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 19, 2013 at 9:06 a.m.

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

The Pledge of Allegiance was led by Director Sarnoski.

Director Sarnoski read the following statement: **"ADEQUATE NOTICE OF THIS MEETING OF *JANUARY 19, 2013* 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. Sarnoski said today we are discussing Warren Haven's budget matters. He gave Mr. Olshefski and Mr. Houck an opportunity to provide a fiscal overview, but they said they had nothing new.

Warren Haven Administrator Laura Decker was then invited to come forward. She distributed packets to everyone on the dais and thanked both the Board and her management team for participating in this discussion. She said it's been a busy year and there have been some dramatic changes. Ms. Decker began with the Capital requests. Three projects: replacement windows, resident room renovations and radio and base station replacement were removed from this year's initial request though the windows and renovations have been requested each year since 2004. The estimated cost of the three projects totaled more than $1.2 million. Mr. Marvin thought the $3,500 radio replacement could be worked into Public Safety's upgrade budget and suggested Ms. Decker speak to Frank Wheatley about it. An A/C replacement project was cut in half from $60,000 to $30,000.

Ten line items remained on the list of capital projects for the facility in the current year. Director of Nursing Joanne Ward provided specifics on the necessity for replacement beds and sit-to-stands followed by Maintenance Superintendent Joe Steele expanding on the rest of the items. After some discussion, only two of the requests remained unauthorized: engineering and replacement of a hot water storage system and the second phase of kitchen HVAC. Mr. Olshefski said no money was in the budget for the $160,000 hot water storage system and while $171,000 was encumbered for the kitchen HVAC, it was earmarked for Phase One.

Mr. Smith had examined the hot water tanks currently in use and thought they looked good. If they're glass lined and producing no sludge, he wasn't sure it was necessary to replace them yet. Mr. Steele said the current system is 21 years old and the prices of replacement parts are "scary". He thought it better to plan for this now as opposed to having to do it on an emergent basis. There had been a potential Legionnaire's issue years back that turned out to be negative, but dealing with the scare incurred significant expense. Additionally, the technology is so much more efficient now and the replacement system will take up less space. Both Mr. Sarnoski and Mr. Gardner agreed with Mr. Marvin's suggestion that this be funded for efficiency and safety's sake.

This decision left only the second phase of the kitchen HVAC unfunded. Mr. Sarnoski thought it could be put off until next year due to the lengthy timeframe. The capital portion of the meeting concluded at 9:37 p.m.

Ms. Decker then went over details of declining revenues broken down by source (Medicare, Medicaid, private). None of this was unexpected. Projections for 2012 were fairly close to actual revenues. The Medicaid reimbursement rate is close to what it was back in 2007.

Mr. Smith had some questions regarding the pending impact of the Affordable Care Act. Ms. Decker said it will be another layer of regulation. Instead of dealing with the State for reimbursement, we'll deal with selected insurers. She was emphatic that she did not expect more funding coming from the feds. Mr. Marvin said this same pot of money is being used to keep people out of nursing homes as long as possible.

In terms of costs, Mr. Sarnoski said Ms. Decker is holding the line on expenses extraordinarily well. Ms. Decker noted that the facility's personnel roster has been reduced. Uncontrollable costs (employee medical and pension share) have risen steadily. Pension cost share increased eight-fold since 2005-2006.

Regarding personnel, Ms. Decker had an attendance analysis by division for the Freeholders' review. It tracked sick time, leave without pay, suspensions, family leave (paid and unpaid), Worker's Comp and vacation in lieu of sick time. Most areas were trending in a positive direction with the exception of Worker's Comp. Mr. Gardner noted that Worker's Comp claims are down in other County departments, but it was undisputed that nursing homes are traditionally a high-risk, high-loss environment no matter where they are.

Declining patient occupancy averages were then discussed. The trend can be partially blamed on the poor economy. An elderly family member's Social Security check may be needed to supplement household income or the family is having trouble selling grandma's house and qualifying for Medicaid. Residents are coming in much older and sicker than in the past.

As if all this weren't bad enough, Ms. Decker said, the Managed Care date keeps getting pushed back. It was supposed to have started in July of this year. There is no good news coming from NJAC and Peer Grouping is coming to an end. When we lose Peer Grouping, we're losing services for the public. Lengthy discussion ensued regarding unclear communication of the future

of Peer Grouping which moved from under the Health and Senior Services umbrella to Human Services. It is not possible to formulate a five year plan with so many unknowns.

There is some good news coming out of Warren Haven, however. They conducted a customer satisfaction survey in 2012 for the first time and 95 percent of the families said they would recommend the facility to someone else. Warren Haven's CMS rating was elevated to four stars (out of a possible five) last year. Some new services have been introduced such as respite care and expanded clinical services including intravenous/infusion therapy. Private insurance contracts have been secured and Warren Haven's administrative team has been conducting strategic planning sessions. A marketing plan has been developed as well as plans to diversify revenue streams.

Assistant Administrator Janet Mahoney then came forward to present a marketing plan she deemed budget neutral because she used her own imagination and made a lot of phone calls to put it together. With many unaware that there is no waiting list to be admitted to Warren Haven, Ms. Mahoney detailed ideas and tools she plans to utilize to spread the word.

The new IV/infusion therapy program is very successful and wound care services will be offered within two months. A program integrating nutritional and rehabilitative services for congestive heart failure patients is also in development. All line staff and supervisors are being trained in customer service and realistic census goals have been set. Mr. Sarnoski was encouraging of the marketing plan and asked what the Freeholders could do to help facilitate it. Ms. Mahoney said word of mouth is important. Mr. Sarnoski also wanted to see a website up and running and asked if they had begun working on one with the Public Information Department. Ms. Decker said she had received an e-mail from Art Charlton two days prior.

Their presentation concluded, Mr. Smith asked some questions about Medicare and Medicaid. Mr. Marvin asked whatever became of the Case Mix Index Reimbursement System. Ms. Decker said when the Medicaid budget was cut, they "threw it out the window". This is after the State had us spend a lot of staff development time and money to prepare for it over the course of about 10 years. Warren Haven's presentation and Q&A session concluded at 10:32 a.m.

Mr. Sarnoski shared his thoughts on the big picture. He said bids are still being accepted for contracted services of dietary, housekeeping and laundry at Warren Haven. Any proposals will remain sealed until February 21. As we heard here today, medical and pension share costs have grown considerably and we cannot control that. Every nursing home has contracted out some or all of these services and if they haven't, they've sold the facility. Mr. Sarnoski thought this was a necessary step toward controlling expenses in the future.

Mr. Gardner said healthcare costs have escalated so much, yet County Governments are under a two percent spending CAP. That situation creates more of a burden on us and Warren Haven. He appreciated the dedication of Ms. Decker and the rest of the staff for keeping costs under control and thought the marketing plan was a great tool, but above all is the human element of Warren Haven; of taking care of our own.

Mr. Smith said one of the most difficult parts of the learning curve as a new Freeholder is to grasp an impossible budget scenario. Yet, he wanted to remain optimistic and hoped to find some way to deal with cost controls in the face of declining revenues including tax ratables.

Mr. Sarnoski said I think we have a good plan in place and while we need to give that plan some time to come to fruition, we should also set a parallel path of discovery regarding the value of Warren Haven to the outside community. As he had mentioned before, Mr. Sarnoski said he thought a consulting firm should be brought in to see what the facility could bring if we have to eventually consider privatization. Mr. Sarnoski clearly understood this was a sensitive issue and not pleasant to contemplate, but said it would be a disservice to not attempt to obtain the information.

He suggested bringing in one of the agencies we've become acquainted with through conferences such as NJAC. They would come in free of charge and do revenue and expense projections and the value on the open market. Expense would be incurred only if we go all the way and sell or lease the facility. It doesn't have to be all or nothing. There could be many options within the study. There may be a lot we can do and we should hear what those options are. Mr. Sarnoski suggested inviting Marcus & Millichap to present some options. I don't see any downside to getting more information, he said.

Mr. Gardner said the Board can pursue something like that any time it chooses, but we're on a new path here, he said. There are some reasonable opportunities before us. He didn't want to detract from the positive energy here today and wanted to pursue getting the beds filled. Yet he understood what Mr. Sarnoski was saying. There's nothing wrong with examining options if it doesn't cost anything.

Mr. Sarnoski said regardless of whether the facility is privatized, residents would still be cared for. Mr. Marvin said over the last two years, the counties of Gloucester, Salem, Mercer, Cumberland and Sussex have all sold their nursing homes. Camden is on the cusp and Monmouth is considering selling its two facilities. He wasn't sure about Middlesex or Bergen. The only one hanging on tightly is Passaic. Nobody is closing these facilities.

Mr. Sarnoski said we're not at that point yet, but if we do come to that point, it will be too late to act. We'd be 6-8 months behind in the process. The other thing we have to think about is putting out a capital bonding question for some of these capital improvement projects necessary to maintain the facility.

Mr. Smith said one of the problems is that the County's entire ability to finance itself becomes imperiled if we continue in this direction. He said he was interested in the numbers that will come in from the RFPs for the three divisions. We have to move in a positive direction. We need quantified numbers and still not knowing what the State's plans will be in July is disappointing. It makes it very difficult to plan. Mr. Smith said we have to look at all the options, albeit very reluctantly. Let's see what's out there without spending any money. How is the Sussex County model working out?

Mr. Smith said this is with great reluctance and is no reflection on the staff of Warren Haven. The marketing ideas are great. He hoped we could have all hands on deck to try and turn things around, but right now, he did not see us on a sustainable path. Things are coming to us from upstream that we cannot control; we don't know what the rules of the game are.

Mr. Sarnoski said it was his understanding from Sussex County that if they made a mistake, it was not involving the public early enough. That's another reason to start this process now so we have time to hear public opinion. It was decided to invite representatives from Marcus & Millichap to the Board's first regular meeting in March. This portion of the meeting concluded at 10:55 a.m.

Mr. Marvin suggested including a discussion of insurance matters on the January 30 Budget Session Agenda. It was agreed that John Daly and Mike Grossmann should attend the meeting.

Closing Public Comments

Elaine Reichart of White Township thanked the Board for seeing "the elephant in the room" regarding the financial crisis facing Warren Haven. This is no surprise. She took exception to the assertion that no one can come up with projections. Every business has uncertainty. Someone should be able to come up with a best/worst case scenario to work with.

Ms. Reichart said years ago when there was a County Welfare Board, the administrator came before them with a report on a monthly basis. She suggested the Freeholders reinstate that practice.

As for the marketing plan, Ms. Reichart thought it was coming rather late. What is the competitive landscape? She suspected a lot of competition from other wound centers, etc.

A year ago, former Freeholder Everett Chamberlain requested a five year strategic plan of Warren Haven administration. Ms. Reichart filed an OPRA Request for this plan and found out it doesn't exist. Warren Haven is a Medicaid facility, Ms. Reichart said, and felt that Freeholders were relying on old reports and not getting the information they needed to make decisions.

Press Comments and Questions

Randy Kraft of WFMZ asked to view the documents referred to during the presentation. He was to confer with Mr. Olshefski after the meeting to gain a better understanding of matters discussed.

On motion by Mr. Gardner, seconded by Mr. Smith, and there being no further business to come before the Board at this time, the meeting was adjourned at 11:12 a.m.
Recorded Vote: Mr. Gardner yes, Mr. Smith yes, Mr. Sarnoski yes

ATTESTED TO:

Steve Marvin, Clerk of the Board