

County Board Meeting



April 20, 2022

7PM

DCRNC History

- What is now called the DeKalb County Nursing Home was begun as a “poor farm” in 1853. Prior to that time when persons were in need of public assistance, due to financial or health reasons, they were referred to the township overseers of the poor. The overseers would allocate available county resources to assist these people. The County Board of Supervisors felt that the poor of DeKalb County would better be served by a centrally located facility which ultimately led to the creation of the County Home in 1945.
- The nineteen sixties were the beginning of many new concepts in health care for the elderly and chronically ill. Along with these new concepts came many new rules and regulations for the licensing of all health care facilities.
- Plans for an addition to the County Home was presented to the architect in 1966. The groundbreaking ceremony was held at 1:00 p.m. on May 8, 1968.
- The new structure consisted of a ground floor and three stories above that. A total bed capacity of 194 beds were available on three patient units.



DCRNC History (continued)

- In 1991, the County was authorized after referendum to levy and collect a tax for the purpose of maintaining a prior nursing home facility, but never levied such tax over the thirty years since its passage because of an expectancy that the facility would fund itself without the necessity of tax levies.
- MPA was hired to manage the operation in August of 1997.
- The current facility was erected in 1998 utilizing local funds without a referendum by the voters and was occupied in March 2000.
- The County sold \$13,000,000 in bonds in August, 2020 to pay for the Rehab & Nursing Center Expansion project. Construction activity in 2019 and 2020 was funded with Rehab & Nursing Center cash reserves and internal borrowing. The bonds were issued for 30 years at an average interest cost of 2.23% and with all debt to be retired by operating revenues of the Rehab & Nursing Center. Annual debt service payments will range from a low of about \$624,000 to a high of about \$683,000. The bonds will not be fully retired until December 15, 2050, subject to a call provision beginning December 15, 2030.
- As of April 15, 2022 the daily census at the DCRNC was 126 and has 153 employees.



Financial Challenges

- **FY2019:** Budgets \$15,997,400 in Patient Service Revenue; Actual Revenue is \$13,905,290.
\$2,092,110 short of budget projection
- **August 2020:** The County sold \$13,000,000 in bonds for an expansion project at the DCRNC to be paid from operating revenues over the next 30 years. The debt service averages \$661,500 per year for a total of \$19,846,449.
- **FY2020:** Budgets \$16,654,000 in Patient Service Revenues; Actual Revenue is \$13,839,223.
\$2,814,777 short of budget projection
- **March 15, 2021:** The Treasurer's Office noted cash flow issues with this fund.
- **April 21, 2021:** The County Board approves a Loan of **\$2,000,000** for cash flow purposes.
- **October 14, 2021:** Operating Board authorizes notice to MPA that a Request for Proposals will be issued for management services. Sixty-day notice is required contractually in the event a new management company is selected.
- **October 27, 2021:** An additional **\$1,500,000** in borrowing is needed to pay accumulated invoices.



Continued Challenges

- **October 29, 2021:** MPA provides the County notice that it intends to terminate their agreements with the County on December 31, 2021.
- **November 5, 2021:** Receivables are reviewed with approximately **\$1,800,000** to be written off as bad debt. The majority of the uncollectible receivables are from 2018 through 2020 and are related to Medicaid billing and a failure to file eligibility and claims within prescribed time limits.
- **November 2021:** An additional **\$1,000,000** in borrowing is needed to pay for accumulated invoices and payroll obligations.
- **December 2021:** An additional **\$800,000** in borrowing is needed to pay accumulated invoices and payroll obligations.
- **December 31, 2021:** Management Performance Associate's agreement to serve as the Management Company of the DCRNC ends.
- **January 1, 2022:** The County Board assumes oversight of governance of the DCRNC operations. The Health and Human Services Committee will be the direct report with financial updates provided to the Committee of the Whole.



Continued Challenges

- **January 1, 2022:** The DCRNC enters into agreement with Jordan Healthcare to assist with assessment and collection of receivables and to assist with current billing.
- **January 4, 2022:** Met with Architect to work toward receiving occupancy for Activity Center and warming kitchens. Occupancy was permitted in late February by City of DeKalb and IDPH.
- **January 2022:** The County Board approves an agreement with Marcus and Millichap to provide an understanding of the processes for each of the options including a new management company, leasing the property or sale of the facility. As part of the agreement Marcus and Millichap would serve as the County's broker in the event the County leased or sold the operation.
- **February 4, 2022:** An additional **\$100,000** in borrowing is needed to meet payroll obligations.
- **February 18, 2022:** Another **\$1,000,000** in borrowing is needed to meet accumulated invoices and payroll obligations.
- **March 16, 2022:** Another **\$500,000** is needed to meet accumulated invoices and payroll obligations.



County Board Support

A total of twenty-one County Board or County Board Committee meetings included agenda items related to the financial challenges at the DCRNC and the County has committed \$6,900,000 for cash flow purposes with an additional \$525,000 anticipated on April 29th.

Finance Committee (6)

April 7, 2021 – April 14, 2021 – May 5, 2021 – June 2, 2021 – August 4, 2021 – October 6, 2021

Health and Human Services (2)

January 3, 2022 – February 7, 2022

Committee of the Whole (7)

October 13, 2021 – November 10, 2021 – December 1, 2021 – January 12, 2022 – February 9, 2022 –
March 9, 2022 – April 13, 2022

County Board (6)

April 21, 2021 – October 20, 2021 – December 8, 2021 – January 19, 2022 – March 16, 2022 –
April 20, 2022



Current Financial Position

*Liability on County Borrowing:	(\$7,425,000)
**Receivables	<u>+\$3,746,780</u>
Potential Balance:	(\$3,678,220)

*Borrowing from Asset Replacement Fund, Opportunity Fund and Special Projects Fund which have the largest unrestricted funds, other than the General Fund. Includes estimated borrowing needed for March claims and April payroll.

**March 31, 2022 Aging Report of \$7,317,718 less \$2,481,357 bad debt to be written off from 2017-2020 and an additional \$1,089,581 for the bad debt allowance for 2021.



Current Cash-Flow Position

Bank Balance as of 4/13:	\$1,405,000
Written Checks for April 20th:	(\$915,000)
Estimated Payroll April 15th:	(\$320,000)
Estimated Payroll April 29 th :	(\$320,000)
Settlements previously approved:	<u>(\$375,000)</u>
*Estimated Transfer Needed:	(\$525,000)

*Use an estimated transfer for April 2022 of \$525,000 for cash flow purposes. The transfer could be slightly less if additional receivables are collected prior to the April 29th payroll.



Cash Flow Borrowing

	Asset Replacement	Opportunity Fund	Special Projects	Total	Unallocated
Starting Cash Balance	6,430,713	2,102,643	1,219,177		
2021					
April				0	
May				0	
June	1,101,000			1,101,000	
July	899,000			899,000	
August				0	
September				0	
October	1,500,000			1,500,000	
November	1,000,000			1,000,000	
December		800,000		800,000	
January				0	
2022					
February		600,000	500,000	1,100,000	
March	500,000			500,000	
Current Cash Balance	1,430,713	702,643	719,177		
2022					
April	450,000	75,000		525,000	
May		300,000		300,000	
June		170,000	130,000	300,000	
July			300,000	300,000	
August			150,000	300,000	150,000
September				300,000	300,000
October				300,000	300,000
November				300,000	300,000
December				300,000	300,000
2022 Budgeted Expenses	987,000	181,000	355,000		
YTD Expense	8,655	24,000	223,640		
Estimate Balance 12/31/2022	2,368	643	7,817	9,825,000	1,350,000

Where does unallocated \$1,350,000 come from? Use \$1.6 million set aside for Courthouse Expansion or the General Fund? The Courthouse Expansion would be exhausted in January 2023, leaving the General Fund.



Understanding the Options

- The County issued an Request for Information (RFI) for Brokerage & Consulting Services related to the DCRNC to bring in a consultant that could help the Board get an understanding of options moving forward.
- The purpose of the RFI was to find a consultant that could help provide the County Board and Staff with a better understanding of the options for future operations of the DCRNC and ultimately assist the County in finding a new management company, leasing the facility or selling the facility; whichever direction the Board decided on.
- The County received one proposal from Marcus and Millichap.
- The Board authorized a contract with Marcus and Millichap (Resolution 2022-04) to provide consulting services while it is determined what option is in the best interest of the DCRNC residents and residents of DeKalb County.
- As part of the contract, Marcus and Millichap is to serve as the broker if the DCRNC were to be sold.



Management Company

Approximately 90 Days



Pros:

- Management Services can be purchased
- Known management (usually 5% of Gross Revenue; Roughly \$600,000)

Cons:

- The County still assumes operational liability and debt rather than the Management Company
- Management Company is custodial in nature and has no incentive to improve the operations
- Management Company may not assume back office duties
- Potential hidden fees over and above the 5%



Lease Option

6-9 Months



Pros:

- Professional operator takes over all DCRNC operations
- Lease Company obtains its own SNF license
- County loss ceases upon lease

Cons:

- Lease Company obtains its own SNF license; county loses its own
- Lease Company only *periodically* updates Landlord (County)
 - On Financial status
 - Healthcare Survey issues
- Lease Company will not step into loss situation



Sale Option

6-7 Months



Pros:

- Instant proceeds
- Instant debt relief
- County escapes DCRNC operational / real estate liabilities
- The County would have the ability to review offers and would need a vote to accept an offer

Cons:

- The County is no longer in the skilled nursing business
- County no longer owns real estate
- County no longer controls the facility



Timeline of Each Option

The flow charts below outline the estimated timeline for each of the three options outlined by Marcus and Millichap from April 2022.

Management Company

Approximately 90 days



Estimated Completion

July 2022-August 2022

Pros: Can purchase competent management.

Cons: Never escape liability, expensive, no performance guarantee.

Lease Option

Approximately 6-9 months



Estimated Completion

October 2022-January 2023

Pros: Rental payment predicated upon profitability.

Cons: Question of who holds the license? Does the County retain the license? County potentially retains liability. "Quiet Enjoyment"

Sale Option

Approximately 6-7 months



Estimated Completion

October 2022-November 2022

Pros: Instant proceeds/debt relief.
Liability ceases.

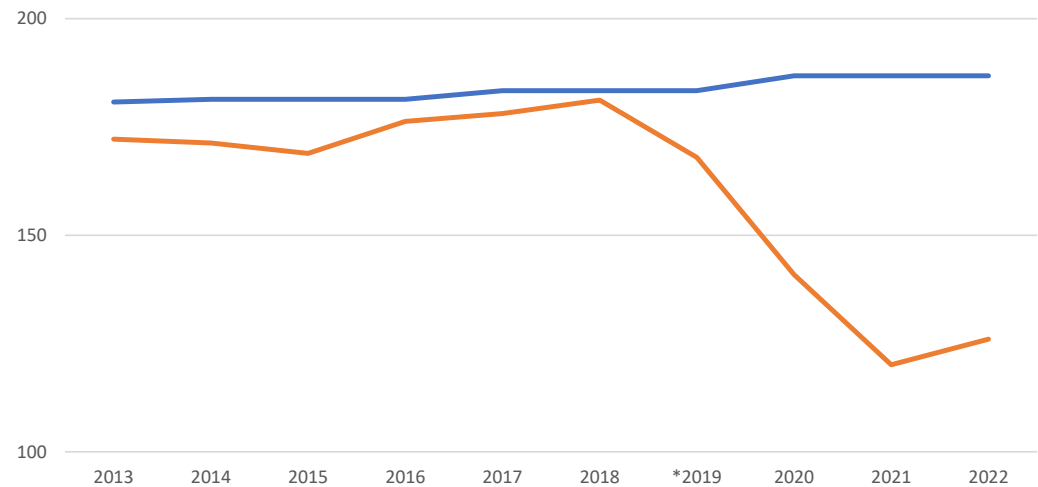
Cons: County would not be in skilled nursing business any longer.



Budgeted Staffing Levels

Authorized Employees vs. Census

Year	Authorized Employees	Census	Budgeted Expenses	Cost Per Person
2013	180.75	172.2	\$14,205,400	\$82,493.61
2014	181.4	171.3	\$15,033,800	\$87,762.99
2015	181.4	168.9	\$14,359,100	\$85,015.39
2016	181.4	176.3	\$14,726,600	\$83,531.48
2017	183.4	178.1	\$14,620,900	\$82,093.77
2018	183.4	181.2	\$14,975,000	\$82,643.49
*2019	183.4	168	\$15,407,900	\$91,713.69
2020	186.8	140.9	\$16,526,000	\$117,288.86
2021	186.8	120.1	\$17,888,900	\$148,950.04
2022	186.8	126	\$17,228,325	\$136,732.74



Authorized Employees Census



Liability Insurance

Facility	Beds	Insurance Premium	Total Budget	Premium/Budget	Premium per bed
DuPage Care Center	575	1,500,000	43,042,169	0.035	2,608.70
Hillcrest Nursing Center	164	274,000	6,620,955	0.041	1,670.73
Sunny Acres Nursing Home	106	370,100	7,125,773	0.052	3,491.51
Averages:				0.043	2,590.31
DCRNC	126			*Estimated Range	\$326,379.35
	189				\$489,569.02

*Unsettled cases will not be covered by future insurance premiums. Judgements or settlements will need to be paid from DCRNC revenues.



IMRF

- All employees that work over 1,000 hours per year participate in the Illinois Municipal Retirement Fund (IMRF).
- Employees in Tier 1 (participation started on or before December 31, 2010) are vested after eight years. Tier 1 employees can draw a reduced pension once they reach age 55 and a non-reduced pension at age 60.
- Employees in Tier 2 (2011 and on) are vested after ten years. Tier 2 employees can draw a reduced pension once they reach age 62 and a non-reduced pension at age 67.
- In the event the nursing home was no longer a public institution, participation in IMRF would no longer be possible.
- If an employee is vested they will be eligible for a pension as outlined above.
- If an employee is not vested they can keep their contributions with IMRF in the event they work at another IMRF employer or they can take a refund of their contributions.



Paid Hours Off (PHO's)

- Paid hours off (PHOs), are hours earned by county employees.
- These hours are paid at the time of separation as outlined in the DCRNC employee handbook and AFSCME contract.
- In the event of a sale, the County would be responsible for accumulated PHO costs either through paying out the hours to employees or by providing a credit to a prospective buyer to allow for the use in the future.

