



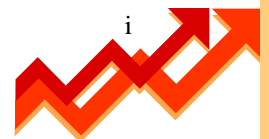
A CALL
TO ACTION

A Plan by the
Healthcare Summit
Committee

October 10, 2006

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Executive Summary of the Healthcare Summit Committee

Charged by the Chief Executive to present “a coordinated, focused and sustainable plan that achieves the Kane Centers’ objective of providing quality care for Allegheny County residents, within a broader context of a continuum of care, while funding a stable operating budget within the unique and dynamic economic environment of the health care industry”, the Healthcare Summit Committee engaged in a thorough analysis of Federal and State trends as they impact on the changing needs of Allegheny County so as to develop recommendations within that context. Simultaneously, the committee explored areas of community need, finances and government structure.

To aid in the development of an action plan, the committee engaged in discussion with experts in the field of aging, state officials, input from staff and administration of the Kanes, community meetings with family members and residents, as well as, website dedicated to soliciting input and exchange of information.

Upon review of the salient issues, the committee proposes the following actions:

Action 1: Expand the continuum of care through “right-sizing” of the facilities and provision of new services

Action 2: Ensure a sustainable operating budget and increase in the efficiency of service delivery by long-term organizational and facility management planning

Action 3: Using “inspired leadership” and “culture change” principles, redesign operations to improve the consistency of the quality of life throughout the system

Action 4: Implement a marketing initiative to highlight the expansion of services

Action 5: Retool and retrain our workforce to respond to the growing need for skilled healthcare workers



A. The Call To Action

During the last decade, numerous reports, audits, and commissions, have extensively reviewed the organizational design of the Kane Regional Centers and concluded that systemic change was warranted. This conclusion was based on a variety of factors including shrinking Federal reimbursements, structural deficits, lower utilization, increasing alternatives to institutional settings, and a major restructuring of long term care policies by the Commonwealth. Despite these trends, previous administrations were reluctant to take decisive action to address these critical issues.

Because of this, Dan Onorato, Chief Executive of Allegheny County convened a Healthcare Summit Committee (hereinafter referred to as Committee) on September 22, 2005 composed of community representatives including long term care specialists, aging and disability advocates, labor, as well as, members of the state and county Aging service systems and proclaimed that the “time for action is now...the paralysis of analysis must end”

In issuing the directive, the Chief Executive charged the Committee to “identify and recommend an action plan addressing the current and future provisions of care to the segment of Allegheny County residents who lack resources and how this County provides care through the John J. Kane Regional Centers”.

With this bold initiative as a guide, the Committee adopted a mission statement on November 3, 2005 which defined its objective as:

“To present to the Allegheny County Chief Executive a coordinated, focused and sustainable plan that achieves the Kane Centers’ objective of providing quality care for Allegheny County residents, within a broader context of a continuum of care, while funding a stable operating budget within the unique and dynamic economic environment of the health care industry”.



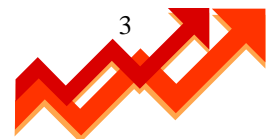
B. Overview of Long Term Care: A Unique and Dynamic Economic Environment at the State and Federal Levels

Currently, “Pennsylvania ranks third in the nation in the percentage of people age 65 and older; and, by the year 2020, one in every four (4) Pennsylvanians will be 60 or older”. (Governor’s Executive Order, June 16, 2006). Complicating this profile is the State Department of Aging’s forecast that “beginning in the year 2000, projecting to 2010...those 85 and older will increase by 33 percent.” (Pennsylvania State Plan on Aging 2004-2008) Such a demographic profile creates a unique and dynamic environment due to the health care demands and escalating costs of an aging population.

Because of this growth, the commitment of the Commonwealth of Pennsylvania to providing comprehensive medical care for low income individuals has become increasingly challenging. In fact, Medical Assistance expenditures from the General Fund have increased by 77% over the last ten years (Appendix 2: the future of Long Term Care, pg.7) resulting in an annual expenditure of \$4.5 billion in FY 2005-2006 as compared to \$2.6 billion in Fiscal Year 1995-1996.

Faced with the enormous financial challenges to serving an ever-increasing Medicaid dependent population due to the “growing elderly population....growing number of Disabled MA beneficiaries... (And) the growing number of uninsured”, the Commonwealth of Pennsylvania shifted its focus to:

- *Rebalancing long term care*
- *Assure choice in long term care*
- *Assure quality in long term care*
- *Reduce reliance on Medicaid*
- *Find ways to make the system more cost effective*
- *Ensure sound fiscal management of long term care*

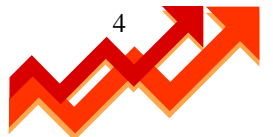



Given this commitment, Governor Edward G. Rendell in November of 2005 (Appendix 3: 2006 Governor's Executive Budget), established a Long Term Living Council which established its goals as:

- *“Enhance and expand efforts to assist nursing home residents who wish to leave a facility-based care setting and safely return to their homes*
- *Ensure that the supply of nursing home beds appropriately meets the needs for such care while providing opportunities for facilities to expand their continuum of care*
- *Ensure consistency in the application of eligibility criteria for long term care living services while removing barriers to receiving home and community based waiver services,*
- *Maximize available waiver resources to serve as many consumers as possible while ensuring provision of high quality care and services”*


With these objectives as a guide, the Pennsylvania Department of Aging (PDA) has more than doubled its commitment to the waiver program, which seeks to be an home based, publicly funded, alternative to nursing home care, which would allow residents to remain in their communities, if they so choose. In fact, in testimony presented on February 8, 2006, Secretary of Aging Nora Dowd Eisenhower indicated that *“In the FY 2006-07 budgets, we project that we will serve more than 23,000 individuals – nearly doubling our impact in a few short years. To this end, the FY 2006-07 budget proposals will support an additional 2,800 slots, offering older adults more long-term living choices”*.

With these changes, Pennsylvania will mirror the national trends. In 2002, the Thomson Medstat and Kaiser Family Foundation revealed that community based care consumed 26% of expenditures as compared to Pennsylvania in which only 14% of public dollars was directed to community based services. More startling was the fact that western states such as Oregon and Washington directed 75% and 57% respectively toward community based services rather than the more costly institutional settings.





Concurrent to the trend toward community based care, the Federal government has directed significant energy toward the analysis of the quality of services with a corresponding pay for performance practices. Such a quantitative and qualitative analysis will significantly affect the operations of the Kanes, both financially and structurally. Management practices will have to be redesigned to be responsive to the changing Federal mandates.



Additionally, impacting on the future direction of long term living services in Allegheny County is the federal trend of Managed Long Term Care. While a report prepared by Thomson/MEDSTAT and the University of Southern Maine in 2005 for the U.S. Department of Health and Human Services acknowledged that growth has been slow for this type of service delivery, the popularity of this financial arrangement in those states using such a model will most likely experience growth. However, if this trend was to be implemented in the Commonwealth, Allegheny County would have to aggressively evaluate the social, organizational, and financial impact on its service delivery.



C. Allegheny County's Role in a Changing Long-Term Care Environment

Given the dramatic changes that have been and will continue to be implemented within the Commonwealth and changes both structurally and financially in long term care, it is critical that the action plan for the long term viability of the Kane Regional Centers be considered within that context.

Although numerous factors within the Commonwealth's rebalancing efforts have impact on the future service delivery system of the Kane Regional Centers, the significant and most immediate issues were identified as Nursing Home Right-Sizing, Nursing Home Transition and Nursing Home Rate Setting.

Nursing Home Right-Sizing:

Recognizing that State's nursing home utilization is approximately 90% of capacity, the Commonwealth is now in a process of determining long-term capacity and demand. Complicating this analysis from the County perspective is the fact that although Allegheny County has a significant senior population, the nursing home utilization is only 87% with Kane Regional Centers at 80% in 2005. More startling is the fact that utilization of one Kane facility hovered as low as 61% during one reporting period in 2005.

However, this statistic should be referenced within the context of an AARP PA survey (10/2004) which indicated that 43% of consumers would now prefer to remain in their homes with the assistance of a nurse or personal care aide rather than use institutional nursing services. This growing need and desire was reflected in the 2006 Best Cities for Relocation survey (Pittsburgh Business Times, June 7, 2006) in which the rankings included evaluation of "the quality and availability of elder-care and assisted living options, which its authors said "reflect a city's investment in the needs of modern, multi-generational families." Because of these indicators, opportunities for a spectrum of elder care opportunities must be a priority for Allegheny County. As such, the issue of "right sizing" institutional placements becomes paramount.



Nursing Home Transition:

In 2005 the State designated Allegheny County along with five other counties to conduct a six month pilot project for transitioning long time nursing home residents to return to community living. By June 2006, the Area Agency on Aging (AAA) in collaboration with United Cerebral Palsy and Three Rivers Center for Independent Living had placed 33 consumers back into the community. Lessons learned during that pilot are being applied to an enhanced initiative beginning in late summer 2006 which will target recent admissions to Medicaid certified nursing facilities. These new residents will be provided with all long term living options, including those provided in a community 'home' setting. If this long term living counseling of residents results in consumers wanting to leave the nursing facility, nursing home transition coordinators will be asked to assist in whatever way necessary, augmenting the facility discharge planning function.

Although the long-term impact of this program can not be fully measured, it is generally assumed that the use of institutionalized nursing homes will diminish as more individuals transition to community placement or opt to remain in the community rather than nursing home placement with support from the "PDA Waiver (Pennsylvania Department of Aging Waiver)" or LTCCAP (Long Term Care Capitated Assistance Program) or more commonly referred to as the LIFE program. (www.county.allegheny.pa.us).



Nursing Home Rate Setting

To facilitate a more efficient and effective use of nursing homes, the State has identified several objectives that will maximize the use of Medicaid dollars which will directly effect the daily operations of the Kanes. The objectives include, but are not limited to, the following actions:

- “Support the balancing of LTC” which will “address impact of housing shortage” and
- “Encourage trend of having nursing facilities serve higher acuity MA recipients”

Therefore, to garner Medicaid revenues and comply with the performance standards required by the new rate setting formulas, the County will be required to:

- Restructure its management operations of the Kane Regional Centers to meet performance standards
- Implement a plan to provide low income housing to elders and persons with disabilities
- Develop a process to serve higher acuity members in a more efficient manner.



D. Methodology

As a means to accomplish the mission and fulfill the directive of the Chief Executive, the Committee established a dynamic and engaging public process involving public meetings at each of the Kane Regional Centers. To achieve a goal of the directive to analyze “the current and future provisions of care”, the meetings established a three prong process involving a presentation by an authority in the field of long term care followed by individual presentations by member of families, residents, employees, business leaders, community representatives, and elected officials. At the conclusion of each presentation, the committee members toured the facilities to allow for direct observation of the needs of the Centers. Additional information was secured by a website that allowed public input on the process.

To measure the organizational efficiency and effectiveness, an employee survey was utilized.

To further analyze the issue, three subcommittees were formed charged with addressing:

- Community Needs: Demographics, Marketing, Facility Alternatives, Quality of Care, and Behavioral Health
- Governance: Governance, Safety Net, Organizational Design, and Government Coordination
- Finance: Utilization Rates, Revenues, Expenditures, and Debt Service

After numerous meetings of the subcommittees, the most relevant issues were analyzed and observations were identified to facilitate the crafting of an action plan requested by the Chief Executive.



E. Subcommittee Issues and Observations

Issue 1: Governance/Statute/Safety Net

Historically, the care of the indigent were under the jurisdiction of the County Institution District as mandated in the County Institution District Law (P.L. 2017/June 24, 1937) until the institution district was dissolved by the Board of County Commissioners by Resolution on December 12, 1996 resulting in the transfer of its “property, obligations, powers, and duties to the County of Allegheny” effective December 31, 1996. It was the expressed intent of this transfer that “greater efficiencies and economy in county operations” would occur due to the excessive and burdensome bureaucracy that would be eliminated.

Throughout the Commonwealth, nursing homes are operated by a variety of models including direct county management such as the Kanes, quasi-governmental entities such as authorities, and fully independent entities through the use of management companies.

As of February, 2006, 48 of 67 counties had County nursing homes of which a county government directly operated twenty-three (23) nursing homes, thirteen (13) homes were privatized and managed by private entities, fifteen (15) were owned by a County but managed by a private company and one (1) nursing home was operated as an Authority.

Observations:

- Allegheny County’s system of management is similar to almost half of Counties (48%) that operate nursing homes.
- Allegheny County has historically, like other counties in the Commonwealth, assumed that responsibility to serve as a “safety net” for economically challenged individuals requiring long term care. However, as more long term care providers began to expand their Medicaid populations, the Kane Regional Centers became, to some degree, a competitor of other long term care entities.
- Given that the County of Allegheny chooses to continue to engage in the business of long term care, no evidence of an entrepreneurial, competitive spirit was evident. For example, there is a lack of an aggressive public relations campaign, well-developed and executed admissions and referrals process, etc. More noticeable was the fact that the desired objective of “greater efficiencies and economy” was not apparent.



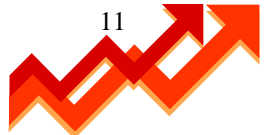
Issue 2: Organizational Design

With the operation of four Regional Centers, the Kane operations remains as one the largest integrated nursing systems in Western Pennsylvania with service to approximately 1150 residents and approximately 1,250 staff.

Within the structure of Allegheny County government, the Kanes operate parallel to other Departments. Like other Departments, the Department is under a Director who reports to the County Manager with support by Nursing Home certified Administrators at each of the four regional centers. Because of this, the Kane Regional Centers are subject to the established policies and procedures related to personnel, procurement, facility maintenance etc. mandated by the County government structure.

Observations:

- Although there have numerous organizational changes in the Kane system, it appears that the changes in service delivery have not occurred within the context of an overall county plan with respect to the ever-changing demographics. This issue is particularly evident in the lack of consistency in service offerings involving transitional care, dementia services, behavioral health, etc. Additionally, there was little evidence that interdepartmental planning has occurred with relevant departments such as Administrative Services/Veterans, Economic Development, and the Department of Human Services, etc.
- There remains evidence as reported by Kane administration that there is a “growing need for short term intensive orthopedic rehab and medically complex care for post acute care consumers” which generally results in higher reimbursements from Medicare and other reimbursements services.



Issue 3: Relationships with Other Health Care Providers/Referral Systems

Upon review of the admissions to the Kanes during the period of March 2005 through April 2006, the primary source of referrals were the local acute care facilities which accounted for 77% of the referrals while 5% of referrals came from other nursing homes, 9% came directly from home residences, 1% were referred by Personal Care Home or Domiciliary Care providers and 8% were from other sources.

Observations:

- Using a GIS analysis of the referral system from acute care facilities, it became apparent that the three suburban Kanes had the majority of the referrals from the suburban hospital within close proximity of the particular Kanes. The majority of referrals by St. Clair were to Scott, Passavant referred to Ross and McKeesport Hospital referred to McKeesport.
- No clear pattern was apparent in referrals by hospitals in the urban environments to Glen Hazel.
- While having a primary source for referrals may have benefited the suburban Kanes, the lack of full occupancy by these Centers would suggest that additional referral sources must be explored.
- While the majority of hospitals within the City for Pittsburgh choose all the Kanes, the majority of referrals from Western Psychiatric Institute and Clinic (WPIC) are to Glen Hazel due to their specialized service rather than one's particular municipality of residency.
- Recently, the Admissions Department has significantly changed their methods of operations by the development of relationships with a variety of acute care facilities. Such energies have resulted in an increase in admissions. In 2002, the Kanes admitted 896 residents whereas in 2005 there were 1304 admissions.
- While the Kanes clearly have attempted to serve the community, residents are at times admitted before he/she is qualified for reimbursement and in some cases residents never qualify for reimbursement.



Issue 4: Labor/Management Issues

A recent study by the Pennsylvania Department of Labor and Industry projects that as the average age of the labor force increases, the supply of “young more recently educated workers” will be insufficient to meet the demands of the Pennsylvania economy. Because of this, the State claims that the “retraining of older and dislocated workers will be more crucial”. Compounding this issue is the fact that due to the demographic shift of older Pennsylvanians, “there will be an increased demand for health care and other services”. Specifically, it is projected by the PA Department of Labor and Industry/Center for Workforce Information and Analysis) that in the Pittsburgh region in the decade between 2002 and 2012 there will be a change in employment demands of 15.2% in nursing and residential facilities and a 33.3% increase in employment for community care facilities for the elderly. Additionally, the Service Employee International Union (www.seiu.org) alerts us to the fact that “eight out of every ten hours of paid care is provided by a home health aide, personal care attendant or certified nurses aide”, “more than 40 states now report critical shortages of workers and turnover rates range between 40% and 100%”.

Given these demands, Allegheny County and specifically the Kane Regional Centers will be even more challenged by these shifts in demographics and workforce profiles. One dominant issue for the changing workforce is the fact that women continue to enter the workforce and therefore the State cautions that company policies will need to be accommodated to adjust to this labor pool.

Given these trends, it is not surprising that in a recent voluntary survey of staff indicated that the primary motivators of employment was attributed to the benefits (11 Paid Holidays, 3 Personal Days, 100% Tuition Reimbursement, etc) associated with employment and the “type of work” rather than variables such as salary, location of the facility, work schedules, and retirement.

Simultaneous to these financial changes in the system of long term living is a dramatic philosophical and programmatic change in service delivery being embraced by numerous providers in the nation. Entitled “culture change”, it involves a *philosophy* and *set of practices* focused on *person centered care*, and it occurs only through both *deep personal* and *deep systems* change. In its most basic form, ‘culture change’ seeks to change the way long term care and aging services are provided and staffed. To this end, an inquiry of the organizational benefits of “culture change” is in order.



Issue 4: Labor/Management Issues (Cont.)

Observations:

- Although a majority of the current employees responding to the recent survey indicated that they would choose Kane for services for a family member, the employees cautioned that there needs to be increased staff/resident ratios, more progressive policies and practices in the recruitment and retention of nurses, increased training for current and potential employees, and more enlightened management practices which would utilize the talents and knowledge of the staff. These positions are echoed in a report entitled a “Report to the Pennsylvania Intra-Governmental Council on Long Term Care”, in February 2001 in which training, recruitment, retention, and worker involvement in decision-making were seen as critical to ensuring quality long term living in the Commonwealth. Given these issues, the case for the adoption of “culture change” becomes more compelling.
- To remain competitive, the employees recommended that the Kanes should expand the array of services especially in rehabilitation by redesign of the facilities and improved technologies. One mechanism to accomplish these tasks would be to expand the advisory role of the Kane Foundation in matters related to the reconfiguration of the facilities..
- In an analysis of staffing patterns, there has been a reduction of staff in all Kane Centers in the last five years. From 1/1/2001 to 5/13/2006, Glen Hazel was reduced from 367 to 266, Scott 355 to 271, McKeesport 403 to 321, Ross 349 to 280 and central administration from a level of 124 to 106 for totals of 1244 as compared to 1598 in 2001 or a reduction of 354 staff.



Issue 5: Changing Needs of the Community

While historically the Kane Regional system has been perceived as the sole option for service to the indigent, a more thorough scrutiny of the service delivery reveals that such a priority is no longer in evidence. The reason for this changing status develops from the decision by numerous facilities to expand their services to capture Medicaid reimbursements. Because of this, the Medicaid eligible residents and family that once only chose the county system now have numerous options for long term care services.

Although in the last decade this situation was apparent, the announcements of new funding formulas being suggested by the State may indeed result in the Kanes once again assuming this vital social role as more profit and not-for profit providers are challenged to continue their services for low income individuals due to the level of federal and state reimbursements.

While the needs of aging have dominated the long term care agenda, the state has been cognizant that there is a high incidence of members of our community challenged by disabilities. In fact, the 2005 Pennsylvania State Data Center indicates that the number of non-institutionalized county residents with disabilities numbered 387,020 of which 18,550 of age 65 or older had a mental disability and 43,628 had a self care disability

From another perspective, a 2003 report by the University of Pittsburgh/GSPIA entitled “A Study of Affordable Housing: Supply and Demand in Allegheny County” indicated that in Allegheny County that for 15,000 households “an affordable housing crisis is real.” More challenging is the lack of available independent living housing for those members of our community with disabilities.

The lack of adequate and appropriate Personal Care facilities available to our community continues to challenge our community. In fact, in the last year alone, thirteen (13) Personal Care Homes (PCH) have closed. More challenging to the human service system is the fact that 55 PCH have closed since 2002 involving 953 residents.

Given these challenges, the Allegheny County Housing Authority (ACHA) has sought innovative ways to address this issue. When the U.S. Department of Housing and Urban Development (HUD) awarded the ACHA with an Elderly HOPE VI Demonstration Grant in 1998 to revitalize the Homestead Apartments, the ACHA not only sought to improve the apartments where its residents live but also wanted to be able to provide social and medical services to the residents that would allow the elderly population to age in place and live independently.

Issue 5: Changing Needs of the Community (Cont.)

This revitalization of the Homestead Apartments with the addition of a new Community LIFE Center on the campus has positively affected the community in many ways. In the revitalization efforts, the Development Team has created new housing choices for the elderly population within Allegheny County. Before the revitalization efforts, residents were provided an apartment that did not have modern day amenities, such as air conditioned units, self-controlled climate controls within the apartment that gives the resident the ability to determine how warm or cool their apartment is, updated appliances which are conducive to the apartment size, and updated bathrooms that are senior friendly. Built in the early to mid 1960's, these buildings were in desperate need of repair and needed to have features that compete with the private market. In the revitalization work, the ACHA reduced the unit count from three hundred fifty-four (354) units to two hundred forty (240) units.

The concept is to provide the resident the opportunity to "age in place" and to continue to enjoy the comforts of their home. The most innovative part of the program was bringing creating the partnership with Community LIFE. The Community LIFE medical facility is located directly on the Homestead Apartments Campus. At this facility, residents who enroll in the program, usually at no cost to the resident, are entitled to receive all medical and hospital care and the benefits of an adult daycare facility, which provides meals and other services that may be necessary for the resident to maintain their independence.

In efforts to provide the senior community with additional housing choices in Allegheny County, the Allegheny County Housing Authority (ACHA) is creating one hundred twenty (120) new affordable housing units in the Tarentum and Brackenridge Boroughs. These units will be built using a townhouse style design featuring oak cabinetry in the kitchens, 24 hour a day individual climate controlled systems (air conditioning and heat), and spacious units. There will be common laundry facilities on each floor and a community building/space in each building. In the first phase, there will be forty-eight (48) units available and the second phase will total seventy-two (72). Funding sources for the construction of these buildings are low-income housing tax credit equity, Allegheny County Economic Development HOME funding, and ACHA Capital funds.

With the success of the Homestead Apartments Development, the ACHA is developing a similar model of the Living Independent for Elders (LIFE) Center building on the site of the development. The on-site continuing care facility will provide low-income seniors with access to quality primary health care, physical and occupational therapy, and other health-related services enabling them to "age in place" and avoid premature placement in a nursing facility. ACHA, by forming a partnership with the Pittsburgh Care Partnership, a non-profit entity created by the University of Pittsburgh Medical Center, Presbyterian Senior Care, and the Jewish Association on Aging, the LIFE Center program will offer the residents services in a public housing development that is not normally available to the low-income population. Construction of this facility is scheduled to begin in the early fall of 2006 and be completed by late summer 2007.



Issue 5: Changing Needs of the Community (Cont.)

Observations:

- While 162,630 residents 65 and older had a disability, 212,786 ages 16-64 were noted as a resident having some type of disability which requires a more thoughtful planning for the future.
- The development of more independent housing with particular emphasis on the needs of the disabled is clearly in order.
- The need for Personal Care facilities to serve those displaced by ongoing closings of Personal Care Homes is immediate.



Issue 6: Quality of Care/Deficiencies

Ultimately, the quality of care is the prime indicator for determining the level of service and satisfaction by a resident and family. Because of this, the annual report generated by the State Department of Health after its annual inspection of a facility is a critical indicator of quality and is a primary factor in determining eligibility of federal Medicare and Medicaid reimbursements. (www.state.pa.us).

To facilitate comparisons on the level of nursing home care, the United States government instituted a 'Nursing Home Compare' instrument that can be accessed as one tool in determining the quality of care provided by a facility. (www.medicare.gov). As of this writing, nursing homes in the Commonwealth average six (6) deficiencies as compared to the national average of eight (8) deficiencies. The range of deficiencies in the Commonwealth is zero (0) through twenty-eight (28).

Observations:

- The Ross, McKeesport and Scott Kanes are at or above the State average in the quality of service due to the low number of deficiencies while Glen Hazel has recorded three times the State average level of deficiencies during one previous survey.
- The Commonwealth of Pennsylvania's Department of Health surveys revealed that in 2005 the following deficiencies were recorded:
 - Ross had five (5) on the 6/17/05 survey
 - Scott had five (5) on the 8/19/05 survey
 - McKeesport had six (6) on 10/14/05
 - Glen Hazel had nineteen (19) on 11/04/05 survey which have been corrected and accepted by the State.
- During 2006, only three surveys were conducted to date with the following deficiencies
 - Scott had one (1) deficiency from a survey on 7/21/06 which is being appealed. If accepted, Scott will have attained the unique and commendable status of a perfect score.
 - Ross had two (2) deficiencies on 7/14/06 of which one was considered minor.
 - Glen Hazel had eight (8) deficiencies on 9/1/06 of which four minor state regulations, deficiencies were noted.
 - Deficiencies all of the Regional Centers were immediately corrected and accepted by the survey agency.



Issue 6: Quality of Care/Deficiencies (Cont.)

Observations (cont.):

- The quality of service received in three of the Kane Regional Centers is excellent and frequently yields a better rating by the Commonwealth than other providers in their respective regions.
- From a quality perspective, Allegheny County is unique in its ability to acquire expertise from the nationally acclaimed Pittsburgh Regional Health Initiative (PRHI) that has become a leader in the design and implementation of strategies to “improve safety and quality in health care” by bringing “engineering disciplines to bear on clinical practice”. (PRHI Executive Summary)



Issue 7: Census/Occupancy Levels

Recognizing that census occupancy level determines reimbursement revenues, the census levels of the Kane is a prime factor for consideration in evaluating the efficiency of a particular Center.

Of primary consideration is the opportunity to garner additional state and federal revenues via the disproportionate share reimbursement process which is implemented when a facility has an occupancy rate of at least 90% or higher of which 80% are Medicaid residents.

Recognizing that occupancy levels determine reimbursements, numerous facilities in the Commonwealth have implemented a decertification process (a process of reducing the number of beds that are eligible for Federal or State reimbursements) which would result in a higher percentage of use and therefore increasing the ability to secure additional dollars.

Due to the history of low census, the Kane Regional Centers began that process of “decertifying” beds at the Glen Hazel and Scott sites. Therefore, it must be noted that while Scott has increased its percentage of occupancy levels, the percentage of use is based on a reduced number of available beds of 324 and Glen Hazel of 300 as compared to McKeesport and Ross that continue to have a licensed capacity of 360 residents.

Observations:

- During 2005, **McKeesport and Scott had the highest occupancy levels and therefore the greatest revenue** was realized as compared to **Glen Hazel that has the lowest occupancy** and therefore lowest revenue potential during the same reporting period.
- In reviewing 2005, **Glen Hazel had the lowest occupancy reported with 67.3% while the highest occupancy was achieved at McKeesport with 90.4%.**
- None of the Centers sustained a 90% occupancy level in the years 2000 through 2005.
- There is no apparent pattern in the census levels of a particular reporting year. In fact, while Ross and Glen Hazel had their lowest census levels in 2005, Scott’s lowest level occurred in 2003 and McKeesport recorded its lowest level in 2002.



Issue 7: Census/Occupancy Levels (Cont.)

Observations (cont.):

- Despite that Glen Hazel has the lowest number of licensed beds eligible for reimbursement with only 300; they did not record an 80% occupancy level in the years 1999 through 2005. However, trends in 2006 note that occupancy is above 80%.
- Although the Kane Regional Centers have 100% of the beds certified as Medicaid eligible, the low occupancy levels of those certified placements has significantly impacted on revenue potential.
- Glen Hazel consistently had the lowest Medicaid (MA) reimbursements. During 2005, the audited MA revenues listed as \$11,441,630. as compared to McKeesport which had \$15,372,331.
- A minimum 90% occupancy level for the Kanes can be achieved through the decertification of MA eligible beds to levels that are more appropriate to the demographic and services needs of a region.

Issue 8: Supply of Nursing Home Facilities

Although a significant number of nursing home alternatives are now available in the expansion of nursing home alternatives such as the Waiver or LIFE programs, this variable evaluated the number of alternative skilled nursing facilities available to a family for consideration within a ten mile radius of a particular zip code. The use of the ten mile radius was based on the fact that the number of facilities generally available to consumers is listed by facilities within a ten mile radius on the official Medicare website (www.medicare.gov).

Observations:

- The number of facilities within a ten mile radius of the zip code in which a Kane Center is located:
 - Within 15207 (Glen Hazel) with 47
 - Within 15243 (Scott) with 36
 - Within 15132 (McKeesport) with 31
 - Within 15237 (Ross) with 27
- Residents and families in the northern suburbs or the northern neighborhoods of the City near Ross have the least number of options.
- Residents and families in the City near Glen Hazel have considerably more options than their suburban counterparts.

Issue 9: Community Perception of the Kane Regional Centers

Although the Kane Regional Centers have provided a consistent vital service to the community and is recognized as a provider of service, the image of Kanes has been less than positive. In fact, although the Kanes now engage in provision of transitional services, rehabilitation services and other specialized options in addition to traditional skilled nursing, the Kanes are still referred to as “Kane Hospital” by many members of the community. This negative image or misperception of the Kanes was reflected in a community perception survey conducted by Mass Solutions for the Kane Regional Centers in July of 2005. Responses of 138 community residents living near Regional Centers included opinions including, but not limited to, the following:

1. “Overall, **four in five (84%) of respondents are familiar with Kane**. When examining awareness by location, more of those living near Ross (93%) and Scott (92%) facilities were familiar with Kane than those living near Glen Hazel (80%) and McKeesport (72%).”
2. “By location, **respondents rated Glen Hazel, McKeesport and Scott more favorably** and Ross unfavorably”. Specifically, “less than half (46%) said they had a positive opinion of Kane.

Observations:

- There was a general consensus of the committee as reflected in previous reports that the name of Kane Regional Centers does not reflect a positive image and therefore consideration for a name change must occur.
- While clearly **Ross Regional Center has a lower number of deficiencies** amongst the majority of its competitors externally and within the Kane system, the **perception by community members** residing near the facility is **considerably less favorable than would be expected** given the quality of care.
- **Awareness of the Kanes by location** does not naturally correlate to higher occupancy rates such as observed in McKeesport.



Issue 10: Demographics of Communities

For long term planning purposes, it was critical to review the density of seniors within each community. To accomplish this, the statistics from the 2000 census were reviewed for the numbers of residents 60 and older, median age of a community and levels of poverty of individuals 65 years and older.

The current senior population of ages 60 and older of each municipality in which a Kane Regional Center is located is as follows:

- City of Pittsburgh (Glen Hazel) has 67,640 or 20.2% of their population
- City of McKeesport (McKeesport) has 5,946 or 24.7% of their population
- Ross Township (Ross) has 8,439 or 25.9% of the population
- Scott Township (Scott) has 4,677 or 27.2% of their population

The level of poverty of individuals 65 years and older for each community are as follows:

- City of Pittsburgh is 13.5%
- City of McKeesport is 12.1%
- Scott Township is 8.6%
- Ross Township is 7.8 %

Observations:

- The current community perception that the City of Pittsburgh has the highest density of seniors as compared to suburban communities is inaccurate from the 2000 census.
- The poverty rates of residents 65 years and older within the City of Pittsburgh was not substantially higher than the poverty rates for selected suburban communities.
- Long-range planning for service delivery of the Kanes must more accurately reflect the demographic trends within the County.

Issue 11: Continuum of Care

From a service perspective, each of the Kanes offers a unique blend in service options. In addition to traditional skilled nursing services at all the centers, short term rehabilitation and transitional services are offered by Scott and Ross, and Glen Hazel offers a Geriatric Structured Unit (GSU), with these different units collectively offering some combination of pain management services, nutrition management services, physical and occupational therapy, antibiotic therapy, speech and language therapy and dementia services.

However, despite these specialized services, the Kane Regional Center system does not reflect current industry trends that follows a continuum of care concept whereby an array of services are provided which allows residents of any income levels to move throughout a campus-like setting for services based on one's particular health status. Service options may include, but are not limited to:

- Independent Living
- Personal Care
- Adult Daily Living Services
- Assisted Living
- Skilled Nursing

Observations:

- Kane Centers must be more responsive to the changing and varied needs of the community members especially for those individuals and families with modest or lower incomes.
- Given the significant amount of unused space in some of the current facilities, more energy must be directed to expanding the array of services within the community, with particular emphasis being directed to providing services for those individuals that opt to remain in their homes but require specialized and time limited day services.

Issue 12: Kane Operating Budget/Revenues and Expenditures

In 2005, the total audited revenues were \$81,272,405 received from a variety of sources including Medicare Part A, Medicare Part B, Private Pay, Patient maintenance Revenue, M.A. Pharmacy, Special, Medical Assistance (MA), Medicare PtB Enteral Nutr, and MA Intergovernmental Transfer payments (IGT). Conversely, the expenditures totaled \$84,173,881 requiring a county subsidy of \$2,901,476

In 2003, exclusive of debit service, Kane Regional Centers lost \$10.6 million. In 2004 and 2005 significant cost control measures were implemented along with a revenue enhancement initiative. The result was to reduce the net County cost to \$2.9 million in both 2004 and 2005.

Observations:

- With Medical Assistance providing 67% of the revenues, occupancy levels become the driving force for reimbursements.
- Private pay residents account for only 4.05% of revenue which confirms that the Kane are generally serving those individuals requiring a “safety net” for support. Based on cash receipts, during 2005, Glen Hazel had a significantly lower rate of private pay residents realizing only \$292,424.83 as compared to McKeesport that had \$1,283,690.42, Ross of \$903,214.78 or Scott at \$815,686.88.
- Glen Hazel had the lowest revenues for four of the past five years whereas McKeesport had the highest revenues for the past five years.



Issue 13: Personnel Costs

In 2005, the Kane Regional Centers paid approximately \$4.6 million annually for agency nursing for 130,000 hours including 85,000 hours of Licensed Practical Nursing (LPN) and 45,000 Registered Nurse (RN) hours. The high cost of such service has been attributed to the nursing shortage, the length of time required to hire new personnel.

While Registered Nursing (RN) costs are significant, the financial impact of overtime costs for Certified Nursing Assistants (CNA) hovered at 1.2 million in 2005 of which 61% of the costs were attributed to the operations at Scott and McKeesport. Projections for 2006 based on costs for the first seven months would result in approximate costs of \$1.33 with McKeesport absorbing almost 36.5% of the expenditures.

While the Kane have experienced significant census challenges, the level of personnel has changed from 1575 in January of 2000 to a level of 1249 in December of 2005. While there has been an overall reduction, certain areas such as guards which number 22 and craftsman that number 32 exceed the needs of the current census.

From a benefit perspective, direct benefits are generally higher than industry standards such as the benefit of having a free meal. However, from scheduling perspective, ten, twelve and sixteen hour shifts have been implemented in 2006.

Observations:

- Although the organizational design of a centralized arrangement within county government may have its benefits in areas such as budgeting and finance, hiring of personnel especially in the area of nursing seems burdensome and inefficient.
- With the high level of expenditures for the nursing services, the creation of an employee pool and institution of a flexible schedule to more reflect current trends should be instituted.
- With “right sizing”, the appropriate number of personnel and associated benefits must be determined. Once this number has been defined, right sizing can be achieved through attrition and the reduction or elimination of agency staff.



Issue 14: Procurement Practices

The current procurement practices do not result in the most efficient use of revenues. The procurement function of the Kane Regional Centers is handled by Allegheny County's central Purchasing Department under the Department of Administrative Services. Due to the cyclical nuances of the county purchasing department, the Kanes often find it necessary to hoard materials early in the year in preparation for the eventual end-of-year fiscal ban on purchasing. Secondly, the Kane administration reports that since it is so far removed from the actual purchase order, it is not in control of the quality and quantity of the products they purchase and thereby end up with inappropriate quantities.

Other local health care providers have met with great success where they opted to secure the services of procurement consultants to employ supply chain enhancements which optimize the purchasing process in the unique environment of a skilled nursing setting.

Observations:

- The Kanes should consider hiring a procurement consultant or service to evaluate opportunities for improvement.
- The County should consider decentralizing the procurement function in order to address the unique environment of the Kanes where necessary and/or possible.

Issue 15: Facilities Management/Land Use

With the decision to develop four Regional Centers, the Allegheny County Institution District charged with the care of the indigent decided to provide services at four Regional Centers rather than a Kane hospital system. To accomplish this objective, land was acquired to accomplish this goal on a regional basis.

The Kane Regional Centers were developed using a similar architectural plan in which each center would have the capacity to serve 360 residents requiring skilled nursing on three floors. Within each floor configuration, the plan was to serve two units of 60 residents. However due to revenue challenges in achieving a 90% threshold for occupancy, the Kanes have successfully decertified beds which have resulted in excess unused space.

From an exterior perspective, the Kane Centers located at Scott and Ross are located within close proximity to stable commercial areas which increases the land value of these Centers. While there has been some discussion on submitting a Request for Proposal for adjacent land, no specific action to date has occurred for the acres adjacent to Scott or the acres surrounding the Ross Center.

Observations:

- A reexamination of facilities to evaluate the maximum use of the facilities, containment of utility costs, space utilization, etc. may result in increased efficiency of facilities. Given that the last efficiency study was conducted in 1997 by Noresco, it would be prudent to conduct a new study in light of the changing economic conditions.
- While the current configuration does seem to serve the needs of the skilled nursing level residents, the current configuration and ambience does not reflect industry standards for transitional and rehabilitative services.
- Although there have been numerous changes in service delivery within the last decade such as the development of short-term rehabilitation units, dementia-focused services, etc, a comprehensive facility analysis with respect to serving other demographic needs is currently not available. Therefore, a more detailed facility analysis should be developed including number of skilled nursing beds, transitional/rehabilitation beds, independent living units, etc.
- Due to land value of the Scott and Ross Centers, Request for Proposals (RFP) for unused land adjacent to the Centers should be developed and implemented.



Issue 16: Debt Service

In 1982, a General Obligation Bond, consisting of two series in the aggregate amount of \$77,925,000, was issued to pay for the construction of four Kane Regional Centers. Although refinancing occurred in 1985, 1990 and 2002, a debt obligation remains of \$64,484,253. The annual Operating Budget (Debt Service Fund) provides the appropriation to cover Kane's debt service payment.

The debt payments for Kane Regional Centers are not tracked as part of Kane's annual audited expenditures. The debt is the obligation of the County, paid by the debt service payments in the general fund and accounted for separately from Kane's audited costs.

Observation:

- Due to the fact that debt obligation establishes a covenant with the bond holder guaranteeing a predetermined payment schedule, the sale of property will not directly eliminate the Kane's general obligation debt.

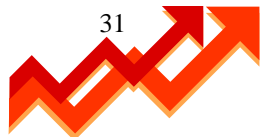
F. Action Plan

Charged by the Chief Executive to present “a coordinated, focused and sustainable plan that achieves the Kane Centers’ objective of providing quality care for Allegheny County residents, within a broader context of a continuum of care, while funding a stable operating budget within the unique and dynamic economic environment of the health care industry”, the action plan proposed by the Healthcare Summit Committee embraces the following principles:

Guiding Principles:

- *As a result of an ever-increasing desire of residents to remain in their homes and their community, priority should be given to nursing home transition, utilization of Medicaid waiver, and LIFE programs with a concurrent expansion of transitional and short-term rehabilitative opportunities, independent living, and personal care options via the right sizing of facilities.*
- *To achieve the dignity of every individual (both residents and employees) a commitment to consistent quality services must be the fundamental premise of service delivery in our County.*
- *To ensure the long term viability of the Kane system, the development and maintenance of a stable operating budget embracing a more efficient service delivery must be developed.*
- *To achieve our goals, the salient issues related to a changing demographic and workforce must be training, recruitment, and retention of a technologically skilled health care workers.*

With these principles as a guide, we propose the following actions:



Action 1: Expand the continuum of care through “right-sizing” of the facilities and provision of new services.

Historically, the County of Allegheny has provided a “safety net” for long term care services for our community. While this history of service is commendable, it is imperative that the Chief Executive oversee a restructuring of its services to respond to the changing needs of our community.

While the Committee recognizes that the County should continue to provide skilled nursing within its four facilities, it strongly believes that with a “right-sizing” of the Kane Regional system, more focus can be given to services that address the needs of residents who opt to remain in the community. It should be noted however that the development of new senior housing arrangements in the Steel Valley or the Allegheny Valley concurrent to the significant progress in provision of waiver services and nursing home transition, a new era of long term care service has begun.

With “right-sizing” of the Kane system, the County would have the unique opportunity to create an expanded continuum of care in currently underutilized facilities. Therefore, we propose the development and/or expansion, of:

- Independent Units
- Personal Care Units
- Provision of a LIFE Center for residents residing in the community with skilled nursing level needs under contract to the Commonwealth of Pennsylvania
- Transitional/Rehabilitative Nursing services
- Dementia units and units that focus primarily on the needs of those challenged by Alzheimer’s
- Training Center for staff engaged in the provision of services to our older or disabled members of our community.

Recognizing that the County retains the primary responsibility of the “public trust” the conversion to a more comprehensive and responsive model of service delivery can occur with minimal disruption to residents and families. In fact, the “right sizing” of facilities can easily occur by limiting the naturally occurring admissions to the Glen Hazel and Ross facilities. Given the low census history of these centers, such actions will not compromise the integrity of the operations. Once achieved, the space once dedicated to skilled nursing can be used for the aforementioned services.



Action 2: Ensure a sustainable operating budget and increase in the efficiency of service delivery by long-term organizational and facility management planning.

Realizing that the Kane regional system has sustained deficits of almost ten million dollars during 2003 and approximately three million during the past two years of 2004 and 2005, the financial computations of this new design are projected to result in a stable operating budget by 2008. Primarily, this will be achieved as the Kane system will be able to secure a 90% occupancy level or higher which is more congruent to industry standards, as well as, more efficient methods of management.

In the long term, the Kane system will secure new revenue sources from:

- Higher occupancy levels
- Rentals of Personal Care units
- Rental of space for LIFE services
- Reimbursements from services contracts with Personal Care and Life providers such as dietary, maintenance, and laundry
- Sale of unused property not required by the new independent housing at Ross
- Sale of unused property adjacent to Scott

This positive financial status will occur due a collaborative planning process with the Commonwealth which allows the County of Allegheny to redirect savings realized from the right sizing of beds to expand needed services in our County. Such a process has been successfully implemented in the Commonwealth and therefore should be easily replicated in our County.

Additionally, we propose additional practices that will ensure a more effective and efficient operation that includes:

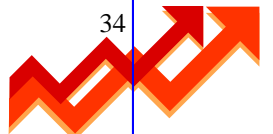
- Hiring a procurement consultant and/or service that would develop a procurement policy and practice that uses the latest procurement efficiencies.
- Engaging the services of a facility analyst to assess the level of current inefficiencies including, but not limited to, space utilization, long range maintenance plans, energy efficiencies, etc.
- Creating an interdepartmental process that integrates the energies of the Kane Regional Centers, Departments of Economic Development, Human Services, and Administrative Services/Veterans Affairs, Health Department , the Housing Authority of the County and other community representatives with an independent view. By meeting on a regular basis, the County would be able to continually assess and propose innovative strategies to respond to the changing demographic needs. Also, this entity would be charged with oversight of the implementation of all the changes involving the various Departments required to complete the recommended actions and develop a strategic plan for the next decade.



Action 3: Using “inspired leadership” and “culture change” principles, redesign operations to improve the consistency of the quality of life throughout the system.

Significant research indicates that changing the culture of an environment to a more person-centered process significantly impacts on the level of quality of service rendered in long-term care. Coupled with this research are the observations of staff in a recent survey that indicated the desire to improve the labor-management relationships so that residents could be more efficiently and effectively served. Because of this, we propose that the Kane Regional Centers:

- Embrace the concept of “inspired leadership” and ensure that the leader charged with the implementation of these actions has a thorough knowledge of “best practices” in the field relating to services involved in the continuum of care.
- Implement a “culture change” initiative. It would be prudent to seek guidance of the nationally recognized Southwestern Pennsylvania Partnership for Aging (SWPPA), as well as, engaging the energies of the Pittsburgh Regional Healthcare Initiative (PRHI).
- Continue to renovate the facilities to be more aligned with current facility practices for transitional units that improve the ambience of the living units.
- Identify a specific position with responsibility to manage admissions, acuity, and use of nurses, partnership programs with local educational institutions, establishment and maintenance of partner programs with regional health care providers, and oversight of the acquisition of Federal and State funds to accomplish objectives.



Action 4: Implement a marketing initiative to highlight the expansion of services

Reflecting on the community perceptions measured in recent surveys, we recommend that the Kanes:

- Engage a public relations firm to trumpet the level of service at the Kane Centers.
- Ensure that there is an intense, targeted campaign and strategy to personnel of hospitals and personal care home homes and other social service agencies focused on the expansion of the continuum of care that has been created.
- With advisement of the selected public relations firm, consider a name change to reflect the changing service delivery and expansion of services, as well as, the quality of service provided in these facilities. Emphasis should be given to names that reflect the quality of life and opportunity to live fully despite medical and/or psychosocial challenges.



Action 5: Retool and retrain our workforce to respond to the growing need for skilled healthcare workers

To achieve a consistent and quality workforce despite the current labor shortages projected in the Pittsburgh region in aging, Allegheny County is well-positioned to become a leader in the field of long-term living and home and community based services. This position is based on the long-standing relationship with Community College of Allegheny County, and other renowned educational institutions, as well as, our long history of positive labor relationships.

With this, we propose that the Glen Hazel facility be reconfigured to include a state of the art training center to facilitate the training of a skilled workforce to serve the needs of those residing independently, those community members with home health or other community supports, as well as, traditional skilled nursing needs. To foster this relationship, we would propose:

- The Department of Labor and Industry of the Commonwealth be approached to garner financial support for this effort.

G. Conclusion

Indeed, it is a time for Allegheny County to respond to the needs of our citizens and their families while ensuring the financial viability of long-term living for our residents. It is time to change the service delivery to our community.

Because of these issues, it is the position of the members of the Healthcare Summit committee that the recommendations contained in this document will fulfill the charge of the Chief Executive of the County of Allegheny that the “time for action is now”.

Respectfully submitted,

Healthcare Summit Committee

Frank Agazzio, Dennis Biondo, Michael Bodinsky, Debra Brodine, Ivonne Bucher, Marc Cherna, Glenn Cannon, Dee Connor, Hon. Joan Cleary, Rosa Davis Mary Jo Dickson, Hon. Nora Dowd Eisenhower, Jerry Fedele, Karen Wolk Feinstein, Hon. Brenda Frazier, Peter Havern, Mary Anne Kelly, Marc Machi, Peg McCormick-Barron, Kathleen McKenzie, Mildred Morrison, Ross Nese, Stephanie Pashman, David Polinak, Paul Quarantillo, Hon. Estelle Richman, Thomas Santone, Frank Santucci, Peter Schepis, Teekie Smith, Richard Stanizzo, John Tague, Thomas Timcho, Guy Tumolo, Nnaemeka Umerah, Patricia Valentine, Mary Esther Van Shura, William White, Jesse Wilderman, Michael Wilt and Clark Yanotti

With appreciation to Michael Nardone, Pat Brady, and James Pezzuti of the Commonwealth of Pennsylvania.

Special acknowledgement to the dedicated employees of the Kane Regional Center who contributed to this report and to Mary Kay Meanor and Terry Conroy for their assistance in the preparation of the materials.