



**RESPONSE TO THE TRANSITION PLAN GAP ANALYSIS**

# **Executive Summary**

Colorado Department of Human Services  
Office of Adult, Disability, and Rehabilitation Services  
Division of State and Veterans Nursing Homes

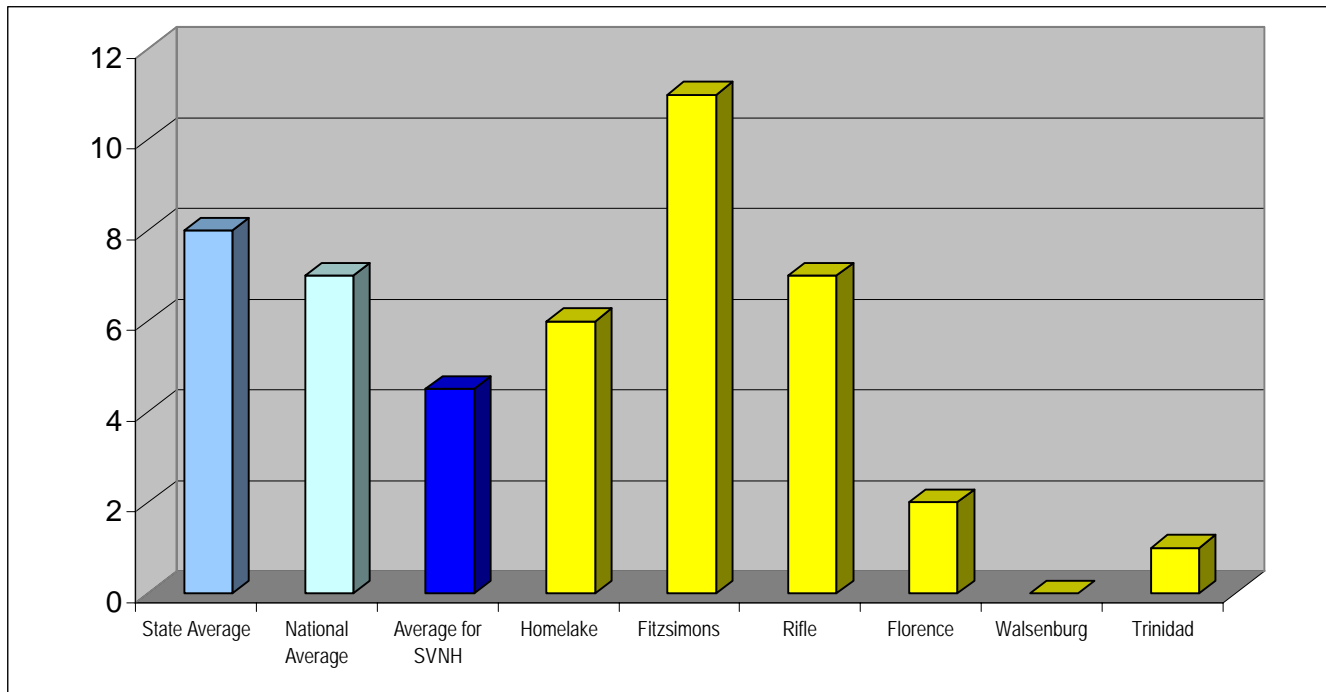
**Fitzsimons Accountability Committee**  
**2 May 2005**

## *Executive Summary*

- The Executive Summary and Gap Analysis provided by Pinon Management illustrates the need for a formal infrastructure of key, centralized leadership positions at the Division level. The Pinon Management Executive Summary states, “Funding support will be necessary for the Department to carry out the recommendations of this report....”.
- The Department of Human Services is committed to quality service delivery whether or not resources are made available to support the recommendations of the Gap Analysis.
- The analysis provided by Pinon highlights the gaps in oversight when compared with their financial capacity to fund a highly centralized structure. The State has traditionally established a structure that necessitated the homes manage self-contained operations to cover their own facility expenses with minimal centralized overhead costs. This is challenging but the homes have responded and managed this responsibility successfully for many years.
- The intent of this document is to acknowledge and respond with options on how the Department may begin to address the specific gaps and areas of weakness and to elaborate on some of the strengths that may have been overlooked in the Gap Analysis.
- Admittedly, the Department had a significant failure in the management of one home -- the Fitzsimons State Veterans Nursing Home. The Department has acknowledged numerous times over the last eighteen months that the clinical issues at Fitzsimons were unacceptable and the problems that were uncovered were very serious. The Department accepts responsibility for these problems and is accountable for ensuring that the quality of care is improved and sustained.
- The Department acknowledges the excellent job Pinon has done and values the public-private partnership. Pinon Management has provided quality leadership and expertise as well as additional resources, and Pinon could not have accomplished this without the hard work of Colorado Department of Human Services staff, and the \$1.9 million in budgeted resources made available for their services. We express our sincere appreciation to Pinon for all their hard work and the leadership they have provided.
- Department staff have demonstrated a strong commitment to the military veterans of this State. The Department is proud of the work of these dedicated employees at every level of the organization. The Department is committed to continuous quality improvement within all of its facilities. And the Department maintains that commitment whether there are no state resources as has routinely been the case, or whether the level of resources provided to Pinon Management is made available for the State to address the gaps identified in Pinon’s report. Department staff has performed considerably well without the resources that may be considered optimum in the private sector environment.

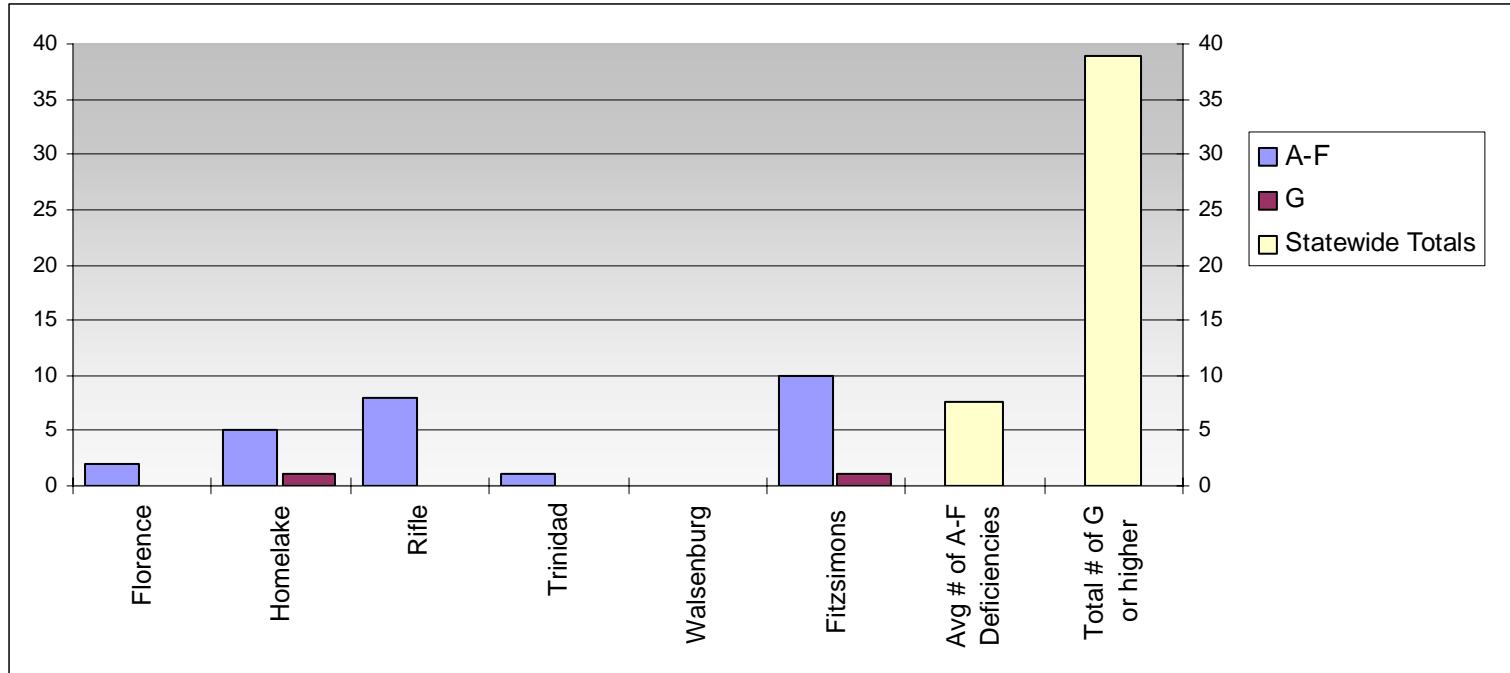
- In examining the context of the Accountability Committee’s focus, it is important to look at the Department’s overall performance with respect to providing care to Colorado’s veterans. The Department has successfully operated four other state veterans homes and oversees one government-contract facility for as far back as 45 years. The Division’s survey record for 2004 is as good or better than homes managed in the private sector. The average number of deficiencies for the State and Veterans Nursing Homes was only 4.5 in 2004 compared with the statewide average of 8.0 deficiencies and a national average of 7.0 deficiencies. When the survey average is calculated without factoring the Fitzsimons’ deficiencies, the State and Veterans Nursing Homes had a 2004 annual average of only 3.2 deficiencies.

### SUMMARY OF 2004 SURVEY DEFICIENCIES



Data was presented by the Colorado Department of Public Health and Environment Facility Detailed Profile Survey Tag Summary 2004. Data retrieved 04/01/2005.

## DEFICIENCY STATUS 2004 BY SEVERITY STATE NURSING HOME



A-F: No actual harm, potential for more than minimal harm. G: Actual Harm that is not immediate jeopardy.

This data was presented by the Colorado Department of Public Health and Environment Facility Detailed Profile Survey Tag Summary 2004. Data retrieved 04/01/2005.

- The State and Veterans Nursing Homes face the same problems that the entire nursing home industry is struggling with today. Across the country nursing homes are in a financially and operationally unstable situation because of increases in facility per diem care costs. These higher costs are a result of dramatic increases in resident acuity, an unparalleled nursing shortage, higher vacancy rates, and Medicaid reimbursement rates that are not keeping up with the costs of care.
- Although the Pinon recommendations cannot be implemented without additional resources, the Department is committed, whatever the resource level, to maintaining performance at better than industry standards. This document presents options to the Committee in the Key Indicator areas presented by Pinon in their Executive Summary Report of the Gap Analysis. (Leadership, Management, Financial, Clinical, Admissions/Marketing)

## ***KEY ACCOMPLISHMENTS***

- The nursing homes perform well on annual customer satisfaction surveys. During the last survey, the nursing homes received a 95 percent satisfaction rate from families, and a 92 percent satisfaction rate from residents.
- Historically, the nursing homes have done quite well with both the state and VA surveys, with deficiencies below state and national averages.
- The nursing homes have been able to recruit and retain well qualified and experienced Administrators and staff.
- Prior to the opening of the Nursing Home at Fitzsimons, the nursing homes had historically earned enough revenue and cash reserves to fund all operations and capital improvement.
- Bruce McCandless State Veterans Home completed critical life safety improvements including a new fire alarm system, new emergency power systems and a new nurse call system. The construction costs totaled \$905,000, of which only \$167,000 was state funds. The balance of the funds came from federal VA grant money and grant funding from the Veterans Board.
- Walsenburg State Veterans Home has been working on a combined Energy Performance Contract/Capital Improvement project consisting of central plant mechanical upgrades (boilers, chillers, pumps, controls, etc.), heating/ventilation/air conditioning components and systems, electrical system and fixture replacement, plumbing fixture and system replacement, and new kitchen equipment. Building expansions critical for program operations are also anticipated under this contract, including adding a Secure Care Unit Dining area and expansion of the existing Dining/Activities area. The estimated total cost of the project will be \$2.7 million and will not require any state funds.
- Trinidad State Nursing Home is working on an Energy Performance Contract with Siemens Building Technologies. The building's central boilers will be replaced along with the domestic hot water heaters; a booster heater will also be added in the food service area, as well as improvements to the building's irrigation system. The estimated total cost of the project will be \$650,000 and will not require any additional state funds.
- Homelake State Veterans Home has been working on a plan to protect and stabilize the existing historic buildings on campus, to provide Master Planning for the entire site, and to upgrade and replace old, defective utility systems on the campus. Design is 50 percent complete with construction anticipated in FY 2006-7. The projected costs will be \$1.1 million, of which 65 percent will be paid for with federal VA grant funds. The Department is working on securing the remaining funding through grants.

## *Exit Strategy*

- **Leadership.** The Department's new Division Director brings 16 years of nursing home management experience to the Division. The Quality Improvement Nurse has been hired to provide division level clinical oversight. In addition, the Department continues to dedicate significant Departmental resources including the Manager of Adult, Disabilities, and Rehabilitation Services, the Assistant Manager, the Department Controller, and the Budget Director. These individuals will continue to assist the facility in overseeing the financial, HR, and monitoring to ensure that the facility has support until the homes can recover from the financial burdens of the past 18 months. The Division Director is involved in weekly management meetings at Fitzsimons and is working closely with Pinon's Project Manager. The transition from Pinon Management is one of the Division's highest priorities. As such, the Division will allocate the necessary time to ensure that orientation to programs and systems is complete. During FY 2004-05 Florence, Walsenburg, and Homelake Veterans Nursing Homes had pre-surveys completed by an outside Nurse Consultant. The Trinidad State Nursing Home and the Rifle Veterans Nursing Home each completed a pre-survey by utilizing either in-house or sister facility expertise. For FY 2005-06, all State and Veteran Nursing Homes will utilize outside resources for pre-survey consultation.
  - While continuation of the current organizational structure has been identified with shortcomings by the Pinon Gap Analysis, and continues to drain the resources of the Division, every effort is being made to control expenditures to ensure that the state nursing homes have sufficient cash to complete FY 2005-06. The Department agrees with the concept of utilizing a key leadership interdisciplinary team. Such an infrastructure will be dependent upon available funding and resources.
- **Management.** The Department agrees that Mr. Kotz has established himself as a leader and exhibits the qualities necessary to manage the facility. The Division Director and other key Department staff will be available to assist with support and any additional training on departmental operations that may be necessary after July 1, 2005.
- **Financial.** The Department agrees that an additional oversight of financial operations is important. Resources are needed to address all the financial oversight and to assist in planning for the homes immediate as well as future needs. The concerns with respect to Medicare and Medicaid cost report reimbursement analysis and reporting also needs to be addressed through additional resources.
- **Clinical.** The Department believes that the addition of the QI nurse to the team of high quality Directors of Nursing will significantly improve the clinical oversight of all of the homes. The individual hired as the QA/QI Nurse received his Master of Science Degree in Nursing from the University of Northern Colorado in 1995. He was a presenter at several conferences on topics related to long-term care. In addition he has held leadership positions with Parkview Medical Center and the Sangre de

Cristo Hospice that provided him with opportunities to supervise nursing staff in various positions. His excellent clinical, communication and teaching skills will benefit the Division as we work with our key staff on developing and monitoring a more stringent clinical oversight program.

- **Admissions/Marketing.** The Department recognizes census as a major issue that must be addressed if the homes are to be financially viable. This is a priority for all Administrators, Business Managers, and the Division Director. The Division has a marketing team with representatives of each home that are developing marketing goals and action plans for the short and long term. Without additional funds the Department is unable to develop additional expertise in this area. The Department will continue to evaluate this need. Additional funds are needed to implement the Pinon recommendations.
- **Each of the State and Veterans Nursing Homes absorbs costs that they have little or no control over.** The rate for Workers Compensation is based on an average of all state agencies within each department. Those agencies that receive General Funds, receive an annual adjustment to cover any rate increases. However, the State and Veterans Nursing Homes absorb their costs and need to pass this additional expense on to the residents through a rate increase.
- **The state does not provide capital construction funds to the nursing homes.** Although the State owns the nursing homes, they are not required to assist the Homes with any capital improvements. With the exception of Fitzsimons, all of the Homes are older and in need of on-going life/safety and general improvements. Fixtures, equipment, and computers are also a major cost that each Home must account for in their budgets. The expectation is that each Home earn enough cash to fund all facility capital construction projects, and controlled maintenance. These costs are passed on to the residents through rate increases.
- Of the forty-seven states that have veteran nursing homes, thirty-five states provide general fund support. The support ranges from a low of 10% to a high of 90%, with most states providing about 33% overall general fund support. Colorado provides no general fund support to the veterans nursing homes.
- The table on the following page outlines the options available for the Committee to consider with respect to the Department level oversight for the State and Veterans Nursing Homes.
- The first option reflects the Division level structure at current capacity and would be funded within existing resources.
- The second option reflects a structure similar to Pinon Management's recommendation. The Division's current resources will not accommodate this level of infrastructure. The homes are presently operating on the margin and any redirection of existing resources will jeopardize both clinical care and financial viability.

DEPARTMENT LEVEL OVERSIGHT AND MONITORING			Rev. 5/4/05		
CURRENT ORGANIZATIONAL CAPACITY			CENTRALIZED OVERSIGHT AND MANAGEMENT (Includes Needs for Additional Outside Funds)		
Position	Salary + Benefits	Assumptions	Position	Projected	Assumptions
Division Director	114,318	GP VII at \$8,358 per month	Division Director	114,318	GP VII at \$8,358 per month
QA/QI Nurse	104,167	Nurse VI at \$7,600 per month	QA/QI Nurse	104,167	Nurse VI at \$7,600 per month
Business Manager	0		Business Manager	75,000	GP VI
Accounting Support	72,792	Accountant III	Accounting Support/ Field Analyst	65,000	Accountant III
ITS staff	30,000		ITS staff	30,000	
Operating Expenses	24,000	\$8000 per year per FTE	Operating Expenses	40,000	\$8,000 per year per FTE
Medicare/Medicaid Cost Report Review	0		Medicare/Medicaid Cost Report Review	25,000	Consultant
Pre-Survey Consultant	15,000	\$2,500 per pre-survey/ One x per year/ \$5,000 for Fitzsimons	Pre-Survey Consultant	7,500	\$5,000 per presurvey/ One x per year/ \$7,500 for Fitzsimons
Marketing/Public Relations Director	0		Marketing/Public Relations Director	96,132	General Professional VI at \$7,000 per month (Range \$5,203 to \$7,960)
Social Services Consultant	0*		Social Services Specialist	75,000	
Activities Consultant	0*		Activities Consultant	21,600	\$60 per hour x 30 hours per month
Dietary Consultant	0*		Dietary Consultant	21,600	\$60 per hour x 30 hours per month
Outside Evaluation and Monitoring	0		Outside Evaluation and Monitoring		
TOTAL COST	360,277		Total Cost	675,317	
DIFFERENCE			315,040		

\*Note: Each home currently utilizes consultants in these clinical areas but there is no centralized Division level oversight in these areas.

The Fitzsimons facility is not currently competitive in the Metro Area market. Under normal compensation and benefit levels, recruitment and retention of key professional staff is extremely difficult. Additional costs to recruit and retain professional staff at the top of the pay scale totals \$533,617. A projected \$376,000 will be needed to provide sign-on incentives to recruit staff in FY 05-06. The additional cost in the competitive Fitzsimons market is \$909,617. This amount is in addition to the estimated \$315,040 cost of Pinon's recommended central structure for a projected total cost of \$1,224,657.



## *SUMMARY*

- The Department believes the information that has been provided in this document demonstrates both existing Department strengths and current challenges. We are confident that the Committee's assessment and recommendations will be fair and balanced.
- The Colorado Department of Human Services honors the veterans who are served by our Department and cares deeply for them. Our Department will continue to ensure that all of the State and Veterans Homes provide the highest level of care and that the issues uncovered in the past year at the Fitzsimons facility do not occur again.