



RAC FINANCE COMMITTEE MINUTES

Sept. 20, 2023

Club Room, Freedom Plaza

Members Present: Neil Rothfeld, Chair, Doug Atkins, Jane Keegan, Dave Lowe, Joyce McCutcheon, Al Roberts, Joan Walker & Veanna Cape, RAC Liaison

Absent: John Lang

Freedom Plaza: Dennis Kimble, Director of Finance

Chair Rothfeld called the meeting to order at 3:02 pm. He asked the Secretary if a quorum was present. The Secretary confirmed a quorum.

The minutes of August 16, 2023 were approved by the members present, upon a motion made by Jane Keegan, seconded by Doug Atkins. All in favor, motion so carried.

The Finance Committee has been very concerned that the Health Center revenues were over \$500,000 less than budgeted expectations. Chairman Rothfeld introduced Chris Grella, Health Care Administrator of Plaza West, this month's guest speaker and Noah Arce, Administrator in Training (AIT) to address some of those concerns.

Mr. Grella stated that their revenues come from four different sources: Medicare, Managed Care (HMO's), Medicaid & Private Pay. He said original Medicare is the best funding source because, not only does it pay the greatest amount, but it allows a patient up to 25 days to make full recovery before release. Medicare pays the facility approximately \$545 per patient day. Managed Care Plans allow a patient 13 to 14 days for recovery before release and pay approximately \$300 to \$350 per day to the facility. Medicaid is a required federal program to take care of the poorest in our society. Mr. Grella said Plaza West is required to have at least 17 beds available for patients, but currently has about 35. Medicaid pays the least to the facility. He stated that unfortunately some Medicaid patients do not have the ability or means to return home and once in the facility, they must be cared for. Private Pay is just that. Payment for use of the facility for number of days needed. Mr. Grella said that in the Sun City area 80% of the population have Managed Care Plans vs. 20% straight Medicare. Mr. Grella stated that over the last five years, Freedom Plaza has maintained either had a four- or five-star rating among similar facilities. He also stated that Freedom Plaza has a good relationship with the local hospitals, the source of most patient referrals.

Doug Atkins asked why Agency nursing costs were always so over budget. Mr. Grella replied that during Covid, the facility was struggling to maintain adequate staffing, but now that Covid has waned, they are working to minimize Agency staffing. He said wages offered are competitive at \$28 to \$34 for a nurse and \$28-30 for an LPN. He said they have recently hired one fulltime nurse for the 3-11 pm. shift, two part time nurses and 3 CNA's. He said some nurses at Plaza West make \$55-\$65 per hour, while those in management positions can make \$70-80 per hour. He said the reason more nurses are coming back to permanent positions rather than work for an agency such as KARE, where they can make, \$45-\$50 per hour, they realize when staying at one facility, benefits and fixed shifts are available.

Mr. Grella said that to maintain staff they will be competitive offering \$1 more per hour now for nurses and 50 cents for CNA's and then up to 3% in two years.

Doug Atkins asked if there were any other measures taken to reduce costs. Mr. Grella said that they had just eliminated a position in the business office.

Joyce McCutcheon asked how many RNs are required each shift to staff the facility. Mr. Grella replied that it is one RN on duty for each shift as well as multiple LPNs, who can do anything a nurse can do except push meds through IV's.

Al Roberts asked if there was any way to change the census between Medicare and Managed Care patients. Mr. Grella replied only through attrition. Al stated that the intent of Plaza West as part of the CCRC was to make beds available for residents. Al asked if any study had been done to see if reducing beds would make a difference to the bottom line. Chris Grella replied that there would have to be a reduction of 30 beds to make a difference, but no real study had been done.

REPORTS:

- Cost of Living:** Neil Rothfeld reported that the August CPI for Class A South, which governs most of our resident contracts was 4.3%. Adding the contractual 2% to that, he said our resident fee increase looks in the neighborhood of 6.3%. He said the actual rate increase would be known at the Oct. 31 Apps with Angie meeting.
- Health Peak Stock:** Neil Rothfeld stated that the stock closed on 8/19/23 at \$19.94. He further stated that Morningstar reported that at a valuation on \$32.50, it was fairly-valued. He stated that the day trading range was between \$19.82 - \$20.06 and that the yield was 6.02%. Neil stated that Morningstar also reported that the REIT market in general was depressed. However, Al stated that CCRC's were a small but very well performing part of Health Peaks' portfolio. Al stated that they were clearly making investments in their property, noting that major capital improvements were planned for Freedom Plaza next year.
- Move-ins/
Move Outs.** Dennis Kimble reported that there were 4 Move ins in August and 4 Move outs. He stated that they were looking for 15 closing at the end of this quarter.
- Financials:** Dennis Kimble stated that YTD the Independent Living, Assisted Living and Skilled Nursing areas missed the expected budget revenues, while Memory Care and Innovative Home Services were above expected revenues. Salaries & Wages were \$30k over budget YTD. Controllable Expenses were \$42K over budget YTD while Non Controllable Expenses were \$475 under budget. The Net Operating Income was \$129K.
- IHS** Dennis Kimble said that Innovative Home Services was its own entity operated by an outside group, Beth Group. Discussion ensued on the limitations of a vehicle leased or purchased solely for this department's use.

2024 Budget: Dennis Kimble distributed the proposed budget for 2024, stating it was a work in progress. Neil Rothfeld stated that increased labor costs affected all areas of the budget.

Old Business:

Mission Statement: Chair Rothfeld stated that he had appointed a committee, comprised of Doug Atkins, John Lang and Al Roberts, to draft a new mission statement. concentrating more on the current activities of the Finance Committee.

Future Service Obligation: Al Roberts said he and Neil had received the calculations of the Future Service Obligation calculation from Health Peak. He said this would be the Present Value of what it is going to cost to maintain the various levels of care for residents. He said what was presented was very complex and he would pursue it further with Dennis Kimble.

Chair Rothfeld set the next meeting date as Wednesday, Oct. 18, at 2:30 p.m. He then asked for a motion to adjourn. A motion was made by Jane Keegan, seconded by Dave Lowe. Motion so carried. Meeting adjourned at 4:03 p.m.

Respectfully submitted,

Joan Feehan Walker, Secretary