

NEVILLE MANOR

STRATEGIC PLANNING

UPDATED REPORT

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I. STRATEGIC PLANNING PROCESS

The Neville Manor and the City of Cambridge engaged a strategic planning consulting team, which consists of Lanzikos, McDonough & Associates, a firm specializing in management consulting for older adult services, and Mullen & Company, a Certified Public Accounting firm. This team was hired to assist the Neville Manor Strategic Planning Group and the Senior Management of the Home and Cambridge Hospital in exploring options to ensure the long term viability of the Home and to create responses which would address the Home's strategic positioning needs for the next three to five years.

The planning process has included the following activities: production of older adult demographic projections for Cambridge and surrounding areas; interviews with twenty people, including the City Manager's Office, selected City Councilors, and major sources of referral such as local hospitals, key elder care providers, residents and staff; creation of financial projections for the next five years; assessment of the Home's competitive position and historical services; working with the Senior Management of the Home and Cambridge Hospital, as well as the City Manager's office; and the identification and testing of opportunities which would benefit the Home. The Home is in a serious financial position as a result of its high dependence on Medicaid, the State's recent decision to cut Medicaid payments to Public Medical Institutions and the extraordinary costs associated with operating a long term care facility as a department within a city government.

Since the inception of the planning process, many of the opportunities and recommendations have been incorporated into the operations of the Home, including certification of the Home as a provider of IV care, and a change in the focus to short-stay rehabilitation care. Other opportunities which may be vital to the long term viability of the Home await the decision by an architect regarding the capacity of the existing structure to be reconfigured into a more operationally efficient plant. The Strategic Planning consulting team has been working closely with Senior Management and the City to examine alternative organizational structures and other opportunities which will be reflected in this report.

II. OLDER ADULT DEMOGRAPHICS IN THE CAMBRIDGE AREA

Neville Manor's primary market area consists of the City of Cambridge. The Secondary Area consists of the cities and towns of Arlington, Belmont, Medford, Somerville and Watertown. Overall, the City of Cambridge is a major, growing population center for older adults. The following summarizes the major findings:

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- During the period 1990-1999, the overall population aged 65+ in the primary market area (Cambridge) is predicted to grow by 9.0%. The population aged 65 and older in the secondary market which includes the cities and towns of Arlington, Belmont, Medford, Somerville and Watertown will decline by 1.7% overall, for the same period.
- In the total market area population, major increases will occur within the 85+ population, which is predicted to grow during 1990-1999 by 20.0% (5,563 to 6,674 people). The 80-84 population will grow during the same period by 11.1% (6,722 to 7,469 people). These increases will result in an additional 1,858 people aged 80 or more in the overall market area of Neville Manor. This age group are typically a major consumer of all types of elder care services, including nursing home care.
- There will be a 9.3% decrease in the primary market's 65-69 population during the years 1990-1999, while the secondary market will witness an 18.4% decrease in this age group. These declining figures are consistent with national trends and are a result of the decreased birth rate immediately proceeding the Depression (1929-1934).
- In the total market area in 1999, a projected 35.5% of households with householders aged 65 years and older are expected to have incomes under \$15,000 and 23% of households with householders aged 65 years old and older will have incomes greater than \$50,000.

Conclusions:

Although there will be a significant growth in the older adult population, Neville Manor will continue to face competition for its beds. Older adults, particularly those with private resources, are utilizing home care and assisted living services as alternatives to nursing home care. Therefore, Neville Manor's competition will come both from other nursing homes and also from an increasing array of nursing home alternatives.

III. SUPPLY OF LONG TERM CARE BEDS IN THE CITY OF CAMBRIDGE

There are presently 701 nursing home beds, including Neville Manor's 179 beds, in the City of Cambridge which report an average occupancy of 98%. In the surrounding towns of Arlington, Belmont, Medford, Somerville, and Watertown, there are 1,031 beds reporting an average occupancy of 96%. One new long term care project was developed

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through the conversion of beds at Youville Hospital which consists of 80 new long term care beds, and represents 12.9% increase in the primary market supply.

- * The overall number of beds in Cambridge is decreasing from 469 (1990) per thousand to 417.5 (1999) per thousand people over 85 years of age, the most frequent population group to use nursing home care.
- * Some Cambridge area nursing homes, including Neville Manor, have reported a drop in occupancy from 99% to 95-96%, consistent with overall trends in the industry.
- * A project under the sponsorship of the Massachusetts General Hospital is planned for the campus of McLean Hospital in Belmont and will consist of 150 beds offered as specialized Alzheimer's Care, subacute care and traditional long term care. This project, given its sponsorship and access to transportation, is expected to draw heavily from the secondary market area and would have a substantial effect on both Neville Manor and Sancta Maria, which are both located on the Belmont/Cambridge line.
- * Another BANYL project of 142 beds had been planned for 600 Memorial Drive and has been relocated to Dedham, out of the market area of Neville Manor.
- * One small facility in Arlington, the Wellington Manor, recently closed. Otherwise the existing nursing home supply in the area is stable and not expected to decline significantly in the next three to five years.

IV. UPDATED ELDER CARE TRENDS

Recent trends which may have a significant impact on Neville Manor and other area nursing homes include:

- **The Creation of Subacute Services at Local Hospitals**

The Commonwealth of Massachusetts created a pool of 500 acute care beds which are being converted to hospital-based skilled nursing units. Twenty-three hospitals applied for and were granted permission to convert acute care beds to skilled nursing beds. Faced with the increasing presence of Medicare risk products which require that hospitals have subacute services, hospitals are exploring other approaches to the development of hospital-based skilled nursing units. Among the options are purchasing a BANYL project or a small, operating

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Level III nursing home. In recent months, several hospitals have acquired facilities and are using the beds to create subacute units. It is expected that as long as there is pressure from managed care and capitated care, there will be interest on the part of hospitals to develop these units.

- **Subacute Care Development in Long Term Care**

The American Health Care Association recently commissioned a report by Abt Associates which explored the provision of subacute care by nursing homes. This report concluded that under appropriate conditions, nursing homes would be able to provide subacute care which would partially or completely substitute for acute care, thereby saving millions of dollars in Medicare costs. The report concluded that for 58 DRGs commonly associated with older adults, the nursing home could significantly reduce acute care days. Among the capacities which a nursing home must possess are: the ability to admit seven days per week; on-site availability of all modes of therapy 6-7 days per week; ability to adjust nursing staffing to provide 5-6 hours of nursing care per day; an involved medical director; the presence or willingness of attending physicians to make visits to their patients as frequently as needed (more than once a week); nursing staff with significant expertise in the provision of high "tech" care; capacity to ensure that laboratory and other diagnostic services could be provided in a fast turnaround time, and the availability of necessary equipment to provide the care to the patients.

- * *Potential Impact on Neville Manor:*

The above trends will create additional recuperative care resources which may serve as potential competition for the Medicare Services under development at Neville Manor.

- **"Score Four"**

The Commonwealth of Massachusetts, Division of Medical Assistance, has proposed tightening the eligibility criteria for nursing homes to require that an individual have a minimum of three dependencies in Activities of Daily Living and a nursing need (or four ADL dependencies) thereby "scoring four" on the functional scale or have a daily skilled nursing need in order to qualify for nursing home care and receive Medicaid. This is expected to have a significant impact on the number of older people who will be eligible for nursing home care and may have a similar impact on private paying patients who convert to Medicaid.

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* *Potential Impact on Neville Manor:*

By increasing the acuity level of people qualifying for Medicaid nursing home stays, it is expected that fewer people will be able to enter a nursing home. This activity will have a significant impact on "multi-level" facilities, particularly those serving a high Medicaid population.

• **Renovations and Replacements**

To date, more than sixty nursing homes have filed applications to renovate and/or replace their physical plants. It is anticipated that between 20-30 new applications will be filed on May 1, 1995 to upgrade or replace. The Commonwealth continues to permit these upgrades/replacements which will result in an overall improvement of the entire nursing home stock in Massachusetts. Five years ago, there were more than one hundred wood frame, intermediate care facilities in the state offering marginal accommodations. Today, the number has decreased by an estimated 20% as a result of closure. Of those remaining, 40-50 have filed replacement applications which frequently combine the resources of one small home with another to create a new, state of the art, efficiently sized facility. Other small facilities are selling their assets to hospitals which in turn, replace the beds on their campuses, and also offer state of the art accommodations.

* *Potential Impact on Neville Manor*

Overall, these activities have had a significant impact on the existing stock of older homes and have increased the number of new beds available to the public, creating significant competition for older homes, which do not offer the amenities and accommodations of more modern facilities.

• **Moratorium on New Construction**

The State has extended the moratorium on the construction of additional new nursing home beds, other than those which hold an approved Certificate of Need, for at least the next five years. State policymakers believe that there is an oversupply of beds in the state, particularly with the addition of approximately 1,500-2,000 BANYL beds statewide, and the recent development of assisted living, which offers an alternative to nursing home care.

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* *Potential Impact on Neville Manor*

This trend creates a positive market condition for existing nursing homes, including the Neville Manor by controlling the supply of beds.

• **Assisted Living**

The Massachusetts Legislature recently enacted the Assisted Living Legislation, which will be incorporated into the activities of the Executive Office of Elder Affairs. The passage has established the assisted living option as a housing with services model, rather than a health care institutional model, and sets forth basic requirements for the operation and certification of these facilities. The Executive Office of Elder Affairs is in the process of developing regulations and expects that the regulations will be promulgated before the Summer of 1995.

Assisted Living is being developed on an aggressive basis in Massachusetts, despite the absence of regulations. At the present time, there are approximately 35 existing projects, many of which are located in Eastern Massachusetts, and an additional 15-20 projects either in the construction or firm development phase, throughout the state.

* *Potential Impact on Neville Manor*

In many respects, these new facilities will offer a highly desirable alternative to nursing home care for people with private resources and will provide strong competition for Neville Manor.

• **The PACE Program**

The Program of All Inclusive Care for the Elderly (PACE) is a fully capitated Medicare and Medicaid risk contract, which, for a fixed payment from Medicare and Medicaid, the provider is expected to arrange for or provide the necessary medical care and support services to frail older adults, and replicates the On Lok model of managed care provided in San Francisco. For older people enrolled in the program, it serves as a substitute for traditional Medicare and Medicaid services. Central to the provision of these services is the availability of a comprehensive adult day care program, which acts as the locus for most of the service and health care support provided on an ongoing basis. The East Boston Neighborhood Health Center was one of the original sites in the country. There are seven additional sites in Massachusetts which have been developed, including

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one under the sponsorship of Cambridge Hospital called the Elder Service Plan. Generally, these PACE sites must have contractual relationships with a full spectrum of providers, including nursing homes, in order to ensure that necessary care and support are available to the participants.

* *Potential Impact on Neville Manor*

Neville Manor will provide services to PACE participants, assuming costs of care are competitive to other facilities.

• **Medicaid Managed Care Contracting/Selected Contracting**

The Division of Medical Assistance has been examining the feasibility of creating selected contracts with long term care providers. Rates for these contracts will be directly negotiated with the providers, rather than through the rate setting formulas. The State has already instituted this type of activity in the area of mental health services.

* *Potential Impact on Neville Manor*

Until there is more information available from the State, it is not possible to understand the full impact. However, in the future, Neville Manor may have to compete to be a Medicaid provider.

V. NEVILLE MANOR'S COMPETITIVE POSITION IN THE MARKETPLACE

In the Spring of 1994, Lanzikos, McDonough & Associates conducted multiple interviews with key elder care providers and sources of referral such as the Visiting Nurse Association and the area hospitals and physicians to determine the market position of the Neville Manor. Because of the elapsed time, some of the responses may not reflect the most recent changes instituted at the Neville Manor to address the needs of the community, such as developing subacute services and placing greater emphasis on recuperative care.

Overall, Neville Manor is well regarded for its caring attitude and attention to residents rights. It is not known for any type of specialty care. The physical plant is outmoded and is neither competitive to other facilities in the Boston area nor conducive to the resident mix and nursing care which is required, creating many operational inefficiencies.

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Reputation:

Neville Manor has a good reputation in the Cambridge area. It is known for providing good, basic nursing home care, having a comprehensive activities program, being respectful of residents' rights and having an administrative staff which is highly responsive. The location is good. People are also aware that the Home does not discriminate on the basis of payment (Medicaid.) People in the community are aware that the Home is attempting to improve its rehabilitation services, and has good medical and psychiatric care available, as a result of its affiliation with Cambridge Hospital.

However, many people still associate the Home with the "poor farm," think that it is only available for Cambridge residents, specifically former City employees and believe you "have to know someone" to get in. Additionally, although the Home does not discriminate on the person's Medicaid status, a key source of referral, familiar with the Home and its physical plant, stated that he would not refer private patients to the Home because it did not provide comparable accommodations to the majority of facilities in the area, which included Cambridge and surrounding towns.

Services:

Neville Manor Nursing Home provides a full range of basic nursing care and other types of services to the residents living in the Home. However, unlike some facilities in the Metropolitan Boston area, it was perceived as lacking any type of specialty care, such as Alzheimer's services or subacute care. Neville Manor provides care to people who require substantial nursing care support and has strengthened its rehabilitation services, but lacks a capacity to provide some of the more medically complicated care, including intravenous therapy (**Note: IV therapy and upgraded services for wound care were added and residents served in 1994**) necessary for patients being discharged from an acute care setting. The limitations of the physical plant of the Home are a major factor in the development of the specialized services, particularly for Alzheimer's Disease care.

The trend in nursing home care is to focus on the needs of people who require intensive skilled nursing and rehabilitative care for which reimbursement is greater and to focus on specialized care with dedicated units for people with specific diagnoses, including Alzheimer's Disease. This is also consistent with marketplace trends to provide non-institutionalized options for people who need assistance with Activities of Daily Living but little assistance with skilled care. People with lighter care needs, who five years ago would have been cared for in nursing homes, are now being successfully served by home care services, adult day care and assisted living. These alternative services have focused

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present and future nursing home care at higher acuity level type patients/residents, including those who need to recuperate and return home following an acute episode.

The majority of existing nursing homes in Cambridge are not known for having a specialty. This presently results in hospital discharge planners and families seeking placements outside the City in homes which do specialize.

Physical Plant:

The physical plant and accommodations available are among the critical variables to families in selecting a nursing home. Coupled with the overall reputation of the Home, the physical plant is a tangible point of comparison for people who are unfamiliar with nursing home care.

Despite ongoing efforts to maintain the building, Neville Manor's physical plant and accommodations are neither comparable nor competitive to other nursing homes in the Metropolitan Boston area. The existing nursing homes in Cambridge, other than Sancta Maria and the recently renovated Youville Hospital and Rehabilitation Center (YHRC), are older buildings which lack competitive and desirable accommodations, causing people to seek care in facilities outside the City. The Home lacks amenities and attractive common space. Most facilities today offer a maximum of two people per room, compared to Neville Manor's three and four bedrooms. The bathrooms at Neville Manor in each of the rooms and central hall baths, are outmoded and unattractive. Rooms are cramped, have old, mismatched furniture, lack storage and do not offer appropriate accessibility for people in wheelchairs. The unit configurations range from 25-45 beds and have layouts not conducive to efficient delivery of patient care. The overall size, configuration and layout of the building, coupled with an ever-present need to address the deteriorating physical plant, create the need to compensate for the physical plant. In 1994, Neville Manor did make directed efforts to improve and address space needs. It has reclaimed storage space for Speech therapy and is converting a section of the kitchen for increased therapy space. However, even with these activities, the Home is at a competitive disadvantage, particularly in competing for the private pay market, whose presence and higher payment rates have mitigated some of the loss associated with decreased Medicaid reimbursement.

Staffing:

The Neville Manor's staffing pattern is adequate for the number of residents, their care needs, and to meet the basic standards developed for skilled nursing care. It appears that to a degree, the staffing ratios must compensate for the inadequacies of the physical

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plant. As is discussed in the financial section, the staff is paid at a significantly higher wage scale and the Home provides a far more comprehensive and generous wage and benefit package than other nursing homes, including other not-for-profit facilities in the Greater Boston Area.

VI. FINANCIAL PROJECTIONS

Neville Manor is facing a serious financial crisis and must make significant financial changes in order to ensure that the Home is able to continue. The Home has made efforts to revamp its financial system and costs. However, many of the costs, which exceed the ceilings or phase of other homes in the area, are related to staffing and benefits, which are beyond the control of the Home to change as a result of the costs being constructed through collective bargaining arrangements with the City. Because the physical plant is outmoded and in need of significant renovation, the Home must also plan on its renovation or replacement in the next five years in order to address the multiple deficiencies. Substantial renovation or a replacement is necessary to provide an environment which is both efficient and competitive with other nursing homes in the Boston area.

Under its current reimbursement structure, the Home receives \$834,000 (1994) in subsidies from the City of Cambridge. The Neville Manor Nursing Home may lose the enhanced rate for Public Medical Institutions (P.M.I.s) beginning in January 1996. Based on this change, assuming there are no changes or cost savings instituted, the short fall is projected to be \$1,070,975 for 1995 and \$2,050,925 for 1996, compared to projected annual operating expenses of approximately \$11.4 million. This annual deficit of at least \$2 million dollars is projected to continue at least through 1999, the final year for which projections were made. This short fall will continue under the present structure. This projected loss has been made using existing and anticipated Medicaid changes in reimbursement. It is possible that there may be additional areas, including unforeseen Medicaid changes and Managed Care contracts, which would have an even greater impact on the need for subsidization. Therefore, unless the City and the Home agree on an aggressive strategy to address these financial issues, including a commitment of increased support from the City, it may be necessary for the Home to proceed to closure or sale.

The two areas of reimbursement where Neville Manor will experience the greatest decline will be in nursing and variable costs, which together, for 1996 represent a deficit of \$2.3 million of which \$1.4 million is in the area of nursing costs and \$.9 million is in variable costs. This deficit is caused by the Commonwealth of Massachusetts applying the cost ceilings for these two areas, which are established based on other facilities'

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financial experience operating in the same nursing home reimbursement peer group (NHRA 3) as Neville Manor. Together, these account for 99% of the deficit. In other areas, including Administrative and General, Ancillaries and Fixed Costs, Neville Manor receives full, or nearly full reimbursement.

The majority of the difference between costs and reimbursement are attributable to the following component cost disparity within the industry (Boston area) averages.

Nursing standard wage rate difference	\$ 441,396
Nursing shift differentials	\$ 122,576
Dietary/housekeeping/laundry wage rates	\$ 243,739
Health Benefits	<u>\$ 652,837</u>
Total	\$1,460,548

The difference between the above component costs and the \$2.3 million reimbursement deficit for 1996 includes various high cost items such as more generous sick, vacation, holiday, dental and pension benefits than are provided by many other facilities, additional staffing required by inefficient unit configurations and heavy acuity levels, and maintenance and utility requirements of an older facility. An industry comparison of these items is not possible due to the lack of comparable data.

Based on reported salaries in the recent survey by the Massachusetts Federation of Nursing Homes, Neville Manor consistently pays wages above the Boston area industry average for all positions. The discrepancy ranges from \$1.20 per hour for nurses aides to \$7.94 per hour for nursing supervisors, based on 1994 reported wages.

Neville Manor also provides additional benefits for its employees such as generous holiday and sick time. Neville Manor offers 12.5 holidays and 15 sick days for each employee. According to the 1994 study by the Association of Massachusetts Homes for the Aging, more than 50% of the Not-For-Profit Homes in the state provide fewer than eleven days per year, of each sick and holiday days. Neville Manor also provides dental benefits for its employees, estimated by Neville Manor to be an annual expense of \$47,000, longevity payments estimated by Neville Manor to be \$38,385 per year and a clothing allowance payment, estimated by Neville Manor to be \$59,385 for 1994.

In order to remain financially viable, under any management structure, the facility will have to cut costs and/or receive approximately \$1.2 to \$1.3 million in additional subsidies per year. Coupled with these cost cutting activities should be aggressive efforts to continue to increase the Medicare rate and utilization and to maximize the Medicare

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utilization in the area of ancillaries to provide a greater return to the facility and potentially pursue designation as a hospital-based skilled nursing facility. However, as the expenditures, which are in excess of the projected reimbursement are in the areas of wage and benefits, both subject to collective bargaining agreements of the City of Cambridge, it is unrealistic to expect that these costs will be reduced to the necessary levels within the next year or that a change in the payment percentages would be adequate to compensate for the loss.

The City of Cambridge must be prepared to increase its subsidy to Neville Manor and support its efforts to make cuts. Under any circumstance, it is extremely likely that the Home will require greater subsidization unless the City decides to cease operations at the Home or develops significant reorganization of existing operations and staffing levels.

Among those areas which have been considered as part of this planning process and would be difficult to achieve given the employment policies of the City of Cambridge are:

1. Reduce payments for health benefits for all employees.
2. Reduce wages and differentials.

VII. STRATEGIC PLAN FOR THE NEVILLE MANOR

LONG RANGE OPTIONS

Neville Manor is at a critical juncture; it must decide whether the Home will be viable in the next five years, and organize its services and upgrade its physical plant to respond to market needs, or it must decide to recommend that the City cease providing long term care services. In the course of interviews and identification of industry trends, there are several programmatic approaches which would be appropriate for Neville Manor to consider. However, unless the long range financial situation is stable, it would be imprudent to pursue new programs other than those which may be implemented without additional staff or significant capital costs. New programs and an updated physical plant will add to the overall success and financial viability of the Home. However, they will not address the underlying discrepancy between costs and reimbursement.

PROGRAMMATIC OPPORTUNITIES UNDER CONSIDERATION BY NEVILLE MANOR

Assuming that the Home continues to operate and addresses its current financial problems, there are several different programmatic opportunities which could be pursued. Eleven desirable programs were identified in the course of the interviews as being needed

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by the people of Cambridge and desirable for the Home to pursue. At the Strategy Session with the Strategic Planning Group, the list was narrowed for additional consideration to: subacute care; short stay recuperative care; an Alzheimer's special care unit; and expanded rehabilitation services. Each of these will respond to the needs of the people and to the future of capitation and managed care for older people. The Home will continue to have new opportunities as it explores a closer relationship with Cambridge Hospital and The Cambridge Hospital Community Health Network and its Elder Service Plan.

Goal #1 The Neville Manor Nursing Home will actively consider alternative organizational structures such as becoming designated as a hospital-based skilled nursing facility to improve the programmatic and financial viability of the Home.

The Home has historically received special reimbursement which recognized its status as a Public Medical Institution. Decisions by the Rate Setting Commission may call for a further reduction in this reimbursement by approximately \$ 1.1 million in 1996. In addition, the Division of Medical Assistance and Rate Setting Commission are reviewing additional changes for all nursing homes which may result in decreased reimbursement for all facilities. The Home's long-range plan consists of three components: ensure financial support to cover anticipated operating losses in the short term; identify and implement extensive cost control measures and revenue maximization; and pursue activities which will shift dependence from being totally reliant on Medicaid, to a mixed payor source with greater reliance on Medicare and private paying resources. In the absence of these dramatic changes, the Home's financial position will be so jeopardized that the likely result will be to close the Home, rather than compromise the care and endanger the lives of the residents of the Home.

OBJECTIVES

1.1 Cost Control and Revenue Maximization

The Senior Management of the Home will continue to examine and implement cost control measures which will reduce the operating costs of the Home. The Senior Management will also continue to pursue those activities which will increase the Medicare payments to the Home.

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1.2 Change Organizational Structure

The Home will continue to pursue activities with Cambridge Hospital which would allow the Home to become a hospital-based Medicare certified facility. This would permit some allocation of additional administrative costs and place the Home under different Medicare ceilings.

1.3 Financial Projections/Reports to the City Manager's Office and City Council

The Neville Manor will create periodic updated analyses of the financial constraints facing the Home, including a projection of the potential ongoing support which will be necessary from the City in order to ensure the City is prepared for the necessary support which will be required to provide quality care and a safe environment under various options, including retaining the existing organizational structure.

Goal #2 The Neville Manor Nursing Home will provide a safe, comfortable and efficient physical environment which responds to the needs of the chronically ill and recuperating older and disabled adults of the Cambridge area.

When the Neville Manor was originally constructed, it offered attractive accommodations to the older adults from the area in its era. At the time of construction, the majority of the people were ambulatory, required some supervision and support, traveled to the dining room for their meals, and utilized little adaptive equipment. Today, a large percentage of the residents are wheelchair dependent, only 50 out of 179 people eat in the dining room, and many, as a result of extensive levels of disability or complicated medical conditions, require significant amounts of equipment. Although the City of Cambridge has attempted to maintain the Home and where possible, update the facilities, the Home as presently configured, does not offer comparable accommodations to the majority of nursing homes in Massachusetts. With few exceptions, the rooms are three and four bed rooms, which are crowded, difficult to maneuver for people in wheelchairs, lack closets and have bathrooms which do not promote independence in the residents. Unlike other nursing homes, there have been few adaptations to accommodate increased levels of disability, such as having program space located centrally and accessible by multiple elevators or by having special units such as those provided for people with Alzheimer's disease.

In addition to creating operational inefficiencies and increased opportunities for employee accidents, the Home does not offer an environment which is therapeutic. As competition increases in long term care for residents, the Home's existing environment places it at

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a competitive disadvantage to other homes in the area as well as those under development. A reconfigured or new facility would offer many opportunities to provide better care and a more homelike environment. The Massachusetts Department of Public Health, recognizing that many of the older facilities have physical plants which do not promote quality care or incorporate the requirements of the Americans with Disabilities Act, has established an expedited process to facilitate these older buildings undertaking significant renovations or totally replacing the buildings. To date, more than seventy facilities have applied for the approval to proceed. In granting these approvals, the Department of Public Health commits the Commonwealth to recognizing the increased capital costs associated with the plant improvements, particularly for those homes which, like the Neville Manor, are heavily dependent on Medicaid for payment.

In keeping with the Neville Manor's mission to provide the highest quality of care and life for residents, the Home plans to seek approval for either a substantial renovation or complete replacement.

OBJECTIVES

2.1 Engage an Architect to Analyze Costs and The Potential of Renovating or Replacing the Existing Nursing Home to Provide a High Quality Long Term Care Setting.

Obtaining this information will be key in making the financial and political commitment to pursue an approach to improve the physical plant to market standards.

2.2 Analyze Potential Land Needs and Identify Alternative Sites if Necessary.

If the decision to replace the building is made, both the Home and the City will have to identify potential land on which to rebuild the new Neville Manor.

2.3 Secure Financial Commitment by the City to Support Renovations and/or New Construction.

The Commonwealth of Massachusetts presently reimburses facilities which construct according to its standards for interest and depreciation over a thirty year period. The City would have to commit to identifying sources of funds, either by issuing bonds or by seeking outside sources of funds.

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2.4 File Determination of Need Application

In order to renovate or replace Neville Manor, it will be necessary to file a Determination of Need application on May 1, 1996. In order to file this application, Neville Manor will have to demonstrate having site control (if necessary) of an alternative site.

Goal #3 The Neville Manor Nursing Home will pursue activities which enhance the quality of services provided and uphold the Mission of the Home in a financially responsible manner.

The Home is identified as a resource for older adults from the City of Cambridge who have all levels of income. It has been a leader in quality of care and commitment to residents' rights. In order to continue this mission, however, it must be financially viable either through achieving changes in the cost structures or by securing continued and increasing levels of support from the City to offset operating losses associated with decreases in Medicaid payments and increasing costs associated with salary, benefits' schedules and employment policies of the City which are beyond the control of the Home. As the Cambridge Hospital Network implements the Elder Service Plan, it is possible that the cost structures at the Neville Manor may be too expensive for skilled and long term care services in a capitated payment arrangement, to permit the Elder Service Plan's continued contracting with the Home.

OBJECTIVES

3.1 The Home will Implement Programs and Strategies Designed to Improve the Quality of Services Provided, Including but not Limited to a Continuous Quality Improvement Program.

3.2 The Home will Continue to Develop High Quality Subacute Care to Residents of the Home.

This will include the training of staff, or the identification of staffing requirements which would be necessary to meet the increasing level of acuity of the residents.

3.3 The Home will continue to explore the development of specialized services for people with Alzheimer's Disease, including the potential development of an Alzheimer's special care unit, with the understanding that this activity may have to wait until the building is either renovated or replaced.

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- 3.4 The Home will continue to improve the rehabilitation services offered through the reconfiguration of the therapy area and by providing ongoing rehabilitation to residents throughout the facility in order to maintain and improve the functional capacities of the residents.

Goal #4 Pursue Strengthened Relationship with Cambridge Hospital and other Acute Care Providers

Neville Manor has been actively pursuing closer relationships with Cambridge Hospital and other acute care providers in the area. It is fully integrated into the planning for The Cambridge Hospital Community Health Network's planning efforts. It has developed increased recuperative care capacity to respond to the specifically identified needs of Cambridge Hospital, and continues to explore additional opportunities of collaboration. These efforts must be maintained and supported and will assume even greater importance should the Home become designated as a hospital-based skilled nursing facility.

OBJECTIVES

- 4.1 Continue to develop expanded subacute care capacity which will provide care for those older adults from the Cambridge area who need to recuperate following an acute care stay.
- 4.2 Jointly analyze needs with The Cambridge Hospital and explore opportunities of shared staff, common vision, preferred provider relationship and joint training.
- 4.3 Continue to expand the Existing Rehabilitation capacity to respond to the needs of Cambridge and Mount Auburn Hospitals
- 4.4 Identify the needs for specialized staff training and create a process for Neville Manor Staff to participate in The Cambridge Hospital programs.
- 4.5 Participate in ongoing planning activities for the Cambridge Elder Service Plan and develop programs which respond to the needs of older Cantabrigians.

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Goal #5 *Establish the Neville Manor Nursing Home as a Desirable Managed Care Provider*

Neville Manor has explored creating relationships with the HMOs operating in the Cambridge area, and must develop a formal plan to contract with these payors. Typically, in order to effectively contract with a HMO, a home must clearly understand the costs which are associated with providing care to an individual with a specific illness or chronic condition, be able to track outcomes for the patients/residents, employ staff responsible for effectively coordinating with the utilization management staff of the HMO and produce the specific reports for the HMO. As more older adults elect to participate in managed care plans, the Home will have to develop relationships in order to continue to serve the people of Cambridge. It should be noted, however, that given the Home's present costs, it is likely that the managed care companies will expect a discounted rate, in line with other homes in the Boston area, in order to agree to contract with the Neville Manor.

- 5.1 The Home will develop a management information system which enables the Home to track services and costs, lengths of stay, equipment needs, ancillary usage and therapy usage in order to develop acute, comprehensive pricing strategies for specific illnesses or treatment of chronic conditions.

- 5.2 The Neville Manor will prepare a marketing plan which details the capabilities of the Home in caring for specified types of discharges, outlines the cost of care to current participants in the Cambridge Elder Service Plan and describes the elements of managed care plans developed for the purposes of negotiating contracts.

- 5.3 The Home will develop a basic managed care contract to serve as the basis of negotiation with managed care plans.

- 5.4 Senior Management of the Home will meet with representatives of managed care companies including the Harvard Community Health Plan, T.A.H.P's Secure Horizons and Pilgrim to determine needs, make adaptations to the contract and develop relationships with one or more companies.

Goal #6 *The Neville Manor will continue to actively participate in activities to become a key participant in the Geriatric Task Force.*

The Home has made significant progress in the last year in developing its role as a key "player" in the Geriatric Task Force, which must continue to ensure that the Home is

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responsive to the needs of older adults, particularly those of low income, living in Cambridge.

6.1 The Neville Manor Nursing Home will continue to participate in the Elder Service Plan for Cambridge, identify the opportunities for the Home to participate and coordinate with other services offered.

6.2 The Home will continue its participation in the Geriatric Task Force.

Key staff at the Neville Manor will identify and participate in planning groups and other elder care task forces including the Elder Service Plan in order to ensure that the services offered by the Home are supportive and coordinated with other City sponsored programs. The Home will undertake specific activities to coordinate services with the new Senior Center under development.

6.3 **Marketing and Information**

The Home will develop a formalized marketing plan, including the development of marketing materials which will identify the services of the Home, its unique features and its capacity to provide nursing care to disabled and older adults in the area. The Home will make specific efforts to dispel the "Poor Farm" image and the "Cambridge only" admissions perceptions which exist in the community.

VIII. SPECIFIC OPTIONS - RELATED TO ADDRESSING THE CONTINUED NEED FOR CITY SUPPORT TO THE NEVILLE MANOR NURSING HOME

OPTION A STATUS QUO

Although this option exists, there is little support for the option at the Board and City Government Level. Based on reimbursement changes, the existing salary and benefit structure of the City workers employed by the Home, and the overall inefficiency of the building, the Neville Manor Nursing Home is projected to require increasing levels of financial support over the next five years. While this may be an appropriate short range option while others are being pursued, there are long range implications for the financial stability and marketability of the Home.

Based on a review of the needs of older adults in the Cambridge area, in order to continue to provide services which are responsive, the Neville Manor Nursing Home must develop or expand its capacity to provide recuperative care, subacute care and specialized Alzheimer's services. Without the addition of these new services, the Home

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will not be considered a resource for the local hospitals, nor will it respond to stated needs of older adults from the Cambridge area. The presence of a new specialized long term care facility under the sponsorship of the Massachusetts General Hospital in the next town will have a significant impact, particularly for those who have private resources.

The Home has a long tradition of serving older adults from the Cambridge area, priding itself on the quality of care and the homelike environment it offers. However, based on recent analyses of the capacity of the Home to offer services, amenities, and accommodations which will be both desirable and necessary, the Home is not presently equipped to compete in the long term care arena in the next five years. The physical plant is a major deterrent to the Home's providing an appropriate long term care environment and inhibits the Home from offering specialized care, such as subacute services or a special care unit for people with Alzheimer's disease, which would respond to the needs of older adults in the Cambridge area as well as to those needs of related City health care providers.

Financial Implications

- Neville Manor is projected to lose approximately \$2 million per year which includes shortfalls in the areas of nursing and variable cost of \$1.4 million and \$0.9 million respectively, which are offset by surpluses generated by Medicare and private patients.

OPTION B CREATE AN EFFICIENT AND MARKETABLE PHYSICAL PLANT FOR THE NEVILLE MANOR

One of the key factors in the long range survival of the Neville Manor is to achieve operational efficiencies and provide needed services through an improved physical plant. This could be accomplished through one of two approaches: either the total renovation of the Home, or the replacement of the Home at the existing or new location. An architect has been employed to determine whether the existing plant has potential to be renovated to market standards, or if the most prudent course for the City and Board would be to replace the Home. His report is pending and will dramatically affect the considerations of these options.

1. Renovate the Existing Physical Plant of the Neville Manor

Ideally, the Home would be optimally configured if the units were as close to 41 beds as possible, the number of nurses' stations were minimized to achieve efficiency, there were appropriate common spaces on each floor to enable

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residents to fully utilize dining and recreational services, the bathing and toilet facilities were modernized, rooms reconfigured in single and double occupancy, and the accessibility of the building via elevators were dramatically improved. The renovated Home would also be configured to provide improved space for subacute care, recuperative/rehabilitative care and Alzheimer's services. Within the course of this renovation, beds may be dropped to reconfigure the units. It may also result in the need to add space to achieve the most operationally efficient building as is possible.

In order to pursue this option, assuming that it is a viable option based on the analysis provided by the architect, the Neville Manor will be required to develop and file a Determination of Need Application for a significant renovation on the next filing date of May 1, 1996.

Financial Implications

- The City will have to identify "up-front" costs to prepare the DoN filing estimated at \$75,000.
- The facility would have to be constructed or renovated within the Department of Public Health's specific requirements in order to ensure full reimbursement of renovation costs.
- The operational impact and potential efficiencies of the newly renovated facility will depend on the ultimate configuration designed by the architect.
- During the period of construction there will be additional operating losses incurred as a result of temporarily taking beds out of service during the construction period.

2. Replace the Existing Facility on the Same Location or At Another Site

Should the renovation of the Neville Manor not be a feasible option, the City would have the alternative option of pursuing the development of a new Neville Manor, constructed in an efficient size and configuration, by filing a Determination of Need Application to replace the building. This option would allow Neville Manor to be developed either as 123 beds, or 164 beds or some other configuration, which would maximize the efficiency of the nurses' stations, provide state of the art accommodations and specialized services, and ensure the

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long range ability of the facility to compete with other long term care facilities in the Greater Boston area. As in the renovation option identified above, the City of Cambridge would be required to file an Application for a Determination of Need on May 1, 1996. In order to pursue this option, the City of Cambridge would have to be able to demonstrate sufficient interest in the new proposed site to satisfy the Determination of Need requirements.

Financial Implications

- The new facility (164 beds) would generate a \$1.6 million shortfall, compared to the status quo of a \$2 million projected shortfall.
- If the facility were replaced at 123 beds rather than 164 beds, it would reduce the deficit by an additional \$400,000.
- Although a newly configured Neville Manor will continue to require ongoing subsidy from the City, the new configuration could reduce the potential subsidy by \$400,000 - \$800,000 per year.

OPTION C SELL THE ASSETS OF THE NEVILLE MANOR

The City of Cambridge has an asset in the form of 179 licensed long term care beds. The Commonwealth of Massachusetts has imposed a moratorium on the construction of new beds. This moratorium is projected to remain in place at least until the year 2000. Therefore, the only "new" beds will be developed through a renovation or replacement of an existing facility or through the implementation of a previously approved long term care project. The Home's license, could be considered valuable to a developer or entrepreneur wishing to relocate the beds to another site.

1. Sell the Facility as a Going Concern

The Neville Manor could be sold as a going concern, that is, as an existing operation. Given the high percentage of Medicaid occupancy and the ongoing need to subsidize the operations of the facility, a potential purchaser would likely be willing to pay the City an amount significantly below the existing basis (the value of the physical assets assumed by Medicaid) of the facility (\$4,895,000.) If this option were pursued, the City would have to agree to lease the land on which the facility is located for a period of time and the potential purchaser would have to submit to the Department of Public Health's Suitability Review and be determined to be an acceptable provider. Once a new entity took ownership of

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the facility, the new owner could also apply to renovate and/or replace the existing facility. Should the new owner wish to replace the facility at an alternative location, the Department's regulations would allow for the replacement within the same Health Systems Area (HSA). Among the potential drawbacks of the sale of the existing operation is that the new owner would have to demonstrate that it had the financial capacity to ensure the financial viability of the Home, and, without significant relief from the employment and wage conditions imposed by collective bargaining requirements, would have to have the capacity to subsidize the Home, for at least approximately \$2 million dollars per year. Although this option exists, it is highly unlikely that a purchaser would be readily available. The need to subsidize the Home at approximately 2 million dollars per year, would be a tremendous deterrent, even in the event the city "gave" the Home to another organization.

Financial Implications

- Assuming there is an interested buyer, the City potentially has an unfunded pension liability for Neville Manor's employees of \$3 million.
- It is unlikely that this sale would result in substantial revenues accruing to the City in lease payments or purchase price.

OPTION D CLOSE THE NEVILLE MANOR

The City also has the option of applying to voluntarily close the Neville Manor, transfer all the residents to alternative facilities and cease operations. The process, depending on the initiation date, could take 6-12 months to complete, assuming availability of beds in the Greater Boston area. During this time, the City would continue to provide ongoing subsidy to the Home, potentially incur significant liability for the existing employees and the existing debt on the Home, but essentially cease being in the nursing home business within one year. Given the recent closure of several area facilities, including the Wellington Manor in Arlington it is highly unlikely that the majority of the existing residents would be able to remain in the Cambridge area, unless the facility under development by MGH in Belmont were opened at about the same time as the Neville Manor were to close. It is also assumed that many of the existing employees who would be laid off would be unable to find comparable employment.

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Closing the Neville Manor will create a significant impact on both residents and staff. Given the existing nursing home supply and occupancy levels, only 25-30 of the residents would likely be placed in Cambridge nursing homes. The remainder would be placed in homes within 25 miles of Cambridge.

Neville Manor presently employs 240 people. It is assumed that approximately only 30%, or 72 people, would find employment within the City system. Of the remaining 168 people who would not be employed, many are line staff who are paid approximately \$10.00 per hour, or \$20,000 per year, plus benefits. It is unlikely that the majority of these staff would find comparable employment, particularly with regard to the health and other benefits.

Financial Implications

- Stops the financial drain on the City.
- City has a potential unfunded pension liability of \$2.1 million dollars for 70% of the existing employees, assuming that 30% of the employees would continue employment in another department of the City.
- The period of closure will result in an increase in the operating deficit of \$1 million during the period of closure. Subsequent to closure, the City will continue to have an additional exposure of \$400,000 for the first year and then building costs of \$90,000 per year there after.

IX. SUMMARY

Planning for the Home must proceed on two levels, the long range organizational and physical plant needs and the short term programmatic considerations. Both are important to the viability of the Home. In order to proceed with the Planning for the Home, it is necessary to determine the intention and capacity of the City of Cambridge to provide increased levels of subsidization until the facility is able to control its costs. Further, if the City determines that it will either cease operation or sell the facility, it will require significant subsidization during the transition period. Therefore, it is vital to incorporate the need for increased support within the planning process for the 1996-1997 Fiscal Year. Additionally, under most circumstances, it is in the interest of the City and the Home to plan for the renovation or replacement of the physical plant of the Neville Manor Nursing Home, identify an alternative location if necessary and file a replacement/renovation Determination of Need Application for the Home by May 1, 1996. The City may also decide to sell the Home and realize a benefit from the sale. The fundamental decision

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under consideration is whether or not the City wishes to preserve the Neville Manor as a resource for the people of Cambridge and at what level of support. Unless there is agreement that the City wishes to remain in the long term care business and is prepared to make increasing levels of support available, the continued future of the Neville Manor is questionable.

The Strategic Planning Committee must continue to work to ensure that the Home is responsive to the needs of the people of Cambridge and surrounding areas and that the Mission is upheld for as long as the Home continues to operate.

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City of Cambridge

The Health and Hospital Committee held a public meeting on June 21, 1995 beginning at 10:15 a.m. in the Macht Auditorium, Cambridge Hospital for the purpose of continuing discussions of changes in the health care environment and the impact of these changes on Cambridge Hospital and its building plans.

Present at the meeting were Councillor Timothy J. Toomey, Jr. Chair of the Committee, Councillor Kathleen L. Born, Councillor Francis H. Duehay, Councillor Michael A. Sullivan, and City Clerk D. Margaret Drury. Also present were John O'Brien, Commissioner of Health and Hospitals, Paul Hollings, Administrator of Neville Manor, and several members of the Cambridge Hospital staff and members of the Health Policy Board.

Councillor Toomey convened the hearing and explained the purpose. He introduced John O'Brien to open the discussions. Mr. O'Brien outlined the issues for discussion at the meeting. He then requested that Paul Hollings begin with a discussion of strategic planning for Neville Manor.

Mr. Hollings distributed a copy of the report done by Lansikos, McDonough and Associates. (Attachment A). He stated that they are still awaiting the architectural feasibilities report. He briefly summarized some of the report's conclusions, and stated that it is clear that the status quo is not sustainable.

Councillor Duehay asked about the outlook for the next fiscal year.

Mr. Hollings stated that there is a \$1,000,000 deficit before tax revenues are transferred. The year after, the amount could rise to over 2 million, depending on what happens to the reimbursement rate.

Councillor Duehay asked about occupancy. Mr. Hollings said that Neville Manor is relatively full; there are usually about 3 empty beds. Most admissions came from hospitals, not the community, so there is not a waiting list, as there was in the past.

Councillor Duehay asked why this is so. Mr. Hollings said that Medicaid is pushing to keep people in less restrictive settings. There are more community service programs to support people in the community.

Councillor Duehay asked about the state situation. Paul Hollings said that state has not been particularly concerned about keeping nursing homes open, because occupancy has gone down.

Carol Cerf, Health Policy Board member, said that the character of nursing homes patients has changed, they are much sicker.

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Councillor Duehay asked what the deficit would be five years from now. Mr. Hollings said it would still be about \$2 million, if no changes are made. But major physical changes must be made. If the decision is replacement, there could be a decrease in the deficit to \$1.6 million. If the decision is renovation, the effect on the deficit is not clear.

Mr. O'Brien noted that there are also capital cost implications for renovations. They would have to put cash up front and thus would lose interest income. He also noted that the market is very uncertain.

Councillor Duehay asked about the possibility of selling. Paul Hollings responded that the Lansikos, McDonough report concluded that it is unlikely that a private party would want to take over the deficit or the ownership of a facility located on public land controlled by the Water Board.

Councillor Born asked where the Neville Manor patients would go if there were no Neville Manor. Paul Hollings said that they would probably have to go outside the City. Councillor Born said that there is an issue of values; the City has a responsibility to provide for its infirm elderly.

Carol Cerf said that the mortality rate increases for elderly people who are transferred to different nursing homes .

Councillor Born asked why there are fewer elderly people in nursing homes. Mr. Hollings said there are two factors: it is harder to get Medicaid and there are more options in the community.

Councillor Born asked when Medicaid started. Robert Cooper, Comptroller, replied that it began in 1965. Councillor Born asked what happened before 1965. Councillor Born noted that Neville Manor has existed for over 200 years.

Paul Hollings stated that the nursing home industry grew with Medicaid; there were very few nursing homes before the existence of Medicaid.

Councillor Born asked whether new nursing homes are being built. Paul Hollings said there are new ones being built, mostly in the suburbs.

Councillor Born asked how a patient gets into Neville Manor. Paul Hollings said that most Neville Manor residents are Medicaid patients.

Councillor Born posed the example of an elderly person who has lived in Cambridge for five to six years who was leaving the gas stove on and not able to clean herself.

John O'Brien said that today the big issue is the Medicaid admissions criteria. Otherwise the cost for the family is \$140-\$150 per day, and those families may choose a more attractive setting than Neville Manor can provide. Although in the short-term, the demand for nursing home care will go down, the demographics suggest an increased need in the future. However, there may be very different programs. The biggest market in health care is managed care for the elderly, such as Secure Horizons. The for-profit nursing home industry may well not be attracted to urban environments like Cambridge which have higher rates of indigency than the suburbs.

Councillor Born observed that this appears to be similar to the hospital's dilemma: if you don't improve, you die.

Estelle Parsons, Health Policy Board member, stated that this has been a very difficult process for the Health Policy Board.

Councillor Duehay noted that there are some differences from the hospital situation. He noted that there is an over supply of nursing homes. In addition, at the local level, taxpayers cannot make up for the huge cuts in Medicaid. The Neville Manor deficit must be reduced. He asked whether there are other options for the facility, such as senior housing or assisted living quarters.

John O'Brien said that with over 90% of the patients being on Medicaid, their placement would be very difficult.

Councillor Toomey asked about the timeframe for making a decision on Neville Manor.

John O'Brien said that once they have all the information, there will be more internal analysis, with the plan of discussion and decision by the City Council by October or November. The drop dead date would be the end of the year.

Councillor Sullivan stated that there is an increase in the death rate among elderly who are transferred. In addition, he does not believe alternate places can be found for these patients. He added that nursing homes in Cambridge are not in good shape. He would not want to see Neville Manor close.

John O'Brien said that they are trying to look at all the other alternatives for strengthening the bottom line. They are looking at the benefit of Neville Manor as a sub-acute care facility for the Cambridge Hospital, and also at having some beds designated as Medicare Special Needs beds.

Councillor Duehay asked whether, if Cambridge Hospital becomes a public authority,

Neville Manor would be a part of the structure. John O'Brien stated that it would be.

Paul Hollings said that Neville Manor does not discriminate based on payment source, and it also provides a living wage to its employees. These factors make Neville Manor unique.

John O'Brien then proceeded with a short review of the discussion at the previous committee meeting. He noted that in the past week, a for-profit has entered the Massachusetts market, which will speed consolidation.

John O'Brien said that a week ago Cambridge Hospital put a proposal to Somerville Hospital to integrate the two health care services into one integrated community health network. Somerville lost three million dollars in the first six months of this year. St. Elizabeth's is currently affiliated with Somerville Hospital. Cambridge Hospital and Somerville Hospital serve similar populations. He is meeting again with the Somerville Hospital leadership management team next Monday.

John O'Brien noted that there are risks associated with the precarious situation of Somerville Hospital. Massachusetts General Hospital and the Brigham and Women's Hospital (the Partners) are very interested in Somerville Hospital, and Massachusetts General Hospital does not have a history of truly serving urban need in the areas in which it operates.

Mr. O'Brien added that Somerville Hospital is licensed for 150 beds and operates far fewer. This excess capacity means that the Cambridge Hospital can revisit its building plans. Parking is still needed, and ambulatory care facilities must be expanded. But it is not clear that 79,000 square feet of space would be needed if there were an affiliation with Somerville.

John O'Brien stated that he will not know about Somerville Hospital for about three weeks.

Mr. O'Brien said that Cambridge Hospital is also having good discussions with Mount Auburn Hospital. The birth rate is declining and births in Cambridge Hospital are also declining. Mt. Auburn currently has a level two intensive care nursery. However, below a delivery rate of 1500 births a year, a hospital cannot have a level two intensive care nursery. At 500-600 births, Cambridge Hospital should not sustain an independent Ob/Gyn inpatient unit. Somerville Hospital actively has very attractive inpatient facilities one and two bed rooms.

Councillor Duehay noted the challenge presented by the current environment, and asked whether John O'Brien has sufficient staff and consultant help to confront these issues. John O'Brien said that Cambridge Hospital does have the necessary resources. However

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there are huge uncertainties. Medicaid cuts look like they will be in the area of \$150 - \$170 billion. John O'Brien said that Cambridge Hospital needs to become a public authority.

Carol Cerf noted that if Massachusetts General Hospital takes over Somerville Hospital, it will hurt Cambridge Hospital.

Councillor Duehay asked whether Mount Auburn is now ready to move, in light of the threat Massachusetts General Hospital poses to it. John O'Brien said that Mount Auburn is much closer to acting now.

Councillor Toomey asked what the City Council could be doing to be helpful. John O'Brien said that the biggest fear of Somerville Hospital is whether Cambridge Hospital can become a public authority.

Councillor Duehay asked if Cambridge Hospital has a outline of what a public authority will be and what the legislation would look like. John O'Brien said that he can provide one very shortly, because they have just received the proposed Boston legislation. Bob Cooper said that it would be somewhat different from Boston, because in Boston they are planning to become a 501 (c) (3) while Cambridge Hospital would remain public.

Councillor Born asked what the effect on the neighborhood would be.

John O'Brien said that the Cambridge Hospital tax levy as a percentage of total levy has gone down. He would want to assure that the City has control over its asset. Cambridge Hospital would want to see continued tax levy support.

Councillor Born asked about impacts on the quality of life in the immediate neighborhood of a merger and/or a public authority, and whether it would affect the birth center. John O'Brien said that it will not affect the birth center. He also said that there would absolutely be protections for the neighborhood's quality of life. Dr. James Schlosser, Director of Clinical Services, said that mergers present the opportunity for a less intensive use of the present Cambridge Hospital facilities. Councillor Born noted that having all inpatients in Somerville and all ambulatory care in Cambridge could mean more traffic problems for the neighborhood.

Councillor Sullivan asked what services would be in which institutions if all three were to combine in three or four years. John O'Brien said Mount Auburn has enough medical-surgical beds to serve all three communities. Since there needs to be a level two nursery in Cambridge, it makes sense to consolidate Ob/Gyn, probably at Mount Auburn. Basics like primary care and ambulatory care must go on at all three facilities.

Councillor Sullivan asked of Somerville Hospital rooms are all handicapped

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accessible. John O'Brien said that they are not, but they are otherwise in pretty good shape.

Councillor Sullivan noted that Cambridge Hospital utilizes its interest on its capitol funds as a significant part of operating income. John O'Brien acknowledged that this is true. He noted that in addition, Cambridge Hospital has a small debt ratio.

Councillor Sullivan asked about the projected value of the plant after construction. John O'Brien said it would be in excess of \$70 million. Because of depreciation, from an accounting standpoint, the value of present building is not great.

Councillor Sullivan asked about the national rationale being used by Congress. John O'Brien said that government is just walking away from providing access to care.

Councillor Duehay said that political power has shifted to the suburbs, and suburban residents have insurance. Urban residents do not vote in quantities sufficient to impact this stuff.

Bob Cooper said that the present costs of health care are not sustainable. John O'Brien said that it appears that in the next seven years, things will just get worse.

Councillor Duehay said that it is necessary to look at having a public authority as soon as possible. Councillor Toomey agreed. John O'Brien stated that it would be useful to have a statement of support from the City Council.

Councillor Sullivan suggested that John O'Brien meet with each City Council member. Councillor Toomey requested that John O'Brien meet with all members individually as soon as possible. John O'Brien agreed to do so.

John O'Brien then turned the discussion to an overview of Medicaid and the Department of Medical Security Program. Mr. O'Brien introduced Bob Cooper to describe the new program Cambridge Hospital is initiating.

Mr. Cooper said that 55% of Cambridge Hospital revenue comes from uncompensated care and Medicaid. Cambridge Hospital has worked with the state to develop a health care plan for Medicaid. Cambridge Hospital is proposing to be an HMO to manage health care for 15-20,000 Medicaid patients. The necessary legislation has not been passed yet; it is at the State Legislature now. Cambridge Hospital will begin August 1 with a preliminary effort of enrolling uninsured patients in a health care plan. Right now, payment will be on the regular fee-for-services basis.

Councillor Duehay asked whether the plan is available for insured people as well. Mr. Cooper said that some work with the Insurance Commission is necessary to enable this

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availability. He said that the plan will start with patients who have no insurance and have income of no more than 200% of the federal poverty-line incomes. Committee Minutes


Councillor Duehay asked to see any written material pertaining to this project.

Councillor Sullivan asked whether combining with Somerville Hospital would increase rates because the number of indigent patients would be increased. John O'Brien and Bob Cooper both acknowledged that this is an important question.

Councillor Born asked whether there would be a residency or citizenship requirement for the new program. John O'Brien said that there will not be a residency requirement, and they need to work to ensure there is not a citizenship requirement because they currently serve undocumented noncitizens and are reimbursed from the free care pool.

Councillor Toomey thanked all those present for their attendance. The meeting was adjourned at 12 noon.

For the Committee


Timothy J. Toomey, Jr. Chair

1.

Committee Reports

S-228

Report from the Health and Hospital
Committee regarding to continue discussions
of changes in the health care environment
and the impact of these changes on the
Cambridge Hospital and its building plans.

In City Council,

June 26, 1995

*Report accepted
Placed on file*