

2010 ANNUAL REPORT OF THE HEALTH CARE CENTER

MISSION STATEMENT AND SUMMARY OF RESPONSIBILITIES

"The purpose of the Sheboygan County Health Care Center shall be to establish an integrated system of long-term care delivery designed for and dedicated to providing optimal services to its constituents."

The Sheboygan County Health Care Center known as Rocky Knoll Health Care Center is licensed and certified as Skilled Nursing Facility (SNF). Operating under both State and Federal Regulations the Center is certified to provide services under both Medicare A and B, Medicaid and the Veterans Administration Programs. These certifications and license requires that the Health Care Center comply with state administrative codes and federal regulations established to ensure that residents receive quality care.

The responsibility of the Rocky Knoll Health Care Center first and foremost is to provide high quality Skilled Nursing and Health Care Services to the residents of Sheboygan County residing within the Center. To maintain a proactive approach in anticipating the individual needs of each of its residents insuring their health and welfare requirements are being met.

While meeting the health care needs of its residents the Center must also maintain fiscal responsibility to the taxpayers of Sheboygan County and deliver these services in an efficient and cost effective manner. The Center also has a responsibility to maintain a good working relationship with the Health Care Center Committee and other oversight committees as well as members of the County Board and other County Departments.

Finally, the Rocky Knoll Health Care Center has a responsibility to provide and maintain open communications with residents, families, staff and the Citizens of Sheboygan County through accurate and timely correspondence either written or verbal.

GOALS AND OBJECTIVES ACHIEVED IN 2010

Rocky Knoll Health Care Center during 2010 continued the refinements to its operations started the previous year by making leadership changes in the Nursing Services, Accounts Receivables and Billing Departments. These actions, along with substantive enhancements to several major operating systems continued to build upon the improvements achieved last year.

Through extensive staff skills training and the implementation of an Electronic Medical Records System (EMR), the Center was able to significantly increase its daily reimbursement rates under the Resource Utilization Groups (RUGs) payment systems being used by both the Medicare and Medicaid Programs. These newer and higher rates reflect more accurately the services being provided to the residents of the Center.

In the area of operational cost reductions, the Center was very successful on two fronts, starting with being the first County Department to obtain significant wage and benefit concessions from one of its two Collective Bargaining Units, Local 2427 of AFSCME by arriving at a new labor agreement capping wage increases at two percent well below the three percent or higher called for in other labor agreements. Additionally, the Center was able to develop a series of Memorandums of Understanding (MOUs) between the Union and its calling for benefit and operational changes to the contract leading to additional cost savings in the tens of thousands of dollars over the next several years. The second area consists of a thorough review and rebidding of several of the Center's large contractual purchases of goods and services such as Oxygen, Pharmacy and Linen Services.

The Center was successful in developing and bringing online its own Data and Communications Network to support the advanced information technology systems being utilized. This new network has significantly improved performance and productivity while substantially reducing the cost of maintaining operations going forward.

The Operational Assessment and Corrective Strategies Report released by the Administrator in 2008 continues to be the fundamental blueprint for these ongoing efforts. As of the end of the year, many of these strategies had been successfully incorporated into the daily operations of the Center leading to the continued improvement in both the quality of services and financial performance of the Center.

BUDGET STATUS

Since 2007 Rocky Knoll Health Care Center had reduced the required operational tax levy by over \$1.8 million dollars or 47%. Development of the 2010 Budget for Rocky Knoll called for the Tax Levy requirement to again be reduced by another \$222,806 or 11% for 2009. This could only be achieved by ongoing improvements to the Center's cost control measures and further optimizations of Third Party reimbursements despite the still relatively weak economic conditions.

In 2010 the declining state of the economy while offset successfully in 2009 finally hit hard in 2010 on two fronts; lower average daily occupancy and reduced rate funding primarily from the State of Wisconsin for the Medicaid Program. Total revenues were down by \$1,177,242 for the year while Operational Expenses were under budget by \$278,252. The approved 2011 Budget continues to push the Tax Levy down again, this time to \$1,577,970 another \$279,023 or 15% reduction.

ISSUES, CONCERNS, AND CHALLENGES AHEAD

The primary concern moving forward this coming year is again going to be the effects of the economy on the Health Care System and the Acute Care Sector (Hospitals). Fewer elective surgeries, increased insurance deductibles, lost jobs and subsequent insurance coverage have all led to a decrease in the patient flow and lengths of stay.

Both the Medicare and Medicaid Programs, which together account for nearly 78% of the Center's daily occupancy are undergoing significant funding shortages and planned rate reductions.

Labor related costs have long been a major issue in determining the future success or struggles faced by the County owned Center's across the State and are no different here in Sheboygan County. While wages are comparable to the Private Sector, the benefit structure clearly provides the Center with unique challenges. To that end the Center's Management Team has been working non-stop with the Union Leadership of its largest unit to find proactive ways to reduce this cost area without sacrificing the quality of services being provided to the Residents.

GOALS AND OBJECTIVES FOR 2011

- ◆ Improve the Center's capability to reduce the cost of meeting the care needs of Sheboygan County Residents.
- ◆ Work with Bargaining Units to improve collaboration in developing effective cost reduction strategies.
- ◆ Enhance the Clinical Staff's skills set through Education and Testing to improve outcomes and satisfaction.
- ◆ Continue the installation and rollout of the Electronic Medical Record System.
- ◆ Operationalize the Voice Over IP Project.

Respectfully,

Michael J. Taubenheim
Administrator

ROCKY KNOLL HEALTH CARE CENTER

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