

VAN DUYN HOME & HOSPITAL

Health Committee Presentation  
February 9, 2010

**THE BONADIO GROUP**  
CPAs, Consultants & More

# Agenda

- Environmental pressures
- Presentation of scenarios examined – accrual basis
- Presentation of scenarios examined – cash basis
- Recommendations

# Environmental Pressures

- Federal and New York State Budget Pressures
- Negative and Uncertain Impact of NYS Medicaid Rate Setting Methodology Changes
- Common Pressures Facing Publicly Sponsored Facilities
  - Fringe Benefits
  - Union Contract Requirements

# Presentation of Scenarios Examined

## - Accrual Basis

Accrual Summaries – Change in Net Assets (000s Omitted)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
County Sponsored (No IGT Utilization)	\$ (11,422)	\$ (13,252)	\$ (14,305)
County Sponsored (IGT Utilization)	\$ (2,422)	\$ (4,252)	\$ (5,305)
County Contribution	<u>(4,239)</u>	<u>(4,500)</u>	<u>(4,500)</u>
Net Impact on County	<u>\$ (6,661)</u>	<u>\$ (8,752)</u>	<u>\$ (9,805)</u>
Freestanding Facility	<u>\$ (1,712)</u>	<u>\$ (3,309)</u>	<u>\$ (4,107)</u>
Hospital-Based Facility	\$ (6,377)	\$ (8,166)	\$ (9,106)
Allocated Hospital Overhead	<u>6,354</u>	<u>6,545</u>	<u>6,741</u>
Net Impact on Hospital System	<u>\$ (23)</u>	<u>\$ (1,621)</u>	<u>\$ (2,365)</u>

2010 – 38.41% local match 1<sup>st</sup> quarter, 50% match 2<sup>nd</sup> – 4<sup>th</sup> quarter  
 2011 – 50% local match  
 2012 – 50% local match

# Presentation of Scenarios Examined

## – Accrual Basis (Continued)

### ➤ *County Sponsored Facility*

- The estimated losses under a continued County sponsorship appeared to be driven by three significant factors:
  - ◆ A high Medicaid utilization (80%)
  - ◆ Significant benefit costs
  - ◆ Loss of rebasing funds in 2010
- Intergovernmental Transfer funds are utilized to supplement the state's Medicaid program. New York is one of twenty states that have some form of matching requirement to access these funds. The matching requirement has typically been 50%; although, it was lowered in 2009 through 2010 to approximately 38%.

# Presentation of Scenarios Examined

## – Accrual Basis (Continued)

### ➤ *County Sponsored Facility*

- There are significant costs that the County would remain responsible for regardless of sponsorship or transfer of ownership that are now part of Van Duyn's operations. These costs include post-retirement health care costs, and the County overhead allocation. These costs currently represent approximately 19% of Van Duyn's overall costs.

# Presentation of Scenarios Examined

## - Accrual Basis (Continued)

- The following is the net impact on the County for the post retirement expenses, the County overhead allocation, and the County contribution for IGT.

	Net Impact on County (000s Omitted)		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
County Sponsored			
Estimated Maximum County Contribution	\$ 4,239	\$ 4,500	\$ 4,500
Post Retirement	6,541	6,738	6,940
Overhead Allocation	<u>750</u>	<u>750</u>	<u>750</u>
Net Impact	<u>\$ 11,530</u>	<u>\$ 11,988</u>	<u>\$ 12,190</u>

# Presentation of Scenarios Examined

## - Cash Basis

Cash/Budget Method -County Only (000s Omitted)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
County Sponsored (No IGT Utilization)			
Surplus/(Deficit)	\$ (5,299)	\$ (6,719)	\$ (7,609)
Fund Balance (Beginning of Year)	<u>12,742</u>	<u>7,443</u>	<u>724</u>
Fund Balance (End of Year)	<u>\$ 7,443</u>	<u>\$ 724</u>	<u>\$ (6,885)</u>
County Sponsored (IGT Utilization)*			
Surplus/(Deficit)	\$ 3,701	\$ 2,281	\$ 1,391
Fund Balance (Beginning of Year)	<u>12,742</u>	<u>16,443</u>	<u>18,724</u>
Fund Balance (End of Year)	<u>\$ 16,443</u>	<u>\$ 18,724</u>	<u>\$ 20,115</u>
*Estimated Maximum County Contribution	<u>\$ 4,239</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>



# Presentation of Scenarios Examined

## – Cash Basis (Continued)

- Reporting on the cash basis for the County Sponsored facility assumes that non-cash items, such as depreciation and the other post retirement accrual, have been removed from the surplus or deficit calculation.

# Recommendations

➤ *Review planned capital improvements*

Van Duyn is currently working with a consultant on capital improvements, operating and culture changes in how care is delivered. Van Duyn should continue to make capital improvements as they are reimbursed through the capital component of the Medicaid rate at a percentage based upon Medicaid utilization. Van Duyn's Medicaid utilization was approximately 80% in 2008.

# Recommendations (Continued)

## ➤ *Outsourcing of services*

Perform an evaluation of contracted services and handling of major areas of cost to determine the cost competitiveness of the current contracts as well as potential areas that could be performed more efficiently by an outside service provider. These areas might include Therapies, Housekeeping, Transportation, Dietary and Food Services, and Laundry Services.

# Recommendations (Continued)

- *Continue to review strategies for other specialty programs*

Van Duyn is currently working with a consulting firm on an analysis of demographics, community needs, and possible implementation or conversion of existing facilities to offer specialty services. These specialty programs may include Rehabilitation Programs, Alzheimer's and other Dementia Programs and Mental Health Programs.

# Recommendations (Continued)

➤ ***Review use of available land***

Van Duyn should review the possible uses of the land surrounding the facility. Consideration should be given to possible development .

➤ ***Review sponsorship alternatives***

Van Duyn should continue to evaluate sponsorship alternatives when the regulatory environment is more stable.

# Recommendations (Continued)

➤ *Continue to explore program and operational synergies with Community General Hospital*

Van Duyn should continue its exploration of program and operational synergies with neighboring Community General Hospital.

➤ *Continue to review operating costs*

Continue to look at ways to manage the cost structure in the most cost effective manner possible.