

Golden Hill Health Care Center Demographic and Fiscal Issues Influencing Long-Term Planning

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Current situation

- Center built in 1971
- 280 residential care beds
- Nearing end of building's useful life
- Multiple known repair and improvement needs
- History of action-avoidance due to budget pressures
- Legionella detected in January 2010
- \$100,000 + in remediation expenses
- Recognition that capital expenses will be increasing and that a comprehensive plan is needed

Publicly operated nursing homes in NYS

- Originally entered nursing home market to fill a service gap
- Higher operating expenses than proprietary and not-for-profit nursing homes
 - Higher salaries and benefits, pension costs
 - Less favorable treatment regarding reimbursement for capital expenses
- Tend to serve long-term care and higher needs populations → less revenue
- Depend upon taxpayer subsidies to offset annual operating deficits
 - Orange County = \$18 million
 - Albany County = \$18 million
 - GHHCC 2011 subsidy = \$4.5 million (Does not include Other Post Employment Benefit costs)
- Medicaid rates are not high enough to offset costs
- No real expectation that there will be a financial bail-out because there is no money available from the state
- Have depended upon government subsidies (Intergovernmental Transfers) to reduce their deficits
 - GHHCC 2011 IGT = \$2.1 million
 - IGT is phasing out over next two years
- 8 counties in NYS have closed/sold their nursing homes; 5 are presently studying their options

The GHHCC in our service system

- Tends to serve somewhat more individuals who are
 - Medicaid-eligible
 - Need long-term skilled nursing care
 - Present greater behavioral management problems
 - Have more acute illnesses
- Other nursing homes (proprietary and not-for-profit)
 - Serve more private pay residents
 - Have more modern facilities
 - Provide more rehabilitation services (higher reimbursements)
 - Tend to provide more short-term care

Nursing homes in Ulster County

- 1,099 total residential care beds
- All beds are being used
- Senior population will double by 2030
- Common for out-of-county nursing homes to be used when they are more geographically accessible

Facility	Location	Number of Beds
Golden Hill Health Care Center	Kingston	280
Hudson Valley Rehabilitation and Extended Care Center	Highland	203
Northeast Center for Special Care	Lake Katrine	180
Ten Broeck Commons	Lake Katrine	258
Mountain View Nursing and Rehabilitation Center	New Paltz	79
Wingate of Ulster	Highland	99
Total		1099

Property tax projections

- Combined school, county and town/special district property taxes in Ulster County have increased 29.41% over the last 5 years
- All levels of government have been making budget cuts for the last 10 years, and have run out of simple options
- There are no anticipated new sources of income to offset these rates of increase
- Assuming these rates of increase, and no significant action by government to reduce spending, the overall household property tax bill would increase 34% in 5 years and 85% in 10 years

GHHCC facility prognosis

- Engineering reports updated in 2010
- Major facility systems are within 5 years of useful life
- Safety and code issues = \$2.5 million
 - Nurse on-call system
 - Fire alarm system
 - Rooftop HVAC units
 - Elevators
 - Sprinkler system
- Failure of sewage system = \$16.1 million
- Existing facility is not conducive to cost-effective operations (layout) and income generation (rehab unit) → These upgrades and repairs would not address these needs

GHHCC financial issues

2010 Budget

Used \$2.2 Million from GHHCC Fund
Balance

IGT is \$2.2 Million

Medicaid rate did not increase
(\$177/day)

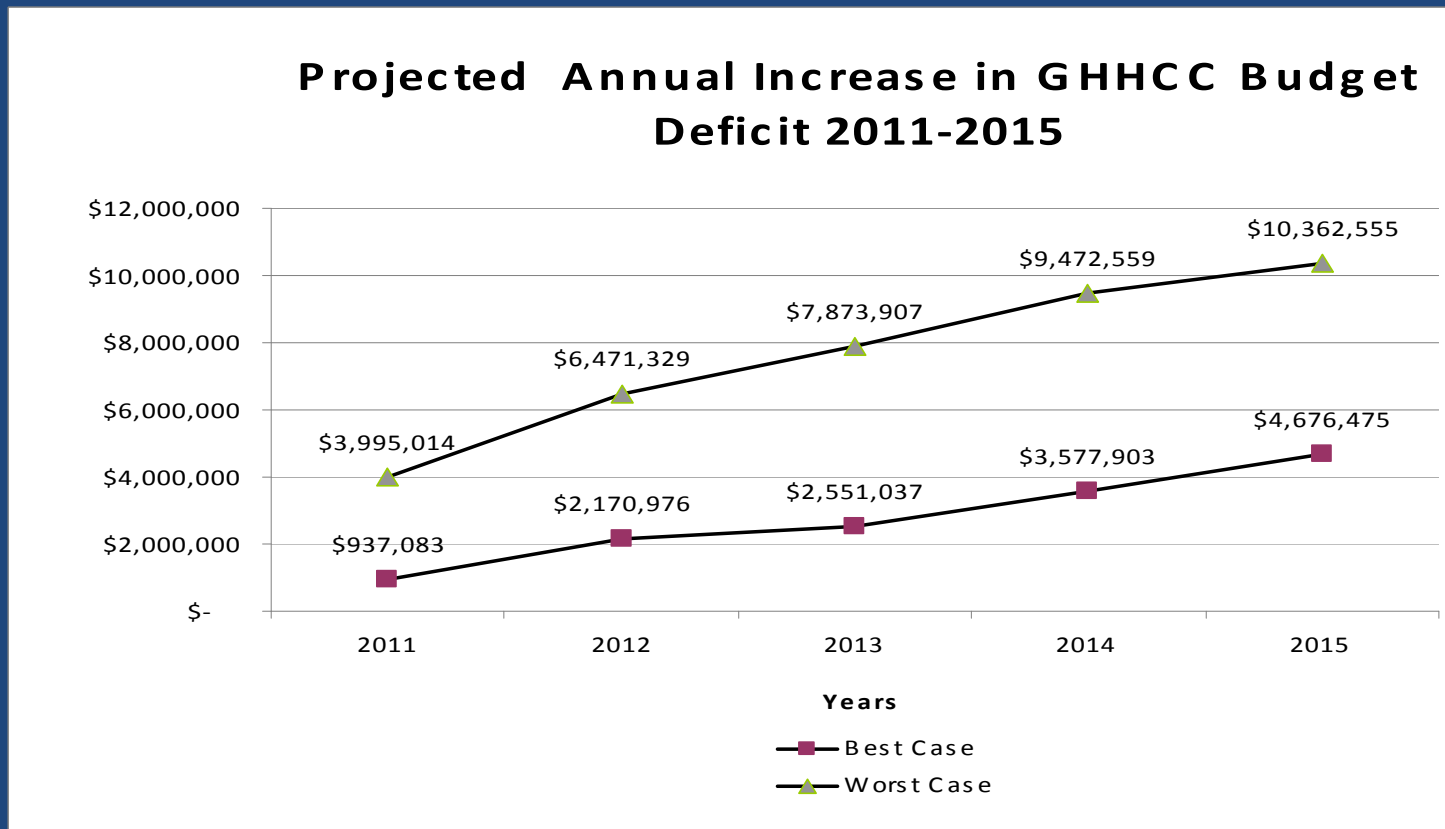
County tax levy is \$1.2 Million

GHHCC Financial Projections

- Issues that will affect the GHHCC's operating budget in coming years:
 - Loss of IGT
 - Medicaid rates
 - Salary increases
 - FICA increases
 - Retirement system increases
 - Required capital improvements and repairs

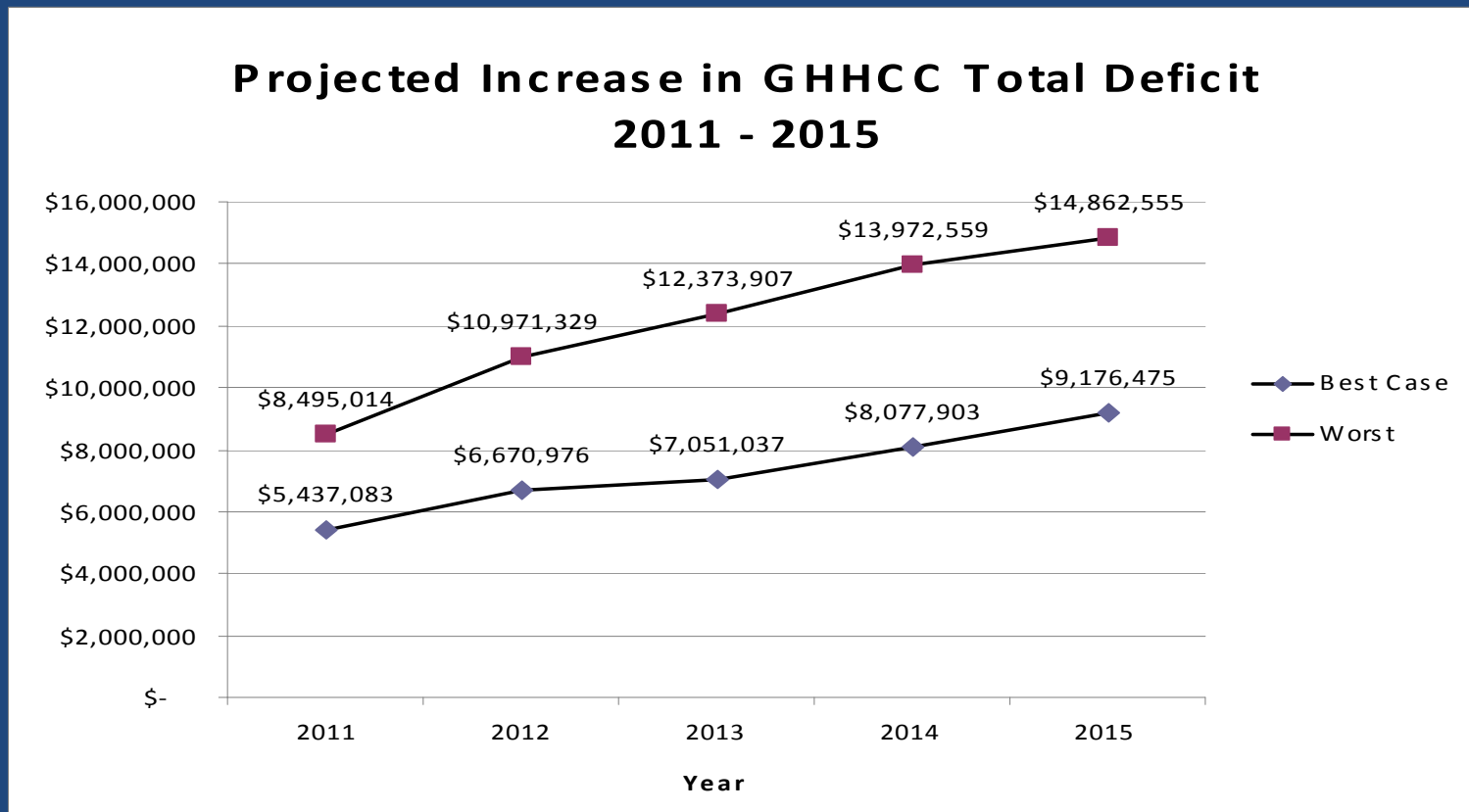
Estimated annual increases GHHCC deficit 2011-2015

Deficit Growth/Yr	2011	2012	2013	2014	2015	Total 5 year
Best Case	\$ 937,083	\$ 2,170,976	\$ 2,551,037	\$ 3,577,903	\$ 4,676,475	\$ 13,913,474
Worst Case	\$ 3,995,014	\$ 6,471,329	\$ 7,873,907	\$ 9,472,559	\$ 10,362,555	\$ 38,175,364



Estimated total increases GHHCC deficit 2011-2015

Total Deficit	2011	2012	2013	2014	2015	Total 5 year
Best Case	\$ 5,437,083	\$ 6,670,976	\$ 7,051,037	\$ 8,077,903	\$ 9,176,475	\$ 36,413,474
Worst Case	\$ 8,495,014	\$ 10,971,329	\$ 12,373,907	\$ 13,972,559	\$ 14,862,555	\$ 60,675,364



The context of this decision for Ulster County

- Volatile Sales Tax revenues
- NYS Legislature facing ongoing budget deficits → funding reductions to local governments and school districts
- Unemployment
- Significant increases in demand for social services entitlements
- Downsizing at all levels of government
- Home mortgage foreclosures
- Tax payer unwillingness to support continued increases in property taxes
- Given the fiscal realities, a decision regarding the GHHCC can not be made without regard for the county government's and taxpayers' financial conditions

Renovation of existing facility

- Projected construction cost = \$84.1 million
- Total cost including financing = \$122.2 million
- 5 year construction period
- Would force reductions in beds and staffing during renovations
- \$9.1 million increase in operating deficit over 5-year construction period
- Will add \$16.7 million total (capital + operating losses) over 5 years to budget deficit

Construction of new facility

- Projected construction cost = \$71.3 million
- Total cost including financing = \$103.6 million
- 2 year construction period
- Residents would remain at existing facility
- Would NOT force reductions in beds and staffing during construction of new facility on other site
- However, emergency repairs to existing facility during construction could increase budget deficit
- Will add \$6.5 million over 5 years to budget deficit

Summary

- County-operated nursing homes have higher operating costs than private nursing homes, primarily driven by salaries and benefit packages
- NYS has partially subsidized these deficits through the IGT, but is phasing it out
- Counties have been forced to subsidize the balance of these deficits, which will now increase with the elimination of IGT
- Proprietary and not-for-profit nursing homes have demonstrated they are able to operate without subsidies
- The GHHCC will require significant capital improvements over the next 5 years, which will increase the budget deficit further
- Other factors will increase operating deficits for public nursing homes; the GHHCC's total deficit will grow between \$14 and \$38 million by 2015, not including major construction projects (renovate existing building or construct new building)
- UC government has been reducing programs and budgets for more than 10 years; there are no easy reductions left to offset the GHHCC's growing deficit, without eliminating other essential services, of which approximately 2/3 are mandated
- There are no "silver bullet" revenue solutions that will emerge in coming years to solve government budget problems—reductions in spending are the only option that governments can control
- Property owners are already overburdened by taxes and are highly resistant to further increases
- Nationally, home foreclosures are at troubling levels, as are unemployment rates
- The number of seniors will double over the next 20 years, while their income levels diminish, leaving them unable to support increasing property taxes
- Property taxes in UC could increase by 85% over the next ten years, unless government action is taken to reduce expenditures
- If UC decides to renovate or build a new nursing home, the cost to local tax payers over the next 5 years will be an additional \$6.5 to \$16.8 million during that period, assuming the state is willing and able to reimburse costs at reasonable levels
- The total cost (deficits + capital) to property owners for the GHHCC over the next 5 years could be as high as \$60 million (excluding OPEB)
- Without revenue solutions, and absent the elimination of many other public services, there would be no choice but to pass these costs on to property owners