

# **Sheboygan County Health Care Centers**

## **FACT SHEET**

**April 2006**

The following informational fact sheet was authorized for distribution by the County Health Care Centers Committee in an effort to help the public become more informed regarding the issues which have led to the increasing tax levy associated with the Health Care Centers over the past several years. Considerable financial pressure on one department, such as is occurring with the Health Care Centers, affects all of the remaining County departments, requiring them to reduce or eliminate programs and services.

Under current law, the Sheboygan County Board cannot increase property taxes more than approximately 3.4% annually. On April 4, 2006, the County Board included two advisory questions on the election ballot in an effort to better gauge community expectations. The referendum questions asked voters if they would allow the Sheboygan County Board to raise property taxes beyond the state-imposed levy caps in order to continue to own and operate two nursing homes. Fifty-seven percent (57%) of the voters said no. Eighty – three percent (83%) of voters also said no to increasing taxes beyond the state levy caps in order to fund all other County departments at appropriate levels.

### **Background**

The County Health Care Centers face a large financial challenge primarily because Medicaid funding rates, which represent their main funding source, have not kept up with increasing expenses, especially for employee wages and benefits.

- The federal Medicaid program is the primary revenue source, funded at 60% by the Federal government and 40% by the State.
- On average, Medicaid reimburses the Health Care Centers \$139 per day for each Medicaid recipient, and on average it costs \$216 per day to take care of these residents.
- 80% of the Health Care Centers residents are Medicaid recipients.
- Over the past 5 years, Medicaid reimbursement has increased only 13% and, in contrast, county employee health insurance costs have gone up 125%.
- Wages and benefits comprise approximately 83% of the Health Care Centers total expenses, and are the largest variable in calculating the daily cost of care.
- 90% of the Health Care Centers employees are represented by labor unions.
- Any changes in wages or benefits must be negotiated between the County and the labor unions.
- It is not a state mandate for county government to own and operate a nursing home.
- Of Wisconsin's 72 Counties, 40 (or 55%) own and operate a nursing home.
- Sheboygan County owns and operates two facilities with a total of 460 nursing home beds, which is the largest number of nursing home beds operated by any county in Wisconsin.
- On average, the fringe benefit package for Health Care Center's employees is 52% of wages, which is more than double what is offered at private not-for-profit and for-profit nursing homes.
- Intergovernmental Transfer Funding (IGT) from the Federal Government to cover Medicaid losses has declined dramatically, from a high of \$8 million in 2002 to a low of \$3.3 million in 2005.

## **Tax Levy Increases**

As a result of state and federal revenue reductions and increasing wages and benefits:

- For 2006, the Health Care Centers budget deficit requires local property taxpayers to fund the operations by contributing \$6,070,295 in property taxes.
- Since 2001, property taxes have increased from \$1,041,685 to \$6,070,295, or 483%, in order to support the two nursing homes. In contrast, over the same period of time, the other County departments combined have received a 14% levy increase, or 2.8% a year.
- Countywide, taxes have gone up \$9,740,236 the past five years, an average of 5% each year. As stated earlier, the fiscal pressures on the Health Care Centers has had negative implications for the remaining 22 county departments and a profound affect on the overall county tax levy.

## **Current Plans Under Way at the Health Care Centers**

Sheboygan County has a plan to continue to serve nursing home residents, but intends to focus more in the future on those individuals that cannot be served by other health care providers.

- In August 2005, the County Board took action to reduce licensed bed capacity at Sunny Ridge from 265 to 125 over an estimated 18 to 36 months following the recommendations of a Citizens Task Force and Gunderson & Graham Healthcare Consultants.
- The plan is to vacate the North portion of the building and explore alternate uses of this space as a revenue-generating source to help support the Health Care Centers operations.
- Rocky Knoll will be closing the 37-bed Intermediate Care Facility for the Mentally Retarded (ICFMR) because of a Federal and State requirement to place the developmentally disabled in the most integrated setting.
- Availability of skilled nursing home beds at Rocky Knoll will increase by 37 when the ICFMR beds are re-licensed.

## **Frequently Asked Questions**

*How much does it cost property taxpayers to support Sunny Ridge and Rocky Knoll?* The total 2006 County property tax levy is \$44.3 million, of which the Health Care Centers now require \$6.1 million to subsidize operations. To put this in perspective, Sheboygan County has 369 residents in its two facilities, and the property tax levy associated with each resident is approximately \$16,451 per year. On a home valued at \$125,000, the County portion of the property tax bill is approximately \$744, of which approximately \$102 is needed for the Health Care Centers.

*If wages and benefits are such an issue, why doesn't the County Board simply reduce them?* 90% of the Health Care Centers employees (469 individuals) are represented by labor unions. About half of those are part-time employees. Currently, the labor contracts require the county to pay 72% of the health insurance premiums for part-time employees working as little as 18 hours per week. Any changes in wages or benefits must be negotiated between and agreed upon by both the County Board and the Labor Unions.

*Where will people go if the private not-for-profit and for-profit facilities are not able to admit them?* The County Health Care Centers will continue to serve those individuals who cannot be served by other health care providers, "the neediest of the needy", the mission of the past, and what is intended to be the mission of the future. At present, incurring higher costs to provide a similar level of service that is provided in other settings is not prudent.

*What will happen if the Health Care Centers tax levy continues to increase?* The county is not required by state statute to provide traditional nursing home services to citizens. However, there are a large number of state-mandated services the county is required to provide. Financial pressures on the Health Care Centers affects all of the remaining County departments, forcing very difficult decisions regarding the current level and scope of services that can be provided County-wide.

*Why hasn't there been consideration for providing assisted living at the Health Care Centers to increase revenue?* There is currently sufficient capacity in privately operated assisted living facilities within Sheboygan County to meet the public's needs in this area. Furthermore, a proposal to add assisted living apartments at Sunny Ridge was considered by the County Board in 1999/2000 and the cost associated with renovating the building was ultimately deemed to be too large.

*Has the County explored the possibility of converting Woodland Village at Rocky Knoll to a Community Based Residential Facility (CBRF)?* Yes. However, State law now prohibits long term institutional care for a person with a developmental disability unless the institution is determined to be the most integrated setting by the courts. Rules and regulations also prohibit the use of State and Federal funding (Medicaid) for a CBRF located in or attached to a nursing home. Additionally, use of the north building at Sunny Ridge for a CBRF for the elderly was also explored. However, there is sufficient capacity in privately operated CBRFs in Sheboygan County to serve the public's needs.

*Why is it that the private sector is able to make a profit when the County is losing millions of dollars?* The private not-for-profit and for-profit facilities are generally more responsive to market conditions and benefit from a higher percentage of private pay residents. In addition, the benefit structure of County employees is such that it is substantially more costly than the private sector to provide nursing home care.

*Are the Sheboygan County owned and operated facilities the only place that will accept Medicaid funded residents?* No. Federal regulation prohibits nursing homes that are Medicaid certified from refusing admissions based upon source of payment. On average, in the eight other nursing homes in Sheboygan County, 60% of the residents are Medicaid recipients. As stated earlier, 80% of the residents in the Sheboygan County facilities are Medicaid funded.

*Is Sheboygan County alone in dealing with these fiscal challenges?* No. Many nursing homes across the State are struggling financially and are currently downsizing their bed capacity. The County owned and operated facilities that have been able to operate with less reliance on property taxes have in large part done so because they have more flexibility with their employee labor contracts. For example, La Crosse County has two facilities similar to Sheboygan County. They currently have a tax levy of \$1.6 million, and Sheboygan County's is \$6.1 million. Though Sheboygan County's overall administrative costs are less, the fundamental difference is the expense associated with employee wages and benefits.

*How will we meet the needs of all the baby boomers in 15-20 years when they need nursing home care?* There has been an evolving trend to provide more community-based services and alternatives for people as their preferences and expectations change. In fact, changes over the last 34 years have resulted in Sheboygan County reducing its licensed beds from a maximum of 952 beds to the current 460, a 52% reduction. As reiterated above, the federal and state governments are actively encouraging alternatives to traditional nursing homes.

*How can I get more information?* For more information, you can access the Sheboygan County Website at: [www.co.sheboygan.wi.us](http://www.co.sheboygan.wi.us). Left click on DEPARTMENTS, followed by the HEALTH CARE CENTERS, followed by HEALTH CARE CENTERS TASK FORCE. From there, you can access the Sheboygan County HCC Report and other pertinent information. Alternatively, please don't hesitate to contact Health Care Centers Director Dale Pauls at (920) 893-9205, or Health and Human Services Director Ann Wondergem at (920) 459-3213.