

## **Open Work Session**

### **Status of Wicomico County Nursing Home and Cash Advance Loan of \$489,320 to the Nursing Home's Enterprise Account**

**November 20, 2018**

Mr. Wayne Strausburg, Director of Administration came before Council and introduced Mr. James Crisp. He said Mr. Crisp is a partner with the accounting firm of Gross Mendelsohn, and has headed up the audit team at the Wicomico Nursing Home for about 20 years. He then introduced Ms. Heather Samis, Director of Wicomico Nursing Home. He said he would like to turn this over to Mr. Crisp because he can give Council an in-depth overview of the Nursing Home finances and what they are looking at, and he is available to answer any questions Council may have. He said it is a lot of data, and a lot of information.

Mr. Crisp handed out a series of documents and said they may touch upon those, and they are available if Council has questions. He said the first report shows where Wicomico Nursing Home's operations are through September 30, 2018, and, basically, he wants to focus on page 3 of that report, the Statement of Revenue and Expenses. He said Council will see year to date for the first three months of their fiscal year, which is a year that ends on June 30<sup>th</sup>, they have experienced an additional loss of \$178,000. He explained, part of the reason they are here today is to talk about the future of the organization, and what might potentially need to be done in order to make this break even, and, hopefully, one day a profitable entity. He said, with that in mind, and Council is probably already aware of this, but through June 2018 there was a pretty significant loss experienced, and there was also a loss in June 2017. Mr. Joe Holloway asked what it shows as far as accounts receivable, and if there is any money owed to the Nursing Home that has not been collected, to which Mr. Crisp responded, what is seen on page 2 is the accounts receivable balance, which would encompass private, Medicare, and Medicaid receivables. He explained, like anything else that happens in the industry, sometimes they are paid on a timely basis from the State and Federal, and sometimes they are delayed. He then asked Ms. Samis if they are still having issues with Medicaid recertifications, to which Ms. Samis responded, no, it has gotten much better. Mr. Joe Holloway asked where that is in the handout, to which Mr. Crisp responded, the detail would not be there, but the receivables balance is on page 2. Mr. Joe Holloway asked if it is \$1 million dollars, to which Mr. Crisp responded, yes, and that is much better than it was. He said two years ago that balance was probably close to \$2 million dollars, and there was a lot of what is called Medicaid pending, which is when the facility takes a resident in, which is typical for the industry, and the resident has not actually been qualified for Medicaid. He said, typically, the Nursing Home will make a quick assessment on whether or not they think the resident can qualify, and they take the resident in because usually they need to get into a nursing home pretty quickly, and it is not as if they have a lot of time to make decisions. He said the family members then, unfortunately, are the ones required to follow up on the paperwork. He said the Nursing Home can guide them through the process, but they cannot actually do the filing of the paperwork for the resident. He reported, there were probably at least 13 Medicaid pendings that were taken a couple of years ago, and a good majority of those never became eligible, so between 2016 and 2017, probably about \$1 million of receivables were written off. Mr. Dodd asked why they are taking the patients in if they cannot afford it, and are they required by law to take in these patients, to which Mr. Crisp responded, no, there are, typically, a couple of factors. He said most of the referrals come from a hospital, so they hope the hospital has done its due diligence. He said, obviously, they are not the only facility being fed by that hospital, so, basically, when a hospital calls them to take in a resident, if they cannot respond quickly, they just move on to the next nursing home. Mr. Dodd asked if Mr. Crisp thinks the hospital is using the County as a dumping ground, whereas some of the other nursing homes may not take these patients, to which Mr. Crisp responded, he cannot answer that

question, but it is possible. He said he does not know for sure, but he thinks everyone knows the hospital has an ownership in another nursing home, and that is all he can say.

Mr. Joe Holloway asked if Mr. Crisp has a breakdown on the accounts receivable as far as how many days past due, such as 60 days, 120 days, etc., to which Mr. Crisp responded, not with him, but there are balances that are over 120 days. He said, when he finished the audit for the receivables in June 2018, the receivables were actually in a much better place than they had ever been. Mr. Joe Holloway said he knows they had contacted one of their State Senators about trying to get the accounts receivable caught up, but it looks to him like one of their big issues is accounts receivable. Mr. Cannon said it is kind of like a rolling number over the years, to which Mr. Crisp responded, it is a rolling number. Mr. Cannon said it is almost part of the balance where they are going to have that \$1 million in receivables every year, and he guesses the real crux of it is what Mr. Crisp said a few minutes ago, and that is what the percentage of receivables is that they are writing off every year. He then asked if they know what that specific number is because that is the killer right there, to which Mr. Strausburg responded, that is correct that the accounts receivable does not impact the operating profit and loss. He explained, what impacts the operating profit and loss are the receivables they determine have to be written off, so they are two entirely different numbers.

Mr. Crisp said another document he handed out is the Nursing Home Scorecard, and he directed Council to look at where it says Facility's Bad Debt Percent, which is as of June 2017. He said the facility's bad debt percentage was almost 5 percent, but the State as a whole industry, meaning the entire State of Maryland, including every Medicaid nursing home in the State, which is over 200 nursing homes, averaged below 2 percent. He said the region Wicomico is in, which is, basically, the Eastern Shore and Cecil County, were actually lower than the State, and the County, which is all of the competitors in Wicomico County, were only at 2.5 percent. He said that was the final year where management cleaned up the receivables, and got themselves back into a healthy position again.

Mr. Dodd asked what they do with the patients who do not qualify for Medicaid and cannot pay, to which Ms. Samis responded, they do not have many options, and the best they can hope for is to issue a 30-day discharge notice. She said, if that stands and they are allowed to work on discharging the patient, then, essentially, they have to find another facility that will take a patient that they are not going to get paid for. She said, as she has heard at every seminar she has attended of late, be careful who they admit because they cannot get rid of them. Mr. Crisp added, they have to put the patient in a place of safety, so unless they can actually be discharged back to home, no other facility, especially not a nursing home, is going to take them. He clarified, if they are not getting paid in the County facility, they are not getting paid in any other facility. He said there is another way they can actually discharge a patient, but then they destroy their relationship with the hospital. He explained, anytime a patient has to leave a facility, they are automatically discharged because that is just the way the rules work, and then they are admitted to the hospital. He said, in theory, once the hospital admits them, they never have to bring them back to their facility. He said, if they do that a couple of times, the hospital will never refer anybody to them, so they have to be really careful with relationships.

Mr. Joe Holloway asked, of the \$1 million dollars owed to the Nursing Home, how much of that does Mr. Crisp think they are actually going to collect, to which Mr. Crisp responded, right now, based on where they are, they are only anticipating about \$36,000 of the \$1 million dollars not being collected. Mr. Strausburg added, that gets them closer to the State average. Mr. Crisp said, again, he will tell Council that in all of his experience, in any health care environment, but more so in nursing homes, if they do not stay on top of their receivables and they start aging, the percentage of collectables decreases pretty

drastically. Mr. Joe Holloway said he knows it is tough trying to get the money, but it seems to him the biggest problem they have is not collecting on their debts. He clarified, if they had what was owed to them, they would not be here today, to which Mr. Crisp responded, that is part of it, but, really, the main driver here, which he thinks is one of the things they wanted to talk about today, is census.

Mr. Crisp reported, they have done some feasibility studies, and the County facility is a 102-bed facility. He said, when the facility was closer to 90 residents on an average, they were making a lot of money, but now they are down to an average between 71 to 75 patients. He explained, when they are down that low, based on the current infrastructure, which is personnel, they are actually losing money. He said they did a study with three reports named "Based on 75 Beds," "Based on 80 Beds," and "Based on 70 Beds." He started with the report based on 75 beds, and said the Nursing Home could end up breaking even if they had, on average, 75 beds occupied, and if there were about \$415,000 worth of salary cuts, but that is not including benefits. He said Ms. Samis, himself, and his staff went through a listing of all of the employees to figure out which employee positions could be eliminated, and that is how they came up with the \$415,000. He said, obviously, like anything else, and because of marketplace, etc., they have to decide whether cutting the staff will impact the quality of care the residents are getting, which is one of the things they are noted for. He said they also need to consider that, if they start making people work harder because they are eliminating staff, are there other places they can find jobs, and, therefore, would the County have issues retaining staff. He said he has seen this happen elsewhere, and, if they end up having to bring in agency nursing because they cannot fill a shift, that is probably three or four times the cost of what an actual salaried employee would be, to which Mr. Strausburg added, and they would take more risk. Mr. Crisp said, if they go to the 80 bed analysis, which they have not been able to maintain, the salary cuts would only be about \$170,000. He said the only way they could do that minimal of a cut would be to some way or another figure out how to work the relationship with the hospital, as well as putting more dollars in marketing to get people to come into the facility. He said the most critical thing he thinks they need to talk about is that the resident is not the one who buys the facility, but it is the loved ones, or the responsible party, and he has been through this personally with his mother and his father-in-law, and he works with a lot of nursing homes. He said, when walking into Wicomico Nursing Home, it is very institutional looking. He said the responsible party is already emotionally concerned that they are putting their loved one in a facility, so the facilities that wind up getting residents more often are the ones that look like resorts, or have beautiful reception areas. He said, when walking into Wicomico Nursing Home, there is basically a nursing station where one can see the residents in wheelchairs hanging around the front area, which is not appealing. Mr. Joe Holloway said, when talking to people in Wicomico County who have had loved ones in nursing homes, Wicomico County Nursing Home gets the highest regards, to which Mr. Crisp responded, it does, but that is after they have been admitted to the facility, and that is the point. He clarified, once they are in the facility, from all indications they are getting high quality care, and they are all happy, but it is the people who are not in the County's facility who are making the decisions, not the residents, but the sons, daughters, or whatever. Mr. Dodd said a resort look should be an easy fix, to which Mr. Crisp responded, the problem is, to really fix that facility and make it competitive, they are probably looking at \$15 million dollars to renovate that place, and this is based on other facilities he has seen.

Mr. Cannon asked if they can start from square one. He clarified, he wants Mr. Crisp to tell Council where the Nursing Home is financially, and what the three different areas might be that they need to solve the problem, and how easily it is to fix, or how insurmountable it might be.

Mr. Crisp reported, where they are right now, and where they have been for the past two years is they are losing money, and they cannot continue losing money. He said one of the documents he handed to

Council is a projection by month of coming up with cash flow and cash flow needs. He said, basically, as of the end of September, the facility has \$302,000 worth of cash, and part of the reason why they still have that amount is because they have not paid the County for their share of the insurance bill, which is \$210,000. He explained, had that been paid, which he thinks was due in August, they would have been at about \$100,000. He said, if they continue to lose money as they have been losing up until this point, and assuming the facility pays the \$210,000, they would have no cash. He said, fortunately, they will have cash at the end of November because Ms. Samis still has not paid the \$210,000, but, once she pays that in December, again, they will be in a negative cash position, and the biggest issue is meeting payroll. Mr. Joe Holloway asked if they will have some income between now and then, to which Mr. Crisp responded, they will have some, but right now they are projecting losses every month.

Mr. Strausburg said part of the issue is not only the way the asset lays out, but that they only have six private rooms. He said the private rooms do not have bath facilities, but, as a matter of fact, virtually none of the rooms have bath facilities, and the norm in the marketplace now is they have bathroom facilities in the room where the patient can be cared for and bathed in that room. He said that is where a tremendous amount of expense will come in because they would have to run all of the necessary plumbing, and that gets real costly, as Council might imagine.

Mr. Cannon asked Mr. Crisp how many residents they need to survive, to which Mr. Crisp responded, they are now in the low 70s, but, on average, in fiscal year 2018 they averaged about 75 residents a day. He said they did an analysis based on 75 residents and based on Ms. Samis' analysis of which positions she could eliminate, such as a couple of nurse's aide, a dietary person, a housekeeping person, etc. in a way to make sure they are not impairing patient care, and not overburdening the staff. He said, if they could maintain a minimum of 75 residents a day, and that is the question, then they would need to make salary cuts to make this viable. Mr. Cannon said everybody talks about how this nursing home is strongly needed in the community, and how they have to have it in the community, but, from what Mr. Crisp is saying, it sounds like it is a nursing home that is not wanted in the community because they cannot fill the beds, to which Mr. Crisp responded, a lot of the filling of beds comes from the hospital source, and they only have one hospital to draw from. He said, basically, there are three places a resident could come from, one being from their home, which would mean they would have to know about Wicomico Nursing Home and base their decision on what they see when they walk in the door. He said a resident could also come from assisted living facilities if they have a relationship with them, but he will tell Council, from experience, typically, assisted living facilities tend to keep their residents longer than they should, and he personally knows this. He said the third place they receive referrals from is the hospital. Ms. Samis said she does not know of one nursing facility locally that is not having census struggles, to which Mr. Crisp responded, that is correct. He said, as a matter of fact, if they go back to the scorecard he handed out, they can look at the census data, and at the end of 2017 the average census for Wicomico's facility was 84 percent, but the County competitors were at 84 percent as well. Mr. Cannon asked, if Council told him this was unacceptable and that within six months they wanted this number to be back up to 90, what would have to be done, or is that not even in their ability, to which Mr. Crisp responded, they can probably try to increase census to a certain extent by trying to rebuild the relationship with the hospital, which he thinks was not worked as it should have been prior to Ms. Samis taking on this role, so he thinks that would bring some census up. He said, however, to bring it up to where Mr. Cannon is talking, he thinks they would have to make some actual infrastructural changes to the facility to make it competitive. Mr. Cannon asked if Mr. Crisp thinks that is the reason the hospital does not send patients their way, to which Mr. Davis responded, Mr. Crisp just said the hospital has an interest in another facility, so they are not going to send Wicomico the best patients. He clarified, the hospital is going to send them the ones who are not paying. He said they have to do a better marketing

program in the County, and they have to start scrutinizing what they send. He said they have to start telling them what is required, and if it is known that the patient is not going to be able to pay their bill, they should not accept them. He said the hospital is sending their best clients to their own facility, and sending the worst ones to Wicomico, to which Mr. Cannon responded, supposedly. Mr. Davis said it is not supposedly, and they know that. He said they are going to take care of their own first.

Mr. Strausburg asked, if the Countywide nursing home census is at about 84 percent, and the Wicomico Nursing Home is at about 84 percent, does that indicate that there are too many beds in the marketplace, to which Mr. Crisp responded, the State, typically, is not issuing new certificates of need for additional beds anywhere in the State itself. He said they do an Annual Benchmark Study, and the only thing he will point out to Council is the occupancy percentage on page 5 where they will see that, for the entire State, occupancy percentage has actually been decreasing, and that is probably for all facilities in the State. He said that is probably because there are assisted living facilities everywhere, whether it is in somebody's home with two or three beds, to bigger organizations, which they do a great job marketing, and they are not cheap. He explained, people are going to assisted living over a nursing home because people still look at nursing homes as being an institution, and they look at assisted living as more of a house. He said the other thing they noticed is that there is more homecare happening. He said there are a lot of organizations out there now who will send a caregiver in anywhere from a couple of hours a day to all day. He said, again, what they are finding is that there are so many other alternatives now to nursing homes that nursing homes are almost becoming a place of last resort.

Mr. Cannon said, in order to survive, first and foremost the Nursing Home has to reduce its staff numbers, to which Mr. Crisp responded, correct. He said the key thing that has to happen right now if census is going to stay around where it, which is between 71 to 75 percent, is to control costs. He said it is like any other business where, since they cannot really control the revenue per se, the only thing they can control is costs. He said the biggest costs they have in the Nursing Home are their personnel costs. He explained, they cannot really change the utilities that much, and insurance is insurance, and whatnot, and that is why, after doing the feasibility studies, the only thing they can cut is personnel. He said, as mentioned earlier about the high quality of care, the State of Maryland requires that there are a minimum of two hours per day per patient of nursing. He reported, they took all of the nursing hours, divided it by the number of patients per day, and came out to be about four hours a day, so they are double what the State requires. He said, again, the State believes they can provide the proper quality of care if they are at two hours a day. He said he does not know that, but he will tell Council that he does not know of any facility out there that is at the two hours a day.

Mr. Cannon asked, if they know they are down to 75 residents, should it not be management's responsibility to downsize? He said they are still going to have some of the overhead costs that they cannot get rid of because, unfortunately, that is going to stay with them, but they do recognize that they have to downsize, to which Mr. Crisp responded, that is correct, and that is what he has recommended. Mr. Cannon said this has been going on for a few years now, so is that not something that maybe someone should have recognized? He then asked if they have staff walking around the halls who are not doing anything, to which Mr. Crisp responded, no. Ms. Samis said the acuity of patients continues to increase, to which Mr. Strausburg clarified, acuity means that the patients coming in are in worse shape. Ms. Samis said the hospital sends them out more quickly than ever, so they take the patients sicker, and in a more-needy condition, and the expectations are higher both from the families and the patients. She said they do have the best reputation, but that is because they have more staff, and that is just a simple fact of the matter. She reported, as it is with the staff she has, she still gets complaints because people expect their call to be answered just like that, and her fear is that, if she cuts staff, their reputation is

going to start to decline, and their staff is not going to stay put. Mr. Crisp said the other side of that is that they cannot continue the way they are operating, to which Ms. Samis responded, absolutely. Mr. Cannon said they are saying this as if no nursing home could possibly stay in business, so there has to be something they are missing that would make this nursing home stay in business and be sustainable, but what is that? Ms. Samis said she does not disagree that there are probably some Departments that are easier to cut from than others, such as dietary and housekeeping. She said those were easy decisions to make, but nursing staff was a very rough call. She said she cannot speak to the corporate world, but she knows that Genesis has so many more facilities that they can eat some of these losses more readily than the County can. She said she is not sure what Mr. Crisp sees in the other facilities he works with, to which Mr. Crisp responded, with Genesis and any of the bigger chains, they have centralized business offices. He explained, every nursing facility has to have an administrator, every nursing facility has to have a Director of Nursing, and, obviously, the nurses and the hands-on staff. He said Wicomico Nursing Home has a business office person, a billing person, and somebody who deals with payroll and human resources, but a lot of those bigger places will do that in their corporate office. He said, again, if they own five facilities independently, there are five of each of those positions, but if they own a Genesis, they might have one business office manager, two billers, and one human resources person, so they just cut a lot of salary out of that equation. Mr. Cannon said it sounds like the County is like a country store competing against a Walmart, to which Mr. Strausburg responded, it is scale. He said they do not have scale. Mr. Crisp said he just came from a meeting this morning with a client who is very fortunate in that they have a huge foundation, and actually operate at a \$3-million-dollar loss every year. He said they make \$11 million dollars in their foundation, so they can afford to lose \$3 million dollars, and have the great reputation they have. He said, when a facility is a standalone, it is like anything else where they are a business, and, if they do not have any money in the checkbook, they have to do something about it. He said, if they are going to stay in business, unless they get census up, which he does not count on, though he hopes it happens at some point in time, they have to cut costs. He said they are just going to have to manage their staff, they are going to have to work through it, and they may lose some employees. He said they might have some pain for a while because they may have some agency nursing in the interim, but like anything else, and like any other facility out there, they have to make some hard decisions. He said he has been trying to stress for a while that sometimes they have to deal with the pain today to resolve the problem of the future, and right now they just have a pain that keeps continuing.

Mr. Strausburg said they can mitigate the operating loss to some extent by reduction in staff, but the flip side of the coin may be jeopardizing the level of care to some degree. He said, if they take a longer-term view of the asset of this business, one of the significant deficiencies is that the asset is not positioned well for today's marketplace. He said, if they make the decision that they want to reduce their expenses, that, to him, is not a long-term solution because they also have to make the decision that they are willing to make the investment in the asset that needs to be made so that it is positioned in the marketplace for the long haul. He said, as Mr. Cannon said, if they are a country store, and right up the street is a new fancy, modern place, people buy with their eyes, and they cannot compete in most cases over the long-term if they are fighting that battle. He said, from his standpoint, he sees the Nursing Home as an asset in this community because it does a lot of great things for a lot of families, so he would never suggest they simply take cost reduction measures if they are not willing to make the capital investment that needs to be made over the long-term for the facility. He said they can put that together for Council, but he does not know how long that will take. He said he is really here today to talk about operating the asset and having sufficient cash flow to continue to operate while they make a decision as to their longer-term commitment to the facility, and to that particular industry, and whether it is an industry the County should be in, or should it be privatized, and that is the real question in his mind.

Mr. Joe Holloway said they are here today, as stated on the agenda, to look at putting an infusion of money into the Nursing Home to keep things going, but there are some things he has been sitting here thinking about. He said the first thing is payroll and human resources, which was mentioned, and he wonders whether that is something that could be taken over by the County. He said another thing is that they keep talking about these larger nursing homes, and how they have to make money, but most of them have debt. He clarified, that debt is not just insurance and payroll, but they borrowed money, and probably owe millions of dollars on the buildings, and the County does not have that, which is one advantage. He said another thing is accounts receivable, and he thinks there ought to be some type of action taken to try to get that money in.

Mr. Joe Holloway suggested, marketing the Nursing Home has not been done, and he thinks a marketing program would be wonderful for the Nursing Home, as it was said earlier that it is not the people who are going into the facility, but the families who make the decision.

Mr. Joe Holloway said most of the County's other Departments have Commissions with people to help guide them, and he suggests they have an advisory board put together for the Nursing Home with the aspect of trying to make sure it stays there, and not somebody who wants to go in there and get it closed. He said he knows they have had issues with that before, and he thinks they would have quite a few people who would not be happy if the thoughts head in that direction. He said he thinks an advisory board would be excellent to show some direction of where they need to go with this.

Mr. Cannon said Mr. Joe Holloway's suggestions are all well and good, but they are all based on the premise that the County wants to act like a private enterprise and grow the nursing home, to which Mr. Joe Holloway responded, he is not saying to grow it, he is saying to save it. He said they are in the liquor business too, to which Mr. Cannon responded, and they should not be. He said, with what Mr. Joe Holloway's concerns are, the question is whether those issues might be, should be, or could be better addressed by a private entity that could then worry about branding, and worry about everything else with the experience they bring throughout the Country, and whether that would be more beneficial to the citizens of Wicomico County. He said everybody is so concerned that if the County does not keep this, they are going to lose a great asset, but he is wondering, if the County unloads it, whether they would end up with a better asset because they would be turning it over to people who can better manage it. He then asked what Mr. Crisp's perspective is on that, to which Mr. Crisp responded, he actually has a client who has been purchasing different facilities throughout the State. He said, as a matter of fact, they purchased a facility from Frederick County, and then Frederick County decided they wanted to be back in the business, so they bought it back again, which is interesting, but that is a whole other political thing. He said his client still manages it, and they tend to buy facilities that are struggling because that way they can buy them a little bit cheaper, but one of the first things they do is cut staff. He said they are going to make it profitable first, and then figure out the ramifications later, to which Mr. Cannon responded, the County has to do that anyway. Mr. Crisp said that is what they need to do, and he thinks for some reason it is one of the things they have been very hesitant to do, but the way he looks at it is that they have two choices. He clarified, they can make some hard decisions today and keep the facility running, or eventually they are going to go bankrupt, and everyone is going to lose their jobs. Mr. Joe Holloway said they need to cut staff if they do not increase their beds, to which Mr. Crisp responded, that is right. He said, again, they are going to have pain, they are going to have employees who are upset, and they are going to have employees who will have to work a little harder. He said he would hope, for the most part, that patient care would not diminish so drastically, but there is always that possibility, though other facilities do it. He said Wicomico Nursing Home runs high. He said, again, if they refer back to the scorecard and look under total expenditures on the revenue expense side, they

are averaging \$257 a day, and Mr. Strausburg mentioned this earlier. He said they have 16 quads with four beds per room with no bathroom facility, so no privacy. He said average private revenue is only \$174 per day, and their competitors in the County are getting \$260 per day. He said \$174 a day is not covering \$257 a day in costs in any way, shape or form. Mr. Strausburg said the quads really impact logistics because if a patient needs to be bathed, or needs the restroom facilities, they have to be transported as opposed to being cared for immediately in the space they are occupying.

Mr. Strausburg said, listening to what Council is saying, his suggestion is that they certainly know they need to make the cash infusion because they want to keep operating until they make a longer-term decision. He said he thinks for Council and the Executive to make that longer-term decision, they really have to take a hard look at what the asset needs, and how much money would have to be invested to reposition this facility so they could change their mix. He said they do not have much in the way of private pay, and he believes that quite a bit of that has to do with the facility itself. He said, to Mr. Joe Holloway's point, a lot of private pay facilities have debt, but that debt was taken on in order to invest in the facility. He said the Nursing Home has not borrowed money, and has no debt, but they have not invested in the facility. He said he thinks it would be helpful to Council if they had a better handle on what investment in the facility it would take to reposition it in the marketplace, and then have a business plan for marketing it, and how they would handle the business aspects of how it operates, and separate that from the patient care but from a business standpoint. He said they have an advertisement right now that runs on one of the stations that he sees almost every night. He said it is not a great ad, and is not an ad that would compel him to take his loved one to that nursing home. He said, as a matter of fact, he thinks in some respects it works against them because they see the facility and how dated the facility is. He said they really need a business plan if they want to commit to the asset long term. He clarified, he is not arguing against that, but he is just saying that he thinks, for Council to make a good fiscal decision, they need a bit more information. He said they need to put together what that investment looks like, how that money would get spent, how much it is, and how much principal and interest that would add to the operation if they were to continue to operate it as an enterprise, or how much it would add to the County's general fund principal and interest loan. He said he does not know how long it will take them to put that together.

Mr. Crisp said, looking at the infrastructure, one of the things Council probably wants to look at is potentially converting some of the nursing facility into an assisted living facility. He said assisted living is definitely much more profitable as far as the rates they can charge. He said the trend over the past eight to ten years is that census has been dropping in all of the facilities because of all of the alternatives, but they all know there is the aging population, and at some point in time they are going to need a place to go. He said, in his opinion, first he looks at it that they have to put money into this organization, or it is going to run out of money at some point in time. He said second, they are not selling this tomorrow no matter what they decide. He said, in his opinion, which of course is up to Council's direction to management, he thinks they need to make these personnel changes to keep them afloat. He said, otherwise, they are going to be constantly putting money into this until they decide what they want to do. He said the third thing, which is what Mr. Strausburg eluded to, is either investing in the bricks and sticks to make it a more viable location so people would want to come to the facility, or they put it up for market and find a buyer to buy it. He said, to him, that is the flow they have right now, unless they want to close it down tomorrow.

Mr. Kilmer said, if they do not do anything, essentially, looking at the numbers, Mr. Strausburg is going to be back before Council every three months asking for \$400,000 or so, and that is really not a sustainable thing for the County to do. He said, if that is the path they go down, and they hit another



recession to where all of a sudden the County does not have money, then they are in a situation where that \$400,000 is all of a sudden needed for other things, and that would be really catastrophic if they did not have a plan. He said they cannot keep deficit financing the Nursing Home because, if something happens and their revenue drops dramatically, that is going to be one of the places they would have to look at cutting, and if there is no plan to deal with that long-term, that could be really catastrophic. Mr. Strausburg said, unless they take those steps, they are fighting a rearguard action, and that is never a good place to be.

Mr. Cannon said government is always criticized for not running the government like a business, and this is a classic example. Mr. Joe Holloway said the thing is, they have it, so they ought to make it work, and he does not think there has been enough emphasis on trying to make it work.

Mr. Joe Holloway asked if it was said that Wicomico Nursing Home is charging \$70 to \$80 less a day than other private nursing homes, to which Mr. Crisp responded, for private pay. He said he has never been to Genesis, but they have either private rooms or semiprivate rooms, so, obviously, they can charge more for those. He clarified, Wicomico Nursing Home cannot charge \$250 to somebody who is sleeping in a room with three other people with no bathroom. Mr. Dodd said most of those patients are bedridden anyway so they do not need a bathroom, to which Mr. Crisp responded, but there is a bathing facility. Mr. Dodd asked how they bathe them now, to which Ms. Samis responded, they take them down the hall and shower them. Mr. Strausburg added, that is the logistic aspect. Mr. Dodd said he has always seen bird baths where they bring the water to them. Mr. Kilmer said people can spend a little more at a facility that has nicer things. He clarified, they are going to choose that facility, and not come to the Wicomico facility if another one is nicer.

Mr. Joe Holloway asked if the majority of the payments are Medicaid, to which Mr. Strausburg responded, yes. Mr. Joe Holloway then asked why Medicaid is choosing a higher cost nursing home in the area instead of Wicomico, to which Mr. Crisp responded, they have to remember that Medicaid pays the same price for every facility other than what is on their acuity level. He clarified, the only difference in pay between Genesis and Wicomico depends on the acuity of the patients. He explained, the way it works for Medicaid now is that they pay by region, so it does not matter whether they are in Wicomico County, Worcester County, Dorchester or wherever. Mr. Joe Holloway asked what Medicaid pays for a day, to which Mr. Crisp responded, right now Wicomico County is getting about \$230 to \$240 a day. Mr. Dodd asked if everyone gets that, to which Mr. Crisp responded, yes, but there is a little bit of deviation. He explained, for example, if they are a for-profit and pay real estate taxes, Medicaid will pay part of that, but for the most part everyone in a region is being paid the same except for the acuity. He said the acuity side of their population is the only real factor that changes between facilities, so everybody in that region is getting paid the same. He said, if they are in a County where salaries are less than in another County, they are going to benefit because they have less costs. Mr. Strausburg said the key there is the initial referrals. Mr. Crisp said they have seen it, and one of the things Ms. Samis' predecessor was not really paying attention to was the fact that the census was dropping historically through all of the industry. He said he thinks there was an attempt to try to keep that occupancy up, which is why they ended up taking all of these residents they call Medicaid pending. He said, with Medicaid pending, they have taken a resident who cannot pay privately, and they are hoping they will qualify for Medicaid. He said what happens is they have patients in there for 18 months who the facility is not getting paid for, and many of which they never got paid for. Mr. Joe Holloway said Mr. Crisp had said there were not that many of them, to which Mr. Crisp responded, there were about 13 to 16. He said the only reason some of that pain stopped was because either the patient deceased, or they actually went to the hospital and had to go to some other place for some reason.

Mr. Kilmer said Medicaid is based on poverty, essentially, for nursing homes to where they have to spend down their assets. He then asked, if they cannot pay privately, how are they able to not pay privately if they do not qualify for Medicaid, to which Mr. Crisp responded, they can have a piece of land somewhere that cannot be sold, but the State has determined it is worth \$5,000, which they have had happen. He said one of the patients had land down in North Carolina, and the State decided it was worth more than \$2,500 and would never pay the Nursing Home. He said they have also had patients here and elsewhere where some nephew or niece stole money, and because of that the patient never became eligible. Mr. Davis asked for clarification, to which Mr. Crisp responded, they actually stole money from their relative, such as their pension check, their assets, or took money out of their savings accounts. He explained, when someone applies for Medicaid, they have to give six years of bank statements. He said, if they see a withdrawal out of a bank statement that the patient cannot explain, like paying for health insurance or something like that, they automatically assume that the patient was either diverting their money to another family member so they would become eligible, which is obviously not appropriate, or somebody actually stole the money, and they hold that against the patient. He said the Medicaid program is not the easiest to get into. He said the real problem is that they have to stay on top of the family member, and they have told their clients this, and the County has tried to do this. He clarified, the Nursing Home cannot apply for the resident because they do not have access to their bank statements, or their personal information. He said they have to let the family member or responsible party know what to do, and they have to prepare a checklist for them of everything they need to pull together to actually apply for Medicaid. He said, if they do not have all those documents, and they could even just miss one document, Medicaid will just put them on the backburner. He said there is a period of time that, if they do not stay on top of that, even if they become eligible down the road, they will not pay the Nursing Home back for the time they brought the patient in because there is a statute of limitation time period. He said, as Ms. Samis said, once they are residents in their facility, they, basically, cannot discharge them. He said it is almost impossible. He said, again, if everything has to be submitted within four months, and the family member just does not do it until the fifth or sixth month, they will not pay for the first four months the patient was there. He said then the County has provided services, incurred cost, but is getting no revenue. Mr. Dodd asked who the responsibility party is, to which Mr. Crisp responded, it could be a husband, wife, child, or an attorney. Mr. Dodd asked if they are not then responsible for the bill, to which Ms. Samis responded, not in Maryland. Mr. Dodd asked if they use a collection agency, to which Ms. Samis responded, they have not as of this point. Mr. Dodd asked why not? He said, if someone gets an ambulance bill and does not pay, they are going to go to a collection agency, to which Ms. Samis responded, she cannot speak for every case, but, in most cases, because they cannot hold the family member accountable, the money is just not there. She clarified, they would hire a collection agency, but there is no money to collect. Mr. Dodd said they work on commission, so it would be their problem, to which Ms. Samis responded, they can explore that. Mr. Crisp said he will tell Council, from personal experience, it has not been that successful. Mr. Dodd said there are a lot of collection agencies out there, to which Mr. Crisp responded, there are, and Mr. Dodd is correct that they work on commission. He said there is no harm in trying to do that, but he does not think it is going to solve their problem.

Mr. Joe Holloway said the Nursing Home needs \$489,000. He then asked if that would come out of contingency, to which Mr. Strausburg responded, no, he would structure it as a loan from the general fund. Mr. Cannon asked what they have in capital because he could not find anything in the CIP, to which Mr. Strausburg responded, they had in the CIP to replace all the PTAC units, which was \$450,000, and they are in the midst of coddling that together with contractors. Mr. Cannon asked if that is for this year, or is it spread out over two years, to which Mr. Strausburg responded, that is for this year, and

they have that in the capital budget. Mr. Cannon asked if there is anything in the following years, to which Mr. Strausburg responded, not as of this point. He explained, they know they have to replace the PTAC units in order to keep it operating properly because the patients' rooms have to be heated and air conditioned, but he was looking at it that, if they are going to begin to make meaningful investments in the nursing home, and they begin to think about how they would prioritize their spending and their capital investment at the Nursing Home, he thinks they really need to take a very comprehensive look at that facility. He said they do not have anyone in-house who is really competent to do that, and he would have to outsource that exercise to a consultant, but he does not know how long that would take, or how much money it would cost.

Mr. Davis asked if they can take the revenue from somewhere else that has a profit and is making money, such as the Liquor Board, and put it into the Nursing Home, to which Mr. Strausburg responded, they can earmark any revenue they want to. Mr. Cannon said it is all the general fund, to which Mr. Davis responded, they could earmark the money they are making a profit on for the Nursing Home. Mr. Cannon said they could do that, but the question is, whether they earmark it from the Civic Center or they earmark it from the Liquor Board, why would they want to set up a process where they divert County income to the Nursing Home knowing they are subsidizing the Nursing Home every single year, to which Mr. Davis responded, they are talking about subsidizing it while they can restructure it.

Mr. Joe Holloway said Mr. Davis brings up an interesting point. He said there was a referendum in the election about money from gambling proceeds in the State going to education. He said he knows there has been a push over the years that the County should not be in the liquor business, just as they should not be in the nursing home business, but if they took the money from the Liquor Dispensary, which he thinks is \$600,000 or so, and earmarked it towards the Nursing Home, they could market it in a marketing program at the Liquor Dispensary as they are subsidizing, helping, or working toward supporting the Wicomico County Nursing Home, and it might increase the revenues at the Liquor Dispensary. He said it would also put a better spin on the County being in the liquor business, and possibly work to their advantage. Mr. Strausburg said he is open to all kinds of ideas. He said he thinks they, collectively, do not know yet what the overall investment is that is needed, and he thinks they have to get some pretty good information on that as quickly as they can to see whether or not they have an appetite for that. He said, to Mr. Joe Holloway's point, they could say it is going to cost \$10 million dollars in capital investment, and if they wanted to they could say they are going to earmark the funding stream for that loan from their proceeds from the Dispensary, and that would, hopefully, cover their principal and interest. He said they could go through that exercise, but he thinks they need to know what level of investment is really going to reposition the asset because he still goes back to that. He said, if they do not reposition the asset, they are going to continue to fight a rearguard action.

Mr. Cannon said it is good and well to say they are going to earmark the \$600,000 from the Liquor Dispensary to go to the Nursing Home, but what they are really doing is taking \$200,000 from Education, taking \$200,000 from Roads, and taking \$200,000 from Public Safety because that is where that money from the Liquor Dispensary is going, to which Mr. Joe Holloway responded, they do not give \$200,000 from the Liquor Store to the Board of Education. Mr. Cannon said it goes to the general fund, which funds Education, Roads, and Public Safety. Mr. Joe Holloway said, if they split up \$600,000 in the whole scheme of things, it is not \$200,000 to those three entities, to which Mr. Cannon responded, he knows it is not, but it is going to the general fund, which supports those three. He clarified, they are not really just saying they are going to take it from the Liquor Control and give it to the Nursing Home, but they are taking it from the general fund, and that is really what is happening. He said they can call it an earmark, but it is coming from the general fund. Mr. Joe Holloway said this is just like Mr. Strausburg

mentioning \$10 million dollars, but no one else has mentioned spending \$10 million dollars on the nursing home, and Mr. Cannon is saying to take \$200,000 away from Education or Roads, but that is not correct either in the scheme of things because that \$600,000 is going into a \$30 million-dollar budget. Mr. Cannon said whatever they are investing in the Nursing Home is still coming out of the general fund, even if they want to call it an earmark. Mr. Joe Holloway clarified, he is saying that what Mr. Davis suggested is an interesting idea, and they could use it as a marketing tool at the Liquor Dispensary. He said there are a lot of people in this County who say the County should not be in the liquor business, and he is probably one of them who says it should be a private enterprise, but there has never been any appetite to get them out of the liquor business. He said he thinks they even appointed some commissioners over the years that went in guns blazing that they were going to get rid of the Liquor Dispensary, but once they got there and saw what was going on, they changed their mind. He said, if the consensus of the citizens is that some of them think the County should not be in there, at least make it look like it is doing something more than just selling liquor, and make it look like it is supporting something good that the County is doing, to which Mr. Cannon responded, as long as it is not supporting what is a sinking ship. Mr. Davis said it is sinking now until they do this restructuring. He said Mr. Cannon is making it seem like they are just going to dump this \$600,000 into it, and that is it, but Mr. Strausburg is talking about restructuring. He said they could put this money in there to hopefully restructure it so that it can survive on its own, but Mr. Cannon is not even giving it a chance, to which Mr. Cannon responded, that circles back around again to what Mr. Joe Holloway said earlier, which is why would they want to circle around to bring this back to where it should be if a private enterprise can do it faster, and better, and cheaper. Mr. Davis asked who said that was going to happen? He said, in the meantime, they have to do something with this facility, and they cannot just sit there and put a for sale sign up there tomorrow and wait for somebody to buy it. Mr. Cannon said there is a really good chance this \$489,000 is going to be approved, and there is a great chance that the PTAC unit is going to be approved, and that is okay, but then they have the year after that, and the year after that. He said, in the interim, he thinks the purpose here is to decide how many millions they are going to invest every year, and how many years it is going to take, and what number it is going to add up to in order to break even, or is it better and more efficient, and better for the community, to turn it over to somebody now because they have more resources than the County does, to which Mr. Davis responded, they do not know that. Mr. Cannon said they do not know that, but that is why they are here today. He said, if the County turns this over to a multimillion dollar company tomorrow, they already have the cash to infuse, to which Mr. Davis responded, do they know that? Mr. Cannon said that is why they are here, to which Mr. Davis responded, Mr. Crisp said those companies are in trouble too. Mr. Cannon said the reason they are here today is to give Council that perspective, to which Mr. Davis responded, not to say to sell it because he did not hear them say to sell it. Mr. Cannon clarified, they are here for them to give them their perspective on what the options are, to which Mr. Davis responded, Mr. Cannon just keeps saying to sell it, but they have not even looked into the options yet. He said Mr. Cannon has not even given the restructuring a chance, and is still saying to sell it, to which Mr. Cannon responded, the reason he is saying that is because they have explained to Council before that there are companies across the United States that are making this work. Mr. Davis said they have not even given it a chance. Mr. Dodd said, if other companies can make it work, the County can make it work, to which Mr. Cannon responded, why should they? He clarified, why should they be in the business, to which Mr. Davis responded, the County inherited this. Mr. Cannon said that does not obligate them to keep it. He said it is not benefiting the citizens whether the County owns it, or an independent company owns it. Mr. Davis then asked when the last time was that the Nursing Home has been remodeled or restructured? He said they have not taken an interest in that place, and someone needs to take an interest in it, to which Mr. Cannon responded, he does not know why that is the County's responsibility.

Mr. Bob Culver then came to the table and said the \$15 million is to bring it up to standard with all the new equipment, but they are still looking at over \$1 million dollars to bring it up to date. He said there is the PTAC, the roof, the furnace, and the air conditioning, and all of those big things are getting ready to go up right now. He said they will need to spend \$1 million dollars if they keep this any more than next spring because it is that dilapidated now. Mr. Joe Holloway asked when the last time was that the County infused money into the Nursing Home, to which Mr. Strausburg responded, not during his tenure. Mr. Crisp said there were renovations and additions to the Nursing Home, but that was taken out through a loan, so the County did not fund it at all, to which Mr. Strausburg added, and that loan has been retired. Mr. Crisp said he thinks it was somewhere in the 1990s, and that is where they now have the wing of private rooms, to which Ms. Samis clarified, that was the initial addition in the 1970s, and then they did the rehab hallway in the 1990s. Mr. Crisp said, when they did that, they took out a loan, which they paid off. He said he does not know what happened to the facility before the 1990s, but from that point until today, the Nursing Home has been self-sufficient, so it has made money. He said, of the 102 beds, it probably filled about 95 to 98 of those 102 beds. He said, again, it is like anything else where if somehow or another they went from 71 beds to 85 beds tomorrow, Ms. Samis would not be hiring anybody else. He said, if they suddenly add 14 more people, that revenue stream with no additional costs, which he believes would be the case, would be where they would be making money again. He said the problem is that because they do not know how to get census up, and it is not going to happen tomorrow, the only other choice they have as a business is to drop costs.

Mr. Kilmer said, to Mr. Davis' point, he thinks there is probably a need to figure out what they can do about this, and he thinks they owe that to the community. He said they need to get a plan together to see how much it is going to cost and make that determination, but they cannot keep going down this path from the County's perspective of \$1.2 million dollars over a year, every year, and probably growing year after year. He said he thinks there is a middle ground between Mr. Davis and Mr. Cannon of figuring it out, and going along as it is for now, but recognizing they cannot do this forever or indefinitely. Mr. Strausburg said his personal goal is to be able to present something to Council in the budget cycle that would enable them to make that kind of decision, to which Mr. Cannon responded, they will probably have to do that.

Mr. Cannon said, not to put Mr. Crisp on the spot, but maybe to alleviate some of Mr. Davis' concerns, could he state at this point in time that there could possibly be a company that could come in within the next year, purchase this from Wicomico County, and run it as efficiently, or more efficiently as Wicomico County is running it, or would it be a detriment to this County to do that, to which Mr. Crisp responded, all he can say is that he knows there have been a lot of sales and purchases in the State of Maryland, including his own client who recently purchased two facilities, and has been able to turn them around. He said he knows there is another group that purchased Reeders and Forest Village. He said Reeders, apparently, was getting ready to be shut down by the State. He said they just purchased it, so he cannot tell them whether it is going to be successful, but, obviously, there were buyers out there who thought they could. Mr. Cannon asked if that compromises the care and the ability for the community to have access, to which Mr. Crisp responded, no. He said he will explain to Council that there are two elements. He said first is that there are a minimum number of hours per day that every facility has to maintain, or there are huge penalties, and the State would shut them down. He said the second thing is that every nursing home in the State of Maryland is given an annual survey, and the survey is pretty brutal. He said they come in and look at everything from food temperature, beds, cleanliness, and whatever, so nursing homes are monitored on a very strict level, and it is always a surprise survey. He said, in addition to that, if any resident or responsible party complains about a nursing home to the State, they instantly come back in and survey them again. He said there is a lot of scrutiny over nursing homes. He said, unlike

assisted living where there is not the scrutiny they should have, nursing homes really are monitored. He said, if a facility is not providing proper quality of care, they are going to get penalized, and he has had a couple of clients who for a very small infraction have paid over a half a million dollars to the State as a penalty. He said, if they do not maintain the facility at the highest level of quality care, they would be shut down. Mr. Cannon said he thinks the crux of this is that there are members of this community who are so concerned that if the County were to turn this over to a private enterprise that it would alienate certain individuals who could otherwise be qualified to go, but he does not think that would be the case, to which Mr. Crisp responded, no. Mr. Cannon clarified, accessibility would not change, and quality of service would not change, to which Mr. Crisp responded, no. Mr. Cannon said he does not say this as an argument, but he says it to kind of alleviate the concerns that people have who are attached to this. Mr. Davis said it is just like any other thing. He clarified, Mr. Crisp is saying that they do not know what would happen if they take over, and he said one facility closed, to which Mr. Cannon responded, in a sense he does know because he knows objectively how the industry is. Mr. Davis said they also know that Mr. Crisp is working for clients who buy nursing homes, to which Mr. Cannon responded, he does not think Mr. Crisp is compromising his integrity. Mr. Crisp clarified, he is not, and he has already talked to them about it. Mr. Davis said Mr. Cannon is just not giving this a chance, and is still just saying to sell. He clarified, Mr. Strausburg even said they could come up with a plan, but Mr. Cannon is not even giving him a chance, and he wants to just sell it. Mr. Cannon said he is opening up to all perspectives, and that is his perspective. He said he appreciates Mr. Davis' perspective too, and they are going to make this decision as a Body. Mr. Davis then needed to leave the meeting.

Mr. Joe Holloway said this is going to be a tough decision, and he thinks they need to explore the Executive Office putting together a committee to work on this nursing home problem, to which Mr. Strausburg responded, he thinks that is a good idea. Mr. Culver said, if they spend money here, they are going to have to talk to the School Board too because they only have so much money to spend building new schools, to which Mr. Joe Holloway responded, they understand that. Mr. Kilmer said, if they spend \$1.2 million dollars every year on the Nursing Home, that is money they cannot spend on drainage. Mr. Cannon said the reason he keeps beating this dead horse is that there is such a misnomer that for the County to release this is going to be a disaster to the community, and he does not think that is a reality, but he thinks it could be a plus. He said those sitting before him are the experts, and Council is not the expert, to which Mr. Crisp responded, he honestly does not want to see them sell, so he hopes they did not get the wrong impression. He said it used to be that almost every County owned a nursing home, but there are only two left. He said one did sell, but when the County Executive changed, for some reason, that County Executive decided that was a mistake. He said their nursing home also is in the middle of their entire Government Complex, where Wicomico's is not in the same area, so that could have been part of it, but it was for some reason or another. He said his client had purchased that facility, so Wicomico was the only facility left. Mr. Culver said he thinks the changes in the 50 years since this place opened have been a lot, and who knows what else is going to change. He said, if they spend \$15 million dollars, ten years from now with this Affordable Care Act, they do not know where they are going to be.

Mr. Joe Holloway said it sounds to him like there is a big disconnect in getting paid for some reason or another, to which Mr. Crisp responded, they have no control over that. Mr. Joe Holloway said they do not have control over it, but they can certainly bang on enough doors. He said before they stepped up to the State Legislators, and maybe they need to put more pressure on that after sitting here and looking at a million dollars in accounts receivable, and then to hear them say they are having to put half a million dollars in to keep the doors open. He said he ran a little country store business years ago, and had store accounts, but when he could not pay his payroll, he would get on the phone and call the folks

who owed him money, and say they needed them to bring him a check. He said he knows it is a lot more complicated than that, but it is something he thinks they need to pay a lot more attention to. Mr. Kilmer asked, on the accounts receivable, are they not expecting, according to their financial statements, to collect all but \$36,000, to which Mr. Joe Holloway responded, they have it outstanding for more than 90 days. Mr. Kilmer said it is not the government revenue, but, if they look at the per person expenses, it is really the private revenue where they are getting \$174,000, and the industry is getting \$394,000. He said it is over \$200 per person per day that the industry is receiving for private revenue, and if they look at their private mix, it is a lot higher than the industry private mix, so the County has more private people paying a lot less money per person than the industry. Mr. Joe Holloway said, if they could cut that accounts receivable in half, they would not be looking at giving them \$489,000, and that keeps rolling over, so it is not something that is going to go away completely.

Mr. Culver asked, if they move this along, what kind of people does Council want for him to form a committee with? He asked if they want a physician to be on it, to which Mr. Joe Holloway responded, there are the folks over at the insurance office, there are folks in the medical field, and they should have somebody from the Executive's Office, and somebody from Council, to which Mr. Cannon added, they need a CPA. Mr. Strausburg said they are going to need someone who really understands this industry. Mr. Cannon asked about Coastal Hospice because he knows there has been some discussion. He asked if that is a possibility to work with, to which Mr. Strausburg responded, they are still working with them and seeing how they could put it together so that it works for them, and works for the County, but, certainly, if they were to do something like what Mr. Joe Holloway is suggesting, David is one of the people he would look at to really give advice. Mr. Culver asked who on Council would be on the committee, to which Mr. Cannon responded, Mr. Davis would probably do it. Mr. Joe Holloway said he would also do it. Mr. Culver said they will try to get something together. Mr. Joe Holloway said he is not pushing on it, but he just thought it was a good idea because they do it with every other Department. Mr. Culver said they are counting on this money to keep this going. Mr. Strausburg said they really came here today for two reasons, and first was to give Council the in-depth dive, which they have done, but the other reason was to be able to proceed ahead with papering up the loan, unless Council has a different idea, but he thinks it is cleaner to structure it as a loan. He said, certainly, by the budget cycle they could put together their proposal as to what they believe it would take in order to make the facility viable long-term, and at least break even if not make a profit. He said he thinks they owe Council that, to which Mr. Cannon responded, that is what is really important, and the real capital numbers on investment.

Mr. Roser said he, generally, does enterprise studies, and he has had conversations with Ms. Samis in the past, and they will continue the trend analysis as they have in the past. He said he has five pages of notes, but he is going to ask one question. He then asked if they know off the top of their heads what their bad debt expense was last year, to which Mr. Crisp responded, he knows the provision for last year for June 2018 was only \$72,000, whereas the year before it was \$411,000. Mr. Roser said the \$411,000 was a one-off to try to get the aging report back to some sort of sanity, so that is more or less a one-off. He then asked how that is related to the current losses they are experiencing on the bottom line, to which Mr. Crisp responded, there has not been any direct write-off, and he cannot attest to the receivables, but they have grown. He said the receivables at the end of June were \$800,000, and they are up to \$1 million now. Mr. Roser asked if that is good receivables as far as he can tell, to which Mr. Crisp responded, yes. He said they do not do the same analysis as they do for the audit. He said, just so Council understands, when they come in to do the audit, one of the key things they do for all of their nursing home clients is take the accounts receivable balance as of the period, and anything that is 90 days or over they actually have it summarized, and they have the client go down line by line, patient by

patient to explain to them exactly what the situation is. He said they are pretty conservative, so if they cannot tell him definitively that it is collectable, they either make it 100 percent uncollectable, or some percentage. He said, when they went to fiscal June 2018, many of the things that were over 90 days or more had been collected. He said, if they look at it, the receivables at the end of June were \$800,000, the revenue through September was \$1.9 million, and their receivables are only \$1 million, so they have been turning it. Mr. Roser said, at one point, they had an outside agency working with them to try to collect some of this in the past. He then asked if they were still doing that, to which Mr. Strausburg responded, he fired them. He explained, they were charging the County \$65,000 a year, and doing nothing. Mr. Crisp said, in his opinion, they promised the County something they could not do. Mr. Roser then asked, they never really showed the County any results, to which Mr. Crisp responded, no. He said his understanding is the County hired them because they convinced the predecessor administrator that they could overturn the State's denials of the Medicaid, and that did not happen. Mr. Cannon said they can turn it over to a collection agency who would then get a percentage of the collections. He then directed Mr. Roser to share his questions with Ms. Samis and Mr. Crisp through email, to which Mr. Roser responded, they will schedule their regular interview, and clean up some of this stuff, and Council will get the enterprise report. Mr. Cannon said whatever Mr. Roser has is going to be beneficial to Council, and the Executive as well.

Mr. Crisp said his only recommendation when they form their committee is that he recommends they talk to an architect because they have to come up with a proper design if they are going to get the cost, and they will have to pay for that part. He said the only way they are going to figure out what the infrastructure cost is going to be is to have architectural designs, and then talk to a construction company. Mr. Joe Holloway said he thinks the committee being formed probably would not get into redesigning the Nursing Home right off the bat, to which Mr. Crisp responded, no, but eventually they will have to look into that. Mr. Strausburg said they have to get a handle on the capital investment. Mr. Joe Holloway said, if Mr. Davis does not want to be on the committee, he will be on it.

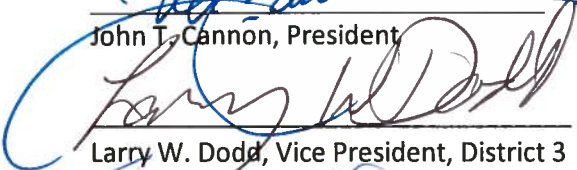
Mr. Cannon asked when they will revisit this, and what will Mr. Strausburg bring to the table, to which Mr. Strausburg responded, what he is looking for today is being able to move forward on the cash infusion. He said he does not think they have a choice on that, and they need to do that to stay in operation. He said he would recommend they structure it as a loan, and then he could probably come back before Council with a meaningful update in about 30 days if that suits. Mr. Cannon asked how long this will get the Nursing Home by, to which Mr. Crisp responded, he thinks that would get them through the fiscal year. He said right now, if everything goes as they planned, they are projecting a potential loss of \$427,000 by this coming June 2019, so that would cover them for the year. He said he still recommends, from a businessman's perspective, even if it is not the nursing aides, he thinks they need to make those other cuts. He said, even if they cut off \$100,000, that will save them part of their loss. Mr. Dodd said, with any nursing home they go to, the person is going to have to wait when someone hits that buzzer. He said even a hospital is the same way. He said they do not come running when the patient hits that buzzer, so it cannot be expected. Mr. Crisp said they are always going to get complaints. Mr. Cannon said, whatever measures they decide to take, he thinks they are going to have to be very definitive about it, and do it as quickly as they can. He said this is televised as well, so he would not want so many people to be suffering in angst over what their future might be, to which Mr. Strausburg responded, they will get on that. There was no further discussion.


*Signatures on next page*




**Open Work Session  
Status of Wicomico County Nursing Home and Cash Advance Loan of \$489,320 to the Nursing Home's  
Enterprise Account  
November 20, 2018**

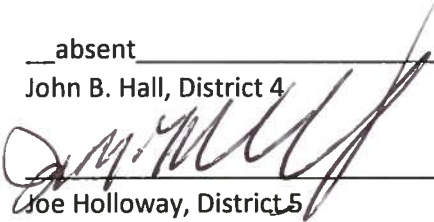
  
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John T. Cannon, President

  
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Larry W. Dodd, Vice President, District 3

  
\_\_\_\_\_  
Ernest F. Davis, District 1

  
\_\_\_\_\_  
Marc Kilmer, District 2

\_\_absent\_\_\_\_\_  
John B. Hall, District 4

  
\_\_\_\_\_  
Joe Holloway, District 5

\_\_absent\_\_\_\_\_  
Matt Holloway, At-Large

  
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Laura Hurley, Council Administrator