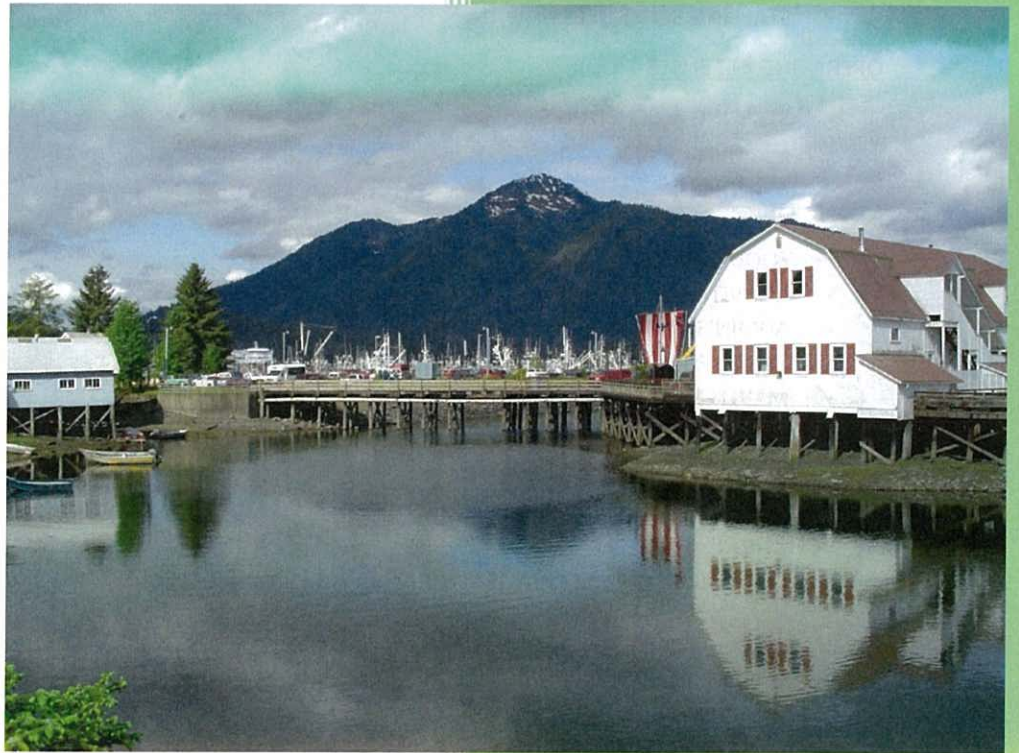


2019

MOUNTAIN VIEW MANOR: An Opportunity Review



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THE FOX GROUP, LLC

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AREAS OF REVIEW: MOUNTAIN VIEW MANOR- PETERSBURG, AK

INCOME

- ✓ MARKETING
- ✓ COMPETITION
- ✓ OCCUPANCY/WAITING LIST
- ✓ RATES

ADMINISTRATIVE MANAGEMENT TOOLS

- ✓ OPERATING BUDGET
- ✓ MONTHLY P & L ANALYSIS
- ✓ BIWEEKLY LABOR REPORT
- ✓ OVERTIME
- ✓ STAFFING SCHEDULES

OPERATING EXPENSES

- ✓ STAFFING & SCHEDULES
 - Nursing
 - Dietary
 - Housekeeping
- ✓ FOOD SERVICE
- ✓ ACTIVITIES/OUTINGS
- ✓ ADMINISTRATION
- ✓ OFFICE FUNCTIONS- A/R, PAYROLL, A/P, RECEPTION/PHONE
- ✓ MAINTENANCE

OTHER HIGH-LEVEL/LONG-TERM CONSIDERATIONS

- ✓ UNION
- ✓ EXPANSION

INTRODUCTION

The FOX GROUP, LLC (TFG) was hired in July, 2019 to conduct an assessment of Mountain View Manor Assisted Living, in Petersburg, Alaska. The purpose of this assessment was to uncover potential opportunities for improving the operational and financial health of the facility. This assessment included an analysis of certain relevant documentation, reports, and facility operating tools along with a 4-day on-site visit to examine and observe current facility conditions and practices.

The review was conducted by Robert Gundling, a Fox Group senior consultant, with over 40 years of senior-management experience in the operations of all types of senior housing and long-term care facilities.

The following report is the result of this review and summarizes the consultant's observations and recommendations.

The TFG consultant's assessment of Mountain View Manor was approached in a very simple fashion- examination of "money coming in and money going out". Every aspect of the operations was examined to uncover any possible areas where recommendations might be made to improve cost-effectiveness or to determine where greater control of expenditures might be needed.

The "money in" portion of the review began with an investigation into current sources of revenues and income by examining census, competition, rates, marketing efforts, and the facility's present market position.

The other side of the equation, "money out", consisted of a detailed review of facility expenses and expenditures including, but not limited to the following:

- Facility Management
- Salaries and Benefits.
- Staffing, Scheduling.
- Food Service and Housekeeping.
- Vendors and Supply Procurement.
- Resident Social and Activity Costs.
- Administrative Staff, Functions, and Costs.
- Capital Expenditures & Plant Maintenance.
- Utilities, and other miscellaneous operating expenditures.

This review looked at not only current costs but further examined management's efforts to institute best practices and most cost-efficient operating policy.

BACKGROUND

The Borough of Petersburg

The Borough of Petersburg is located on the north end of Mitkof Island, where the Wrangell Narrows meets Frederick Sound. Petersburg is halfway between Juneau, 120 miles to the north, and Ketchikan, 110 miles to the south.

According to the United States Census Bureau, the city has a total area of 46.0 square miles, of which, 43.9 square miles of it is land and 2.2 square miles of it (4.74%) is water.

Mitkof Island is largely covered by low mountains. The lowlands are mainly made up of muskeg, a type of soil made up of plants in various states of decomposition. It is approximately 20 miles from its north end to its south. The western side of the island borders the Wrangell Narrows, one of the six listed in Southeast Alaska. The Narrows provides a somewhat protected waterway for boats, and opens on the south end of the island into Sumner Straits. Mitkof Island has many creeks that empty into the Narrows, including Blind Slough, Falls Creek, Twin Creeks, and Spirit Creek.

According to the National Marine Fisheries Service, the town is the 15th-most lucrative fisheries port in the United States by volume. For a brief time during a peak period of the commercial fishing industry, Petersburg was rumored to have the highest per-capita income for a working town in the U.S. Commercial fishing is the dominant economic driver of Petersburg's economy. The top producers harvest well over a million dollars of seafood each and every year. While there is a vibrant salmon troll and gillnet fleet, as well as participants in the Dungeness crab and dive fisheries, the main producers in Petersburg are the 58-foot limit 'seiners'. These 58-footers harvest salmon, halibut, black cod, king, tanner crab, and herring. Many of them travel west to trawl, longline and pot cod in the western Gulf of Alaska and the Bering Sea.

Currently making a comeback in the worldwide salmon markets, the 58-foot fleet now boasts crew jobs that can approach six figures. The sustainability of all commercially harvested resources has been a trademark of the fisheries participated in by Petersburg fishermen. Petersburg Vessel Owners Association, resurrected by Gordon Jensen in the 1980s, is the lead association that ensures that all seafood harvested by the Petersburg fleet is done so in a sustainable manner, consistent with the conservation principles embodied in the state of Alaska constitution.

Petersburg also maintains a large contingent of Bristol Bay fishermen. Over 75 Petersburg residents travel each summer to fish commercially on around 35 Bristol Bay vessels in Naknek, Dillingham and King Salmon.

Source: Wikipedia: Accessed July 10th, 2019

The Senior Population

According to the US Census Bureau's **American Factfinder- Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2018**, the 2018 estimated senior population in Petersburg Borough is 615 persons over age 65 or **19.1%** of the total population. This compares nationally to **16.0%** of population being over the age of 65. Additionally, the median age of the Borough is **43.1** years, nearly 5 years older than the national median age of **38.2** years of age.

The following table provides the US census Bureau senior population estimates for Petersburg Borough for the period 2010 through 2018.

Petersburg Borough, Alaska: Annual Estimates of the Resident Population for Selected Age Groups : April 1, 2010 to July 1, 2018

2018 Population Estimates

Age	April 1, 2010 Census	2011	2012	2013	2014	2015	2016	2017	2018
Under 5 years	227	208	207	217	208	210	219	202	193
5 to 9 years	223	179	179	190	192	194	195	217	209
10 to 14 years	283	239	224	206	192	180	171	163	159
15 to 19 years		206	202	205	191	206	204	198	176
20 to 24 years	202	182	184	186	185	186	179	180	179
25 to 29 years	218	194	197	197	190	193	178	173	185
30 to 34 years	209	195	213	195	205	189	201	199	201
35 to 39 years	215	161	173	191	197	192	214	208	191
40 to 44 years	266	224	208	204	187	181	151	168	182
45 to 49 years	319	235	236	222	211	211	226	224	207
50 to 54 years	347	288	277	263	265	244	228	208	210
55 to 59 years	338	299	297	283	277	269	258	252	253
60 to 64 years	285	249	266	282	262	263	279	270	261
65 to 69 years	190	177	183	186	202	218	233	253	264
70 to 74 years	91	88	99	115	145	157	151	150	153
75 to 79 years	64	44	47	58	57	61	79	91	102
80 to 84 years	54	45	40	43	46	45	41	43	47
85 years and over	39	41	46	50	53	60	63	60	49
65 years and over	438	395	415	452	503	541	567	597	615
85 years and over	39	41	46	50	53	60	63	60	49
Median age (years)	41.5	41.3	41.6	41.8	42.2	42.4	42.4	42.6	43.1

Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, States, Counties and Puerto Rico Commonwealth and Municipios: April 1, 2010 to July 1, 2018

Source: U.S. Census Bureau, Population Division

Release Date: June 2019

As the previous table demonstrate, there is a sizeable senior population in Petersburg with housing and health care needs to be met. Presently, these needs are being met through:

- **Petersburg Medical Center**- consisting of a 12-bed Critical Access Hospital, a 15-bed Skilled Nursing Facility, and a Medical Clinic located on the same property.
- **Mountain View Manor**- owned by the Borough and consisting of Mountain View Manor Elderly Housing, the 24 unit, low-income, HUD-Certified wing of the building and Mountain View Manor Assisted Living Facility, the 20 unit assisted living facility wing that is licensed for 30 assisted living residents.

According to the *American Hospital Directory**, the **Petersburg Medical Center** had annual total of 343 inpatient days in the acute care hospital (an average of 0.9 patients per day), and 5,853 inpatient days in the Skilled Nursing Unit (an average of 16 patients per day) during the most recent Medicare cost reporting period.

At **Mountain View Manor**, not only are the HUD apartments and the assisted living facilities full, but both properties have had a continuous waiting list for the last several years. At the time of the TFG consultant's visit, the Elderly Housing had five (5) persons on its waiting list while the Assisted Living Facility had **28** persons on its list.

As the next two tables illustrate, the estimated population of Petersburg has remained fairly stable since the census of 2010. Interestingly, there are only two (2) more persons estimated

to live in Petersburg in 2018 than there were in 2010. And while total population remains flat, as illustrated in the second table, the percentage of persons over 65 has continued to grow nearly 6.5%. Since the 2010 Census there has been only one real drop in the senior population of the Borough of Petersburg.

Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2018									
Geography	Population Estimate (as of July 1)								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Petersburg Borough, Alaska	3,219	3,254	3,278	3,293	3,265	3,259	3,270	3,259	3,221

Source: US Census Bureau

Annual Estimates of the % Over 65 Population: April 1, 2010 to July 1, 2018									
Geography	Over 65 Percent of Population Estimate (as of July 1)								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Petersburg Borough, Alaska	12.7%	12.9%	13.2%	13.4%	11.4%	12.3%	13.8%	16.7%	19.1%

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates

Taking into consideration this ongoing senior population growth and the facility's lengthy waiting list, it is reasonable to conclude that there is insufficient capacity at the Assisted Living Facility to meet the present needs of the community and it is unlikely that the demand for beds will decrease any time soon.

* The American Hospital Directory® provides data, statistics, and analytics about more than 7,000 hospitals nationwide. AHD.com® hospital information includes both public and private sources such as Medicare claims data, hospital cost reports, and commercial licensors. AHD data is evidence-based and derived from the most definitive sources. Financial data is for hospital cost report period ending 06/30/2018 (HCRIS 640428 - 2010). Medicare IPPS claims data are for federal fiscal year ending 09/30/2018.

“MONEY IN” or INCOME & REVENUES.

Marketing Review

From an operational perspective, when a facility is struggling to be profitable, the first area to examine is the facility's admissions and marketing practices - their revenue generating activities. The first questions are usually if there is a comprehensive marketing plan in place, one which targets potential residents in both the primary and secondary markets, and is it working effectively? Along with additional questions such as:

- Does the facility have designated marketing/admissions personnel?
- If so, are they working with a comprehensive marketing plan?
- Does the administrator participate in marketing to the community?

For Mountain View Manner, there actually is no local competition. Furthermore, the facility is currently “full with a waiting list”. This list, which has been in place for several years, now includes 28 prospective residents waiting for an opening at the Assisted Living Facility and 5 residents waiting for the Elderly Housing.

Upon further investigation, it is quite apparent that a formal marketing program is not needed. The facility and the administrator are highly regarded among the families, residents, and people of the community and word of mouth is the Assisted Living's primary marketing strategy. Afterall, Petersburg is a small community of approximately 3,200 people with a stereotypical, multi-generational, small-town grapevine. It would be difficult to survive a negative reputation and if the facility was not held in good esteem, it is highly likely that there would be no shortage of critics. In Petersburg, word of mouth is the fastest and most effective type of marketing and Mountain View Manor is well thought of in both Petersburg and the surrounding area.

Because it was reported by several sources that Mountain View Manor has an excellent reputation with the area ombudsman, an interview was conducted with Leana Christy, Office of The Long-Term Care Ombudsman, to verify this notion. Ms. Christy has had extensive experience with Mountain View Manor and with all of the surrounding area facilities.

Ms. Christy and the TFG consultant talked for approximately 35 minutes by phone, and Ms. Christy had nothing but positive things to say about Shelyn Bell and Mountain View Manor. She was very complimentary of how Shelyn responded to concerns from families and residents and was particularly impressed with the speed with which the facility addressed any issues or problems brought to their attention. She freely admitted that it was “one of my homes that I enjoy going to” and was one of the easiest facilities for her to visit. Ms. Christy stated that, while

“they have some difficult residents”, it was her observation that most of the residents appeared happy and well cared for and, in her opinion, it is a very caring and pleasant environment. Among Ms. Christy’s other positive comments: the staff are very personable; the handicapped residents enjoy full privileges and participation; and the facility has a very effective suggestion box at the front of the facility.

It is clear that there is currently no need for the added expense of a formal marketing program or marketing personnel. It is likely that such activities would only increase the present waiting list.

Room Rate Review

The second area of review was an examination of daily room rates. Questions such as:

- Are rates competitive with the primary and secondary markets?
- Have private rate increases been assessed annually and by what percentage?
- Can additional rate adjustments be recommended?

The Mountain View Manor Assisted Living Facility currently serves Self-Pay, General Relief, Medicaid Waiver, and most Long-Term Care Insurances. A look at private rates shows the following monthly charges:

PRIVATE/SELF PAY RATES				
Mountain View Manor Assisted Living				
	<u>BASIC LEVEL</u>	<u>LEVEL ONE</u>	<u>LEVEL TWO</u>	<u>LEVEL THREE</u>
RENT	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00
MEALS	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00
SERVICE LEVEL	\$ 4,700.00	\$ 5,050.00	\$ 5,250.00	\$ 5,450.00
	\$ 6,150.00	\$ 6,500.00	\$ 6,700.00	\$ 6,900.00
<i>DOUBLE OCCUPANCY</i>				
FEE	\$ 900.00			

In order to determine the appropriateness of the current facility private rates, and since there are no competitors in Petersburg's primary or secondary markets, rates from several other places within the state of Alaska were compared. These rates were obtained from *Genworth*, a major underwriter of long-term care insurance.

For the past 15 years they have published the *Genworth Annual Cost of Care Survey*. This study is considered a fast and reliable way to obtain accurate information about current average long-term care costs. The most recent study (2018) was utilized for comparison purposes here and that comparison is presented below. As noted, the monthly cost of a one-bedroom private-pay unit in an assisted living facility (not in Anchorage or Fairbanks) is **\$6,110** per month.

COMPARISON: PRIVATE PAY RATES- 2018 GENWORTH ANNUAL COST OF CARE SURVEY				
ASSISTED LIVING: PRIVATE 1-BEDROOM MONTHLY RATE				
National Median	Alaska Median	Anchorage	Fairbanks	Rest of Alaska
\$ 4,000	\$ 6,300	\$ 6,000	\$ 6,750	\$ 6,110
SOURCE: <i>Genworth's</i> ANNUAL COST OF CARE SURVEY 2018				

As demonstrated by the two tables, the monthly BASIC rate at Mountain View Manor Assisted Living (\$6,150) is comparable to the average monthly charge for what is referred to in the *Genworth* study as "Alaska: Rest of State", hence, it does not appear that Mountain View Manor's assisted living rates are out of line with the rest of the state of Alaska.

Shelyn Bell, administrator, reports that she has been consistently doing annual rate increases, of suitable percentages, to remain competitive and to account for inflation and cost increases. In raising rates, the facility tries to be sensitive to families and the market while being cognoscente of the pressure to increase revenues. It appears that proper due diligence proceeds all rate increases.

While the facility currently offers four levels of service classification (Basic Level and Levels 1 thru Level 3) an intriguing idea that Shelyn is considering is the possibility of creating an additional level of service- a Level Four - to encompass the most debilitated and staff-dependent residents with the greatest care needs. This might also be an appropriate level for the most confused residents in the later stages of Alzheimer's and dementia. This is certainly an idea worth further consideration.

*It is **not** recommended that any rate increases take place outside of the current practice. However, it is recommended that Shelyn be encouraged to continue exploring the possibility of adding another level of care (LEVEL FOUR).*

Review of Payor Mix

The next area of consideration for revenue enhancement was the area of resident mix, or the number of residents in each payor class. Naturally, with private pay and insurance clients being the highest contributors to the potential profitability, and Medicaid and General Relief clients being the lower contributors, it is logical for a facility to work to increase the number of self-pay versus the number of Medicaid/General relief residents. However, this sort of tactic must be managed with great care.

Because the facility is owned by the Borough, which is responsible to all members of the community- *not just those able to afford paying privately for care*- it cannot be driven primarily by a strictly *bottom-line* mentality. Those residents, who may eventually exhaust their private financial resources, must be secure in the knowledge that they can remain at this facility if and when they are forced to rely on government assistance, and that they will not be asked to leave when they run out of funds. Accordingly, improving resident mix at Mountain View Manor requires a delicate approach.

It should be noted that at most privately held assisted living facilities throughout the country, the “waiting list” is managed differently. For example, if a prospective resident/family decides that they would like to reserve accommodations for their loved one at a particular facility, they complete some paperwork and *pay a deposit*. Then their loved one is added to the waiting list. This deposit is fully refundable, should circumstances change, or is applied to first month’s rent at move-in. It is not apparent that such a system could or would work in Petersburg and the information is offered, not as a formal recommendation, but merely for consideration.

With that in mind, the next two tables were designed to illustrate the potential of altering resident mix at MVM assisted Living.

The first table shows the revenues generated by the current resident mix and the second tables offers a theoretical example of how revenues might be improved by changing the mix.

The first table, titled *Revenue Mix Comparison: July, 2019*, is based on the actual MVM July, 2019 billing and reflects the current mix of payor sources. As this table illustrates, there are now only 7 private pay residents versus 14 Medicaid, 1 General Relief (Room 107A), and 2 Independent Living (203A &204A) residents.

REVENUE MIX COMPARISON: July, 2019									
<u>Medicaid/GR</u>					<u>Private Pay</u>				
Room Number		Billed July	Medicaid \$158/day	Revised Rate	Room Number		Billed July		
101A		\$ 1,162.85	\$ 4,898.00	\$ 6,060.85	102A		\$ 6,918.00		
103A		\$ 821.00	\$ 4,898.00	\$ 5,719.00	105A		\$ 8,518.00		
103A		\$ 1,364.87	\$ 4,898.00	\$ 6,262.87	105A				
104A		\$ 3,166.00	\$ 4,898.00	\$ 8,064.00	106A		\$ 6,918.00		
107A (1)	\$ 57.90	\$ 368.00	\$ 1,794.90	\$ 2,162.90	108A		\$ 6,918.00		
109A		\$ 1,169.00	\$ 4,898.00	\$ 6,067.00	111A		\$ 6,918.00		
110A		\$ 1,364.00	\$ 4,898.00	\$ 6,262.00	202A		\$ 6,718.00		
112A		\$ 1,155.00	\$ 4,898.00	\$ 6,053.00					
201A	Double Occ	\$ 1,396.00	\$ 4,898.00	\$ 6,294.00		Average	\$ 7,151.33		
203A (3)		\$ 1,528.00		\$ 1,528.00					
204A (3)		\$ 1,528.00		\$ 1,528.00					
205A		\$ 1,016.21	\$ 4,898.00	\$ 5,914.21		Total	\$ 42,908.00		
206A		\$ 1,300.00	\$ 4,898.00	\$ 6,198.00					
206A		\$ 1,672.45		\$ 1,672.45					
207A		\$ 836.00	\$ 4,898.00	\$ 5,734.00					
208A		\$ 1,013.00	\$ 4,898.00	\$ 5,911.00					
	Average	\$ 1,303.77		\$ 5,089.46					
	Total	\$ 20,860.38		\$ 81,431.28					
					TOTAL REVENUE		\$ 124,339.28		

NOTE: Medicaid add-on rate =\$158/day. (1) General Relief (107A) add-on =\$57.90/day. (3) Independent Living

The next table demonstrates revenue enhancement as the number of Medicaid/General Relief residents decrease and the number of Private pay residents increase. There is an approximate \$21,000 positive swing in the monthly revenue when the mix changes from 17 Medicaid/General Relief/Independent residents to only 7 Medicaid Residents. For this example, the actual July, 2019 average monthly rates were used.

RESIDENT MIX: Theoretical Effect of Mix Improvement							
Medicaid/GP/ Independent Census	Avg Medicaid Rate	Medicaid Revenue	Private Census	Avg Private Rate	Private Revenue		Revenue per Month
17	\$ 5,089.46	\$ 86,520.82	7	\$ 7,151.33	\$ 50,059.31		\$ 136,580.13
16	\$ 5,089.46	\$ 81,431.36	8	\$ 7,151.33	\$ 57,210.64		\$ 138,642.00
15	\$ 5,089.46	\$ 76,341.90	9	\$ 7,151.33	\$ 64,361.97		\$ 140,703.87
14	\$ 5,089.46	\$ 71,252.44	10	\$ 7,151.33	\$ 71,513.30		\$ 142,765.74
13	\$ 5,089.46	\$ 66,162.98	11	\$ 7,151.33	\$ 78,664.63		\$ 144,827.61
12	\$ 5,089.46	\$ 61,073.52	12	\$ 7,151.33	\$ 85,815.96		\$ 146,889.48
11	\$ 5,089.46	\$ 55,984.06	13	\$ 7,151.33	\$ 92,967.29		\$ 148,951.35
10	\$ 5,089.46	\$ 50,894.60	14	\$ 7,151.33	\$ 100,118.62		\$ 151,013.22
9	\$ 5,089.46	\$ 45,805.14	15	\$ 7,151.33	\$ 107,269.95		\$ 153,075.09
8	\$ 5,089.46	\$ 40,715.68	16	\$ 7,151.33	\$ 114,421.28		\$ 155,136.96
7	\$ 5,089.46	\$ 35,626.22	17	\$ 7,151.33	\$ 121,572.61		\$ 157,198.83

Note: Average Rates are derives from July, 2019 billing. Medicaid Rate includes General Relief residents.

It is NOT a formal recommendation by The Fox Group, LLC that Mountain View Manor execute this strategy. It is discussed here because the TFG consultant would report this observation to any client seeking to improve profitability. Obviously, in such a small, tight-knit community, it can be foreseen how this approach might encounter a “mine-field” of objections.

“MONEY OUT” or EXPENSES & EXPENSE CONTROLS

Review of Administration

The Fox Group, LLC consultant spent three days working at the facility and interacting with Shelyn Bell, the facility administrator. During that time, the consultant examined every aspect of the facility's operations via discussion with Shelyn: by review of various data, reports, and materials; and by quizzing Shelyn repeatedly on the systems she has put in place to assure quality care and to effectively manage the business.

The review was designed to observe the administrator's knowledge and capabilities and was especially aimed at detecting any “holes” in her systems for monitoring costs and controlling expenses. There is an appropriate annual budget in place, one which Shelyn is thoroughly involved in the creation of. Consequently, she has a sound grasp of “the numbers” and what drives them.

It was clear to the TFG consultant that the administrator has a clear understanding of her role and exerts tight control over her business and responsibilities. During the visit, she demonstrated excellent leadership and worked well with the staff, residents, and families. Furthermore, many of the positive comments from Leana Christy, the area Ombudsman, were cited as a direct reflection of Ms. Bell's abilities.

No Administrator concerns noted or improvement needed.

Food Services Review

Examination of the food services department demonstrated that there are appropriate systems in place for the ordering and pricing of food, as well as procurement of dietary supplies.

There has recently been a change in the management of this department and Tonya Carr, the current head cook and dietary supervisor, has made changes to the way of ordering food which have resulted in better control of pricing. According to Shelyn, by Tonya ordering through FSA (Food Service of America), Costco, and Amazon (free delivery) there have been a positive savings improvement.

While the facility does not offer a true select menu, there were no complaints from the residents heard and the consultant observed the meals appealing and nutritious.

No Dietary concerns noted or suggestions made for improvement.

Activity Department Review

There was always something going on with the residents and appropriate activities were offered throughout the review. Shelyn reported that the activity director also functions part of her shift as a resident assistant. It appears that the facility is utilizing this staff position in highly efficient manner.

The fact that the facility has a van for resident transportation and social outings is of huge benefit to the residents. Many assisted living facilities of this size are unable to afford such transportation and generally have few, if any, resident outings. Fortunately, MVM was able to obtain this vehicle through a grant from the Federal Government.

<i>No concerns or suggestions for improvement of the Activities Department.</i>

Maintenance Department Review

Due to the geographical constraints of Petersburg/Mitkof Island, it is natural that parts, supplies, repairs, and capital improvements are particularly expensive. As a result, expense approvals for repairs and maintenance undergo rigorous scrutiny and careful consideration. Along with the annual facility operating budget there is a capital expenditure process in place so that improvements such as carpet replacement, for example, are considered well in advance.

Because the maintenance person's position is covered under the union agreement, the Administrator and Resident Assistant supervisor will often "triage" maintenance issues, wherever possible, to mitigate the cost of calling the maintenance man to the facility during afterhours or on his day off. These are the only opportunities available to administration for reducing this department's costs.

<i>No concerns or recommendations for improvement of the Maintenance Department.</i>
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Staffing Review

By far, the largest operating expense at any assisted living facility is the cost of employee salaries. In cases where staffing levels are in excess of common industry standards, expense savings can be achieved by cutting back staff to safe, reasonable levels without distressing quality of resident care. If overtime and benefit costs become too expensive, adjustments can be made. However, compared to most of the assisted living industry, Mountain View Manor Assisted Living is in a slightly different position in that the majority of its employees' salaries and benefits are dictated

by a collective bargaining agreement with the Petersburg Municipal Employee Association (PMEA), the union which represents not only Mountain View Manor employees but almost all the borough's employees except elected officials, the Borough Manager, administrative officers of the Borough, temporary employees, and all electric department employees represented by the International Brotherhood of Electrical Workers (IBEW).

While hourly pay rates, wage increases, overtime/sick pay policies, and all other benefits are tightly regulated by the PMEA agreement, the actual **number of staff** members scheduled in each department and for each shift is solely at the discretion of the Borough Manager and the facility Administrator/Director. Subsequently, a review was conducted to make certain that staffing levels at the facility are appropriate and, if not, to make recommendations for adjustments which would result in salary expense savings.

The examination revealed that the current staffing schedules and ratios in place at Mountain View Manor are, in fact, comparable with other facilities in the state of Alaska.

To reach this conclusion, the TFG consultant compared the MVM staffing levels to a November, 2018, in-depth, benchmark, staffing study completed by the Alaska Pioneer Homes, a group of six (6) state owned and operated assisted living facilities. The study, titled ***Staffing Plan + Cost Impact Analysis for the Alaska Pioneer Homes Part 1: Division-level Report***, was prepared for the Alaska Mental Health Trust Authority and the Division of Alaska Pioneer Homes by Agnew Beck Consulting. The report is a thorough and detailed analysis of staffing ratios (levels) in Alaska's assisted living facilities and works well as a tool for use in staffing comparisons.

The resultant table below, titled *Staffing Ratio Comparison*, shows the combined average staffing ratios, by shift, in all six Pioneer homes as well as three (3) other specific assisted living facilities in the State of Alaska. Mountain View Manor Assisted Living is included along with four Skilled Nursing facilities. The average ratios for the four nursing facilities are indicated on the table as "Alaska Nursing Facility Average".

Staffing "ratios" are a measure of the number of direct care staff scheduled to be on duty each shift to care for the number of residents in the facility. Another way of understanding the staff ratio is to divide the number of residents in the facility by the number of direct care staff scheduled on that shift.

For example: **22** residents in house ÷ **3** Resident Assistants Scheduled = a ratio of 7.3 residents per staff member. This means that each direct care giver has 7.3 residents to attend to.

STAFFING RATIO COMPARISON: MOUNTAIN VIEW MANOR				
Facilities	Day Shift	Evening Shift	Night Shift	
<u>Assisted Living Facility Sample</u>				
Pioneer Home Average (all 6 homes)	4.0	5.1	11.6	
Providence Horizon House (main apartments) Assisted Living	7.3	9.7	19.3	
Providence Horizon House (dementia cottages) Assisted Living	4.0	4.0	12.0	
MOUNTAIN VIEW MANOR ASSISTED LIVING	7.3	8.0	11.0	
Other states' Assisted Living Facility Average**	13.0	13.7	18.9	
<u>Skilled Nursing Facility Sample</u>				
Prestige Care & Rehabilitation Center	4.5	4.5	8.2	
Wildflower Court	3.7	3.7	5.6	
Denali Center	2.2	2.2	4.5	
Providence Extended Care	3.2	3.2	6.0	
Alaska Nursing Facility Average*	3.4	3.4	6.1	
* Includes Prestige Care & Rehab, Wildflower Court, Denali Center, and zProvidence Extended Care.				
** Includes information from Colorado, Missouri, New Mexico, Georgia, and Mississippi.				
Source:Staffing Plan + Cost Impact Analysis for the Alaska Pioneer Homes, Part 1: Division-level Report: November 29, 2018				

As the table shows, the staff ratios at MVM are as high as the highest of the three other assisted living facilities and they, are of course, higher than any of the Nursing Facility ratios. *Higher*, in this case, means that each staff member is responsible for the care of more residents. When compared to the "Other states' Assisted Living Facility Average" it is apparent that assisted living facilities in the State of Alaska are more generously staffed with more care givers per patient than the other states surveyed.

As the table makes clear, MVM is staffed appropriately and within state norms. Any reduction in staff at the facility be not only be viewed negatively, but would likely result in reduced quality of care. Staff reductions are not necessary or indicated.

As the Pioneer Homes report explains, their facilities purport to serve a higher level of assisted living than other facilities, such as MVM. They consider themselves to be closer to nursing facilities in the care that they provide.

For example, while the Pioneer Homes continue accept level 1 clients, most residents are level 2 and level 3 (86%) residents. Additionally, 52 percent of their residents are diagnosed with dementia. Medical and functional acuity levels for the Pioneer Home residents fall just below acuity levels typical for skilled nursing facilities. Another example, four percent of Pioneer Home residents use catheters, while this can be as high as 22 percent for residents in a typical skilled nursing facility; less than one percent of Pioneer home residents require ostomy or tracheostomy care, whereas the rates are higher in skilled nursing. Functionally, 53 percent of Pioneer Home residents need an assist of one or two staff for at least one of the activities of daily living and about half of residents are in their chair all or most of the time. The data indicates that level 2 and 3 residents at the Pioneer Homes are higher acuity clients who require assisted living care and likely do not require skilled nursing care. The Pioneer Homes claim that they meet a critical care need for this higher acuity assisted living clientele, which is nearly impossible to meet in the private sector. From the Pioneer Home report:

External Comparison with Industry Peers

We compared the staffing intensity in each home to other facilities in Alaska. Pioneer Homes are licensed as assisted living facilities, however, the Pioneer Homes, similar to other facilities in Alaska such as Providence Horizon House or Marlow Manor, provide a higher level of care than most assisted living facilities. They occupy a regulatory middle ground between assisted living and skilled nursing. Alaska licensing requirements for assisted living facilities do not specify staffing levels or differentiate acuity levels for residents in assisted living.

The Pioneer Homes staffing ratios reflect the higher level of assisted living care the homes provide and are more similar to ratios in nursing facilities than other assisted living homes. On average, the Pioneer Homes are staffed at a ratio of four residents per direct care worker on the day shift, five residents per direct care worker in the evening, and 12 residents per worker at night. The Alaska skilled nursing facility average is roughly 3.4 residents per direct care staff in the day and evening, and eight residents per worker at night. In states that regulate assisted living staffing ratios, the average is closer to 13 residents per direct care worker in the day and evening, and 19 residents per direct care worker at night. The Alaska Pioneer Homes average staffing intensity is closest to Providence Horizon House assisted living dementia cottages with a day and evening resident to staff ratio of four to one.

In this highlighted section, from page 46 of the Pioneer Homes report, we see that the report has laid out some comparisons for both assisted living and skilled nursing facilities within Alaska. It also compares Alaskan assisted living facility to states that do regulate assisted living staffing ratios. Figure 50, page 47, in the Pioneer Home report, was used as the basis for the comparison of MVM staffing ratios with other facilities.

NOTE: In the Staffing Ratio Comparison Table, the ratios at Mountain View Manor Assisted Living are predicated on having three direct care staff scheduled on the day shift. However, as a function of her job, the Activities Coordinator is required to serve as a resident assistant during part of her time. Additionally, there is a Resident Assistant Supervisor in the facility five days a week. If we count 2 hours per day of the activity coordinator's time and half of the RA Supervisor's time in direct care, the staffing ratios change as follows:

STAFFING RATIO COMPARISON: MOUNTAIN VIEW MANOR (revised)				
Facilities	Day Shift	Evening Shift	Night Shift	
<u>Assisted Living Facility Sample</u>				
Pioneer Home Average (all 6 homes)	4.0	5.1	11.6	
Providence Horizon House (main apartments) Assisted Living	7.3	9.7	19.3	
Providence Horizon House (dementia cottages) Assisted Living	4.0	4.0	12.0	
MOUNTAIN VIEW MANOR ASSISTED LIVING	5.2	8.0	11.0	
Other states' Assisted Living Facility Average**	13.0	13.7	18.9	

Once again, it is the opinion of The Fox Group, LLC consultant that there be no changes to the Staffing Ratios currently in place at Mountain View Manor Assisted Living.

No concerns or additional recommendations regarding Staffing or Staff Ratios.

Review of Benefits

Obviously, any discussion of employee benefits is colored by the overarching PMEA union agreement. Nevertheless, it is evident that MVM management is utilizing all appropriate and available steps to control these expenses where possible. Effective overtime double-checks and triple-checks are incorporated into the facility's monitoring systems to minimize the use of overtime. Various recruitment and retention bonus are being experimented with in an effort to reduce vacancies/turnover and the resulting overtime pay.

It is noted on MVM's June 2019 *Statement of Revenues, Expenses, and Changes in Net Assets* (P&L) that benefits costs at MVM Assisted Living represent **40.7%** of salaries and overtime dollars are equivalent to **6.4%** of labor costs. As the next table shows, these numbers are noticeably higher than what The Fox Group, LLC would consider industry norms.

REVIEW OF EMPLOYEE BENEFIT COSTS					
		MVM Per June 2019 P & L		Long Term Care Industry Averages	Variance
Salaries as % of Expenses		53.2%		51% (1)	2.2%
Benefits as % of Wages		40.7%		30% (1)	10.7%
Overtime as % of Wages		6.4%		1.5- 2.0% (1)	4.4%
<u>Petersburg vs. US Rate</u>					
Unemployment		8.4%		3.7%	4.7%
(1) Based on The Fox Group, LLC and industry experience.					

Because of the structure of the government of Petersburg and the scope of employees that are covered by the union, it is impossible to compare MVM Assisted Living to other assisted living facilities. If MVM were a typical health care union assisted living facility, it is likely that benefit costs would be closer to industry standard. In this case, however, industry standards are not applicable.

Additionally, as the next table shows, because of they are under a municipal employee union, MVM's assisted living employees might more appropriately be classified as State & Local Government workers- a category that has historically higher benefit costs than Civilian or Private workers.

Nevertheless, regardless of how they are classified, MVM employee benefits as a percent of wages are still higher than the national rate for all state and local government workers (40.7% Petersburg vs 37.6% Nationally).

NATIONAL FACTS: BENEFITS AS A PERCENT OF WAGES					
EMPLOYER COSTS					
<u>Bureau of Labor Statistics</u>		<u>March 2019*</u>	<u>Employer Cost for Total Compensation</u>		
		<u>Hourly Cost</u>	<u>Salary Portion</u>	<u>Benefit Portion</u>	<u>Benefit %</u>
Civilian Workers		\$ 36.77	\$ 25.22	\$ 11.55	31.4%
Private Workers		\$ 34.49	\$ 24.17	\$ 10.33	30.0%
State and Local Government Workers		\$ 50.89	\$ 31.75	\$ 19.14	37.6%

Source: Bureau of Labor Statistics: * Released June 18, 2019

Other than the employee expense management systems currently in place, there is little else that MVM management can do to reduce benefit costs. These are issues that can only be modified or changed within the structure of the union contract negotiation process.

This observation is the sort that the TFG consultant would report to any client, regardless of the client's union status. It is not intended as a recommendation for action at this time but another area of "food for thought".

<i>There are no formal recommendations regarding Employee Benefits.</i>

FOR FUTURE CONSIDERATION

According to the Alzheimer's Association, there is an expected increase of **37.5%** in the number of persons age 65 and over by the year 2025 in the State of Alaska. The is only one state in the entire United States that is anticipating a greater increase. The State of Arizona is projected to experience a **42.9 %** increase.

From the Alzheimer's Association website:

65+ NUMBER OF PEOPLE AGED 65 AND OLDER WITH ALZHEIMER'S BY AGE*

** Totals may not add due to rounding*

Year	65-74	75-84	85+	TOTAL
2019	1,500	3,600	2,900	8,000
2025	1,900	5,400	4,000	11,000

Estimated percentage change

37.5%

With such daunting growth predicted, it is not difficult to envision a pressing need for more purpose-built memory care facilities to meet the special needs of this population.

During the TFG consultant's visit, he toured the entire property, including the grounds, as well as the Elderly Housing. One purpose of this tour was to determine if there is room for possible future expansion of the Assisted Living facility or opportunity to offer any new services on the site. Expansion of the existing building appears somewhat limited by the location of the fire lane surrounding the building. It would likely be cost prohibitive to re-route this road. Additionally, most, if not all, of the property rests on muskeg, rather than soil, making new construction more problematic and hugely more expensive.

However, there is one section in front of the property, with a pleasantly landscaped area, which could easily be enclosed to create an excellent area for use as a "wandering garden". This area, located in front of the Elderly Housing, could be accessed from the Elderly Housing by way of some reasonable modifications to the building.

As a result, the idea of converting the first floor of Elderly Housing to a purposely-designed memory care/Alzheimer's wing was discussed.

Should the Borough find that this idea warrants further investigation, it is good to keep in mind

that the size of the individual apartments in Elderly Housing are large enough that they could easily be reconfigured to comfortably accommodate *two memory care residents in each one*. There is also enough space that one of the 2-bedroom units that could be taken out of service and be re-designed to be used for dining, and communal social areas for the residents. It is easily conceivable that a very attractive and comfortable, state-of-the- art, 16 or 18-bed memory care unit could be designed to fit in this existing space.

While experience suggests that such a re-purposing would likely be a needed in the community as well as a more profitable use of this space, there are some unanswered questions and anticipated hurdles. Such as:

- Staffing- It is difficult to keep the current facility fully staffed. How much harder would it be to staff 18 more beds? This is, by far, the administrator's primary concern and it is certainly justifiable.
- Construction Costs- Even though most of the costs would be for interior re-model work, would the project be cost-prohibitive?
- Loss of Low- Income Housing – what would be the effect to the town of the loss of low-income beds? Would this be a completely untenable idea for the community? Could these apartments be regained at some other location?

In addition to providing a valuable service for the residents of Petersburg Borough, a purpose-built memory care wing has the potential to deliver significant revenues to the municipality.

According to the website *Senior Advice™*, Alaska has 625 senior care providers, including **16 dementia care** facilities. Costs of Alzheimer's care facilities in Alaska typically range from \$4,915 to \$10,875 monthly, with the average cost running around \$95,700 annually or \$7975 per month. *The nationwide average cost for all 50 states is about \$5,075 per month.*

The Fairbanks metro area has the highest dementia care expenses in Alaska, with prices ranging from \$7,031 per month up to \$13,200 per month and an average yearly cost of approximately \$141,075. The lowest memory care prices in Alaska are in the Anchorage area, where they range between \$1,320 and \$13,613 per month. Here, the median annual expense runs about \$108,900.

Accordingly, and without a formal competitive study of the memory care market in southeast Alaska, it is still possible to project that 18 residents at \$7,975 per month could generate approximately \$143,500 per month for the Assisted Living facility. This idea is presented here for the Borough's thoughtful future consideration.

Based on years of industry-wide experience, particularly in the area of market analysis and feasibility, the TFG Consultant proffers the idea that the Borough of Petersburg consider offering memory care services in a purpose-built setting sometime in the not-too-distant future.

SUMMARY

The senior consultant for The Fox Group, LLC (TFG), spent the period July 15th through July 19th, 2019 in Petersburg, Alaska conducting this review of Mountain View Manor Assisted Living. As stated, the purpose of the review was twofold:

- To examine the facility's practices in the hope of uncovering opportunities for improvement of revenues and profitability.
- To identify areas where operating systems could be improved to realize potential cost savings.
- If nothing else, it was suggested that the consultant might confirm that the facility is managed effectively and that there are no vulnerabilities or red flags. **This is confirmed.**
- The consultant spent many pre-site-visit hours doing research regarding the Borough of Petersburg, in order to get a better sense of the community and time was devoted to reading news clippings and Assembly meeting minutes. Additional, research was done to better understand the city of Petersburg as a distinct health care market. Included was an examination of Petersburg Medical Center principally because Petersburg Medical Center is a Critical Access Hospital (CAH) and faces many of the same dire challenges that all CAH's face.
- A pre-visit phone conference was had with Shelyn Bell, Administrator in order to "meet" her and to get her perspective on the challenges that Mountain View Manor faces.
- During the three days at the facility, many hours were spent interviewing the Administrator as well as gathering information on the management systems now in place. Countless questions, aimed mostly at uncovering weakness in facility practices, were directed at Shelyn, and, without fail, satisfactory responses and explanations were provided. Subsequent review of the systems, as described, showed them to be well designed and effective.
- It is the TFG consultant's opinion that the facility is taking all the appropriate steps to control expenses and that the management is conscientious and focused. There are no further operational or systems recommendations.
- There were two instances where the consultant is compelled to provide some long-term "food for thought" in areas where the Borough might want to consider future action. In

these instances, the ideas are cautiously put forth recognizing that they may not be practical given the nature of the small-town environment or the constraints of the union.

The bottom line is that Mountain View Manor is an exemplary facility, with effective management systems, that has clearly earned its outstanding reputation. There are no recommendations made nor suggested steps to be taken that would noticeably improve the facility's current financial position.

