



Portage County Health Care Center

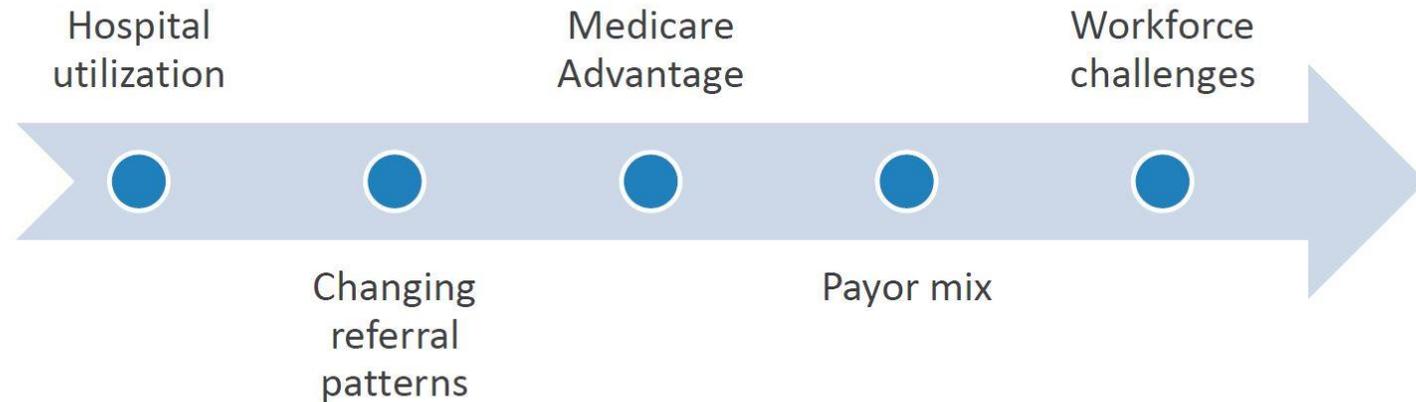
CLA SNF Analytics & The Big Picture

By: Chris Holman, County Executive

June 19th, 2019

Areas We Need To Dig Into

Factors Influencing Reduced SNF Profitability



Where Is Portage County In This?

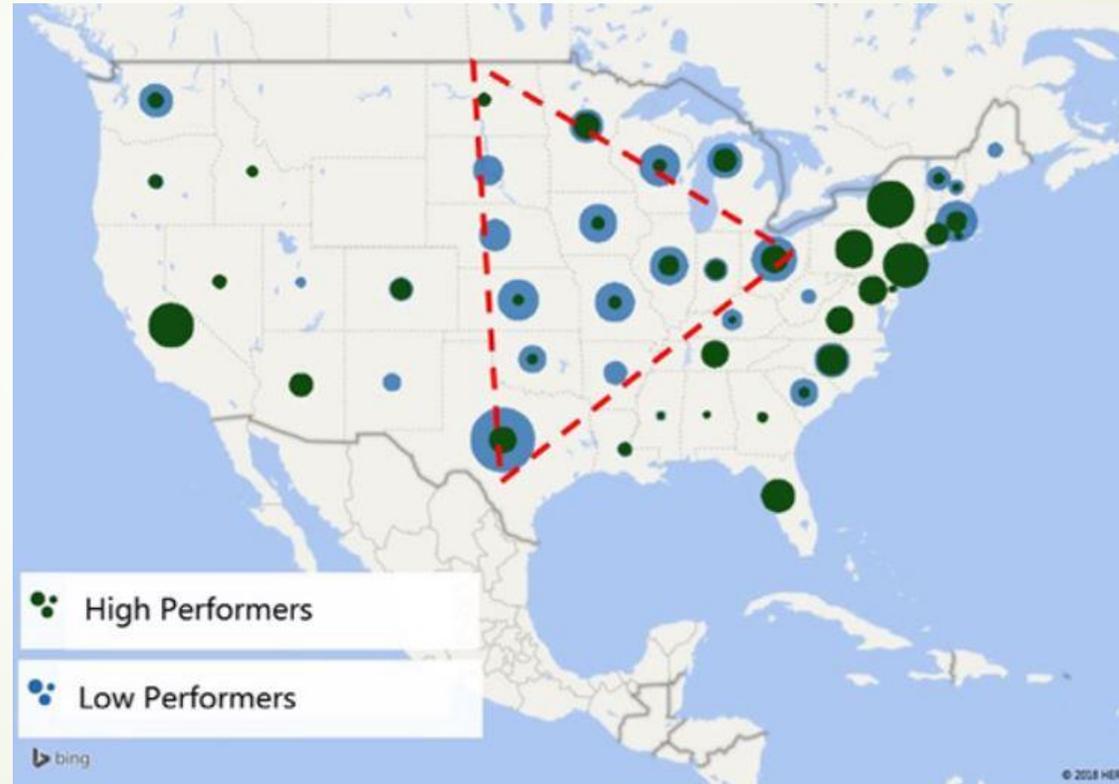
Key Factors Impacting Profitability

Decreasing
Occupancy

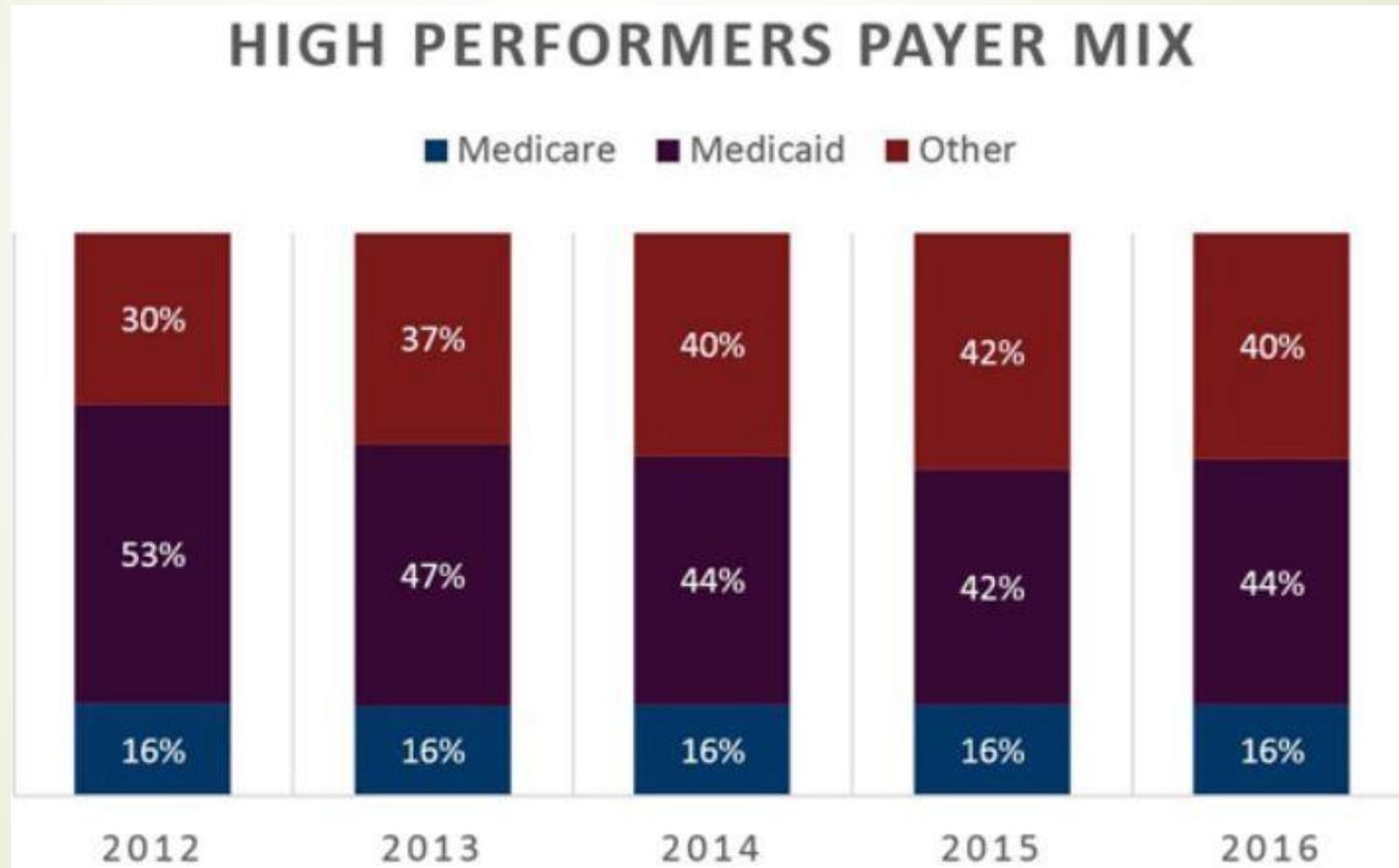
Payor Mix

Managing
Operating
Costs

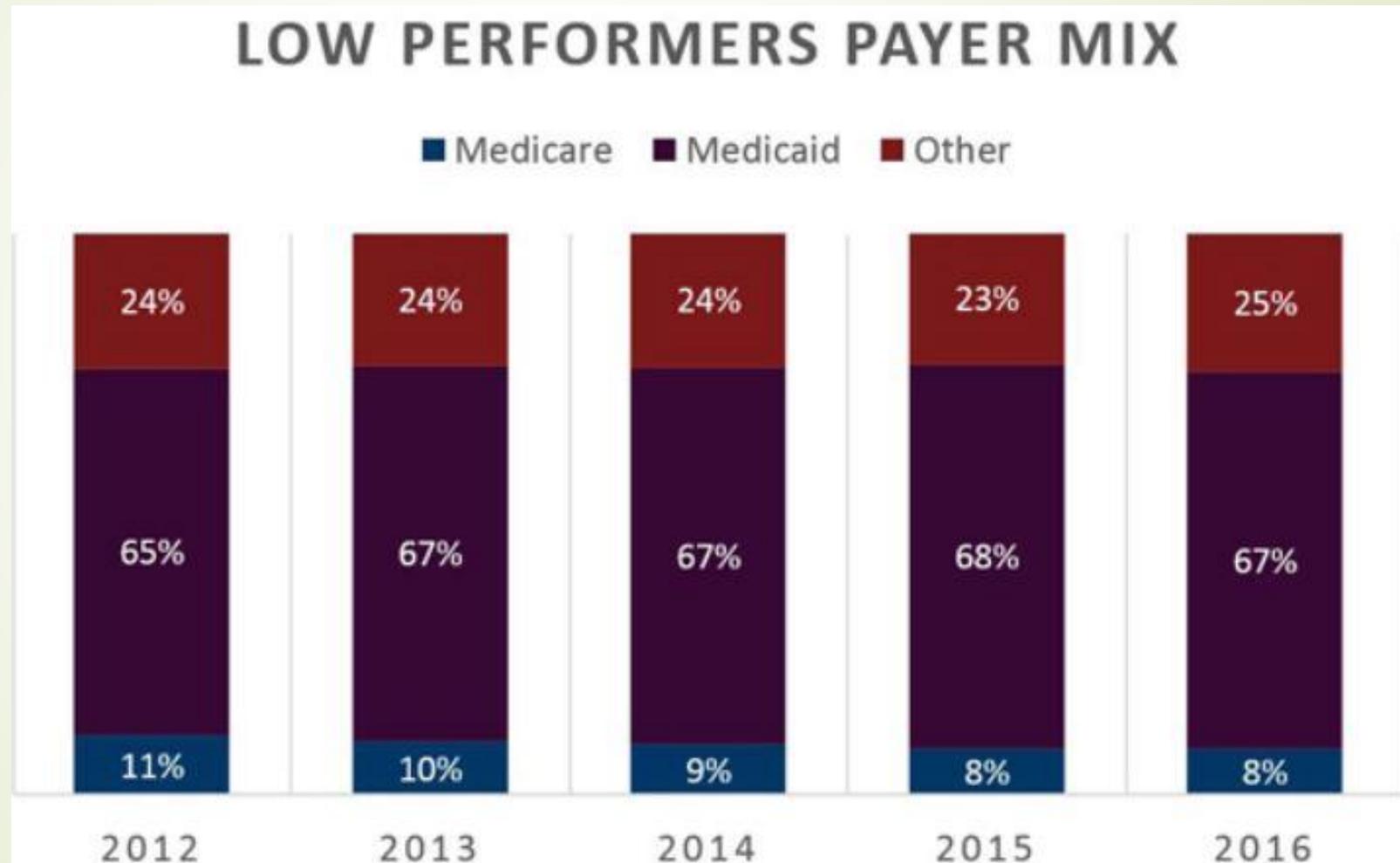
The Small Market Triangle



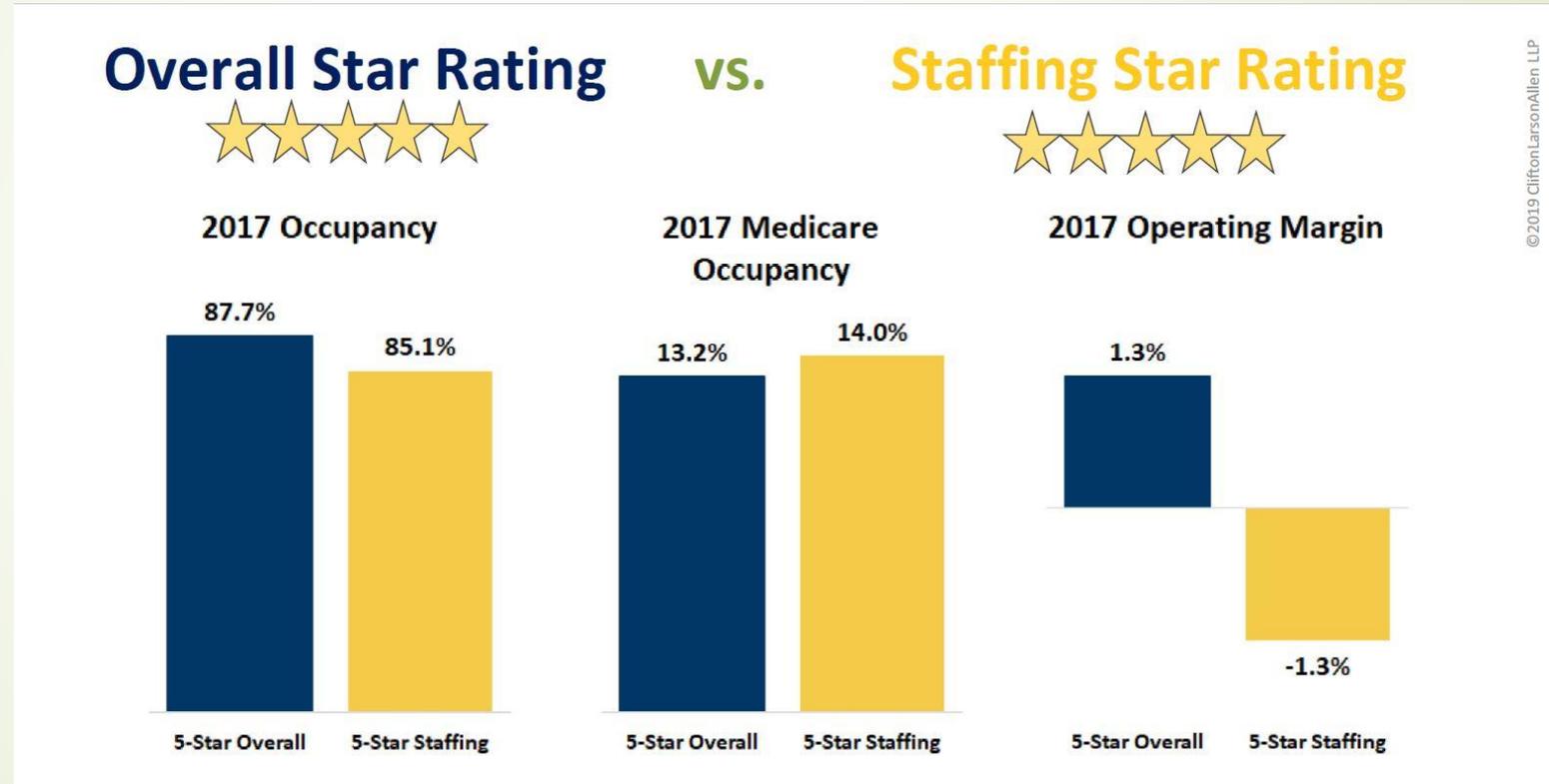
We Are Better Than This But We Still Have Losses



What You Expect To See In Wisconsin



Star Rating Correlations: What's Our Strategy?





Skilled Nursing In Wisconsin (A Snapshot)

- ▶ In the past three months 11 nursing homes in Wisconsin have announced that they will close.
- ▶ **Since 2016, there have been 27 skilled nursing facilities that have closed.**
- ▶ Ten long-term care facilities closed in Wisconsin last year, according to figures from the Wisconsin Department of Health Services. Six facilities closed in 2016.
- ▶ **Wisconsin had the second-highest losses for Medicaid reimbursement of 28 states that took part in a [2018 report](#) compiled for the American Health Care Association this past November.**
- ▶ <https://skillednursingnews.com/2019/02/medicaid-pressures-worker-shortages-lead-to-snf-closure-wave-in-wisconsin/>



The Big Picture: Where Do We Fit?

- ▶ There are multiple CBRFs and RCACs in the area that provide a vast array of services to the community. The trend for these entities is that they are expanding the services they offer and usually within a continuum of care.
- ▶ We do, effectively, compete with the private sector. That said, we are only one piece of a complicated puzzle.
- ▶ **It's unlikely that Portage County will ever meet the needs for the entire community, so the private sector has a clear role to play in our region. What does a healthy, regional approach look like with the private sector?**
- ▶ The trends at PCHCC mirror those we see elsewhere and pose challenges that will be a challenge to overcome.



Who Are Our Frenemies?

- ▶ “...providers should think of their fellow operators less as foes and more as “frenemies,” allowing them to forge useful partnerships against the common enemies of shortening lengths of stay, constrained reimbursements, and high staff turnover.”

<https://skillednursingnews.com/2019/04/partnering-with-frenemies-can-help-snfs-navigate-medicare-advantage-pressures/>



All (Most?) Of The Options In No Particular Order

- Regionalization
- Partnership(s)
- Sell
- Referendum
- Levy Options
- Borrowing As An Enterprise Fund
- Why Closing Is Not An Option



Regionalization



- ▶ North Central Health Care is a possibility worth exploring.
- ▶ Portage County has yet to participate in any conversations about this with the other counties that NCHC works for, but those conversations can take place.
- ▶ Identify the benefits, efficiencies, etc.
- ▶ The CLA assessment of PCHCC and Portage County can help with that.



Partnership(s)



- ▶ “A strategy that I think can work is to look to other organizations in your market and to come together to create a plan. Now, there’s a lot of risks with that, because with insurance, there’s a lot of risk around utilization — so you’d want to have like-minded organizations, where you believed their quality and operating practices were commensurate and compatible with yours. But I do think the insurance opportunity can be done in partnership with more than one organization.” <https://skillednursingnews.com/2019/04/partnering-with-frenemies-can-help-snfs-navigate-medicare-advantage-pressures/>
- ▶ The committee has expressed a clear need for private capital to have a role in the future of PCHCC, but this tends to be expressed when discussing naming rights and accessories for rooms, etc.
- ▶ A partnership would be negotiated and would provide the private capital that could help facilitate some of the discussions about the future.



Sell

- ▶ A lot of speculation out there about whether or not there is interest
- ▶ Some interest may be naïve or based upon an understanding of SNFs in another state or region.
- ▶ Nevertheless, I receive regular cold calls from interested parties.
- ▶ If selling was ever an option pursued by the county, this can be vetted as thoroughly as the committee and county want. Similar to a partnership or partnerships, the entire transaction would be negotiated based upon input from all parties and that input would include the county's concerns.
- ▶ Selling is not, as it is often portrayed to be, a situation where everyone loses their jobs and people are kicked out on the streets. In this market, anyone in this business cannot afford to lose employees and almost regardless of compensation level, benefits, etc.



Referendum



- ▶ There is a pending bill (thank you, Rep. Shankland) that would help make referendums easier for local governments to have.
- ▶ Last year was a convoluted nightmare with almost constantly changing information from the Department of Revenue and others. As you all know. Unfortunately, I think some of the frustration with 'staff' has more to do with the problem Rep. Shankland is trying to solve than the incredible amount of work that staff put in to make the referendum a reality.
- ▶ Confusion over what the last referendum accomplished.
- ▶ Asking the right questions and requesting the right amount of funding.
- ▶ Long-term reliance on a referendum is problematic for obvious reasons.
 - ▶ Hence, many school referendums that passes are recurring



Levy Options

- ▶ As Michael Loy said at the last meeting, levy options beyond current funding levels is realistically not an option for NCHC and many others.
- ▶ Mandatory vs. Discretionary programming
 - ▶ This is just reality and not a value statement about PCHCC
- ▶ There are competing interests everywhere you turn given the levy cap and potential legislation that will exacerbate funding in other areas (i.e. wheel tax referendum)
- ▶ Peter & Paul. The conversation gets much more complicated when the ask for PCHCC involves the elimination of positions, programs, and/or services in other areas of the county. We are headed in that direction already for all county operations under this status quo.
- ▶ Columbia County.



Borrowing As An Enterprise Fund

- ▶ There has been a lot of frustration around the fact that PCHCC is an enterprise fund, but this is how county services with a private sector equivalent are treated.
- ▶ What does that mean?
- ▶ The county can borrow for an enterprise fund, and we have. The key is that the enterprise fund needs to pay the county back over time. We can tweak that payment schedule, but revenue generation is necessary for this to take place. It is very difficult to break even, let alone profit in this sector.
- ▶ So, the ask then becomes to not treat PCHCC as an enterprise and, instead, shift the debt to the debt service levy (or referendum payments). This is a qualitatively different conversation to have.
- ▶ PCHCC has been making payments up to this year using this approach.



Closing Is Not An Option

- ▶ This is, by far, the worst possible option.
 - ▶ I have never recommended this, nor will I.
 - ▶ The process for a closure is complicated, costly, and cumbersome for everyone involved in that process.
 - ▶ The interest in our facility and our region is due to our geography, referral sources, and—for PCHCC—our payor mix.
- 



The CLA Proposal (Michael Peer)

“Many providers either lack the data needed to make informed decisions, or they do not have the resources to analyze their data in a way that allows them to fully recognize what the data tells them. To enable them to understand their performance in comparison to their peers, CLA organized nearly 1 billion financial and quality measures from every skilled nursing facility in the country into a resource called CLA Clarity.”

<https://www.mcknights.com/news/theres-hope-for-better-performing-snfs-that-embrace-change-but-signs-are-ominous-for-continued-poor-performers-new-analysis-says/>

► **“While these national trends are interesting, understanding the trends in your local market is critical to drive meaningful business decisions.”**

<https://www.mcknights.com/marketplace/skilled-nursing-facility-haves-and-have-nots-a-financial-journey/>



Conclusions



- ▶ Let the data we get from CLA drive our decisions.
- ▶ We cannot succeed in this sector with philosophy alone.
- ▶ Margins are razor thin or non-existent so a business-like approach is key
- ▶ We've been here before and before that and before that again.
- ▶ This is a recurring theme in the county as well...
- ▶ We shouldn't let ourselves stand between the best outcome(s) and taking necessary action. That is, admittedly, not an easy thing to do.