

## The Future of Golden Hill Health Care Center: A LWVMHR Study

***Golden Hill Health Care Center Mission: To provide the best quality of life and care for residents we serve.***

Golden Hill Health Care Center (GHHCC) is a nursing home that is owned and operated by Ulster County. There are 280 skilled nursing home beds in the facility. It has a very fine reputation for serving its residents well. In many ways it is considered to be the “heart” of the community. It is also caught up in a complex web of circumstances that threaten its long-term viability, including substantial changes in Medicaid reimbursement for county facilities, a deteriorated economic and financial outlook for both the county and the state, changes in space needs for facilities, changes in the population served, and a significantly deteriorating building infrastructure. This complex leads to a variety of conflicting emotions from the stakeholders of GHHCC, who include the residents, the staff, the families, the taxpayers, the medical community, and the Ulster County Legislature and Executive.

The emotional needs of the residents are for a clean, cheerful, comfortable, familiar, safe place to live that meets their living, health, and recreational needs. Their families also want these things for their loved ones. Often, the staff becomes akin to family for the residents and they are fiercely loyal to them. “They push out workers who do not care,” according to the CSEA local union president. The staff wants to do fulfilling, needed work in a good environment with good pay, health benefits and a secure retirement. Many have been there for 20 to 30 years, and now make about double the entry level pay because of longevity increases (\$9.93 entry to about \$18.50.)

### GHHCC Financial Issues

The GHHCC used up \$2.2M from the GHHCC Fund balance to fund 2010 expenses. The fund balance now stands at less than \$500,000. It will have to make up the difference with County tax dollars. The Inter-Governmental Transfer money (\$2.2M) which has been sporadically available from the federal government will end in 2011, and will have to be replaced by County funds. Medicaid rates, salaries and FICA might or might not increase. Retirement system costs are increasing 16% next year because of the poor stock market and bond interest rates, and the County will have to set aside funds for GHHCC retirement, which it did not have to do in the past. Required capital repairs will be costly.

In 2010 the GHHCC was subsidized by \$1.2M of County tax levy. With a projected GHHCC total deficit of \$5.4M to \$8.5M, the County tax levy will increase substantially. For 2011, \$4,257,342 of subsidy is requested by the Executive. Many taxpayers have reached the end of their ability to pay high New York State and local property taxes. Higher taxes may mean some will lose their homes, especially for those on low and fixed incomes. Every \$750,000 increase that is added to the County budget will increase County property taxes by 1%. Cutting other programs could include actions like eliminating non-mandated programs such as “Meals on Wheels,” home health care, or the County Mental Health programs.

After 10 years of reductions, further cuts in most mandated programs such as law enforcement and social services are difficult. The medical community needs beds so patients who need the care do not linger in hospitals or at home in unsafe conditions. Ulster County government needs to serve the needs of the people without bankrupting the County or raising taxes so high that the economy cannot be sustained or grow.

In the current economic climate it is difficult to meet all of these needs.

### The Need for Nursing Home Beds

Residential Health Care Facility (RHCF) Bed Need is officially determined by the New York State Department of Health. There are 1099 beds in all the county's existing facilities, public and private as counted by the NYS DOH bed need methodology. They are usually filled to about 95% of capacity which allows for admissions and discharges. In other words, we need the number of nursing home beds that we have.

The number of people over the age of 65 is expected to double in the next 20 years. Family or caregiver burnout and worsening conditions lead to most placements. Many Ulster County residents are living in nursing homes outside the county, because at the time of their placement, beds or the level of care they needed was not available in Ulster County. Living closer to family and friends, as well as religious preference, also play a role. The opportunity to return to the county has probably been offered to most and rejected either because the facility they are in has become home or because they no longer have a house or apartment place to return to.

Medicaid tax dollars that, in addition to private pay and insurance dollars, pay for nursing homes, help the Ulster County economy and are lost if residents are sent out of the county. Medicaid for all services funds about \$280 million of the county's economy. Over seventy-five percent of these dollars are federal and state, not local funds, but they are all taxpayer dollars.

On the other hand, times are changing. People want to "Age in Place," i.e., stay in their own homes as long as possible. They are healthier than their counterparts of 25+ years ago and will live longer, more active lives. They want more home health options. At the same time, the actual numbers of people living into old age is increasing, leading to shorter nursing home stays of more very old, infirm people. Ulster County has an extensive and effective home care industry consisting of certified (acute) care agencies, Long Term Home Health Care agencies, licensed home care agencies and Hospice. All the services of a nursing home and most of those offered in a hospital are offered by them. Payment is made by Medicare, Medicaid, HMO, commercial insurance or privately. The Adult Home and Assisted Living facilities, most of which did not exist at the time the NYS DOH created their bed need methodology, are well received and, except for the newest facility, filled. Most residents consider them their new home and a better alternative than a nursing home. As time goes by, institutional settings are likely to be less favored, and the most home-like institutions will be more favored. Families seeking to preserve resources for inheritance will continue to keep family members at home.

Considerable county subsidies will be needed to ensure the continuing presence of an Ulster County-owned nursing home. When all this is taken into account, with all the changes expected, there is not a firm case to refute the NYS DOH estimate of the need for nursing home beds in Ulster County. Most knowledgeable people think Ulster County has about the right number of beds.

### Building Costs

The GHHCC building was built about 40 years ago and is now at the end of its useful life. Unfortunately for the purpose of repairs and renovation, the mechanicals were cast in concrete floors with no access, and corridors were constructed in concrete block which is hard to reconfigure.

Substantial renovations and repairs for the Golden Hill Health Care Center (GHHCC) have been discussed by the Legislature for almost 20 years and no action has been taken. When something breaks down that must be repaired it is done, but mechanical systems, program space needs and escalating costs have not been addressed. New York State has not addressed the needs of the county nursing home facilities, and seems not inclined to do that in the future. The county “homes” used to serve as the way to exercise the NYS constitutional mandate to care for the infirm and poor, but today that mandate is served by the Medicaid and Social Services programs. Under these circumstances, it is likely that Ulster County will have to continue to subsidize GHHCC on an ongoing basis, probably in the range of \$5.4-\$14.9M a year, on top of a general increase in all property (school, county, city, town etc.) taxes of 34% over five years and 85% over ten years that has been projected on a straight line basis from the past five years. The need for county subsidy to GHHCC is likely to compound and to grow with time.

### Golden Hill

Golden Hill is a well-regarded facility. It still gives some a sense of a community refuge for those in need, even though New York State has shifted this responsibility to the Medicaid program’s payment of nursing home costs for people without financial resources. The staff pay is comparable to other nursing homes in Ulster County and GHHCC provides very good benefits including holiday and vacation time, medical and the pension plan. Staff turnover is low. The quality and consistency of the staff contributes to patient ease and their reputation.

On the other hand, on objective scales (NYS DOH), the quality of Golden Hill care rates in a mid-range when compared to other nursing homes in Ulster County. Furthermore, they are unable to serve all rehab and medically complex patients and the expected social needs of all because of their limited facilities. Thus there is a complex assessment: GHHCC is both better than others in the area (because of the caring staff), comparable to other facilities on objective NYS DOH quality measures, and not as good (because of the limitations).

Rehab and complex types of patients bring higher payments for services, so not having them ultimately results in reduced revenue for the facility and higher county subsidies. Currently, the cost per resident is high, partially because heavier staffing is needed due to the layout of the facility and because of the higher wages and benefits paid.

The employees belong to the CSEA union, which is a statewide organization with a good deal of local autonomy. They have traditionally been opposed to any “give backs” in wages and benefits after a contract is agreed upon. The county cannot look for contractual savings in benefits or other areas, which are quite generous compared with other nursing homes in the area (see Bonk), until the end of the contract when changes may be possible. The current contract ends December 31, 2010.

## **LWVMHR GOLDEN HILL CONSENSUS QUESTIONS WITH PROS AND CONS**

Under these circumstances:

### **1. Is doing nothing an option that should be considered?**

Doing nothing would mean operating as “business as usual.”

#### **Pros:**

- a. None of the possibilities are appealing to all major stakeholders including the residents, the employees and the taxpayers.
- b. The GHCC may be the “third rail” of Ulster County politics. Some people are fearful of losing a facility that they trust, residents are fearful of losing a home, employees are fearful of losing a job altogether, or one with exceptionally good benefits, homeowners are fearful of losing their homes to high taxes, and many are fearful that high county taxes will make Ulster County undesirable.
- c. Since a “win-win decision is not likely, it is difficult to know what is the “right thing to do.”
- d. Making any change will bring a lot of criticism.
- e. The County had a bad experience building the new jail.
- f. A wait and see attitude feels safe.

#### **Cons:**

- a. The possibility of an extensive breakage in the mechanical systems is high, particularly the sewage system. In addition, the nurse-on call system, fire alarm system, rooftop HVAC units, elevators and sprinkler system must be amended now to meet code requirements.
  - 1) Residents may be disrupted, probably moved to different rooms or buildings, or perhaps in the case of a catastrophic event, to an inflatable facility in the parking lot.
  - 2) Admissions to the facility are likely to be closed down.
  - 3) Staff may be reduced if there are fewer residents because of problems.
  - 4) Revenue, which depends on resident days, will decrease if there are problems.
  - 5) The need for County subsidy is likely to increase.
  - 6) In the case of a catastrophic event, closure is likely, with Ulster County losing its bed license to the NYS without remuneration or decision power over any replacement facility.

- b. Wait and see is likely to bring decisions under stress. Without a current plan, these kinds of decisions are usually problematic.
- c. The Ulster County general fiscal situation is weak, as is that of NYS. Golden Hill is a non-mandated county expense. Not dealing with the situation worsens the county's outlook for strengthening the county finances.
- d. If we wait, we are more likely spend more money for a less positive result. More tax increases will likely be needed to deal with the added costs of both operating and capital needs.

## **2. Should the current GHHCC building be rehabilitated or replaced?**

If the Golden Hill facility is to continue its mission “to provide the best quality of life and care for all residents we serve,” and if it is still needed to provide care of the elderly in this county, there are several choices to be made. One option for the future of Golden Hill is to renovate the current building, bringing it up to state code and continuing its operation in its current location. Another option is to build a completely new structure.

### **PROS for Renovation:**

1. The residents of Golden Hill are used to the location and the facility. Their families are also accustomed to the facility and have developed good communication with the staff responsible for care.
2. Minimal renovations (estimated at \$2.5 million) for immediate emergency repairs would maintain the building at minimum code requirements. Disruption to residents would be limited, although certainly not non-existent, and could be carefully planned.
3. Further exploration and planning for the future to minimize the stress caused by dislocation could be done while the renovations are being carried out. If there were a catastrophic failure in one of the systems within the next few years, it would require drastic action whatever choice for the future was made.
4. Renovations would preserve a familiar setting and program.
5. The current building location on the Golden Hill site is attractive.
6. The facility has a reputation for providing excellent care.
7. With extensive renovations the facility could provide better programs, more services and a more attractive appearance

### **CONS for Renovation:**

1. All county budget projections show a substantial increase in the deficit for Golden Hill. In five years, the deficit is predicted to be over \$9 million at least, perhaps over \$14 Million on top of other County deficits. The County must continue to assume the Golden Hill deficit, which would result in a substantial local tax increase (\$9 million is a 12% tax increase.)
2. Projections of the cost of renovations to satisfy code and add to patient services are estimated to be greater than projections of the cost of a new building, and would add an estimated \$16.99 million total operating and capital loss expenses over five years to the budget deficit.

3. These renovations and repairs would still leave the buildings at a minimally attractive and functional level. The private nursing homes built more recently are more efficient and more attractive to prospective residents.
4. One way to improve Golden Hill revenue is to provide enhanced facilities and programs for which Medicaid rates are higher (services such as dialysis, ventilator care, rehabilitation and bariatric care). Even this upgrading at a cost of \$122.5 million including financing, could not make Golden Hill revenue neutral, i.e., self-sustaining, according to deputy county executive projections.
5. Staff and residents would be subjected to construction noise and dust, no matter how well the work was staged. This would cause stress and considerable disruption to staff and residents over a period of at least five years.
6. Admissions would need to be curtailed during renovation, resulting in further loss of revenue and increasing the need for county subsidy.
7. It would be quite difficult to incorporate energy-efficiency improvements.

**Pros for Creating a New Structure:**

1. Building a new facility would result in a more attractive and more efficient resident environment. It would provide a more up-to-date social climate through more modern organization, e.g. neighborhoods, clusters, dining facilities offering improved social contact.
2. A new building would be suitable for the more highly-reimbursed services (see 4 above).
3. Better layouts would allow for greater staff efficiencies.
4. Operating costs should be reduced through available energy-efficient features.
5. There would be a single move to a new location, making the transition easier for residents, staff, and families.
6. The old building could possibly be sold or used for income-producing purposes without major renovation.

**Cons for Creating a New Structure:**

1. A new site would have to be purchased unless existing county property could be used. Preparing the site would be an expense not currently predictable.
2. The cost of a new structure is estimated in the range of \$103.6 million including financing. Some of this would be covered by the state and federal governments but the amount is unpredictable. Reimbursement would take place over 20-30 years, and construction bond cost would initially be borne by the county.
3. A minimum two-year building construction horizon would mean keeping residents in the old building. Emergency repairs would still be required on the existing structure during that period.
4. No matter how good the new building is, projections are that the facility would not be self-sustaining, but require County subsidy, under county ownership.

-

**3. Should the current facility or a replacement facility, be operated by the County? A Public Benefit Corporation? or a private for-profit proprietary or not-for-profit corporation?**

**County Run Facility**

Ulster County may choose to sponsor a nursing home where it can control the quality and availability of care. On the other hand, it may choose to limit or divest itself of this facility, as some other counties are doing to reduce taxpayer subsidies.

**Pros for County operation:**

- a. The Golden Hill residents would be guaranteed continuity of care as long as the county is willing to pay the bills.
- b. The Golden Hill employees would be guaranteed continuing employment.
- c. The County Legislature and the Executive would be able to continue responsibility and control of the facility.
- d. The existing positive relationship between staff and residents would be maintained as well as the political status quo.

**Cons for County operation:**

- a. The State and Federal reimbursement system does not favor county run facilities.
- b. Costs for public employees, particularly for benefits, exceed private costs.
- c. Current GHHC budget deficits would almost certainly continue to grow with the GHCC *total* deficit increasing from about \$5.4M-\$8.5M in 2011 to possibly \$9.2M-\$14.9M in 2015. The five year total is about \$13.9M to \$38.2M. The annual *increase* in the Budget Deficit could be from about \$1M-\$4M in 2011 to \$4.7M-\$10.4M in 2015. Renovations would add another \$16.7M to the County deficit over 5 years, while constructing a new facility would add less, but still another \$6.5M over 5 years. (These estimates come from the Deputy County Executive.)
- d. The County no longer has a large GHHC fund balance to draw from, and will lose the Inter-Governmental Transfer (IGT) which has been linked to Medicaid funding.
- d. The County would take on considerably more bonding debt for extensive renovations or new construction.
- e. County taxpayers would experience considerable increases in taxes. School, county, town and city property taxes could increase by 85% over the next ten years according to the Deputy County Executive's projections. The actual County tax burden for GHCC would increase about 1% for every \$750,000 of subsidy. A total subsidy of \$4.25M is projected for 2011, an increase from the \$1.2 M in 2010. The total projected subsidy for 2011 amounts to about 5.5% of the total real property tax levy for the county, an increase from 1.6% in 2010.
- f. Other, non State mandated programs would have to be cut back or taxes increased.

**Public Benefit Corporation (PBC)**

Public Benefit Corporations and Authorities exist to carry out objectives which would otherwise be impossible under existing regulations. They can issue their own debt. An example is the Metropolitan Transit Authority (MTA). Probably the concept goes back to the creation of the Port of London Authority and the Dutch East India Co.

#### **PROS for PBC Operation**

- a. Staff of the facility would continue, with their current benefits, probably not at current levels.
- b. Medicaid and other reimbursements would remain in Ulster County.
- c. If a regional or statewide umbrella organization were formed, there could be savings due to increased purchasing power.

#### **CONS for PBC Operation**

- a. The PBC could go bankrupt and have to sell their license. The county might lose all the beds, depriving residents of a place to have nursing care in Ulster County.
- b. It takes a long time to set up a public benefit corporation. While waiting for NYS legislation, emergency repairs could be needed. Although the County would eventually be reimbursed, “out of pocket” expenses would be immediate.
- c. The County would effectively lose control over the quality of care, although some members of the Board of Directors could be appointed locally.

Note: an article “One option for Golden Hill may not save Ulster County money, Task Force told” appeared in the July 7<sup>th</sup> 2010 Daily Freeman.

#### **Proprietary Private For-Profit or Not-For-Profit Corporation**

While the County will almost certainly lose money operating Golden Hill, a proprietary nursing home has a good chance of making money or taking a tax write off on the loss. The difference is in part due to the difference in the way NYS Medicaid reimburses capital costs and other factors in the Medicaid rates.

Privatization of Golden Hill could be accomplished by selling the “bed license” with or without the building to either a for-profit or not-for profit corporation. Other county property could be involved. The County has a RFP out to assess interest in a sale or other arrangement. There have been at least five entities interested so far. The sale would have to be approved by NYS Department of Health (NYS DOH). A not-for-profit could conceivably offer some community involvement on its Board, but in both cases, the basic outcome would be similar. The reputation of the buyer is crucially important for the successful, continued operation of the facility. There can be good private homes and bad ones, just as there are good and bad public homes. In all cases, the County would negotiate the terms of employee transfer to the new entity. It can also negotiate keeping the facility in Ulster County. Any negotiations would hold over a limited period of time, then, the buyer would have considerably more freedom.



The County is planning to engage in a pilot project with New York State to help direct people to appropriate care settings. This would help reduce “cherry picking” or the preference of private pay over Medicaid residents.

### **PROS**

- a. The County could sell the bed licensure with or without the facility and/or other assets (such as the old county jail). Income could be as high as \$35,000 to \$45,000 per bed.
- b. The County would no longer have the financial or administrative burden of the Care Center. Also, there would no longer be special group of nursing home residents directly maintained by Ulster County general tax dollars. All indigent people in need of nursing home services would be treated equally under Medicaid.
- c. The GHHCC Nursing Home jobs would continue to exist in the county’s economy at the new facility although possibly at a lower rate of pay or smaller benefits.
- d. The County could negotiate what specific factors were acceptable in the new facility including keeping the beds in Ulster County.
- e. The County could negotiate specific parameters around keeping the current residents and employees. This could include a severance package or a flexible transfer of employees from County employ to private employment.
- f. The facility could possibly have related services such as Social or Medical Model Adult Day Services, Assisted Living and senior apartments, perhaps creating a new Continuing Care Retirement Community. All of these are not possible under County ownership.
- g. The existing facility could be renovated into other services by the new owner. Assisted Living cannot be offered in a County facility due to the reimbursement mechanisms.
- h. The NYS Health Code already prohibits discrimination to admission to NYS Nursing Homes based upon Medicaid payment. While these regulations are sometimes circumvented, the County could exert oversight, reporting problems to NYS DOH. It also prohibits discrimination inside the facility.

### **CONS**

- a. The County would not have direct control over admissions to the home or future administrative and employment decisions.
- b. Employees would enter a new system of pensions and benefits, which would probably be less generous. The effects on each employee would vary according salary, length of service and the agreement negotiated between the County and the Buyer.
- c. The entity could re-sell the bed license outside Ulster County, if NYS DOH agreed.
- d. Without County subsidy, the private facility would have to make all staffing and financial decisions within their own budget. This might lead to a more restricted community culture that was less favorable to residents.

The League of Women Voter of the Mid-Hudson Region Study Committee:

Margaret Sellers, Chair, Jim Mahoney, Co-Chair, Cindy Bell, Gloria Plasker, Lee Ridgway, Renee Sachs, Harriet Straus, and President Dare Thompson, Ex Officio.