MINUTES **JANUARY 21, 2012**

The Board of Chosen Freeholders of the County of Warren met in Budget Session in its offices in the Wayne Dumont, Jr. Administration Building, Belvidere, New Jersey on January 21, 2012 at 9:01 a.m.

The meeting was called to order by Director Chamberlain and upon roll call, the following members were present: Freeholder Everett Chamberlain, and Freeholder Jason Sarnoski. Freeholder Richard Gardner was said to be on his way. Also attending were CFO Charles Houck, Fiscal Analyst Dan Olshefski and County Administrator Steve Marvin.

The Pledge of Allegiance was led by Director Chamberlain.

Director Chamberlain read the following statement: **"ADEQUATE NOTICE OF THIS MEETING OF *JANUARY 21, 2012* WAS GIVEN IN ACCORDANCE WITH THE OPEN PUBLIC MEETINGS ACT BY FORWARDING A SCHEDULE OF REGULAR MEETINGS OF THE BOARD OF CHOSEN FREEHOLDERS TO THE WARREN COUNTY CLERK, THE STAR-LEDGER, AND DAILY RECORD AND BY POSTING A COPY THEREOF ON THE BULLETIN BOARD IN THE OFFICE OF THE BOARD OF CHOSEN FREEHOLDERS. FORMAL ACTION MAY BE TAKEN BY THE BOARD OF CHOSEN FREEHOLDERS AT THIS MEETING. PUBLIC PARTICIPATION IS ENCOURAGED. IN ORDER TO ASSURE FULL PUBLIC PARTICIPATION, THOSE INDIVIDUALS WITH DISABILITIES WHO WISH TO ATTEND THE MEETING SHOULD SUBMIT ANY REQUESTS FOR SPECIAL ACCOMMODATION ONE WEEK IN ADVANCE."**

Mr. Gardner arrived and joined the meeting at 9:09 a.m.

Laura Decker, Administrator of Warren Haven Nursing Home, thanked the Freeholders for the opportunity to speak with them and distributed some data to the Board Members. She said these are challenging and changing times in government and in healthcare. Some changes were initiated before the economic downturn; some as a result of it. Global Options Medicaid was put in place 10 years ago and the full impact is now being felt. The guidelines allow people to stay in their homes longer. The result is that by the time patients reach Warren Haven, they are sicker and die sooner. Some residents are private-pay, but about 80 percent are on Medicaid.

To qualify for Medicaid, they have to go through a process and submit financial records going back five years. Part of the reason residency is down is attributable to the poor economy since people cannot or will not sell their homes at current market value to qualify for Medicaid. Medicare (A) cases are associated with a higher reimbursement rate, but those clients don't stay as long. Ms. Decker referred to one of her handouts that illustrated revenues by year going back to 2008. Medicare reimbursements have increased by $1 million over that time period. Ms. Decker was proud of that and she and her team have been trying to grow that part of the business over the last two years.

The rest of the picture isn't quite so rosy, Ms. Decker said. She cited the reduction in Medicaid reimbursement rate for State Fiscal Year 2012, down to $214.87 per bed per day (a six percent decrease). Mr. Olshefski said the gap between revenue and expenses will continue to widen.

"Given the economic climate and the unknown impact of healthcare reform, the restructuring of funding sources, changing customer preference, it is our belief that there is a need for a very serious discussion regarding the strategic plan for Warren Haven. With the changes impacting our field with ever-increasing intensity, clearly, it is time to engage in active commitment to revise old approaches and devise new strategies," Ms. Decker said.

After assessing short and long-term trends and thoughtful considerations of the consequences of inaction, the administrative team of Warren Haven wanted to put forth several strategies to assure the sustainment and fulfillment of its mission. Ms. Decker then presented the following three ideas:

1. Continue with our present operation though the occupancy rate is not expected to exceed 90 percent. This trend is not unique to Warren Haven and other facilities have reported the necessity of laying off staff due to reduced occupancy rates. It is becoming more difficult to compete for private pay dollars as the physical plant ages. Private rooms are preferable to today's clientele.

2. Seriously give consideration to contracting out the hospitality services (dietary, housekeeping and laundry). The projected cost savings of this is dramatic, but to effectively research, evaluate and implement this process, Ms. Decker and her team recommended such changes not take place until 2013. This option would have the least impact on resident care and would affect the fewest number of jobs.

3. Consideration could be given to reducing the number of beds. This would allow for renovating semi-private rooms into private rooms in keeping with current consumer demand trends. This would in turn, reduce the level of staffing required, lowering the S&W and O.E. by 40-50 percent. Sale of the licenses for the remaining 84 beds could offset the expenses of renovations. Increasing the number of private pay residents would compensate for Medicaid recipients.

Further clarification of the way beds are licensed by the State of New Jersey was provided. A bed license is a marketable commodity.

Returning to the current overall budget picture, Mr. Marvin made reference to the ongoing Peer Grouping controversy. One division of DHSS insists that part of the Medicaid revenue is to be taken out of the nursing home and used in the community, but another division of that same department says that program has been stopped. Mr. Olshefski added that it's going to be hard to predict how the rate will be affected come July when all long-term care may be converted to "managed care" or HMOs, pending federal approval.

The healthcare industry is very changeable. Mr. Marvin noted a lobbying effort by NJAC on behalf of all County nursing homes for better reimbursement rates, but it didn't seem very hopeful.

Warren Haven's capital projects were then discussed. Mr. Chamberlain inquired about a requested washing machine since the County purchased one last year. Ms. Decker said the facility has four washers that do an average of 2,500 pounds of laundry each day. Last year, the 250 lb. machine was replaced. This year, they want to replace the 135 lb. washer. It is

more than 19 years old and the company that built it is out of business. Mr. Chamberlain wondered if it could last another year. He was told that once it breaks down again, it's gone for good and it is too vital to do without since it is such a large capacity machine.

Of the 11 items on the capital projects list, two of the items were not being accounted for in the 2012 Budget: the elevator that broke down recently and had to be replaced on an emergent basis and requested renovations to the 1976 building. Of the remaining nine requests, Mr.

Chamberlain wanted to know what could wait until next year. The panel from Warren Haven maintained everything on this list was needed presently. The Safe Patient Handling Act was discussed along with the need for a bariatric lift even though one was purchased last year.

Regarding the three proposals presented, Mr. Olshefski asked Ms. Decker which she thought was the best option. She said, “There has to be some real conversation about it” and there are a lot of things to consider. She deferred to her assistant, Rob Hemenway, who said if it were his decision, he would decrease the number of beds.

Mr. Sarnoski said the first option, to continue business as usual, is neither possible nor sustainable. The suggestion to reduce the number of beds is effectually privatization and Mr. Sarnoski thought that if in the future we reach a real turning point with Warren Haven, it would then be a less marketable facility. In his view, that wasn’t the best thing to do. Mr. Hemenway said the population prefers private rooms. There are currently about 12 private rooms in Warren Haven.

Contracting hospitality was an option Mr. Sarnoski thought had to be considered, even perhaps in combination with reducing beds. That may not even be enough. Mr. Sarnoski didn’t expect the revenue picture to get any better for government-run nursing homes. Mr. Gardner asked how many employees are on staff for the three hospitality units. Ms. Decker said about 76. Mr. Marvin said even if the Board was willing to pursue that avenue; it’s not going to help with the 2012 Budget since the process takes many months.

Mr. Chamberlain wanted to see a business plan with more specifics. Mr. Marvin said the team could put together a business plan on the expense side without much difficulty. “It is virtually impossible for them to put together a revenue projection because we are entirely dependent on decisions that are out of our control; we have no influence over the rate setting,” said Mr. Marvin.

Ms. Decker said legislation that’s been passed is not being followed. “There’s no rhyme or reason to what is happening in Trenton today and there’s nothing we can do about it.” Regarding an expense plan, Ms. Decker asked if she was being given authority to seek bids. She was told no; she would have to rely on best estimates. The bidding process would have to be authorized by the Freeholders.

Mr. Olshefski said he thought the matter was obvious. In January of 2011, the reimbursement rate was $231. Now, it’s $214. The rates are going down, the revenue is decreasing. We can argue the specifics all day, but the trend is obvious.

There was further discussion regarding occupancy rates in Passaic and Sussex Counties; reducing the number of beds in Warren Haven; Medicaid reimbursement and waiting list procedures.

Mr. Chamberlain reiterated that he wanted to see a business plan for the nursing home going out 5-10 years that takes into account possible changes, different management scenarios, etc. If a business plan is to be put together, Mr. Sarnoski requested that it include an analysis of bed reduction. There has to be a curve; there has to be a point of diminishing return. “If this is something we’re talking about doing, where is that point we want to do it?”

Mr. Marvin said they can do a 5 year business plan on the expense side, but only a one year plan on the revenue side. There is no way of knowing what’s going to happen with reimbursement rates set by the State.

This portion of the meeting concluded at 10:30 a.m. and the group took a short break.

Next to come before the Board were Human Services Director Karen Kubert, Fiscal Officer Kim Francisco and other division directors.

There were no questions on the budget for the Division of the Adjuster. Aging and Disability Services was next. There were no requested increases in the Nutrition Program, but they were seeking to reorganize and optimistically planned to save $100,000 annually. Mr. Chamberlain pointed out that usage at the Senior Centers was down by 50 percent. Do we need all those centers?

Ms. Kubert said she thought the number of Nutrition sites could be reduced down to three Senior Centers (there's a difference between the two). There is an effort to change the perception that one only goes to such sites to get a meal. A grant had been awarded and is still being put toward services seniors are saying they want which is activities rather than food.

Susan Lennon, Director of the Aging & Disability Services Division, came forward to address the more detailed questions. She said when she came to the County 18 years ago; the Freeholders funded the program to the tune of $700,000. Over the years, the total cost to run the Nutrition Program has been cut in half. Participation at the sites has gone down in recent years since people are younger and are still working. This trend is not unique to Warren County. It's the same throughout the State. Participation in the Home Delivered Meals Programs has remained constant and cost neutral. Ms. Lennon said we have to conduct health promotion and chronic disease prevention programs at regionally located senior centers.

Whether or not five centers are needed in the county was discussed. Phillipsburg already runs its own senior center a couple of blocks away from the County's. Ms. Lennon said she wanted to help them run their programs with financial support through her division's Area Plan Grants. Mr. Chamberlain wondered why not do the same thing in Hackettstown? Let the local people run the center as they see fit with our assistance. He said he could see more savings in partnering with private nonprofits and running that type of model. He thought costs could be cut in half. Ms. Lennon said the Phillipsburg model was still being

developed. She needed more time to proliferate that model and then move on to see how it can be done in Hackettstown.

Ms. Lennon had said earlier that they were looking at a business plan to charge people that can afford it for meals. Mr. Marvin said that sounds like means testing which we are not supposed to be allowed to do. Ms. Lennon said we are allowed to target and the State is relaxing its stance on that. We are allowed to ask for donations. In the Meals at Home Program, a statement, not an invoice, is sent to all users stating the value of the service they received. They are asked to send as much as they can or nothing at all. Sixty percent of those people pay in full; 40 percent don't send anything. "That's how we make the program cost neutral," Ms. Lennon said.

To review, Mr. Chamberlain said we're looking at a possible reduction in the program this year and next year, possibly changing some things around to meet the needs of the people through more community-based programs rather than a County-run program resulting in additional savings. Ms. Kubert agreed that was accurate. She also pointed out that a position of part-time social worker had been approved last year, but during the year, they reorganized and did not fill the post. It can be eliminated now.

The next budget to be discussed was Temporary Assistance and Social Services (TASS). Mr. Francisco said we've held the line on operations even though the caseload is increasing. Mr. Chamberlain preferred to view more of a "cost center" budget to see what is the actual cost to Warren County taxpayers. He asked where savings could be realized and how hard it is to obtain benefits from Warren County as opposed to other areas.

Ms. Kubert and TASS Division Director Lorraine Scheibener said they thought it was harder to get benefits here in Warren County. Ms. Kubert attends all the Fair Hearings and caseworkers are now asking for more verification. Mr. Francisco thought the caseload has not peaked yet; as unemployment benefits run out for people, they will then turn to TASS.

Ms. Scheibener reviewed some detailed statistics on the program's various subdivisions. It was noted that the State is making an effort to get more children and seniors on food stamps.

The Division of Administration was examined next. No increases in O.E. were requested. There was a capital request for two paratransit vehicles, but with respect to the County's overall budget challenges, the division is willing to make do with just one, saving $90,000. "Good idea," said Mr. Chamberlain. A five percent merit increase is being requested for one employee who has been doing a good job and taking on extra duties. The increase would amount to about $2,600. "We're actually trying to avoid a desk audit," Ms. Kubert said. An answer was not given. Traditionally, all position requests are evaluated together toward the end of the budget process.

Mr. Marvin inquired about the decline in casino revenues and the impact on transportation programs. Ms. Kubert said while casino revenues aren't good, other funding sources have increased and the maintenance agreement in place with Easton Coach has been saving money. Mr. Marvin asked about the gap between revenue and expenses in the transportation program in County dollars. Mr. Francisco said about $200,000 plus. Mr.

Chamberlain wanted to see a cost center budget on this program as well. The entire program costs about $1.6 million and that does not include fuel expenses. Ms. Kubert said they were working on a medical transportation plan that could potentially increase revenue by $15,000-$18,000 per month, but it was too premature to present today.

In terms of funding granted to outside agencies, Mr. Chamberlain asked if cuts could be made there. Mr. Francisco said no. In 2009, we were cut $237,000 and we took a hard look at the programs and are only funding what we consider essential services as determined by the department along with its advisory boards. Mr. Chamberlain wanted to know which services were mandated. None are actually mandated by law, but some involve matching grants which Ms. Kubert does consider mandatory. These services are a safety net for people and work to keep people out of institutions.

Further discussion ensued regarding the transportation program.

Mr. Gardner asked if any of the money devoted to substance abuse could be recouped later from the family. Deputy Director Shawn Buskirk said the program is for indigent people who have no health insurance, but substance abuse is not covered under most health insurance plans. Efforts are made to reach out to the families if they did have another payer source such as Medicaid. Users as young as 12 years of age have received treatment. If the parents can pay, they are certainly asked to do so.

Ms. Kubert raised the issue of managed care again. It was discussed earlier in the context of Warren Haven and is making its way to community care. Managed care is when the State will take over who they're going to fund and what they're going to fund, according to Ms. Kubert. The State will make all the decisions and contract with an agency. This is currently happening with children's mental health services. It is expected that substance abuse and mental health will be next. She predicted the State will only fund the "deep end", really severely disturbed people, not care about the rest and leave it up to the counties.

Mr. Marvin asked about the financial impact of involuntary outpatient commitment. She couldn't determine the financial impact, but she thought the entire concept was wrong.

Included in the budget is $80,000 to be paid to Morris County for a bed to be available in a youth shelter in the event of a Judge ruling that a child is to be removed from his or her family. Ms. Kubert said she would explore getting the amount reduced.

Mr. Sarnoski thanked the group for working with the Freeholders to reduce some of the costs. This is a very sensitive and difficult area and he appreciated all the effort. The guests were then excused.

Mr. Chamberlain wanted to examine capital projects next. He had gone over things with Mr. Olshefski and thought about $900,000 could be removed from that portion of the budget. Mr. Houck said that may create a problem in terms of the CAP calculation. Mr. Chamberlain noted positions will be abolished; Aging & Disability Services were hoping to save $100,000 and he was also interested in looking at vehicles. Prosecutor's Office personnel using County vehicles were supposed to be cutting back on their mileage, but that hasn't come to pass. He thought there were opportunities for savings in Human Services; he

looked forward to Warren Haven's business plan and beyond that, look at other departments. "If we can keep reducing County government through attrition, people don't get hurt and we're shrinking the size of government, I think that's the way we ought to go," said Mr. Chamberlain.

Mr. Gardner was interested to know what the consequences would be if Human Services were no longer supported by County dollars. Ms. Kubert said people will go to emergency rooms and institutions. "It's a hidden cost," she said. There was some further debate on this topic.

Mr. Marvin suggested Public Works Departments to be invited to attend the next Budget Session since there was a desire to delve into capital requests. Mr. Sarnoski wondered if the Projects Committee should be included in the discussion as well, but he was told that there were no such funds in the budget. This is just maintenance capital for regular business routines.

The Board talked about the state of the economy in general and the fact that it hasn't turned around more quickly; equalized property values and the Highlands Act.

On motion by Mr. Gardner, seconded by Mr. Sarnoski, and there being no further business to come before the Board at this time, the meeting was adjourned at 11:59 a.m.
Recorded Vote: Mr. Sarnoski yes, Mr. Gardner yes, Mr. Chamberlain yes

ATTESTED TO:

Steve Marvin, Clerk of the Board