

**FINANCE MEETING
COMMISSIONERS' HEARING ROOM**

Wednesday, September 2, 2015, 1:30 p.m.

Present: Commissioners Barbara Cross, Jim Hertzler and Gary Eichelberger; Larry Thomas, Chief Clerk; Sandy Moyle, Deputy Chief Clerk/Meetings Manager; Denise McQuown-Hatter, Jeffrey Aiken, Kim Kelly-Clutter, Affinity Health Services; Dana Best, Finance; Lynette McCulloch, CNRC Finance; Alex Smyser, IMTO; Josh Vaughn, Sentinel; Rachel Bunn, The Patriot News; and Ruth Ann Ciecierski, Recording Secretary.

Affinity Health Services Financial Presentation

Chief Clerk Larry Thomas welcomed everyone to the Finance Meeting and explained that this meeting is a part of the mission review process for potential cost savings under Public Financial Management's (PFM) recommendations. Today's discussion is the first quarterly report on how Cumberland County Nursing & Rehab Center is doing financially and with the competitors in the market place.

Denise McQuown-Hatter, Kim Kelly-Clutter and Jeff Aiken, from Affinity Health Services, presented a slide presentation on the summary of the first quarterly report and discussed the key highlights of the baseline of the progress of the facility and the progress from a strategic planning point.

General Observation

- Claremont has a full and rich tradition of caring for the frail and elderly.
- Over the years Claremont has been running 78% Medicaid occupancy.
- County serves as a safety net for residents that may not be able to be placed in other areas.

Market Competitors Analysis

- Assessed 20 local competitors within a 20 miles radius.
- Focused on four local competitors comparable to CNRC.
- Star rating is only one component of assessment (average 2.45); 60% of the facilities are ranked below average.
- Reviewed Key Competitors Marketing Amenities with four local competitors and reviewed how there could be marketing approach opportunities to increase the referral source and build relationships with referral sources.

Financial Performance

- 3.4% operating margin in 2012 increased to current 8.2% in 2015.
- CNRC exceeds state and national 2014 occupancy benchmarks.
- Combine quality with cost.

Medicare Rate/Skilled Margin Comparisons

- CNRC slightly below local competitor's average \$463.36 in 2014.
- 2015 YTD increased by over 12% to \$503.41.
- 23% overall margin on skilled patients.
- CNRC is below the local market on Medicare/skilled mix.

Medicaid Revenue

- Daily rate – set by state, based on 4-1-06 rates.
- CNRC rate = \$213.65/day is slightly higher than the state average.
- Medical Assistance Day One – may be enhanced by utilizing IGT funding.
- Disproportionate Share Payments – annual payments based on higher Medicaid census.

Expense Management

- The highest cost driver for expenses is labor.
- CNRC is close to average with local competitors.
- Nursing Hours are measured by hours per patient day.
- Staffing has impact on star rating; CNRC has 3 Star rating for staffing.

Payroll Tax & Benefits Percentage

- CNRC benefit factor is higher than local competitors.
- CNRC benefit factor in the mid-range of similar size County Homes.

Cost Per Patient Per Day Analysis

- CNRC Total Cost Per Patient Day falls in the mid-range.
- For-Profit facilities are typically the lower cost providers and non-profits the higher cost providers.
- CNRC fares better than the like-size County Homes.

Key Balance Sheet Metrics

- Use Benchmark of 50 days; if there isn't cash on hand, look at how many days operating expenses are actually in the bank.
- Cash was down in May due to a bond payment being made.
- Decrease in days due to the General Obligation Bond (GOB) debt payment in May.

Current & Long Term Debt Equity Ratio

- Current Ratio - Northeast statistic was 1.70 and CNRC is consistently at 2.00.
- Debt to Equity Ratio – Benchmark of 1.00; CNRC is trending in right direction.

Summary

- CNRC has a long standing history of Strategic Planning.
- Controlling costs and development of short stay care should have significant impact.
- Report serves as a baseline to evaluate progress moving forward.
- Analysis of current reality, past trending and highlights key performance indicators.
- The markets are impacted by the hospital trends and what the hospitals do have a direct impact on the nursing facility.
- Competitors include hospital based and licensed personal care living facilities.
- CNRC has limited funds and we need to see where we can have the best chance of succeeding and what to balance regarding needs to stay competitive in the market without a direct taxpayer subsidy.

Ruth Ann Ciecierski
Administrative Assistant