From Bonds	(15,165)	(229,195)		(180,000)	(377,425)	(84,386)	(86,917)	(89,525)	(818,253)	
General Reserves	(22,746)	(41,842)		(138,500)	(187,763)	(148,058)	(149,395)	(155,771)	(779,487)	
Tax Levy	(34,080)								0	
									0	
<b>TOTAL FUNDING SOURCES</b>	<b>(71,991)</b>	<b>(383,037)</b>		<b>(318,500)</b>	<b>(565,188)</b>	<b>(232,444)</b>	<b>(236,312)</b>	<b>(245,296)</b>	<b>(1,597,740)</b>	

# Debt Service for Ridgewood

<b>CAPITAL BUDGET APPROVED BY COUNTY EXECUTIVE</b>	
2016	318,500
2015	383,037
2014	71,991
2013	385,136
2012	444,011
2011	902,455
2010	456,313
2009	353,559
2008	303,300
2007	196,250

# Ridgewood Financial Future



# Future Projections

- ▶ According to the 2016 WIPFLI study, Ridgewood is projected to experience major revenue deficits in the future.
- ▶ We are currently losing money.
- ▶ Ridgewood stays afloat financially with transfers from county reserves and tax levy. *This is not a permanent solution.*
- ▶ By 2020, we anticipate an estimated \$2.65 million shortfall.

# WIPFLI 2016

- ▶ Updated analysis of Net income loss for 2016–2020

	2016	2017	2018	2019	2020
Income* (loss)	\$2.2 million	\$2.3 million	\$2.4 million	2.5 million	2.6 million

\* Includes capital projects, general fund transfers, depreciation, and operating expenses/revenues



# Intergovernmental Transfers

- ▶ We are dependent on intergovernmental transfers of approximately \$1.3M per year to absorb some Medicaid loss
- ▶ If we change our payer mix, we will lose a percentage of the IGT funds
- ▶ This is not guaranteed funding each year
- ▶ Medicaid losses continue to grow, IGT money remains flat

# Medicare Payments Changes

- ▶ Medicare bundle payment pilot program in the State of Wisconsin in the Milwaukee and Madison area
  - reduced nursing home admissions by 36%
  - reduced rehab days from 21 to 8
- ▶ Milwaukee Journal Sentinel Article  
Sunday, April 17, 2016

<http://www.jsonline.com/business/payment-model-shows-potential-to-lower-costs-and-improve-quality-b99706511z1-375951591.html>



# Medicare Bundle Payments

- ▶ Medicare Reimbursement Bundle Payments are the future.
- ▶ The Federal Government is going to a pay for performance. What does this mean?
- ▶ Hospitals are going to be directing care coordination through detailed case management.

# Nursing Home Realities



# Changing Demographics with Dwindling Resources

- ▶ Responsibility for the most vulnerable population has already been removed from the County nursing home care
  - Mental Illness
  - Developmentally Disabled
  - TBI
  - Vent Care

(Note: County Board voted for this change when Ridgewood opened in 1986)



# Ridgewood Not Unique

- ▶ All seven nursing homes in Racine County admit Medicaid
- ▶ Only 5% of our County's 300 protectively placed individuals are at Ridgewood



# Strong State Regulations

- ▶ Excellent regulatory environment specific to nursing homes
  - Blind to ownership type
  - Poorly run facilities are quickly addressed and issues rectified by Department of Quality Assurance
  - Appropriate Staffing Levels Required

# Consumer Protections

- ▶ For residents of all payment sources
  - Payer source only matters upon initial admission
    - Any operator will continue to have Medicaid
    - Regional and National data shows that Medicaid will continue to be an integral payer source for all Skilled Nursing Facilities

# Employee Protection

- ▶ All prospective buyers have to recruit from the same talented labor force market
  - Competitive marketplace
  - Need talented staff– we have them
  - Highly improbable that new owner will cut wages
  - In order to be competitive, prospective buyers will offer benefit packages to employees
  - All interested parties in other brokered offers have had market–based benefits

# Benefits of Large Regional Operators

# Economies of Scale in Health Care Corporations

- ▶ Able to have a corporate team of specialists to deploy to regional operations including
  - Quality assurance
  - Admissions
  - Personnel management/recruitment
  - Finance and budget analysis
  - Technology
- ▶ Pool of employees to fill shortages– avoiding overtime and service gaps

# Additional Efficiencies with Regional Operators

- ▶ Bulk Purchasing
  - Health care supplies, food service and other programmatic services
  - Reduce expenses and overhead
- ▶ Superior Software
  - Enables operators to attract and simulate payments, and discharge at a more efficient rate than single operators

# Racine County Feeder Hospitals

- ▶ Racine County's unique hospital network
- ▶ One major hospital east of I-94 with a proprietary nursing home

# County-wide Services?

- ▶ Ridgewood by standard is not a county wide service to our taxpayers.
- ▶ We currently have less than 5 residents West of I-94.
- ▶ In fact, we are subsidizing more residents out of state than we are West of I-94.



# Task Force Recommendation: Engaging a Broker



# Ridgewood Market Value

- ▶ High demand for skilled nursing facilities
- ▶ Excellent market at the moment
  - Low interest rate environment
  - Consolidating services

## Attractive Qualities

Large Facility

Young/Old Physical Plant

Metropolitan Area



# Competitive Process

- ▶ Only through competition can we achieve our goals:
  - Reputable Lessee/Owner
  - Commitment to Patient Care
  - Commitment to Legacy
  - Commitment to Mission Statement
  - Potential to Expand
  - Current Position of Strength (occupancy/quality mix)
  - Property Taxes (Pass through)



# Due Diligence

- ▶ Due diligence means to explore all the available options.
- ▶ The engagement of a broker taps into the knowledge necessary to determine these options.
- ▶ Our common goal is to determine the best path forward for Ridgewood and for Racine County.