



The Neighbors of Dunn County



ANNUAL REPORT
2016

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The Neighbors
of Dunn County

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MESSAGE FROM THE ADMINISTRATOR/COMMUNITY MENTOR



I am going to start by quoting a resident's physician from Mayo-Red Cedar whom I spoke with recently who said that The Neighbors of Dunn County is the "top facility in the area." As of this writing, our facilities in Dunn County are ranked as 4 and 5-star facilities by Medicare. Only 20% of facilities reach a 5-star rating and both our Central and East Neighborhoods have this designation due to their high quality indicators of care, good staffing levels and excellent results on our Annual State Surveys. The citizens of Dunn County should be proud of The Neighbors and consider us their first choice when considering short-term rehab care, long-term care, dementia/Alzheimer's care and/or palliative/hospice care.



Last year, I remarked on the challenges being faced by the nursing home business, e.g., bundled payments, major updates to federal regulations, creation of provider networks, etc. Recently, the Center for Medicare and Medicaid Services (CMS) issued its "Final Rule" or 'megarule' as it is called, regarding the most comprehensive regulatory revisions to nursing homes since OBRA 1987. Thus, changes to our operations and internal policies and procedures will continue to be reviewed so that we can ensure compliance with the new regulations - all 713 pages of them.

About this time last year, the Standing Committee of The Neighbors of Dunn County reviewed our strategic plan and desired a focus on the financial sustainability aspect of the plan throughout 2016. Thus, while many suggestions were offered by Clifton, Larson, Allen, LLC consultants regarding financial improvements, I will discuss what was focused on throughout this past year.

Anthony M. Manzella

ANTHONY MANZELLA
THE NEIGHBORS OF DUNN COUNTY
ADMINISTRATOR/COMMUNITY MENTOR

PROGRESS REPORT

Last November, 2015 after a RFP went out for proposals and a vendor selected to provide financial analysis and planning services for The Neighbors of Dunn County, a kick-off meeting was held with consultants from Clifton, Larson, Allen, LLC and Amy Ruedinger of Pinnacle Innovative HealthCare Solutions with the Standing Committee on December 10, 2016.



CliftonLarsonAllen



Neighbors was found to be "excellent" in all phases of its resident assessments (MDSs), had an excellent distribution among the different utilization resource groups (RUG levels) and we managed the patient days in Medicare appropriately. Essentially, this was similar to a government audit of the Medicare utilization at The Neighbors and we did extremely well. In the end, it found that The Neighbors managed its rehabilitation services, (PT, OT, Speech) appropriately as well as handling those residents on Medicare Advantage programs/insurance.

Also in January of 2016, CLA completed and reviewed some financial modeling and benchmarking of The Neighbors based on all the financial data it had

January 2016: Work with CLA begins with an analysis of our Medicare A and Medicare B programs. CLA looked at whether The Neighbors was maximizing its revenues under the Medicare program by ensuring our patient assessments were accurate, appropriate types and amounts of therapy were being provided to the appropriate residents, etc.

The Neighbors was compared to national, state-wide and regional providers who provide Medicare services and The

collected through December and January.

February 2016: Began working with CLA's sub-contracted consultant, Amy Ruedinger of Pinnacle Innovative HealthCare Solutions.

Amy's role was to review procedures and processes for how The Neighbors completes the resident assessments, whether they are accurately coded (RUG categories) and number of days and how well the facility does in documenting its services. Amy's assessment of this aspect of our operations would help determine if our MDS nurses could make improvements to either their assessments, documentation or both to better reflect the actual services provided, resulting in improved revenues. Amy found that by improved training and documentation, it might be possible to increase our revenues by as much as

\$100,000 to \$200,000 per year.

March 2016: Amy's suggestions and her anticipated revenue increases were part of the final report by CLA provided to Dunn County in March of 2016.

Additionally, there was analysis done of actual financial performance against the original pro-forma budget that was developed by WIPFLI accountants. This report found that the major issue between the WIPFLI pro-forma budget and actual performance was a) occupancy, b) payer mix and c) actual rates that were less than forecasted rates.

This information confirmed many of the issues previously identified in my August 31, 2015 memo to the Chairman of our Standing Committee as suggested by Mr. Smith to help understand the financial situation of The Neighbors.



The Neighbors
of Dunn County

PROGRESS REPORT

Pinnacle Innovative HealthCare Solutions, LLC

March 2016 CLA Suggestions for Improving Revenues:

1. Increase Occupancy (CLA did not say how, but suggested considering whether the Leading Choice Network is appropriate to gain more access to Medicare Advantage residents).
2. Improve Payer Mix (more private pay and Medicare)
3. Improve the MDS assessment process to justify higher RUG

categories and improve documentation to our restorative care nursing services to justify and enhance the Medicaid Case Mix Index which thus, improve revenues.

4. Converting 1, 16-bed house to a competitively priced Community Based Residential Facility (CBRF), e.g., Assisted Living.

March 2016 CLA Suggestions for Reducing Expenses:

1. Reduce the number of MDS Nurses from 2.5 to 1.5.
2. Reduce 3 RNs on the day shift with LPNs
3. Reduce the number of CNAs and homemakers.
4. Reduce food costs and consider out-sourcing dietary services.

Total anticipated impact on revenue enhancements and expense reductions:

CLA anticipated that The Neighbors could improve things by a total of approximately \$1,000,000 with implementation over the next 2-3 years of implementing their suggestions.

CLA commented that, ***"It is difficult for most organizations to implement and sustain the amount of change reflected in this report at one time. More often organizations seek to implement one or two strategies at a time."***



WHAT'S BEEN DONE IN 2016



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The Standing Committee of The Neighbors along with the Administrator agreed that the following items would be undertaken or started in 2016:

a) **Reviewed food service vendor pricing** (cost comparisons completed) Unlike the CLA report that anticipated up to \$80,000 in savings by switching vendors, the most we saw was \$16,000 (only 4% of total food costs) which was mostly offset by other cost savings measured from our current vendor.

b) **Reviewed our Group Purchasing Organizations** (GPOs) and related discounts with certain food vendors.

c) **Reviewed which combination of GPO and food vendors would work best** for The Neighbors of Dunn County. We found our current vendor and GPO work very well. While some savings could have been obtained with a different vendor, The Neighbors now uses this competing vendor as a secondary food vendor with a different GPO and today can better leverage savings from either vendor.

d) **Consider whether to outsource dietary services:** We initially sent out a Request for Information (RFI), and began discussions with two vendors, that provided us some initial proposals. We then did a formal RFP for which the results were completed in October. A recommendation was made to the Standing Committee of The Neighbors of Dunn County today for which additional follow-up will occur. At the time of this printing, we found savings in dietary expenses could be generated either internally or externally and we wanted to make the information available first to the Standing Committee on our meeting on November 15, 2016. We can then begin implementation immediately thereafter.

"We have 250 people on our email list for the daily menus for our Red Cedar Bistro"

Roxie Wieshapple

Lead Cook

WHAT'S BEEN DONE IN 2016



e) **Contracted with Amy Ruedinger of Pinnacle Innovative HealthCare Solutions, LLC** to assist the facility MDS nurses in leading the restorative nursing program, improving documentation and CMI scores. We started with Amy in April of 2016 and plan to continue to utilize her services throughout 2017. We expect to see improved CMI scores beginning in late 2017 and throughout 2018 hopefully raising our annual revenues by the \$100,000 to \$200,000 projected. CLA commented that, ***"Most organizations require outside consultants for a period of time to work with the nursing staff to improve their CMI and RUG scoring, but this is generally money well spent due to the increased reimbursement that follows."***

Gifts to The Neighbors:

\$50 - Church Woman of Little Elk
Chreek Church, November, 2015

\$5,000 split evenly between The
Neighbors for development of a Memory
Garden and the Sugar Bowl Fund, Brenda
Blair, August 2016

\$250 for Inglenook Terrace, Brenda
Wahl, August 2016

f) **Development of a Marketing Plan** focused on improving census/occupancy: The Neighbors reallocated funds in the existing budget to utilize for a professional marketing company to help The Neighbors develop a marketing plan focused primarily on improving census/occupancy.

The marketing committee of The Neighbors selected the Blu Group (LaCrosse, WI) to develop our marketing plan which should be completed with a preliminary report provided to the Standing Committee of The Neighbors on November 15, 2016.



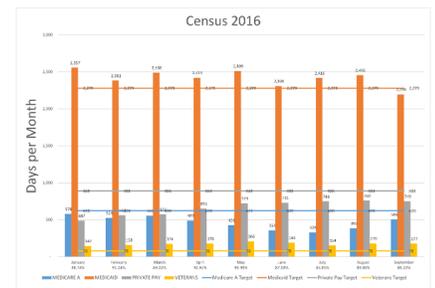
The Neighbors also committed significant additional dollars for marketing expenditures for 2017.



The Neighbors of Dunn County

g) **Lowered Private Pay Rates:** In February of 2016, after studying nursing home private pay rates in the region, we found The Neighbors at \$264/day to be one of the highest cost facilities. We lowered rates to \$249/day, which is lower than the regional average of \$258/day. As a result, while still below our target, we've improved our average number of private pay residents from 16/day to 22/day which helps improve our payor mix.

- * Our payer mix consists of the various payer sources, e.g., Medicaid, Family Care, Medicare, Medicare Advantage, Private Pay, and VA.
- * Our MA/Family Care and VA residents have been above budget but Medicare has been inconsistent throughout much of 2016.



h) **Staffing changes:** Following CLA's advice, we did lower the total number of FTE nurses assigned to the MDS process from 2.5 to 2. While the recommendation was to reduce the total to 1.5, the MDS nurses will be leading the facilities' restorative nursing program which also requires their time and thus with agreement of Pinnacle Health consultant, Amy Ruedinger, RN, it was determined to retain 2 FTEs vs. dropping it lower.

In anticipation of retirements among 2, full-time dietary staff in 2016, rather than putting 2, full-time FTEs in the 2017 budget, we put in 3, 0.7 FTEs that is anticipated to save The Neighbors approximately \$53,400 in 2017.

i) **Leading Choice Network:** In 2016, The Neighbors was accepted into the Leading Choice Network which is a network of high-quality, long-term care providers that seek to gain additional and better Medicare Advantage contracts for our facility which may add to total resident days beginning in 2017.

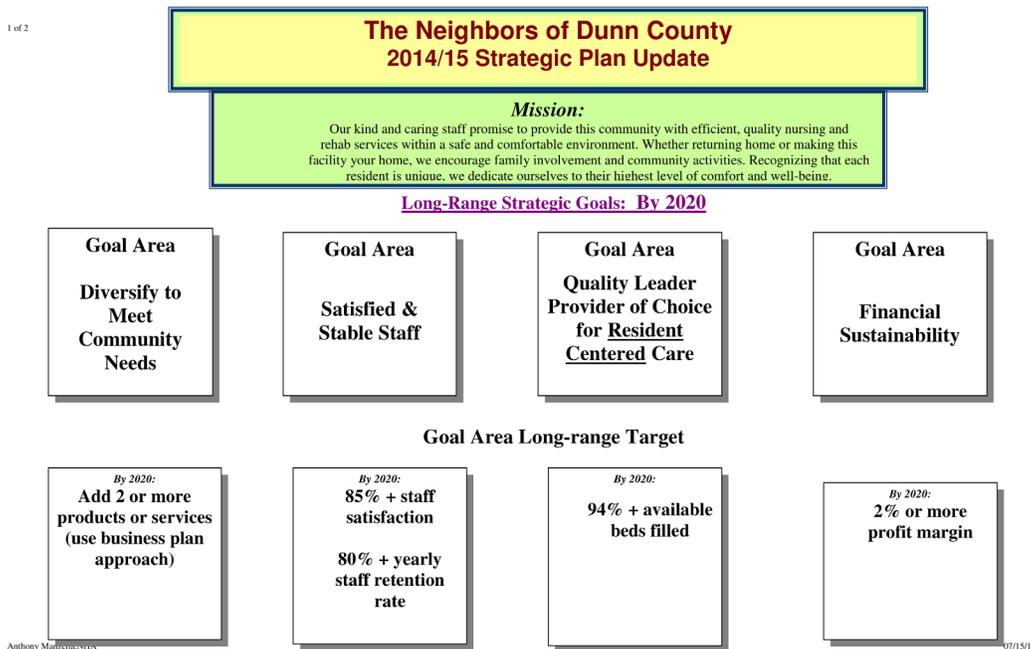
The Neighbors provides mentoring to students from the following schools:

- * Menomonie High School - CNAs
- * CVTC - CNAs and Nurses
- * UW-Stout - Dietetics, Occupational Therapy, Recreational Therapy, Medical Records
- * UW-Eau Claire - Nursing, Social Services, Administration.

WHAT'S BEEN DONE IN 2016

Activities Planned for 2017

1. **Continue to work on our overall Strategic Plan** as shown below with an emphasis on the financial sustainability goal. Continue to extend the efforts begun in 2016 and begin new efforts in 2017.



2. **Improve Census/Occupancy:** If we could reach 94% occupancy in 2017/18 vs. 89% YTD occupancy in 2016, it would add approximately 7 residents daily. This alone would bring in an additional \$500,000/year at Medicaid rates. We have never hit 94% in the new facilities, so hopefully the additional Medicare Advantage contracts through the Leading Choice Network along with the Blu Group's new marketing plan implemented in 2017 helps with occupancy.

3. **Payer mix and Medicaid CMI scores:** We are already working on both of these items. These two activities have the potential to add at least \$150,000 to \$300,000 per year, but we likely won't see the results until late 2017 and into 2018.

3. **Dietary Division Operational Changes:** Whether we outsource or keep our existing staff, the goal will be to generate significant savings of between \$100,000 and up to \$170,000 and be satisfactory to the Standing Committee of The Neighbors and consistent with CLA's financial target when successful.

4. **Reduce staffing in the nursing division:** While we have already reduced RNs by 0.5 FTEs, we will continue to look at ways to reduce nursing staff hours as suggested by CLA. We know that in 2017, we will begin to see some of our long-term nurses retire. We may be able to utilize this turnover as a way to re-align existing staff so that we have fewer RNs on the day shift and more LPNs as suggested. However, given the workforce crisis that exists today, we are worried that we may not have enough applications and new hires to keep these retirements from having a negative impact on The Neighbors. Nonetheless we will continue to work towards this goal for which CLA did not list a targeted savings amount.

5. **Converting one of the households of The Neighbors from skilled nursing to assisted living.** CLA has suggested a marketing study to determine unmet community needs for such services before proceeding but agrees that it can save significant dollars on the nursing home side and bring in revenues of \$300,000 to \$400,000 to the bottom line of The Neighbors. Thus, planning for or pursuing such a marketing/feasibility study is being suggested as another course of action to help The Neighbors pursue its goal of becoming financially sustainable.



STANDING COMMITTEE:



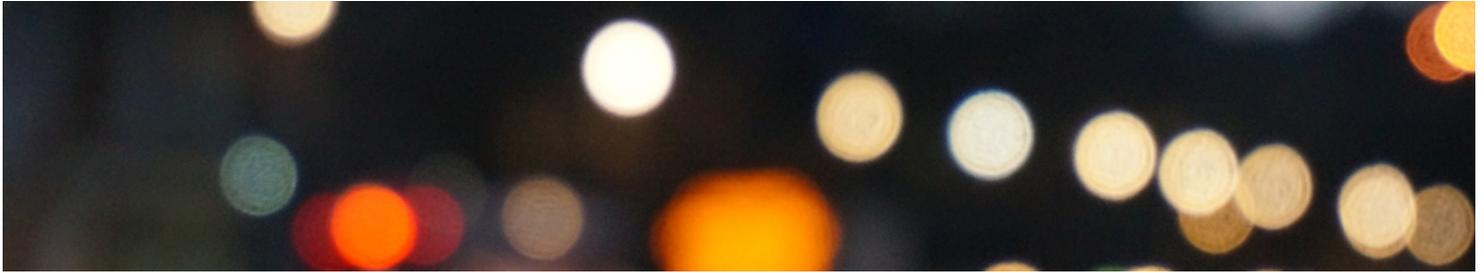
Steve Rasmussen	Chair
Paul DeLong	Vice Chair
James Anderson	Supervisor
David Bartlett	Supervisor
Elton Christopherson	Supervisor

LEADERSHIP TEAM OF THE NEIGHBORS OF DUNN COUNTY



Anthony Manzella	Administrator/Community Mentor
Paula McClelland	Director of Nursing/Clinical Mentor
Katja Weix	Assistant Clinical Mentor - West
Cathy Wheeler	Assistant Clinical Mentor - East
Molly Stewart	Assistant Clinical Mentor - Central
Leah Simington	Business Office Manager
Tracy Fischer	Social Services Director/Mentor
Carrie McKnight	Registered Dietitian
Sally Rocque	Life Enhancement Mentor
Chris Anderson	Administrative Assistant/Personnel Specialist

INCOME REPORT



**The Neighbors of Dunn County
Income Statement
For the Month Ended September 30, 2016**

Budgeted Monthly Occupancy Rate	93%
Average Daily Census	121
Actual Monthly Occupancy Rate	88.22%
YTD Occupancy Rate	89.02%

	Actual MTD	Budget MTD	MTD Budget Variance	Actual YTD	Budget YTD	YTD Budget Variance \$	YTD Budget Variance %
Revenue							
Private Pay	205,608	245,613	(40,005)	1,570,357	2,210,519	(640,162)	-29%
Other Managed Care	34,425	31,564	2,861	157,707	284,074	(126,367)	-44%
Medicare A	184,665	272,774	(88,110)	1,776,873	2,454,968	(678,095)	-28%
Medicare B	24,143	31,877	(7,734)	336,530	286,891	49,639	17%
Medicaid (includes Family Care)	446,068	457,412	(11,344)	4,402,068	4,116,707	285,360	7%
VA	29,700	21,007	8,693	418,582	189,065	229,517	121%
Intergovernmental Transfer	89,089	89,089	(0)	801,923	801,803	120	0%
Other	1,101	57,492	(56,391)	76,210	517,425	(441,215)	-85%
TOTAL REVENUE	<u>1,014,799</u>	<u>1,206,828</u>	<u>(192,029)</u>	<u>9,540,249</u>	<u>10,861,450</u>	<u>(1,321,201)</u>	-12.16%
Expenses							
Nursing Services	541,657	599,186	57,529	5,209,700	5,392,673	182,973	3%
Pharmacy	30,347	23,205	(7,142)	208,002	208,847	845	0%
Physician Fees	11,721	11,722	0	105,493	105,494	0	0%
Laboratory	417	917	500	6,669	8,250	1,581	19%
Physical Therapy	28,589	31,496	2,906	270,190	283,463	13,272	5%
Occupational Therapy	21,416	27,338	5,922	233,620	246,038	12,418	5%
Speech Therapy	5,917	4,999	(918)	63,205	44,992	(18,213)	-40%
Oxygen Therapy	1,556	1,341	(215)	8,669	12,067	3,399	28%
Radiology	1,429	525	(904)	9,675	4,725	(4,950)	-105%
Social Services	21,864	23,795	1,931	208,259	214,151	5,892	3%
Patient Activities	20,986	23,519	2,533	199,205	211,673	12,468	6%
Operation & Maintenance of Plant	45,967	55,084	9,117	391,566	495,756	104,191	21%
Housekeeping	(15,372)	11,404	26,775	96,061	102,635	6,573	6%
Laundry & Linen	439	2,387	1,948	19,291	21,487	2,197	10%
Dietary	106,506	89,979	(16,527)	824,748	809,813	(14,935)	-2%
Transportation	910	500	(410)	5,297	4,500	(797)	-18%
Administration	74,192	86,308	12,117	723,593	776,776	53,183	7%
Medical Records	5,532	6,830	1,298	51,853	61,469	9,616	16%
Purchasing	5,373	5,812	438	51,157	52,304	1,147	2%
Property Ownership/Use	1,782	200,031	198,250	1,283,708	1,800,283	516,575	29%
Capital Expenditures	-	450	450	-	4,050	4,050	0.04%
TOTAL EXPENSES	<u>911,230</u>	<u>1,206,827</u>	<u>295,597</u>	<u>9,969,961</u>	<u>10,861,444</u>	<u>891,483</u>	8.21%
Net Income/(Loss)	<u>103,569</u>	<u>1</u>	<u>103,568</u>	<u>(429,712)</u>	<u>6</u>	<u>(429,718)</u>	
ACCRUED EXPENSES							
Principal	-	74,583	74,583	(223,750)			
Interest	-	61,396	61,396	179,713			
Depreciation	-	62,013	62,013	558,115			
TOTAL ACCRUED EXPENSES	<u>-</u>	<u>197,992</u>	<u>197,992</u>	<u>514,077</u>			
Net Income/(Loss) w/accrued expenses				<u>(943,789)</u>			



The Neighbors - Central Neighborhood The Neighbors - West Neighborhood The Neighbors - East Neighborhood

5 of 5 Stars

4 of 5 stars

5 of 5 stars



The Neighbors of Dunn County

Generations of caring since 1892

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www.neighborsdc.org

