ULSTER COUNTY

BLUE RIBBON HEALTHCARE SERVICES ADVISORY PANEL

LONG TERM CARE COMMITTEE REPORT

REIMBURSEMENT FOR NEW FACILITIES

The Committee met with Mark Lyons of SWBR Architects. Mr. Lyons is an architect with extensive experience in the design of nursing homes, assisted living communities and other projects that serve senior citizens. Mr. Lyons is very knowledgeable about the complex reimbursement methodology for nursing home development. The summary of his analysis, based on New York State Department of Health documents, is that capital costs up to approximately $339,200 per bed, or nearly $95 million, would be reimbursable by Medicaid. The $95 million would be available to either the County or a private developer. However, the $95 million is a cap, and any cost overruns would be the responsibility of the County or developer. Based on the cost overruns on recent County projects, the Committee does not believe the County taxpayers would favorably receive proposals totaling $95 million.

The alternatives are outlined in the table below:

		Cost	Reimbursable
1.	Renovate old facility	$44 million	$33 million *
2.	Build new County facilities	$95 million	$95 million **
3.	Build new non-County facilities	$95 million – no risk to County	$95 million

* NYS DOH reimburses 75% of approved cost; $33 million is a "best case" scenario

** Cost overruns not reimbursable

In each of the first two alternatives, the County is at risk for all non-allowable costs and/or cost overruns.

Mr. Lyons' clearly summarized e-mail explaining new facility capital reimbursement, with his analysis of how the $95 million was derived, is shown below. Further details are included in Appendix IV, in the Department of Health memo referenced in Mr. Lyons' e-mail.

From:	Mark A. Lyons [mlyons@swbr.com]
Sent:	Friday, March 28, 2008 4:43 PM
To:	Steven Kelley
Subject:	Ulster County SNF Costs
Attachments:	NYSDOH Bed Caps 2010.PDF

Hello Steve -

Thanks for the call concerning nursing home costs.

Attached is a memo with the new New York State bed caps for construction of new nursing homes. The caps are based on both the year of construction and the region of the State. I have highlighted the Hudson Valley region that Ulster County falls into. These are the per bed total project cost caps that New York State uses for evaluating Medicaid reimbursement. In practice, we assume that we will spend up to these caps for macro-budgeting purposes. The County can build at higher costs than these caps, but any money above and beyond the caps is 100% County money.

The year is determined based upon the midpoint of construction. It is to your advantage to "schedule" that midpoint of construction for January or February of the following year to get the higher bed cap.

For sake of example, let me assume a schedule:

Hire architect and design: Year 2009, Start Construction: Year 2010; with a two year construction window. Assume the construction midpoint falls into Year 2011. The DOH has not yet published caps beyond 2010. I have assumed a six percent increase for other client projects, which I think is reasonable given the inflation and the past trend of the caps.

$339,200 per bed x 280 beds = $ 94,976,000 Total project costs for both nursing homes.

This would be the total project cost that would appear in the last column of the Schedule 8B of the CON. Total project cost includes site acquisition, construction costs, architect, engineer, and other planning fees, fixed equipment, movable equipment, telecommunications, financing costs, interest (on the construction loan), and CON application fees. County there are a couple areas of caution. Site acquisition can be a budget buster under the caps. Most County facilities I have worked on have owned the land and used it as part of the equity. Site work can also fluctuate quite a bit – (e.g. pick a flat, well-drained site with no rock.)

Alternately, we can build up a construction cost based upon number of beds and s.f. per bed, but that generally needs a conceptual plan or schematic plan to confirm.

Hope this helps. Any questions, please call again. I will be out of town Monday and Tuesday but can be reached intermittently at 585-746-5041.

Mark
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Please see *Appendix IV* for the memo referenced above.

Building one or more facilities under private ownership would mean that the County would no longer be responsible to fund millions per year in losses.

Financial Tail Costs

The Committee believes there will be "Tail" costs related to the transitioning of Golden Hill. The actual amount of these costs will be ultimately determined by the County Administrator.

The largest and most obvious costs are for absorption of costs for services provided by other County departments, such as computer support. Another factor may be any final payments required for outstanding pension obligations. Presumably, there would be several years leading up to relocation of residents to allow for an orderly transition. The Committee believes that the County has maintained regular pension contributions, so costs should be moderate. With an implementation time period of several years, combined with normal attrition, there should be ample time for nursing home employees to seek other employment (including at the new facilities proposed by the Committee), and with the expansion of services resulting from the hospital merger. However, there may be a need for retention bonus funds to incentivize employees to continue working as the final transition date approaches. Retention bonus funds are another example of one-time "tail" costs.