C I T Y O F C A M B R I D G E
MAYOR MICHAEL J. NEVILLE MANOR
650 CONCORD AVENUE CAMBRIDGE, MASSACHUSETTS 02138
(617) 349-4050

April 20, 1994

Mr. Robert W. Healy, City Manager
City of Cambridge
City Hall
Cambridge, MA 02139

Dear Mr. Healy:

We are submitting additional information regarding the request to appropriate monies to ensure adequate provision of services to residents of Neville Manor.

In order to provide a context for much of the request, I want to emphasize that the field of health care in general, and long term care in particular, is changing at an extraordinarily rapid pace. Many of the assumptions of which we build the FY 94 budget last year have been outstipped by events. For instance, the needs of our average resident (the activity level) has dramatically increased (see attached chart) as the Department of Medical Assistance (Medicaid) has forced hospitals and chronic hospitals to discharge residents quicker, and has prevented lighter care persons from being admitted to nursing homes.

The increased acuity of residents we care for has meant a greater need to meet their specialized needs. The residents we currently admit have a more complicated set of need which requires more attention from nursing, dieticians, and rehabilitation. These needs increase our cost, but also increase our reimbursement levels. In the case of Medicaid we have already seen an increase in reimbursement. In the case of Medicare, we anticipate increases as soon as we have several months of increased expenditures and can file an amended cost report. In any case, the costs related to increased acuity are reimbursable.

The constant challenge for Neville Manor remains the problem of structural costs. Our built in costs, such as wages and benefits, are considerably higher than other nursing homes. In order to help us plan for the future, we recently released an RFP for help in developing a strategic plan. Within the next two weeks, we expect to select a consultant and begin the process.

The additional information you requested is detailed below:

Salaries and Wages

As we stated earlier, $100,000 of this request is retroactive wage increases and settlements with out unions that had been budgeted for in FY 93 but was not paid out until FY 94. The additional $140,000 is primarily to fund overtime costs. We were hit early in the year with a significant increase over past history in worker's compensation claims and extended leaves for now-work related accidents. With so many positions unfilled, we used overtime to staff these hours. As you know, we have been showing a consistent downward trend in our overtime use, and have cut overtime by more than 50% since the same period last year. The deficit represents spending that occurred in the first six months of the fiscal year. We expect to be in target for the last six months of the fiscal year.

Supplies and Services

Rehabilitation Services

As we stated earlier, we expect to go over budget by $70,000 in physical therapy services, and $110,000, in occupational and Speech Therapy services. This change reflects the rapidly changing long term health care environment. The Medicaid division of state government is intentionally pushing nursing homes into the "sub-acute" field so that we will care for residents whose needs would previously have been met in the hospital. The people we care for have greater rehabilitation needs and we have consequently increased the services we provide. The costs will all be reimbursed through the cost reporting process under Medicare.

In addition, hospital discharge planners have notified us that the greatest need for their patients today is for short term rehabilitation. If Neville Manor is to have a future, we must cater to our customer' needs, which for the foreseeable future will require an increased focus on rehabilitation.

Plant Management

When we developed the FY 93 budget, we had not anticipated bringing Marriott in to manage our physical plant. Nonetheless, we made a determination that we would see greatly improved management, better efficiency in such areas as energy usage, and strengthened safety programs with the addition of a management contract for these services. The extra $100,000 required here represents the start-up costs of this contract without the even greater savings that we will receive when we have brought our laundry services inside (and away from an expensive outside contractor), under Marriott management. In addition, we ultimately expect Marriott's preventive maintenance program to save us significant sums by putting all our mechanical systems on a routine inspection program.

Nursing Agency

As noted before, we have has a slightly higher dependence upon agency nursing than we had initially budget, Nevertheless, this figure is still far lower than previous years, and has continued to decrease.

Medical/Surgical Supplies

We have asked for an additional $50,000 to cover the costs of increase demand for supplies due to the higher acuity of residents we now care for. More debilitated residents require more treatments, more disposable incontinence briefs, and other such supplies. The increased reimbursement we receive from higher acuity residents offsets this cost.

Laundry Services

We have asked for an additional $20,000 in this area. A sharp increase in the acuity level of the residents resulted in higher usage of laundry. However, An intensive education program with staff has resulted in recent reductions in use without adversely affecting the quality of care.

Utility Costs

As we stated before, the particularly harsh winter has caused an increase in gas, oil, and electricity bills. In addition, our new physical plant renovations draw more energy than before. For instance, we now have adequate ventilation at Neville Manor since we have installed fans that run at regular intervals. Unfortunately, this has required additional electricity. We will be researching measures to take in the future to increase our energy efficiency.

Dietary

We are asking for an additional $10,000 here to cove the cost of increasing our Dietician hours from 18 hours per week to 40 hours per week. While we are increasing the hours by over 100%, the additional cost is only about 20% since hiring a full time employee through Marriott is significantly cheaper per hour than paying an outside consultant. The need for dietician hours has firmly stated by Department of Public Health surveyors during their annual survey las August.

Capital Equipment

The bulk of the request for $285,000 is $260,000 for renovation of our laundry area so than we can stop relying on expensive outside services. We will save $125,000 per year so that this renovation will pay for itself in just over two years. The total cost can be broken down to $120,000 for construction costs, $30,000 for architectural fees, and $110,000 for equipment and start-up supplies.

The additional $25,000 is to cover the costs of repairs that are required by regulation or for equipment to meet the needs of the residents. Specifically, we require $9,000 to repaint the kitchen, dining room, and a couple of stairwells. We have been cited by the Department of Public Health for the appearance of these areas. In addition, we need $3,000 to replace ceiling tiles, also cited in past surveyors by the Department of Public Health. We require $3,000 to rebuild portions of the kitchen floor, which were cited by Cambridge Health Department surveyors, and we need $4,000 to re-key the facility to provide quicker access in the event of an emergency. Our current key system is unwieldy, consisting of over 200 different keys, with no single master key. Finally, we need $6,000 to purchase recliners and wheelchairs to enable us to get residents up and out of bed. We had budgeted for some of these needs, but the cost of automating our business and nursing functions exceeded our original estimates. We are expecting our annual Department of Public Health survey any time his summer.

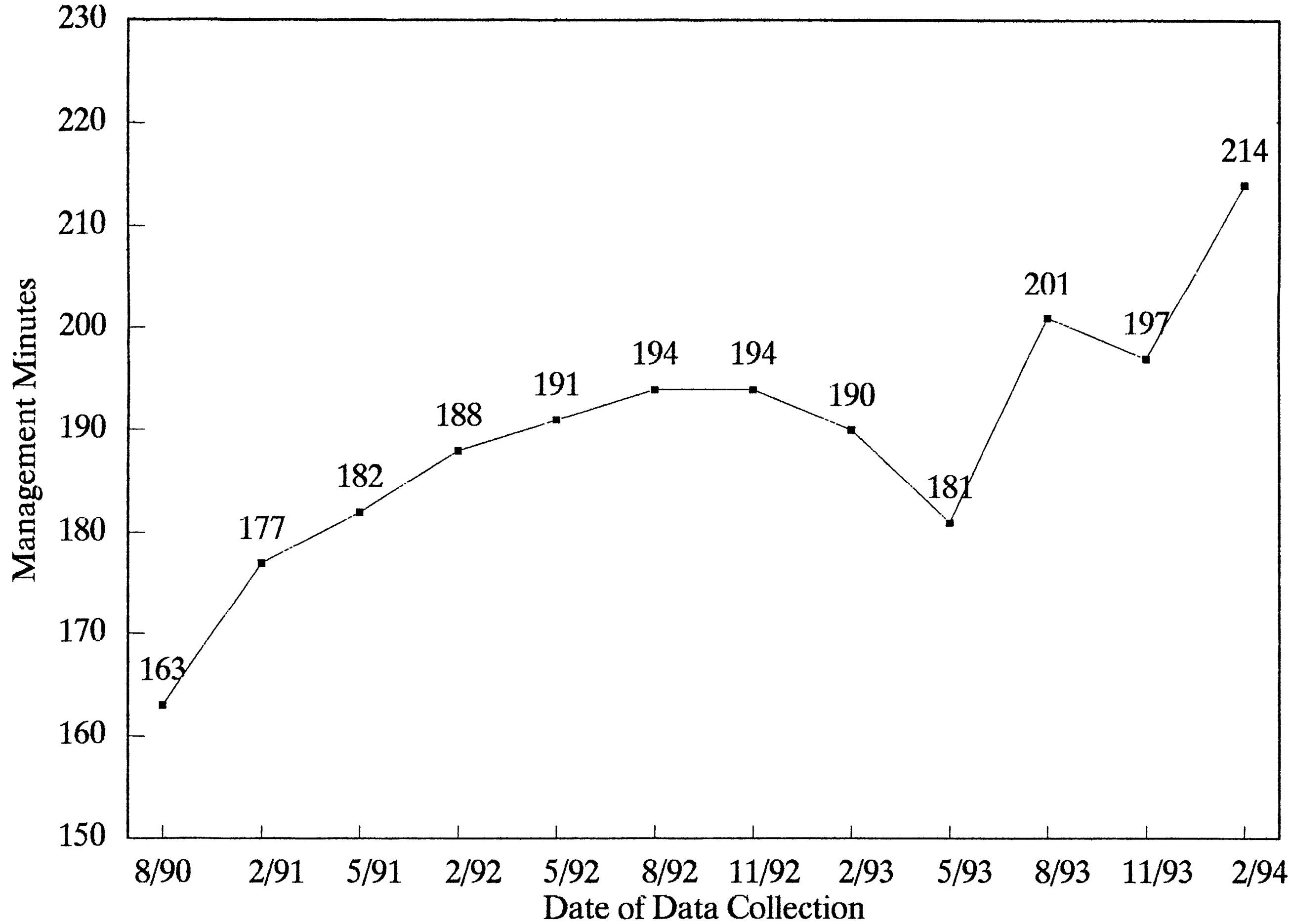
Please let us know if there is additional information that you need.

Sincerely,

John O'Brien
Administrator, The Cambridge Hospital

Paul Hollings
Administrator, Neville Manor

Average MMQ* Rates – Neville Manor



*MMQ Rates are a measure of the acuity level or physical needs of the residents

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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

April 25, 1994

To The Honorable, The City Council:

Please find attached further information concerning Charter Right Item No. 1 relative to a Neville Manor appropriation for $285,000 and Charter Right Item No. 2, relative to a Neville Manor appropriation for $640,000.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachment

Consent Agenda #7 F-59

Transmitting comm. from R.W. Healy relative
to further info. on Charter Right No 1 re: Neville
Manor appropriation for $285,000 and Charter Right
Item 2 re: Neville Manor appropriation for $640,000

IN City Council April 25, 1994

Referred to Charter right
Item no. 1 and 2.