Golden Hill Health Care Center
Demographic and Fiscal Issues
Influencing Long-Term Planning

Marshall Beckman
Deputy County Executive
September 21, 2010
Current situation

• Center built in 1971
• 280 residential care beds
• Nearing end of building’s useful life
• Multiple known repair and improvement needs
• History of action-avoidance due to budget pressures
• Legionella detected in January 2010
• $100,000 + in remediation expenses
• Recognition that capital expenses will be increasing and that a comprehensive plan is needed
Publicly operated nursing homes in NYS

• Originally entered nursing home market to fill a service gap
• Higher operating expenses than proprietary and not-for-profit nursing homes
  – Higher salaries and benefits, pension costs
  – Less favorable treatment regarding reimbursement for capital expenses
• Tend to serve long-term care and higher needs populations → less revenue
• Depend upon taxpayer subsidies to offset annual operating deficits
  – Orange County = $18 million
  – Albany County = $18 million
  – GHHCC 2011 subsidy = $4.5 million (Does not include Other Post Employment Benefit costs)
• Medicaid rates are not high enough to offset costs
• No real expectation that there will be a financial bail-out because there is no money available from the state
• Have depended upon government subsidies (Intergovernmental Transfers) to reduce their deficits
  – GHHCC 2011 IGT = $2.1 million
  – IGT is phasing out over next two years
• 8 counties in NYS have closed/sold their nursing homes; 5 are presently studying their options
The GHHCC in our service system

• Tends to serve somewhat more individuals who are
  – Medicaid-eligible
  – Need long-term skilled nursing care
  – Present greater behavioral management problems
  – Have more acute illnesses

• Other nursing homes (proprietary and not-for-profit)
  – Serve more private pay residents
  – Have more modern facilities
  – Provide more rehabilitation services (higher reimbursements)
  – Tend to provide more short-term care
Nursing homes in Ulster County

- 1,099 total residential care beds
- All beds are being used
- Senior population will double by 2030
- Common for out-of-county nursing homes to be used when they are more geographically accessible

<table>
<thead>
<tr>
<th>Facility</th>
<th>Location</th>
<th>Number of Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Hill Health Care Center</td>
<td>Kingston</td>
<td>280</td>
</tr>
<tr>
<td>Hudson Valley Rehabilitation and Extended Care Center</td>
<td>Highland</td>
<td>203</td>
</tr>
<tr>
<td>Northeast Center for Special Care</td>
<td>Lake Katrine</td>
<td>180</td>
</tr>
<tr>
<td>Ten Broeck Commons</td>
<td>Lake Katrine</td>
<td>258</td>
</tr>
<tr>
<td>Mountain View Nursing and Rehabilitation Center</td>
<td>New Paltz</td>
<td>79</td>
</tr>
<tr>
<td>Wingate of Ulster</td>
<td>Highland</td>
<td>99</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1099</td>
</tr>
</tbody>
</table>
Property tax projections

- Combined school, county and town/special district property taxes in Ulster County have increased 29.41% over the last 5 years
- All levels of government have been making budget cuts for the last 10 years, and have run out of simple options
- There are no anticipated new sources of income to offset these rates of increase
- Assuming these rates of increase, and no significant action by government to reduce spending, the overall household property tax bill would increase 34% in 5 years and 85% in 10 years
GHHCC facility prognosis

• Engineering reports updated in 2010
• Major facility systems are within 5 years of useful life
• Safety and code issues = $2.5 million
  • Nurse on-call system
  • Fire alarm system
  • Rooftop HVAC units
  • Elevators
  • Sprinkler system
• Failure of sewage system = $16.1 million
• Existing facility is not conducive to cost-effective operations (layout) and income generation (rehab unit) → These upgrades and repairs would not address these needs
## GHHCC financial issues

<table>
<thead>
<tr>
<th>2010 Budget</th>
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<tbody>
<tr>
<td>Used $2.2 Million from GHHCC Fund</td>
</tr>
<tr>
<td>Balance</td>
</tr>
<tr>
<td>IGT is $2.2 Million</td>
</tr>
<tr>
<td>Medicaid rate did not increase ($177/day)</td>
</tr>
<tr>
<td>County tax levy is $1.2 Million</td>
</tr>
</tbody>
</table>
GHHCC Financial Projections

• Issues that will affect the GHHCC’s operating budget in coming years:
  – Loss of IGT
  – Medicaid rates
  – Salary increases
  – FICA increases
  – Retirement system increases
  – Required capital improvements and repairs
Estimated annual increases GHHCC deficit 2011-2015

<table>
<thead>
<tr>
<th>Deficit Growth/Yr</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Total 5 year</th>
</tr>
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<tr>
<td>Best Case</td>
<td>$937,083</td>
<td>$2,170,976</td>
<td>$2,551,037</td>
<td>$3,577,903</td>
<td>$4,676,475</td>
<td>$13,913,474</td>
</tr>
<tr>
<td>Worst Case</td>
<td>$3,995,014</td>
<td>$6,471,329</td>
<td>$7,873,907</td>
<td>$9,472,559</td>
<td>$10,362,555</td>
<td>$38,175,364</td>
</tr>
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Projected Annual Increase in GHHCC Budget Deficit 2011-2015
Estimated total increases GHHCC deficit 2011-2015

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<th>Total Deficit</th>
<th>2011</th>
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**Projected Increase in GHHCC Total Deficit 2011 - 2015**

The context of this decision for Ulster County

- Volatile Sales Tax revenues
- NYS Legislature facing ongoing budget deficits → funding reductions to local governments and school districts
- Unemployment
- Significant increases in demand for social services entitlements
- Downsizing at all levels of government
- Home mortgage foreclosures
- Taxpayer unwillingness to support continued increases in property taxes
- **Given the fiscal realities, a decision regarding the GHHCC cannot be made without regard for the county government’s and taxpayers’ financial conditions**
Renovation of existing facility

- Projected construction cost = $84.1 million
- Total cost including financing = $122.2 million
- 5 year construction period
- Would force reductions in beds and staffing during renovations
- $9.1 million increase in operating deficit over 5-year construction period
- Will add $16.7 million total (capital + operating losses) over 5 years to budget deficit
Construction of new facility

- Projected construction cost = $71.3 million
- Total cost including financing = $103.6 million
- 2 year construction period
- Residents would remain at existing facility
- Would NOT force reductions in beds and staffing during construction of new facility on other site
- However, emergency repairs to existing facility during construction could increase budget deficit
- Will add $6.5 million over 5 years to budget deficit
Summary

- County-operated nursing homes have higher operating costs than private nursing homes, primarily driven by salaries and benefit packages.
- NYS has partially subsidized these deficits through the IGT, but is phasing it out.
- Counties have been forced to subsidize the balance of these deficits, which will now increase with the elimination of IGT.
- Proprietary and not-for-profit nursing homes have demonstrated they are able to operate without subsidies.
- The GHHCC will require significant capital improvements over the next 5 years, which will increase the budget deficit further.
- Other factors will increase operating deficits for public nursing homes; the GHHCC’s total deficit will grow between $14 and $38 million by 2015, not including major construction projects (renovate existing building or construct new building).
- UC government has been reducing programs and budgets for more than 10 years; there are no easy reductions left to offset the GHHCC’s growing deficit, without eliminating other essential services, of which approximately 2/3 are mandated.
- There are no “silver bullet” revenue solutions that will emerge in coming years to solve government budget problems—reductions in spending are the only option that governments can control.
- Property owners are already overburdened by taxes and are highly resistant to further increases.
- Nationally, home foreclosures are at troubling levels, as are unemployment rates.
- The number of seniors will double over the next 20 years, while their income levels diminish, leaving them unable to support increasing property taxes.
- Property taxes in UC could increase by 85% over the next ten years, unless government action is taken to reduce expenditures.
- If UC decides to renovate or build a new nursing home, the cost to local tax payers over the next 5 years will be an additional $6.5 to $16.8 million during that period, assuming the state is willing and able to reimburse costs are reasonable levels.
- The total cost (deficits + capital) to property owners for the GHHCC over the next 5 years could be as high as $60 million (excluding OPEB).
- Without revenue solutions, and absent the elimination of many other public services, there would be no choice but to pass these costs on to property owners.