



The Cambridge Hospital

1493 Cambridge Street, Cambridge, Massachusetts 02139 (617) 498-1000



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OFFICE OF THE CITY MANAGER

April 14, 1997

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

Dear Mr. Healy,

I am writing in response to City Council Order #018, dated March 24, 1997 regarding the future of Neville Manor. As you know, Neville Manor, the 179 bed nursing home located on Fresh Pond in West Cambridge, has been meeting the needs of Cambridge residents since its inception in 1779 as a Poor House. The current building was erected in 1928, renovated and converted to a nursing home in 1975, and brought into the Cambridge Hospital Network in 1990.

In recent years, Neville Manor has developed an excellent reputation for the quality of care provided by the employees. Most noteworthy was the first deficiency-free Department of Public Health survey in Neville Manor's history this past December - a feat achieved by fewer than 15% of the state's nursing homes each year.

During these last few years, Neville Manor has also incurred large and growing financial deficits. In Fiscal Year 1996, Neville Manor experienced a deficit of \$2.3 million. In FY 97, we expect a deficit of about \$2.7 million. Absent significant changes the deficit will continue to grow.

The reason we are experiencing such a large deficit is largely the result of a wage and benefit package for employees that far exceeds what is paid by other nursing homes. In today's increasingly competitive and cost conscious health care market, Medicaid, Medicare, and other payors will not reimburse Neville Manor for these costs if they can pay significantly less for the same services elsewhere.

If Neville Manor's deficit is not eliminated, it will threaten the provision of services throughout the Commission - as Neville Manor will be using financial resources that could be spent to meet the needs of far more people in other programs.

In addition to the financial problems, Neville Manor has an old and uncompetitive building, with 3 and 4 bed rooms, an awkward layout, bathrooms without sinks, and limited communal space.

Neville Manor is also providing a service which no longer best meets the needs of the elderly and disabled. In the past ten years, there has been an increase in the number of options for older people, such as assisted living, hospice, home health, adult foster care, specialized care units, etc. It is now becoming increasingly difficult to keep the beds at Neville Manor filled. We have experienced high numbers of empty beds on several occasions over the past three years.

We determined that our best course of action to address these mounting problems was to seek outside help. In December, we released a Request for Proposals, in which we asked organizations and companies who specialize in health care, housing, and services for the elderly to submit proposals for what to do about Neville Manor's future.

We received eight responses, which contained a wide range of proposals. We narrowed this list down to the four proposals which we believe are the most credible, and then focused our efforts on two of these proposals. After extensive review by our RFP Review Committee, we have now determined that our best course of action is to enter into negotiations with the one respondent who we believe to have submitted the proposal which best meets the needs of the residents of Cambridge.

That proposal was a collaboration between a number of organizations and was headed up by The Cambridge Housing Authority (CHA). Other partners in the submission include CASCAP, a Cambridge based not-for-profit that develops housing and related services for elders and people with disabilities; Affirmative Investments, Inc. a development and financial consulting firm specializing in affordable housing, assisted living, and supportive services; and Prism Health Group, Inc., a Boston-based company which manages and provides postacute services across the healthcare continuum to the elderly and chronically ill.

The CHA proposal calls for the establishment of a not-for-profit organization to lease the current buildings and own and manage a new not-for-profit business consisting of 80-100 nursing home beds, mixed income assisted living, and adult day health. The proposal calls for renovating the existing building with the addition of a small amount of new space. The annual deficit would be erased under this proposal.

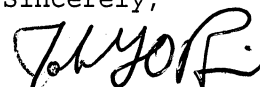
We believe that this proposal meets the needs of Cambridge elders by continuing to provide nursing home beds on the site, and by providing assisted living for a many low income residents, a group whose needs are generally not met in the Assisted Living market. With the addition of an adult day health program, and a specializing on Alzheimer's care throughout the three programs, the new community will provide a true continuum of care.

While we are attempting to negotiate a contract with Cambridge Housing Authority, we will be meeting with the Local 195 and Massachusetts Nurses Association unions to negotiate plans to soften the impact of the proposed changes on the employees. We expect to have resolved these issues prior to the signing of a contract with the Cambridge Housing Authority. It is our goal to achieve these changes with respect for the excellent work the employees are doing and have done in caring for Neville Manor's residents, and also with a minimum of disruption to the Commission as a whole.

We believe the plan outlined above will have as little disruption as possible for the residents of Neville Manor. By maintaining a large number of nursing home beds at Neville Manor, we will be able to allow many current residents to stay at Neville Manor. Other beds will be emptied through attrition, and for the few residents who may have to leave, we will work with them to find the most appropriate setting to meet their needs.

Our expectation is to conclude negotiations and have a signed contract in place by the end of June. At that time, we will begin to implement the changes as outlined in the CHA proposal. We look forward to providing you with regular updates as this process progresses.

Sincerely,



John G. O'Brien
Chief Executive Officer

cc: Cambridge Public Health Commission



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
FAX. 349-4307



EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

April 28, 1997

To The Honorable, The City Council:

In response to Awaiting Report Item Number 13, regarding future plans for Neville Manor, please find attached a report submitted by John O'Brien, Chief Executive Officer, The Cambridge Hospital.

Very truly yours,

Robert W. Healy
City Manager

RWH/dls

Consent Agenda #132

5-222

Relative to Awaiting Report Item Number
Thirteen, regarding future plans for
Neville Manor.

In City Council April 28, 1997

Referred to
Health and Hospitals
Committee Hearing

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