REPORT TO THE MORRIS COUNTY BOARD OF CHOSEN FREEHOLDERS

MORRIS VIEW HEALTHCARE CENTER

JUNE 22, 2016

SUBMITTED BY:

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

The current Morris View Healthcare Center, located in Morris Plains, has been a facility operated by the Morris County Board of Chosen Freeholders for over 40 years. It has a current licensed bed capacity of 283 long term beds. It is a valuable component in the Morris County continuum of healthcare. According to the New Jersey Department of Health web-site, Morris View co-exists with 23 other Nursing Home facilities within the County that provide an additional 2,847 licensed long term care beds.

However, the distinguishing characteristic about Morris View is that it is the only publicly operated nursing home facility in the County. As a publicly operated facility, it has been substantially supported over the years by taxpayer subsidies to off-set the operating expenses between the costs to operate the facility and the revenue stream that is generated by the reimbursement for care provided.

Over the last 12 years, the Board of Chosen Freeholders has authorized studies to focus on the reduction of the deficit in operations at Morris View. In April of 2005 a report was issued regarding nurse staffing; in March 2006 an operational report was issued regarding opportunities to cut costs through focusing on the staffing and how it related to the census; in 2010 another report was commissioned for an Analysis and Development of Options for Morris View Healthcare Facility, which resulted in the report issued in February, 2011 that provided a Financial and Operational Assessment of Morris View Healthcare Center; and in 2015 hired a firm to provide an Operations and Options Analysis.

The Freeholder Board is to be commended for taking the opportunity to engage very competent consulting firms. The Freeholder Board is also to be commended for, not only reviewing the information and operational analyses in the past as to how to provide quality care to the residents in Morris View while reducing unnecessary costs and increasing revenue in order to reduce the taxpayer supported subsidy; but for taking action and following the recommendations contained in those reports. The result was an increase of revenues and reductions in costs, primarily through attrition, consolidating units in the facility, and outsourcing all functions outside of direct care and recreation, from Administration to the Hair Salon.

However, in 2016, the County is facing a new threat to Morris View, not unlike other facilities in the long term healthcare arena. The threat is primarily to the revenue stream that the County has relied upon. Medicaid, which is the major funding stream comprising over sixty percent (60%) of the revenue received for the care provided the residents in Morris View, is undergoing significant changes in reimbursement philosophy.

No longer will Medicaid reimburse based on a "fee for service" basis. Rather it will reimburse through Medicaid Managed Care Organizations (MCOs) that negotiate and determine the level of reimbursement that they will provide. Under this arrangement, it is expected that the Medicaid reimbursement rate will drop by a minimum of ten percent (10%). Already, contrary to representations from the State Department of Human Services, the MCOs have dropped the reimbursement rate from $232/ day to $205/ day. This rate was represented to be prospective commencing in 2017, and was not to impact existing residents, who would be grandfathered in for fee for service coverage as long as they reside in Morris View.

There is also the prospect of Medicaid Managed Long Term Services and Supports (MLTSS) that threatens the census level as well as the reimbursement. Authorized under a Community Care Waiver approved by the State and the Centers for Medicare and Medicaid on the Federal level, the waiver is supposed to provide enhanced services in the community to allow eligible participants the opportunity to stay in the community longer if that is the most appropriate level of care.

Therefore, along with other challenges, Morris View will see a revenue challenge over the next three years, that is projected to impact revenues realized to the point that they will level out to the same level as that experienced in 2013, at $24.8 million. The 2013 reimbursement level was a revenue base of $24.6 million.

However, costs to operate Morris View will increase year over year by at least a 2% factor if not more. The highest cost increases are expected in the area of employee fringe benefits, where it is anticipated that the cost of healthcare benefits will increase at a rate of approximately 10% per year. But every category of expense: salaries and wages, fringe benefits and other expenses are projected to increase in total by $5.2 million over the next 4 years, while the revenues stagnate at 2013 levels. The rise in costs is projected to equal $40.3 million, and the revenue base is expected to remain at $24.8 million, leaving the need for a tax effort support subsidy of $15.5 million, versus the current subsidy of $6.8 million that could rise to $9.8 million depending on the State's final budgetary and programmatic determinations.

The question is how best the County can deal with this financial dynamic and the projected increases. How does the county best insure the continued quality of care to the residents of Morris View under these financial circumstances? The Freeholder Board has ruled out a complete sale of the Morris View facility. Rather, unlike virtually all of the other counties that have removed themselves from the Nursing Home business, that has left two options for consideration. The first consideration is to continue to keep Morris View as a County-Operated facility as it is currently.

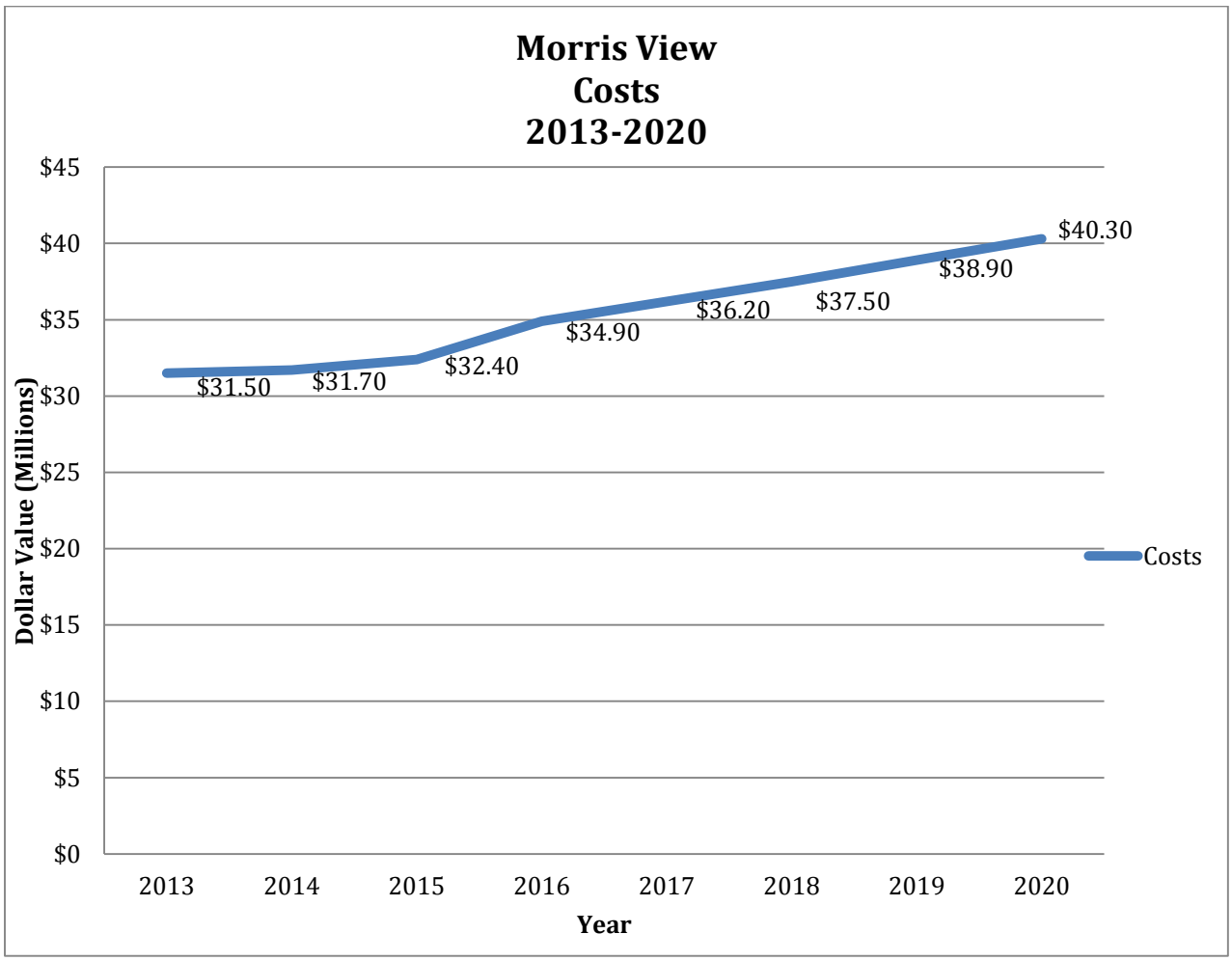
The second option is to consider leasing the Morris View facility to a private operator. Such an operational lease would involve transferring the licensed beds, the staff and the building to a private operator who would be a lessee (tenant) who will operate the facility for a period of years (lease term to be determined) with appropriate safeguards to protect the County's (landlord's) property interest in the facility and grounds, as well as have a vested interest in ensuring access to quality care for residents of Morris County.

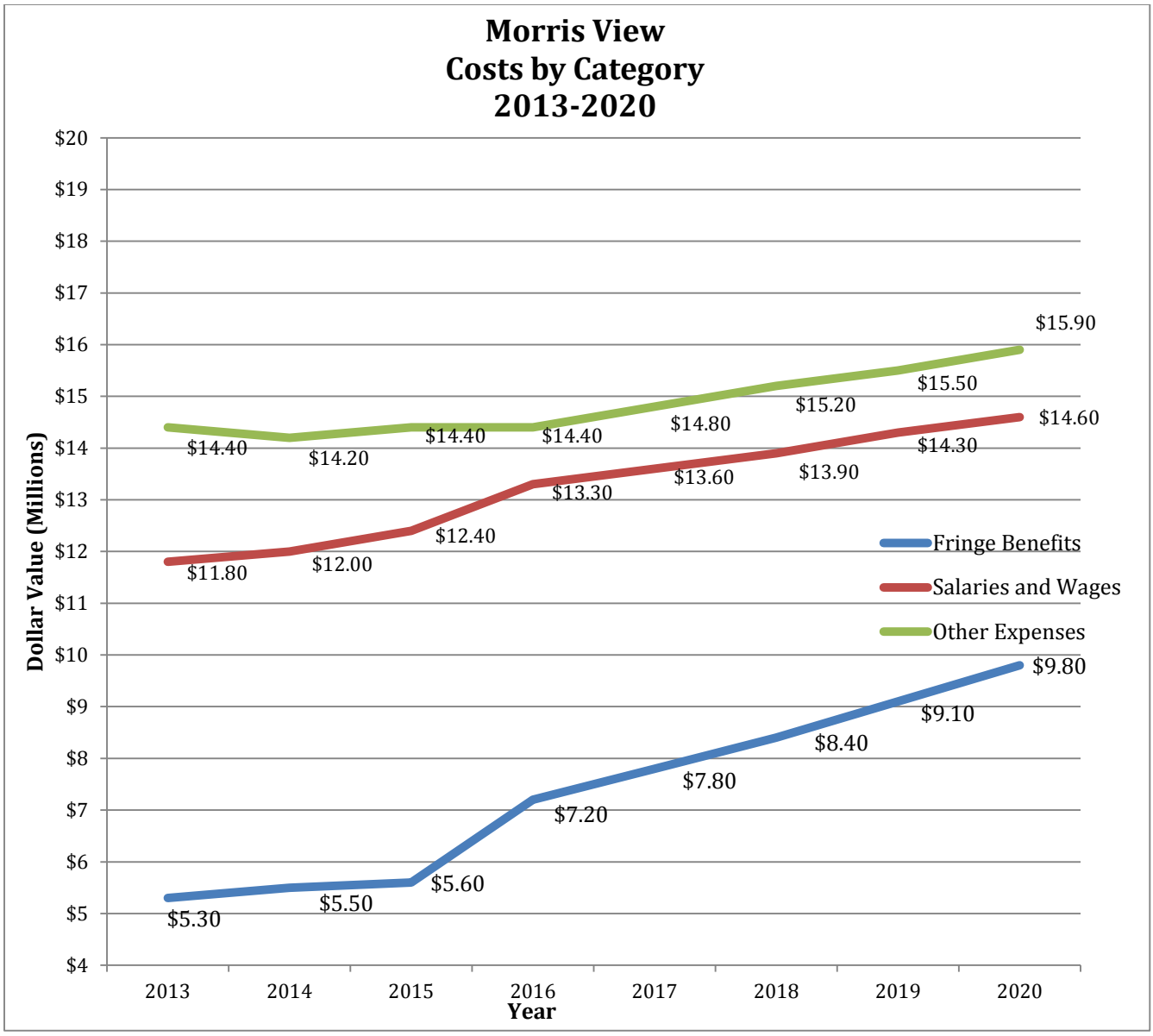
This report is intended to provide the Board of Chosen Freeholders with additional information upon which to decide the direction that they would like to take in the interests of all parties involved.

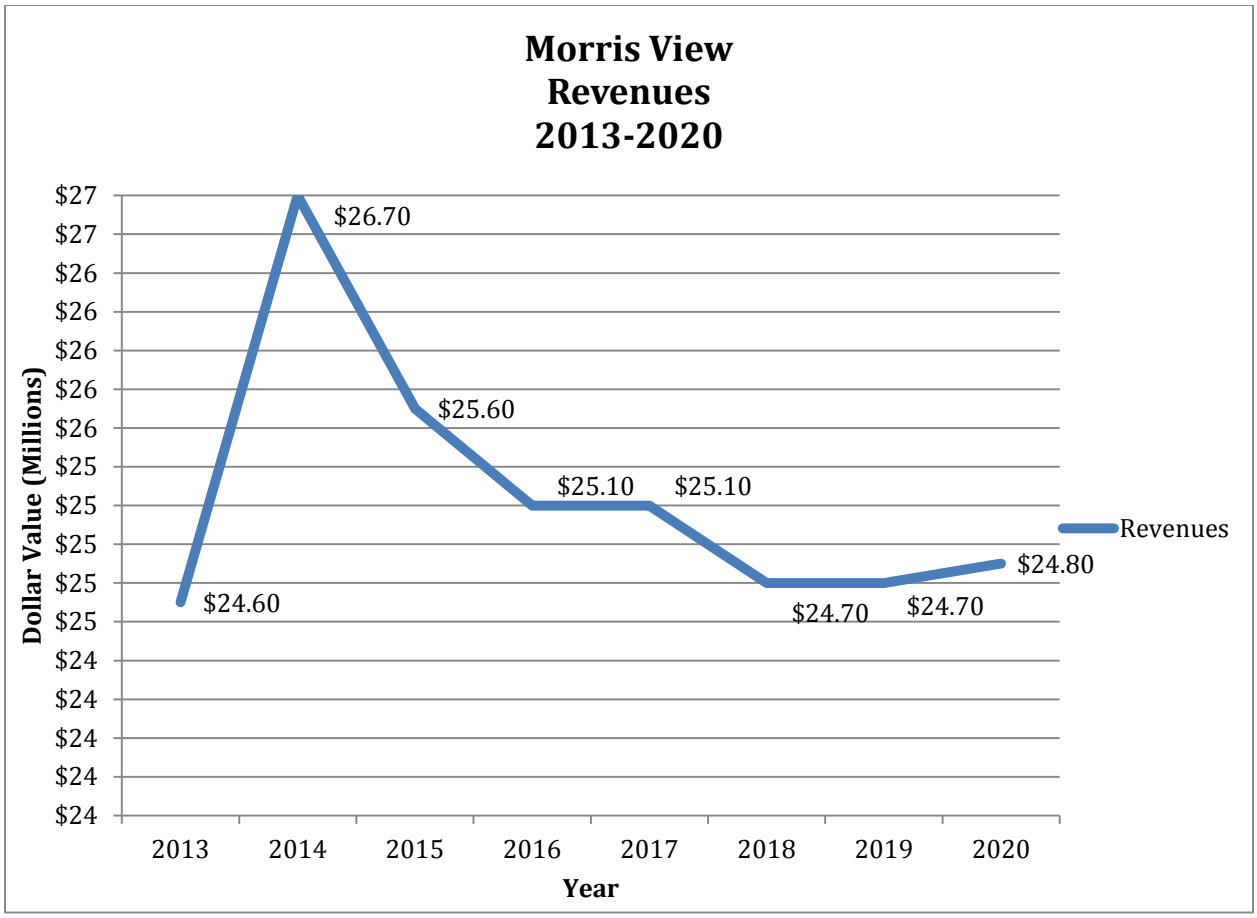
Should the lease option be selected by the Board of Chosen Freeholders, in order to ensure the greatest level of protection in the transaction, the County could consider utilizing the Morris County Improvement Authority, where transitions such as this could include specific negotiations.

MORRIS VIEW OPERATIONS

FINANCIAL GRAPHS

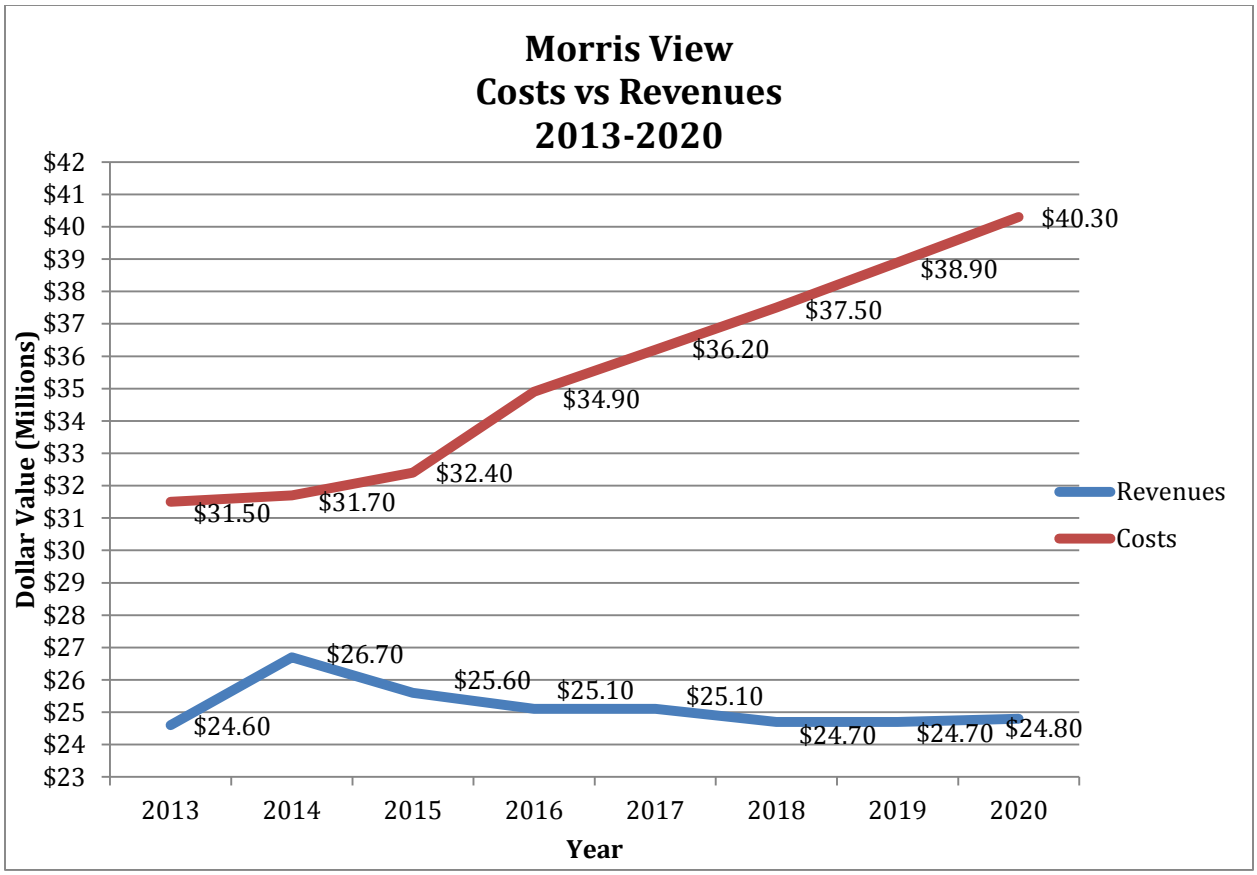



Morris View
Costs by Category
2013-2020
Dollar Value (Millions)
$20
$19
$18
$17
$16
$15
$14
$13
$12
$11
$10
$9
$8
$7
$6
$5
$4
2013
2014
2015
2016
2017
2018
2019
2020
Year
$14.40
$14.20
$14.40
$14.40
$14.80
$15.20
$15.50
$15.90
$11.80
$12.00
$12.40
$13.30
$13.60
$13.90
$14.30
$14.60
$5.30
$5.50
$5.60
$7.20
$7.80
$8.40
$9.10
$9.80
Fringe Benefits
Salaries and Wages
Other Expenses



Notes

- The increase in 2014 revenues stemmed from a timing difference in revenue collections from prior years
- 2015 to 2020 revenues take into account the phase out of Peer Grouping Revenues of approximately $1.5 million/year.


Morris View
Costs vs Revenues
2013-2020
Dollar Value (Millions)
$42
$41
$40
$39
$38
$37
$36
$35
$34
$33
$32
$31
$30
$29
$28
$27
$26
$25
$24
$23
$31.50
$31.70
$32.40
$34.90
$36.20
$37.50
$38.90
$40.30
$24.60
$26.70
$25.60
$25.10
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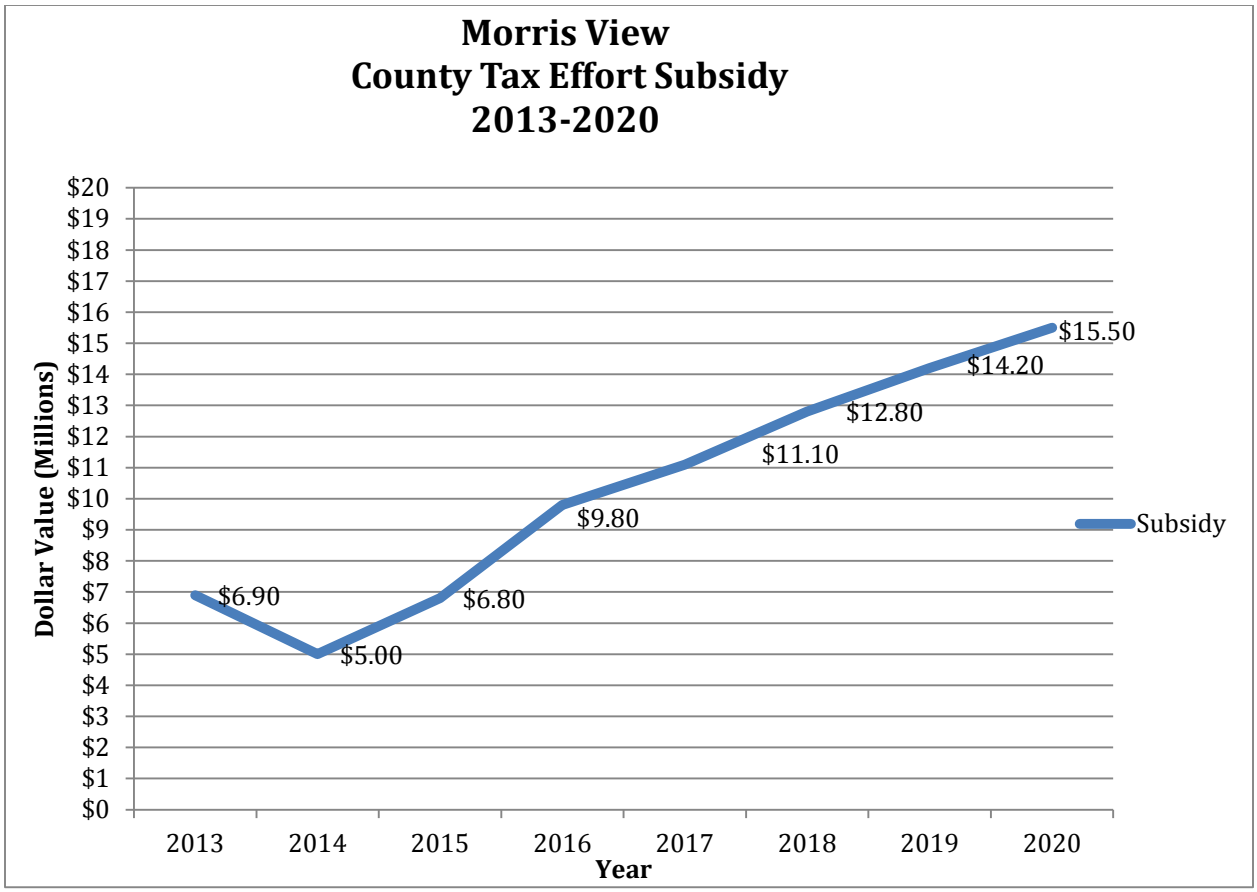
$24.80
2013
2014
2015
2016
2017
2018
2019
2020
Year
Revenues
Costs


Morris View
County Tax Effort Subsidy
2013-2020
Dollar Value (Millions)
$20
$19
$18
$17
$16
$15
$14
$13
$12
$11
$10
$9
$8
$7
$6
$5
$4
$3
$2
$1
$0
$6.90
$5.00
$6.80
$9.80
$11.10
$12.80
$14.20
$15.50
2013
2014
2015
2016
2017
2018
2019
2020
Year
Subsidy

Morris View Financial Information

2013-2020

Comments

2013-2016 (Actual)
2017-2020 (Projected)

The following are comments related to the financials of the Morris View Healthcare Center. As noted above, the periods of time that are included in the data provided herein, covers the years 2013-2020. The resolution passed by the Morris County Board of Chosen Freeholders required a three-year budget projection for Morris View. As such, the following comments relate to the budget projections thru 2020.

County Budgets and financial projections rely upon three major categories of expenditures. These are the cost for Salaries and Wages, the cost of Fringe Benefits and the cost of Other Expenses. Each of these cost categories have separate sub-categories that can be tracked individually to determine where the costs are escalating (or lessening) in order to take actions to manage them.

The other part of the equation is the revenue projection on an annual basis. In the County in general, revenues must balance out the costs of the operation. The same holds true for Morris View. However, where third party reimbursements, as revenues, do not cover the costs of operating Morris View, the County must provide an operating subsidy to make up the difference.

The following comments reflect the recent budget history and that which is projected thru 2020.

In general, over the past several years the County has taken many steps to reduce the tax - supported subsidy of the Morris View Healthcare Center. These include significant cost saving initiatives as well as revenue enhancing initiatives, such as:

* Outsourcing of Management Services (Administrator, Assistant Administrator, Admission/Marketing Director, Business Manager, External Case Manager, Director of Nursing and Resident Assessment Manager);
* Institution of a 15 -bed sub-acute rehabilitation unit, through the “reassignment” of existing beds from other units;
* Consolidation of Central Supply functions - inventory, supply and ordering;
* Automated payroll system;
* Enhancing the payer mix;
* Implementation of strategies designed to minimize facility overtime;
* Outsourcing of Dietary management and staffing;
* Outsourcing of Primary Care Physician Services;

* Outsourcing of Security Services;
* Outsourcing of Adult Day Care Services;
* Outsourcing of Laundry Service;
* Outsourcing of Building Services/Housekeeping Services;
* Outsourcing of Rehab Services;
* Outsourcing of Hair Salon;
* Outsourcing of Social Services;

These efforts have significantly reduced costs, which is imperative in a budget environment requiring a 2% cap. Yet, even with these very positive changes, the County remains challenged by the rising costs of long -term healthcare, as well as the proposed changes in Medicare and Medicaid. The increasing costs and the reduction in reimbursements will have a significant impact on Morris County taxpayers.

COSTS

- The cost to operate Morris View from 2013 through 2016 rose from $31.5 million to $34.9 million. This is an increase of $3.4 million or a $10.8% increase over those four years. This is an average annual cost increase of 2.7%.

- The cost to operate Morris View from 2017 through 2020 is projected to rise from $36.2 million to $40.3 million. This is an increase of $4.1 million or an $11.3% increase over the four-year period. That is projected to be an annual cost increase of 2.8%.

- From 2013 to 2020, the cost of operating Morris View is projected to rise from $31.5 million to $40.3 million. This is an increase of $8.8 million or a 28% increase over that 8-year period. That results in a projected average annual increase of 3.4%.

Salaries and Wages (S&W):

- Salaries and Wages include several cost centers that are critical to operating the facility. Essentially, this is the main category for staffing costs. However, it does not only cover the Salaries and Wages (S&W) of full time and part-time staff, but it also covers the costs of Overtime; Temporary Help, primarily for Per Diem Nurses; and Outside Salaries and Wages.

- The cost of S&W is one of the most expensive line items in the budget at Morris View. However, it has remained very much under control over the 4-year period from 2013 to 2016. The cost of S&W from 2013 to 2016 rose from $11.8 million to $13.3 million. This is an increase of $1.5 million or an annual average increase of 1.3%. This was achieved through the outsourcing of various positions, as noted above.

- The cost of S&W from 2017 to 2020 is projected to increase from $13.6 million to $14.6 million. This represents a 7.4% increase over the next four years or an average annual increase of 1.8%. This takes into consideration vacancy adjustments from unfilled positions and breakage from attrition.

- The cost of S&W from 2021 into the future is projected at a rate that is closer to 2% due to a slowing in attrition due to retirements.

- Overall, the S&W line item is relatively under control and falls within the 2% Cap Law up until 2020 that governs and regulates County and Municipal Budgets.

Fringe Benefits:

- Fringe Benefits is another category of expenses, directly related to the S&W line item, as it reflects the additional benefits for staff other than S&W. Expenses related to Pension contributions on behalf of the staff are included in this category. In addition, another major expense category is the Healthcare insurance provided to the staff. The third major expense in Fringe Benefits is the cost of paid time off. This includes: vacation days; sick days; personal days; and holidays.

- The overall cost of Fringe Benefits is a distinguishing cost for public entities due to the significant difference between those benefits provided by the public sector and those provided in the private sector. The biggest differences are between the pension system, health plans and the amount that employee's pay for the insurance; the amount of coverage and co-pays for that coverage; and the number of paid days off employees receive as part of their employment.

- In 2013 the cost attributed to Fringe Benefits was $5.3 million and the cost attributed in 2015 was $5.6 million. However, in 2016 the cost jumped to $7.2 million. This is a reflection, not of a cost increase related to Fringe Benefits; rather it is a reflection of a new health insurance provider that could more accurately account for the cost of healthcare benefits. Prior to 2016, the County utilized Horizon as its healthcare provider, and they were unable to break out the cost of healthcare by operating entity within the County.

  Therefore, the healthcare costs for Morris View were accounted for in the centralized county account and a rough estimate of the cost of employee healthcare was projected prior to 2016. That cost was about $1.5 million. However, the County changed the employee healthcare provider in 2016 and awarded a contract to Cigna. Cigna is able to allocate healthcare costs to individual operating entities within the county and provide a much more accurate accounting due to their program.

  In the case of Morris View, the real cost of providing employee healthcare has risen by $1.5 million, which is accounted for in the projections from 2016 forward.

  The increase attributed to Morris View is primarily related to the number and percentage of staff that select "Family Coverage" under the healthcare benefits program and the interaction with Chapter 78 contributions. The cost reflected is "net" of employee contributions under Chapter 78. It only reflects the cost to the County of Morris as the employer.

- Given the cost, variability and uncertainty of healthcare, the county is conservatively estimating a 10% increase, annually, to continue to offer the healthcare plan for the county employees, including those at Morris View. This is the main cost driver in the Fringe Benefit category. From 2015 to 2020, the Fringe Benefit category of expense is projected to rise from $5.6 million to $9.8 million or increase by $4.2 million, which is 75% increase.

Other Expenses (O/E):

- Other Expenses is a cost category that essentially covers all non- employee related expenses. In the case of Morris View, this category contains all expenses related to contracted services, from Administration to a variety of Building Services including contracted services for laundry, dietary, maintenance, agency nursing, etc.

- The O/E in 2013 was $14.4 million and remains at that level in 2016. Over the next four years the O/E is projected to slightly increase to $15.9 million in 2020. This would be an increase of $1.5 million or a 10.4% increase, which would result in an average annual increase of 2.6%. As noted above, the O/E reflects the increase in positions and responsibilities that were outsourced over the last few years as a way to control costs.

- The main value of outsourcing positions and functions is two-fold. The first is that the private sector companies that contract for outsourced functions are businesses that provide these services as their primary business. They have expertise, a knowledge base and sophisticated systems and that a public entity usually does not possess. Secondly, the cost of providing the service through outsourcing, rather than hiring staff and supervisors to provide the service, is generally less expensive. This is primarily due to the difference in the fringe benefit cost in the private sector versus the public sector.

REVENUES

- The revenues realized by Morris View, over the period of 2013 to 2015, have been relatively erratic due to several factors. These include changes to the Medicaid program payment system; the realization of Private Pay revenue and other variations in the receipt of revenues from Medicare and some managed care programs.

- In 2014, Morris View experienced a significant jump in revenue from that realized in 2013. This was due to a few factors. A significant rise in Private Pay revenue increased from year to year by approximately $1.2 million. In addition, the County outsourced the Business Manager position through its contract with Premier. The anticipation was that a new collections system through this addition to their contract which would result in additional revenues. As a result, there was an increase of approximately $900,000 in Medicare Part A and B Revenues. In addition, there were a couple of other revenue sources that dropped or increased from the previous year, but ended up with a net increase of $100,000.

- In 2015, there was a drop in revenues realized by Morris View, in the amount of about $1 million. This is due primarily to a drop in Medicaid revenue as a result of the implementation of Medicaid Managed Care, which is paying about ten percent less than when Medicaid was paying fee for service. Although the drop in Medicaid, from year to year, was about $3 million, Private Pay picked up, once again, and increased by about $2.7 million. However, Medicare revenues dropped by about $500,000 from 2014. This can be associated with the older outstanding collections leveling out (from that which was collected retroactively in the previous year) and a variation in the Medicare Census acuity and need for skilled care, which directly impacts billable services and, ultimately, overall revenue.

- The assumptions behind the projections are very conservative. While Medicaid is the main source of revenue, (approximately 60%) it is also the revenue source that is undergoing the most dramatic change and will, in the next few years, significantly impact the finances at Morris View.

- Medicaid payment language from the State Budgets for State Fiscal Years 2015, 2016 and 2017 contain provisions in each document that provides for Managed Care Organizations (MCO's) to pay county nursing facilities less than the fee-for-service rates that have been paid in the past. In essence, when a county nursing facility is being paid by an MCO without a negotiated rate, it is paid the equivalent of a fee-for-service rate for a private nursing facility.

  For instance, currently the County's Medicaid Payment rate is $232 per resident day; the anticipated managed care rate to be paid is $205. Using an average daily

census of 271, the negative fiscal impact is approximately $1.6 million less than what the facility currently receives for the same level of care.

- This does not include the threat to the census level itself as a result of the implementation of the Medicaid Managed Long Term Care Services and Supports (MLTSS) program. This program has already resulted in four (4) residents being relocated from Morris View to be "more appropriately" placed in the community. Therefore, as this program under the Comprehensive Medicaid Waiver takes full effect, there will be enhanced scrutiny regarding the appropriate placement of Medicaid supported individuals in Nursing Homes, and when approved, Morris View will receive a lower reimbursement for their care due to the MCOs paying lower reimbursement rates.

- In addition, for over thirty years, the government run nursing homes have been reimbursed at a higher level than private homes. This is due to the fact that county run nursing facilities have demonstrated that they take higher acuity residents than the typical private nursing facility. Therefore, the State Department of Human Services approved a program called Peer Grouping that enabled County operated nursing facilities to claim a higher rate of reimbursement based on the higher level of care required. The Peer Grouping program is being terminated either in July of 2016 or January of 2017.

- The Medicaid Fee for Service shift to the Medicaid Managed Care form of payment is anticipated to take full effect by June 30, 2017. This could reduce, even further, the amount of Medicaid reimbursement that Morris View receives.

- As of July 1, 2017, the MCOs will have the ability to decide who they want to contract with to create their care networks, and at what rates. As per the NJ Department of Human Services, the two protections currently in place to ease the transition will no longer be mandated. These are:

  * Any willing provider is able to contract with all of the MCOs and network restrictions are not allowed.
  * MCOs have been instructed to continue to pay the State default rates in lieu of negotiating until the next fiscal year (2017).

  The State will honor grandfathering for residents who were in the facility on or before July 1, 2014, and they will remain fee for service for the remainder of the resident's stay in the facility.

However, the State needs to move to value based purchasing and is still developing what that process will be. The uncertainty of what is to come makes the entire industry concerned, as proactive planning is most difficult under these circumstances.

- The revenue projections presented in the graphs, do not reflect any retroactive challenges that may arise in the future as these changes are implemented. Audits of claims for reimbursement, retrospective reviews of program services and a number of other bureaucratic reviews are likely to occur, given all of the changes that are to take place in such a short period of time.

- The fluctuation in sources of revenue is expected to flatten out starting in 2016. However, the revenue base is anticipated to be, essentially, equal to the level of revenues realized in 2013.

- The reality is that costs are expected to continue to increase over the next three years, from 2017 to 2020 while the revenues received to off-set these costs, are expected to drop to the same level that was received in 2013. As a consequence, the amount projected to cover the deficit between costs and revenues, which is supported by property taxes, is expected to rise from $6.8 million in 2015 to $15.5 million in 2020.

REVENUE ENHANCEMENTS

One of the requirements contained in Resolution 42 passed by the Board on March 23, 2016 authorizing the study of Morris View was to: "analyze available research and report on any potential revenue enhancements that Morris View Healthcare can receive." Part of this task was conducted by including the staff and the Advisory Committee and Family members in the discussion as to alternative services that they believed could be operated in Morris View. In addition, a discussion included the representatives from Premier Healthcare Resources, the contracted Management firm operating Morris View today.

On April 26, 2016, we met with the staff from each shift at the Morris View Healthcare Center. The purpose of the meetings was to introduce myself to the staff and explain that I was hired as an independent Facilitator who was to be a "fact finder". I explained that I was to research and add information to the report that was recently completed by Marcus and Milichap in order to assist the Board of Chosen Freeholders with their decision making process as to any action that they make regarding the future operation of the Morris View Healthcare Center.

I informed the staff, and later the Advisory Committee and Families that I was interested to hear any advice that they could provide as to how to improve the financial capability of Morris View by increasing revenue. I acknowledged that many of the staff still working in the building had, at one time, been county employees but their jobs were outsourced in order to cut costs. Dietary, housekeeping and laundry staff all acknowledged that as well.

I informed them that increasing revenue was the key factor that could have an impact on the future of the facility remaining as County operated. Further, I noted that the Board of Freeholders, over the past 8-10 years had commissioned various studies on how to reduce the subsidy. Most of the previous recommendations focused on reducing the costs of operating the facility. This resulted in a number of outsourcing recommendations, such as dietary, housekeeping, laundry, administration, social services and the hair salon.

Given that the only remaining county staff is the direct care staff, including the nursing and recreation staff, I wanted to focus on the opportunity to enhance the revenue stream to offset the costs. I was looking for suggestions from the staff and, at a later meeting, the Families and Advisory Committee as to what services they believed could be introduced which would generate a higher level of reimbursement, than the long term care services currently being provided.

At each of the meetings held, which included meetings with every shift of staff in the building on that day, there were immediate references to the vacant third floor of the building. After one meeting, I took a tour of the vacant third floor and found that there had been an active resident floor in the past that is currently utilized for storage and some drills and training for the Sheriff's Department.

The space looks as if it was abandoned several years ago, which it had been, and would take a significant amount of investment to revive it for resident/patient use once again. However, there were 58 vacant rooms with the potential of 116 beds to fill on the third floor. Suggestions from the staff and families on how to utilize the third floor included the following:

- Start a Ventilation and Respiratory Care unit;
- Start a Dialysis Unit;
- Start a Behavioral Management Unit;
- Start an Assisted Living Unit;
- Start a Licensed Residential Healthcare unit;
- Start an Adult Medical Daycare unit.

As we discussed these opportunities, it became clear that even if there were no licensing requirements/issues, it would take a significant investment on behalf of the county to improve the space to meet current expectations for such operations. Additionally and critically important is that, each of the suggestions, require a level of expertise that the county did not have. The discussion then turned to leasing the third floor to providers to offer those services.

As we discussed leasing opportunities, it became clear as we discussed the ideas, that the need to find a provider, meant that the county would "outsource" the unit. If that were the case, then the bulk of the revenue generated would belong to the provider. The county would only receive a lease payment for the space.

It became clear that leasing the third floor to generate additional revenue could be a consideration. However, with a total of approximately 31,000 square feet of space, a lease for the entire third floor would not substantially effect the operating deficit of Morris View that currently requires almost $7 million in a taxpayer subsidy.

However, in order to fully explore the feasibility of the third floor as a space for generating additional revenue, and what would be required, I had a conversation with the Licensing and Certification office in the New Jersey State Department of Health. The initial discussion was to determine the history of the licensing of Morris View, since it was clear that the third floor had accommodated licensed long term care beds.

According to an email received from the Office of Certificate of Need and Healthcare Facility Licensure, in July, 1990 Morris View had 422 licensed long term care beds. In July, 1998, an additional 17 licensed beds were added for Morris View, totaling 439 long term licensed beds. However, nine years later, in June, 2007 the county transferred 156 licensed long term beds to the Morris County Improvement Authority. This reduction was a result of one of the previous studies completed. As a result, the number of licensed long term beds at Morris View dropped from 439 beds to 283 beds; the level at which it stands today. One year later, in June, 2008 the 156 beds that were transferred to the Improvement Authority, were sold and transferred to Care One, LLC.

The more attractive revenue enhancements from a financial perspective included a Ventilator Unit and a Behavioral Management Unit. However, it was explained, the need for such units are regulated by the state and when the Department of Health believes there is a need for the program, they issue a "Call" for providers to respond to the need. This is a competitive process, much like an RFP on a County level for a particular service to be offered. The last call for both of these services was issued about eight (8) years ago, and many of the certificates of need that were awarded then, have still not been implemented.

Therefore the only way to obtain such a program would be to arrange for a transfer of ownership from the current holder of the certificate of need to the County. However, paper beds, those that are not licensed and not in operation cannot be sold and transferred. In cases such as this, the interested buyer could put the beds in operation at his/her own expense at the original proposed site, and then purchase them and move them to the buyer's proposed site. This is not a realistic option for the County of Morris.

The other programmatic, revenue producing ideas have practical restrictions that the county would have to deal with, primarily pertaining to the physical plant. For instance, should the county decide to pursue an Assisted Living Facility on the third floor, the renovations required would be extensive and expensive. The same holds true with the potential for an Adult Medical Daycare Program or a Licensed Residential Health Care Facility. These require separate entrances and the latter is usually located in an unattached building from a long term care facility.

As a result of the expression of ideas to generate additional revenues for Morris View and the resultant follow-up, it is my respectful opinion, that there is no quick fix. Any real opportunity to generate significant revenues, that would significantly reduce the tax payer generated subsidy, would take a significant amount of time and a considerable amount of funding. The programs with the most generous reimbursement rate, are not available according to the State Department of Health. Even if they were, they require additional staffing and intensive resources. So the net revenue, after additional expenses per bed day, would not result in a significantly higher net revenue that could dramatically impact the current and forecasted subsidy requirements.

POTENTIAL OUTSOURCING

FAMILY/ADVISORY COMMITTEE INPUT
EMPLOYEE INPUT
SAFEGUARD REPORT

The provisions of Freeholder Resolution 42 also required that we meet with the following groups to " collect their respective thoughts and potential concerns related to any potential outsourcing initiative, and to identify appropriate safeguards that could be put in place if at any future point an operational transition of Morris View was to occur." On several occasions, as delineated below, we met with the following groups:

* Morris View Healthcare Advisory Committee
* Morris View Family Members and Friends Group

Pursuant to the Freeholder resolution passed on March 23, 2016, the Freeholders made clear their intention to include and take into consideration the input of the Advisory Committee and Family members at Morris View. In that regard, we met with the above referenced groups on the following dates:

The first meeting was held on April 26, 2016;
The second meeting was held on May 3, 2016;
The third meeting was held on May 23, 2016;
The fourth meeting was held on June 13, 2016.

At each meeting, we started the meeting with a discussion of my assignment pursuant to my contract with the county. This was due to the fact that at each meeting there were new family or Advisory Committee members who were present and had not attended previously. In each meeting, Family and Advisory Committee members had the opportunity to raise topics, ask questions, make statements, or simply listen to the discussion that ensued. Each meeting lasted about two and a half to three hours. We stayed until there were no more questions to be asked or there was no one left in the room.

Out of the four meetings, it was very clear what the Advisory Committee and Family members are most concerned about: The Continuum of Care and the continuation of the provision of Quality Care to the residents of Morris View. There is no issue that is of more importance to them; and it does take into account several subcategories that they deem of great importance to insure that the quality care continues, should the Board of Freeholders reach such a decision.

We had significant conversations regarding safeguards that could or should be included in the agreements with any operator who would be interested in leasing the facility. We discussed clinical safeguards as well as safeguards that should be included to protect the county. However, we did discuss the "reasonableness" of the conditions that were being sought.

We discussed the need to balance the need of an operator of a private business to conduct his business without any unreasonable interferences, versus the interest of the group to "micro manage" the operator's business. We discussed that the more conditions that are listed in any Request for Proposal, would certainly have the impact of restricting the number of interested parties that may choose to compete to lease the facility.

However, it was readily acknowledged that by ruling out the discussion of selling the Morris View facility, the Freeholder Board had actually taken a position unlike other counties; they had taken a position to have a continued role in the future of Morris View. In their role as a landlord, the Freeholder Board would have a degree of authority over the facility that the other counties that had sold their facilities had, essentially, forfeited.

As part of these discussions, it was clear that there was a significant distrust of the private nursing home operators; and there was more trust of a county operated facility. The Families and Advisory Committee members expressed frustration and problems based on previous dealings with other private nursing operators and facilities.

We discussed the potential transition process and the dynamics of change. While most were initially of the opinion that the staff would be terminated, their loved ones would have no continuity with their caregivers, and that there would be only strangers as staff after the transition, they listened to what other experiences were and what a responsible business person would do should they assume a lease of the facility.

The reality of the transition process, as evidenced from previous facilities that experienced the process, was explained in the meeting discussions. In the four (4) tours of previously transitioned homes from public to private, the representatives of the Advisory Committee discussed directly with the operators the dynamics of the transition. Those discussions were reported back to the committee at their meeting of June 13th.

The reality of a transition, tracks the same issues about which the families are most concerned: consistency of care and quality of care. The operator who takes over the operation of a nursing home typically seeks to keep as many staff as possible; seeks to maintain the quality of care at the same or improved level; seeks to improve the facility and make it inviting and a place where families want to place their loved ones; they are seeking to make the transition as easy as possible on the resident, the staff, and the families. However, change does not come easy and in many cases it takes time for everyone to accept the fact that the conditions have changed.

But as we discussed safeguards, we reviewed what safeguards other counties had included in their offering statement documents that were the basis for the auctioning of their nursing facility. In each, there are "standard" provisions insisted upon by the Boards of Freeholders. There are conditions relating to guaranteeing that all staff will be interviewed for jobs upon the change in ownership; there are provisions that are designed to protect the residents who are in the facility at the time of the transition and there are provisions that are designed to insure the continued use of the facility for a minimum term as a nursing facility. A sample of those conditions is as follows:

SAMPLE SAFEGUARDS UTLIZED BY OTHER COUNTIES IN THE SALE OF THEIR NURSING FACILITIES

Monmouth County

John L. Montgomery and Geraldine L. Thompson Care Centers

SAFEGUARDS:

The Successful Bidder:

Must operate the Property as a nursing home for a period of 10 years;

Must provide an interview for an opportunity for employment to all County employees at the Nursing Home;

Shall not transfer or release any individual resident of the Property residing at the Property at the time of closing unless: (a) the written consent of such resident is received; or (b) for medical necessity as determined by a medical professional in accordance with standard industry practice;

Agree to provide a minimum of 65% of the beds as available for Monmouth County residents and/or their family members for a minimum of 10 years;

Shall agree to assign a minimum of 65% of the beds to government subsidized payees/residents for a minimum of 10 years.

Camden County

Camden County Health Services Center

SAFEGUARDS:

The Facility must operate as a nursing home in its current location for a period of not less than 10 years following closing;

The name of the building in which the Facility is located shall be: "The Ann A. Mullen Building for a period of not less than 10 years following Closing;

Buyer shall not transfer, discharge or release any of the current residents of the Long Term Care Facility in violation of applicable law and without their express written consent;

Buyer must retain and set aside a minimum of 80% of the licensed Long-Term Care Facility beds for Camden County residents for a period of not less than 10 years following Closing;

Buyer must set aside a minimum of 75% of the licensed Long-Term Care Facility beds to Medicaid payees for a period of not less than 10 years following Closing;

Buyer shall receive and review information on all current Facility staff and is encouraged to contact current employees for possible post-closing employment opportunities at the Facility;

Sussex County

Homestead Nursing Home

SAFEGUARDS

The Successful Bidder:

Its successors or assigns must operate property as a nursing home for a period of fifteen years;

Shall provide an opportunity to all Employees of the County Nursing Home to interview with the successful bidder for employment at the facility;

Shall not transfer or release any current resident of the Property without their consent;

Shall agree to assign a minimum of 65% of the beds to government subsidized payees/residents for a minimum of 10 years.

In All Three County Notices of Sale there are pages of legal safeguards for the County regarding payments, due diligence, responsibilities for obtaining approvals etc.

The above documentation is from a document that I drafted pursuant to the request of the Advisory Committee and that was provided to the Advisory Committee and Family members.

Pursuant to our request at the Advisory Committee meetings, a list of safeguards was generated and circulated by representatives of the committee. It reflects the concern of the committee members over the Quality of Care issues that were central to our discussions. The list is as follows:

Family Suggested Quality of Care Requirements for Lease Agreements

- Resident/CNA ratio no greater than 6-7 for day shift, 8-9 for evening shift, and 12 for night shift.
- Resident/Nurse ratio no greater than 30 where the available nurses are the Hall Nurses; the Charge Nurse would be in charge of the unit and available to support all

Hall Nurse activity. If Charge Nurses are included in the ratio, then the Resident/Nurse ratio would be no greater than 20.

- Experience criteria to include previous work with the aged for both nurses and CNAs
- Existence of a minimum pool of nursing staff who are full time and not Agency-provided temporary staff.
- Assignments of staff such that 75% of the staff in a unit are there and familiar with the specific residents at any time (e.g., minimize shifting/floating between units).
- Safety Management Plan in place, with ability to have an independent body perform an inspection against the plan (Will the state do this even if a lease is in place, or is this now a result of current county ownership/management?).
- Quality Assurance Plan in place, preferably in line with ISO IWA 18:2016 and/or ISO 11.020, with the ability to have an independent body perform an inspection against the plan (Will the state do this even if a lease is in place, or is this now a result of current county ownership/management?).
- Recreation staff in place 7 days per week, with minimum of 1 person per unit.
- Food/dietary offerings that both meet resident medical requirements and offer sufficient variations to adapt to individual taste and thus offer an incentive to eat.
- Visiting/access rights to family members throughout the week, at a minimum from 8 AM to 8 PM, with exceptions on written request.
- Security staff in place to control access to the building and support individual events that might arise and demand more than the medical/care staff (e.g., violent patients).
- Establishment of an Advisory Board for Families
    - Inclusion of Family members on interviews of new staff, assuming staff will be replaced in a major way
    - Input from families on interview and review criteria for staff
- Triple net lease (all repairs in building, insurance and real estate taxes)
- Lease needs to be carefully written to protect County interests.
- State survey performance need to be positive.
- Strong termination clause be included.

It is understood that there are many concerns regarding the Quality of Care issue. However, in our opinion, it will not be feasible to drill down to this level of requirements, such as shift to shift staffing ratios and particular discipline staffing on particular days. In order to implement such requirements, there must be a methodology to track, monitor and report violations and there must be consequences for such violations.

It is important to remember that operating a healthcare facility does not occur in a vacuum. Long term care facilities are highly regulated by the State of New Jersey Department of Health and the Federal Centers for Medicare and Medicaid Services. There are annual

inspections as well as a host of natural safeguards within the industry. Included is the State of New Jersey Office of the Institutionalized Elderly. This office is "dedicated to secure, preserve and promote the health, safety and welfare of New Jersey citizens 60 years and older residing in long-term health care facilities. The Office of the Elder Ombudsman provides advocacy to residents living in long-term care settings and investigates abuse and neglect allegations in New Jersey long term care facilities.

General Lease Terms: Specific Provisions

The Board should be aware that there are many straight contract term protections that are contained in most lease documents that cover covenants and responsibilities for financial issues, building maintenance issues, payment covenants, insurance covenants, etc. that are typical of any commercial real estate or business transaction. There are many sample lease provisions that the Special Counsel to the Board is fully familiar with.

Under the broad category of financial covenants, the County as landlord would require that lease payments be made on a monthly basis (rent); there would most likely be penalties for late payments; there would most likely be a termination clause for failure to make a certain amount of monthly payments (two or three months).

In addition, there could be a requirement for a certain capital improvement budget or expenditure on an annual basis. This would be determined by the length of the initial lease term. The longer the lease term the more palatable the requirement for capital improvements to be made by the tenant. The less involved the County is in the finances of the facility the better; although the County would desire to ensure that the building is appropriately maintained.

Under the broad category of Quality of Care, there certainly would be a provision that would require passage of the annual state inspection and survey of the facility. A termination provision would be included for failure to meet that requirement. There could be additional requirements, as suggested by the Advisory Committee, such as the recognition of a Family and Friends Group that would meet on a particular schedule with the Administrator, perhaps on a quarterly basis.

Morris View Healthcare Center

Facility Visits

Pursuant to the requirements of Freeholder Resolution No.42 adopted by the Board on March 23, 2016, site visits to four former County owned nursing home facilities were arranged. Each visit included at least one representative from the Morris View Healthcare Advisory Committee, the Morris County Director of Human Services and the Independent Facilitator/Consultant.

The goal of the visits was to provide the opportunity for the representative(s) of the Advisory Committee to tour the facility and meet the Owners/Operators of the facility, meet with any family members that may be available, and any residents that were available to discuss the transition from the County operation to the private operation.

The selection of facilities was based upon the amount of time that a facility had changed from public to private operation. The desire was to visit recently transitioned facilities that were in their first year of transition to a facility that was in the third year or so that was relatively finished with the transition from public operation to a private operation. Topics to be discussed included those that are very important to the Advisory Group: continuity of care; commitment to the residents that transitioned with the change in ownership; continuity of staff; commitment to maintaining Medicaid beds; operating philosophy/mission; and plans for the facility.

The first visit was to the former John L. Montgomery facility, now Allaire Rehab and Nursing, and the second visit was to the former Geraldine L. Thompson facility, now Preferred Care at Wall. Both facilities were previously operated by Monmouth County. The third facility visited was the Homestead in Sussex County and the fourth visit was to the Warren Haven Nursing facility in Warren County.

The following are short descriptions of each visit:

Allaire Rehab and Nursing (Formerly John L. Montgomery)
Monmouth County
Visited: Tuesday, June 7, 2016

Attended: Geoff Perselay, Jennifer Carpinteri, Tess Ferree
Transition from Public to Private: January 1, 2016

Facility Description:

- 174 Licensed Beds: 40 Sub-Acute; 134 Long Term Care
- Unique Young Adult Unit has 24 beds; for neurologically impaired
- Large multi-purpose building with a closed wing of the facility
- Facility will take Medicaid or Medicaid pending.

Staff Transition:

- Offered employment to 95% of the direct care staff
- 90% of staff retained
- Nurses across the board were given an increase in pay in order to establish a tiered system
- New owners ran a competency screen on all nurses
- Facility pays above industry standards – some CNA's did get a reduction in pay
- There were changes to health insurance plans offered to staff: Plans no longer covered families and some staff qualified for governmental health insurance benefits under the ACA
- They have 120 employees
- The activity director remained on as a private employee
- They added a Director of Quality Experience, who is a non-clinical liaison to the patients available to them 24 hours a day.

Resident Transition:

- There was no resident turnover.
- They kept the 24 bed neurological unit for young adults from 18-50 years old who can participate in their care. Majority of referrals are from the MS Society and NJ Brain Alliance. Census on the unit has improved by 9 residents since the transition.
- The residents were up and dressed and groomed appropriately.
- Geoff, Jenn and Tess spent time with residents and staff.
    - Residents were very nice, and they were happy to sit and talk to us about their experience in the home and even showed us their rooms.
    - They commented that it takes time to adjust but they are doing it.

- They felt the food was better after the transition.
- They did not lose any activities, but their bingo schedule was changed a bit.
- There is no smoking outside of every other hour on the odds. All cigarettes are locked up and provided only in one specific area at the designated times.

Improvements to the Facility:

- An investment in technology within the facility and the rehabilitation units was impressive
- There was a large amount of construction taking place in the building and the finished sections were dramatically improved. The owner is committed to investing well over $1 million in capital improvements primarily in patient rooms and common areas.
- The facility was clean and well kept.
- There was music playing throughout the units.
- Cost per patient/day have gone down tremendously without a decline in quality
- The facility has not had a State Survey yet as a privatized facility.

Improvements in Resident Life:

- The owner's motto is "Good Care is Good Business" – How do you provide great care efficiently?
- The owner believes that what distinguishes his operation from that of the County is that the County cannot solve problems in real time. He has the responsibility and the ability to buy what he needs or change what needs to be changed when it is needed. He retains the authority and responsibility.
- Resident council meetings occur monthly
- Special meetings with residents are held where they provide input and planning efforts for dietary decisions and trips
- Visitation is 24 hours a day and they are putting sleeper sofas into all resident rooms so that family can stay over.
- How families are involved:
  - Social workers host regular meetings with all disciplines for families.
  - The facility has continued the friends and family group.

Preferred Care at Wall (Formerly Geraldine L. Thompson)
Monmouth County
Visited: Tuesday, June 7, 2016

Attended: Geoff Perselay, Jennifer Carpinteri, Tess Ferree
Transition from Public to Private January 1, 2016

Facility Description:

- 135 Licensed bed capacity
- Dual certified Medicare/Medicaid beds
- On December 31, 2015 there was a census of 80 residents. As of 6/7/16, there were 111 residents.

Staff Transition:

- Every staff member received an offer of employment.
- Retained 93% of staff.
- Raised the nursing staff rates after a market study was completed.
- RN's $30-34 per hour – Now being paid 8 hours a day
- LPN's $21 - $24 per hour – Now being paid 8 hours a day
- CNA's $13 per hour stayed the same – took ½ hour away from lunch so they are getting paid the extra ½ hour.
- Vacation days were reduced, however, they established a Tiered approach based on how long they were employed with the County.
- Health Insurance still provided for individual and families. Same co-pay and deductibles; however, the monthly contributions were increased from $40 to $125 per month for the employee.
- The staff we spoke to were happy and shared that some of the staff that had initially left, were looking to come back to work at the facility.

Resident Transition:

- All residents remained although some had left prior to the actual transition.
- Increase in resident census of 39% since the transition
  - Initiated the opening of the Sub-Acute unit, which had been prepared but not operated by the County
  - Went from a non-operational 19 bed unit to a unit that is operating at over 90% capacity
- Residents were appropriately active and dressed and in activities during the visit

- Residents were, in general, pleased with the facility and understand that change takes time.
- Residents and families meet monthly.

Improvements to the Facility:

- Kept current contracts for Dietary, housekeeping and Laundry for consistency
- Tour of the facility showed progress in updating the facility. Similar to Allaire, Preferred is investing in capital improvements to the facility, again in resident rooms and common areas.

Improvements to Resident Life:

- The operator/owner is of same philosophy regarding ability and responsibility to solve issues as they arise.
- They recounted instances where a resident needed something and they ordered it right on the spot.
- We had access to meet with some staff as well and residents; there were no complaints except that they realize that the facility is run differently, and they are getting used to it.
- The administrator offered to put Tess in touch with some family members and provide their contact information.

Homestead Rehabilitation and Nursing Facility
Sussex County
Visited: Thursday, June 9, 2016

Attended: Geoff Perselay, Jennifer Carpinteri, Cheryl MacDougall
Transitioned from Public to Private in November/December 2012

Facility Description:

- 102 Licensed Beds; includes 20 Sub-Acute beds
- Census has been consistently close to capacity; no change from when the County ran the facility
- Currently looking to expand capacity to the empty top floor, by providing 26 private suites; licenses for those suites to come from: 10% increase in licensed bed capacity every 5 years per the State Department of Health; moving of licenses from another facility owned by the operator; purchase of available licensed beds from another operator
- Facility has undergone a facelift since the change in ownership, with a focus on the resident rooms, common areas, and the first floor.
- Considering the possibility of starting a supportive senior housing in the old "Alms House" on the property. Would be a start of a continuum of care on the Homestead property.
- They are investing in some cutting edge technology, particularly in the rehabilitation areas.
- Being a part of the community is very important so they allow the community to hold groups and events at the facility.

Staff Transition:

- Interviewed all staff and offered 100% of employees a job. A little over 50% chose to stay; however a lot of staff had retired as a result of the transition. 3.5 years later 20% of the original staff remains.
- Fringe benefits were 60% in Sussex County. As a result of the privatization, the number has dropped to 25%.
- There was no union at first, but over the past 6 months, the nurses have started to form one. The operator is fine with having the union and believes that it will be beneficial.
- The facility runs their own CNA classes, in order to properly train their CNAs to act the way the facility wants them to work with the residents.

Resident Transition:

- Sussex County facility never had a family council, even as a county facility; however, it does have a resident council.
- Therapy is contracted out; everything else is operated in-house.
- Again, as in the other two facilities, in discussion with the President of the Resident Council, who has been a resident for 8 years, the change in ownership takes time to get used to. "After 3.5 years, he is used to them, but they still are getting used to him."
- Joan a family member made herself available to speak with us.
    - She was originally vehemently against the privatization, and would fight the County at every opportunity.
    - Her Mom had volunteered at the facility for 40 years, so when she needed care, there was no question where she would go. The respite, rehab and long term care she received was quality.
    - Mom has since passed, but Joan continues to volunteer and act as a member of the auxiliary group that supports the facility to get donations, bingo prizes and gift cards.
    - Joan feels the new ownership is doing good things, and is currently bringing the facility up to date and making it more modern.

Advice:

The current Administrator is the former Administrator when the County operated the facility. He has had the opportunity and experience of working for both the private sector and public sector in the same position in the same facility. He is in a unique position to offer advice to the County as it moves forward in considering the future of Morris View. His advice and ideas are as follows:

- **Future Revenue Streams:**
    - More changes are coming within the revenue pools
        - Medicare and Insurance companies are limiting orthopedic stays to 7-8 days, which is anticipated to influence revenue significantly. The new goal is to use in-home therapy and outpatient services.
        - MCO's are not paying what they should, (this will be discussed further in the financial section).
    - Benefits to being Private from the perspective of the administrator who has had experience in both the public and private facility
        - Staffing change was a good thing since they were able to hire "out of NJ" residents. Now they have 15% from Pennsylvania. In Sussex County there is a shortage of qualified staff available. In order to hire staff, he was precluded from hiring staff from out of state. Pennsylvania has a labor pool that is accessible and he can now hire from out of state.

        - As a public entity, he was precluded from hiring and utilizing outside recruiters and could only rely upon advertisements. Now, as a private facility, he has no such restriction.
        - As a private facility they can hire at more appropriate rates for experience.
        - The owner's favorite thing about being private is the ability to purchase on demand. This greatly improves patient care.
    - Advice for a smooth transition:
        - Move smart and fast
        - Don't drag the process out – people will need to get to the other side of a transition.
        - The Administrator became the bridge to gap both the County and new owner. He has seen both sides of the transaction.
        - Communication is very important.
        - In Sussex, the County offered jobs to those close to retirement.
        - Sussex also contracted with ten nursing agencies just in case staffing became an issue during the transition.
    - Protections/Safeguards – Most are already within law or common sense. (This will be discussed further in the Safeguard section of the report).
        - Bed Holds are mandatory – 10 days without reimbursement
        - Can't discharge anyone out of a facility
        - The value of these buildings in NJ indicates that it is rare that they would be valuable as something else.
        - Ensuring County residents are served – look at where the referrals are coming from. Most have 50-80% Medicare and Medicaid.

Warren Haven Rehabilitation and Nursing Center
Warren County
Visited: Wednesday, June 15, 2016

Attended: Geoff Perselay, Jennifer Carpinteri, Beth Jarett
Transitioned from Public to Private in August, 2015

Facility Description:

- 180 Licensed and certified Medicaid and Medicare beds
- Previously, County only had 25 Medicare certified beds
- County run Medicare certified beds were used for Sub-Acute program
- County census at closing: 81; Census 6/15/16: 121
- Medicaid census under private owner +/- 65% (about 80 residents)
- Private Pay census is about 15% (about 12 residents)
- When County ran the facility, it required a tax supported subsidy of about $4 million

Staff Transition:

- During the County discussions regarding the potential of privatizing the facility, there was a significant drop in staff, with many staff taking retirement and many seeking other employment opportunities.
- After the County awarded the contract to the current operator, there was a three (3) month transition to close on the transaction.
- All remaining county staff were offered positions, except for the Administrator and Director of Nursing
- Currently, about 90% of the existing 120 staff are former county employees.
- There was no change of rates of pay for staff; however CNA rates of pay were capped. Operator did not believe that it was healthy to reduce the rates of pay for staff due to psychological effect performing the same job for less money than when they were county employees.
- Grandfathered fringe benefits for former county employees for seniority purposes in regard to vacation and sick time; now running a dual benefit program for new employees who do not receive same time off as the former county employees receive.
- Healthcare benefits were cut back, but employees were given options from which to select; offered an additional $1.50/hour ($3,120 per year), if the employee did not take health benefits; offered an additional $2.00/hour ($4,160 per year), if the employee took no benefits at all. Due to Affordable Care Act and Medicaid Expansion, lower paid staff found that they were eligible for State benefits under the New Jersey Cares Program or the ACA.

- Holidays were cut to the usual private holiday observances rather than the 14-16 holidays provided as county employees.
- Continued with the out-sourcing of Dietary, Housekeeping and Laundry to county selected provider. Renegotiated contract.
- Added Rehabilitation to out-sourced services.

Resident Transition:

- The resident population adjusted to change much better than the families.
- Family members, to this day, are still adjusting to the change in ownership.
- Residents programs and staff have not changed as much as the families anticipated. The only program that is not the same is the amount of "off-site" trips that they experienced before. However, the new operator is planning on reinstituting those in the new budget that they are developing.
- Staffing ratio has changed from County operation; was 6:1 now closer to the 10:1 industry standard; no reduction in Licensed Nursing Staff; some reduction in CNAs, but can be increased based on Acuity levels.
- Have provided residents with menus for meals that are available anytime of their choosing.
- New Owners have implemented a more structured concern/grievance system designed to address concerns quickly, before they become complaints and grievances.

Improvements to Facility:

- New owner has had to make significant investment in the building infrastructure.
    - New Roof
    - Repair to Elevators
    - Repair/Replacement of A/C units
    - Replace Washers/Dryers
- Interior Renovations planned for the new budget year for the common areas and residential units.
- Exploring renovating the second floor of the building for addition to the Sub-Acute unit.

The common themes that ran between all four facilities were the following:

- Private for Profit operators understand that "Good Care is Good Business";

- Bad care, questionable care, and families and residents leaving the facility is bad for business, as are State inspections, closure to admissions etc.

- The private operator is going to pay a significant amount of money to lease a facility; his/her objective is to fill beds and attract residents and families, not to have them leave his facility.

- They understand that the market place has many opportunities available to the public and that competition is hard. Therefore they need to attract residents and families; they want to attract private pay and Medicare residents, as well as the Medicaid resident. To do that, they must distinguish their facility from the others in the marketplace.

- They have more flexibility and can "turn on a dime" to make things happen; they have credit cards instead of purchasing departments, so if a resident is in need of something, they receive it in real time, when it is needed.

- The facility that they operate is their facility and they are fiscally, programmatically and personally responsible for the operations. While they all have investors, the investors support the operators or in some cases are the operators and are expected to produce that which they anticipated when they bid on the property to begin with

- The care, the food, and the programs, are critical to their existence as the operator, since it is because of those functions that families will make decisions as to where they put their loved ones.

REACTION, RESPONSE AND INPUT FROM THE FAMILY/ADVISORY GROUP TO THE TOUR OF THE FOUR FACILITIES THAT WERE PREVIOUSLY COUNTY OPERATED

From: Jarett, Beth [mailto:beth.jarett@emc.com]
Sent: Friday, June 17, 2016 9:04 AM
To: aaustin@chapin.com
Cc: Carpinteri, Jennifer <JCarpinteri@co.morris.nj.us>; geoff.perselay@gmail.com
Subject: FW: Morris View Healthcare Center Sustenance Options

Amy,
It was quite a pleasure to meet you up at Warren Haven this past week. Nice to see someone that knows their business and most of all you educated me on the differences between public and private care in the nursing home industry. This meeting actually helped me to embrace the changes to come, and it all comes down to the almighty dollar unfortunately, but this now has given me the momentum to go forth and work even harder with Jennifer and Geoff.

Once again, thank you so much for your time and the experience. Below is my email thread back to my peers at Morris View, and you will see that I incorporated a lot of what you said to turn on the light bulbs in others. Enjoy your up and coming weekend, and if you don't mind, I might take you up on some questions in the near future.

Sincerely,
Beth

Beth Jarett
Morris County Advisory Board for the Morris View Healthcare Center
Mobile: 973-713-6711
beth.jarett@emc.com

From: Jarett, Beth
Sent: Friday, June 17, 2016 1:18 AM
To: geoff.perselay@gmail.com; Carpinteri, Jennifer (JCarpinteri@co.morris.nj.us)
Cc: Cheryl McDougal; Eva Turbiner (eturbiner@zufallhealth.org); DeGraw, Carol (Carol.DeGraw@unitedwaynnj.org); 'tessferree@optonline.net'
Subject: Morris View Healthcare Center Sustenance Options

Geoff and Jennifer,

First and foremost, a heartfelt thank you to both of you for working with us and making us feel as part of the team to examine all avenues to sustain the Morris View Healthcare Center. My Uncle was a resident for seven years, and I have been honored during his life and after life by being allowed to serve on the Advisory Committee for Morris View for the last three years. The Freeholder Board has been instrumental in assisting all of us over the years by making visits to Morris

View, embracing our emotional thoughts in public meetings, and doing their best to maintain Morris View through out-sourcing and now in re-evaluating the soaring costs to consider leasing rather than selling.

We began this process in June of 2015 and it is now June of 2016.

1. RFP for the Morris View Operations Analysis
2. The delivery and review of the analysis
3. Onboarding of Geoff P. to assist with examining all information and possibilities (visits to other nursing homes that were purchased, list of quality of care requirements, attended Advisory/Family Meetings)

One could think that I may not be the best person to contribute to this difficult task, but the reality is, the sooner we embrace change, the sooner we all can adjust and focus on the care of our loved ones and get back to what is important. Do you remember the story "Who Moved My Cheese?" by Spencer Johnson? Johnson's message is, "*Instead of seeing change as the end of something, we must learn to see it as a beginning*".

Here are my notes and thoughts on my visit to Warren Haven, on Wednesday, June 16, 2016.
Attendees from Warren Haven: Director of Operations, Amy Austin D'Amore
Attendees from Morris View: Geoff Perselay, Jennifer Carpinteri, Beth Jarett

We met with the Director of Operations, Amy Austin D'Amore, RN, BSN, and at the end of our visit I knew I was talking to someone that clearly knows the business from a patient care perspective, and also her fiduciary responsibility to making this nursing home profitable over time. She works for Chapin Healthcare who purchased Warren Haven approximately 9 months ago. Prior to taking over Warren Haven, Warren County was losing ~4.6M per year. Below is what I captured during our meeting -

- *Bed licensing* was changed to 180 Medicare/Medicaid (better flexibility)
- Their *census* is now at 121 beds, and when they took over was at only 86 beds.
- *Staffing Issues* caused by no hire clause, slow closing (in their case only 3 months), county rules (willing to compromise)
- *Privatizing Savings*
    - County pays for 12-15 holidays, whereas Private does not

    - 120 employees currently employed, but new employees get different benefits; dollar amount incentives for no health care and no fringe benefits
    - Saved 1.5M on benefits
    - Outsourced Rehab, Dietary, Laundry
    - Able to downsize on number of aids (still within state requirements)
- *Privatizing Costs*
    - Spent 25K on elevators
    - Replace roof
    - Implemented Wi-Fi 25K
    - Marketing Campaign 75K
- *Bed Pricing*
    - Private Room per day is $365.00
    - Semi-Private Room per day is $335.00
- *Miscellaneous*
    - 25 Sub-Acute Beds
    - Family Group once a quarter
    - No one that is a resident is under 50 years of age.
    - Chose not to maintain the management due to issues/conflict
    - Food & Activities not changed
    - Residents are not going out due to no buses
    - Suggestion Box is empty
    - Access is 8AM to 8PM
- *Problems/Issues*
    - Have more access prior to the closing by the new owner
    - Have more time to transition
    - Kept communications open better
    - **Filling the beds and high turnover
- *Note*
    - County contracts are very different from Private contracts
    - Leasing
        - Think of as "Paying Rent"
        - Visit once a year and make recommendations to fix items

The nursing homes that were chosen for interviewing ranged from being privatized over a few years down to 8 months. I think that was a perfect range over time to gather all the data that is needed. I can honestly say at this point in time if we do nothing, our gem of a care center will ultimately fade away. Here and now we have the option to embrace the change, with planning, proactivity, and knowledge within our control. There is truly a difference between the

financials of a county versus a private business. Thank you again for allowing me to be a part of this significant project for Morris County.

Sincerely,
Beth

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Below please find Comments provided by Cheryl MacDougall.

Homestead

I visited the Homestead in Sussex County on June 9, 2016, with Jenn Carpinteri and Geoff Perselay.

The current administrator had been the county employee administrator before the change, and so had both county and private perspectives to share. He was surprised that visits were occurring with family members, and he thought that was a positive. I found him to be quite open and knowledgeable in explaining the market place, the customer market, and the Medicaid connection. His main advice to the county: once you make a decision, do it fast and get it done. Drawing anything out months only raises the anxiety and trauma to all parties.

The key takeaways confirmed what we have already heard:

Staffing:

· The real cost that kills the county is the pension/benefits/fringe, which is simply not sustainable.

· Change can brings some good results in culling staff. Alternate county positions were considered for some individuals close to retirement. All staff were offered jobs by the new agency. There has been some turnover, which is not necessarily a bad thing.

· One plus to privatization is that hiring practices are simpler, quicker, and one can reward expertise, i.e. not bound by the "position" details or pay scale.

· This ownership group has 3 homes. Another that is union (CNA and housekeeping) was able to encourage Homestead employees to unionize in the past 6 months. The Administrator believes that this relationship is positive.

Safety Net for indigent residents:

· Medicaid patients are less likely to be in jeopardy of losing a placement because of the Medicaid rules, such as bed holds. It is easier to discharge a private pay resident.

· There only about 10 total private pay facilities in NJ, so nearly every facility is Medicaid accepting because it is the reality of the marketplace that will continue into the future, and the need will grow, not lessen.

· Competition is tough. It does not matter who the payer is, people will not come, or stay, if the care is not quality, so the drive to provide quality care is constant.

Public v Private:

· Public or private ownership is not a determinant of quality of care.

· The best part of being a private facility, per the Administrator, is his American Express card. He can get what a resident needs in an instant, instead of having to navigate a cumbersome and time-consuming requisition process.

· Capital projects are much less costly, so more can be done and completed more quickly.

· The Administrator expressed that the selling prices, e.g. Monmouth County facilities, appeared too high, with potential for issues down the road given the changing and uncertain future in health care costs. Examples include Managed Care rates that are unknown; current failure of insurers to pay according to established rates; and policy adjustments to Medicare payment such as the reducing in coverage days for joint replacement subacute stays. These factors are difficult for private providers, but much more impactful for public providers.

Resident and Family view

· I saw several clients wandering in and out and interacting with staff and visitors as I was waiting for our appointment, and met a few residents who were delightful. There was positive engagement, attention, and responsiveness to the residents.

· At 102 beds, the facility is smaller than Morris View, and a little dated but clean. The rooms seemed a little smaller, I think the lower ceiling heights make a big difference in appearance. One positive for Morris View is its appealing physical plant. The Homestead had a simple layout, and a fourth floor project to create single resident suites will be underway shortly.

· The resident council president has been there 6 years, and reflected that one has to settle in to all changes, but did not note anything of note about the impact of change. He is quite content. Additionally, we specifically met one volunteer whose mother was cared for at the facility and she had only praise for the respite and then short term care her mother received until her death. The volunteer remains active with the facility, and has praise for its current operation.

Impressions:

I believe that all we have learned in our time addressing MVHC is that, absent significant changes to health care policy and Payment practices, considering a lease of MVHC appears the most responsive yet flexible alternative to the presenting and projected financial issues.

To do nothing might invite erosion of quality care due to budget constraints, and to sell would preclude use of this valued physical plant resource for future county needs, whatever they may be.

That said, I want to emphasize how sad it is to know the impact this will have on several people who have done so much to take good care of my mother and others. I feel badly for them and the insecurity this change can induce. This does feel like that familiar practice of

government balancing budgets on the backs of its employees. I do hope to see the day when the care provided by our nurse aides e.g. nurturing, diapering, feeding, bathing, grooming-things so critically regarded when provided to babies and the young, is equally regarded when provided to the aged and infirm.

My thanks to the Freeholder Board for the opportunity to be involved in the Morris View Advisory Committee and for its support for the mission of Morris View.

Cheryl MacDougall

LEASING OPTION

Pursuant to the provisions of the Resolution 42, there were only two options to consider (as noted below). The first option would be to maintain Morris View as it is operated currently. The other option is to seek an operator for Morris View and lease the facility, the licensed beds and transfer the operating license to an independent nursing home operator to operate Morris View. This option, of course, would include various protections for the County, regarding the clinical operation, the quality of care for the residents and the condition of the facility and grounds. The county staff would be provided the opportunity to seek employment with the new operator of the facility as well.

1. ***Maintain the facility as a county owned and operated healthcare facility:***
   A main component of this option, included the opportunity to hire a management company to operate the facility on behalf of the County. The management company would manage the county employees, and perform day- to- day administrative responsibilities in the operational, financial, clinical and support services disciplines. The leadership would be hired by the management company and the staff would be managed by the private management company senior staff on site.

   This is the current situation at Morris View with the contracted Management Company, Premier. While the nursing and recreation staff remain as county employees, all other staff functions have been outsourced as has been previously described. Obviously, the nursing staff is the largest component of staff in the facility. While they retain their county employment, the county will continue to experience greater cost exposure due to the fringe benefit differences between public and private employees.

   The option of keeping the facility as a county owned and operating healthcare facility, will provide little opportunity to reduce the operating deficit that exists and that which is projected going forward in 2017-2020. In addition, it will require the Freeholder Board to increase the repetitive tax effort in each year to maintain operations. While outsourcing has been a way to reduce expenses, the initial savings was greater than the long term savings, as the costs to maintain contracted services continues to rise each year. While there have been conversations with Premier regarding opportunities to reduce the operating deficit, nothing has been found that would fundamentally change the financial dynamics without a change in operations from a public entity to a private entity.

2. **Seek through an RFP Process a private operator who can staff, manage, and operate the entire 283 Bed facility with the following contingents**
   - List a specific contract term (years) where the Bed licenses will be transferred to the selected operator.
   - Operator will commit to financing a capital improvement plan annually.
   - Facility must remain in its current location
   - No residents can be displaced

- All current staff will be interviewed.
- Operator will form a Family Advisory Group.
- All internal maintenance is the responsibility of the operator (including kitchen and laundry).
- All utilities shall be the responsibility of the operator with the exception of heat and water.
- Operator must commit to passing annual state inspection.
- In the event of noncompliance / nonperformance of the operator, after a period to cure, the facility and Bed licenses would revert back to the County.
- Reasonable Safeguards as noted by the County staff and family /advisory board members will be included in the RFP.
- An annual lease payment to the County would be sought from an operator in the RFP.
- Operator will meet quarterly with County leadership to discuss clinical and operational issues in the facility.

It is my belief, that Morris View will not attract the large, publicly traded chains; it will be too cumbersome for them; they have not participated in the sale of the other nursing homes; it is very unlikely that they would participate in a lease situation.

Most likely this lease, should that be the decision of the Board, will attract the boutique nursing home operators; companies with anywhere from 1- 10 operations, and they, like the operators that we visited, will work their hardest on behalf of the residents to make a positive impact in the facility on behalf of the residents.

Should the lease option be pursued, the County could consider utilizing the Morris County Improvement Authority as the leasing entity in order to ensure the greatest level of protection for the residents, staff and families as well as the county's interest in the facility and property. This is due to the fact that, in transitions such as this, an Improvement Authority has the statutory authority to directly negotiate specific terms and conditions with a potential lessee (tenant).

The essential nature of the report and the documentation provided herein, provides the Board of Chosen Freeholders with the additional information to consider in order to decide what path to take to keep Morris View as a viable service provider in the Morris County Continuum of Care and how to best insure the Quality of Care that is provided at Morris View.