



Arkansas State Veterans Home at North Little Rock  
January 29, 2016  
1:00 PM

**I. Executive Summary**

**The 96-bed** State Veterans Home at North Little Rock (ASVH-NLR), currently under construction, is a replacement facility for the former Little Rock State Veterans Home which closed in 2013. ASVH-NLR is projected to open within the next ten (10) months.

**ASVH-NLR is a “small home” design** with eight (8) individual homes that will serve twelve (12) residents each. Each resident will have a private room and private bathroom. Less than 1% of long-term care facilities across the nation are built and operated as small homes. The small home concept seeks to de-institutionalize care and provide a warm, home-like environment in a setting that encourages social activity. As a result of the design, the operating model will differ substantially from that of a traditional skilled nursing facility and will require more planning and resources as a result.

**The financial operating forecast** was developed using a cost model with FY15 AR State Veterans Home at Fayetteville cost data as the basis. The cost model assumes that, once the VA survey is complete in Month 6 (March 2017) with 24 residents, additional residents will be accepted at a rate of four (4) per month.

**The DHS Office of Long-Term Care has advised** the agency to ramp-up resident census slowly in order to avoid survey tags (findings) and better control the quality of care delivered to residents - as issues are easier to remedy on a small-scale.

**Work in a nursing home differs markedly from work in other settings.** Nursing home regulations drive additional training requirements and therefore higher turnover costs.

High staff turnover has a negative impact on service quality. There is a high cost associated with low wages, including higher turnover. The common assumption that labor rates equal labor costs excludes several variables, including loyalty, productivity, turnover and shrinkage (employee theft). Paradoxically, higher wages have a cost-containment effect.

Services must be delivered to our residents 365 days per year, on holidays and during inclement weather. This requirement places greater demands on employees and requires employee dedication for success.

Our goal is to hire employees who demonstrate emotional intelligence, the ability to demonstrate empathy and genuine concern for our residents, who take pride in their work, are willing to be coached, and are diligent in their efforts. **We have every confidence that we can operate in a cost-effective manner while creating an outstanding service delivery team** if we are able to offer an excellent wage and benefit package, with the lowest paid worker earning substantially more than the minimum wage. We want to attract top performers as key team members. Their work will greatly influence the quality of life of our residents.

## II. Financial Operating Plan Overview

Key ASVH-Fayetteville FY15 Data:

- FY15 AVG monthly resident census: 79
- Gross Revenue: \$8,710,952.54 (AVG per resident: \$110,265.22)
- Total Costs: \$7,791,527.00 (AVG per resident: \$98,626.92)
- Net Income: \$919,425.54 (AVG per resident: \$11,638.30)

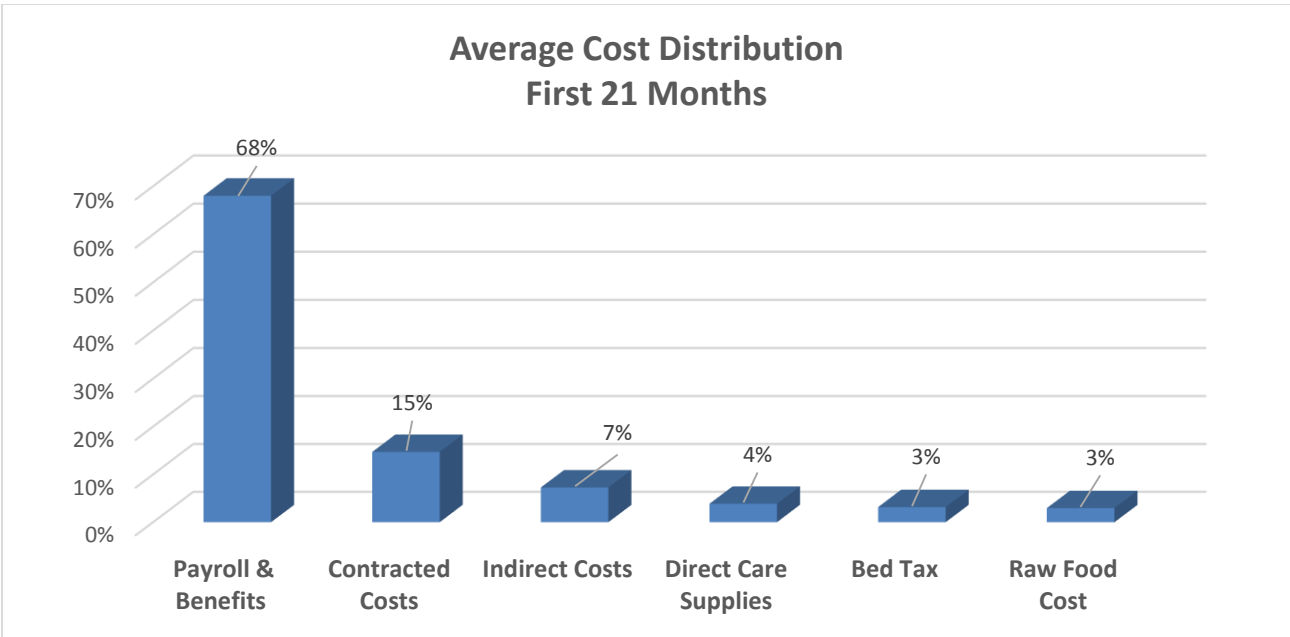
Key ASVH-NLR Data at full capacity (96 residents):

- Total annual cost to operate \$9.2M per year / \$767K per month
- Average cost of care per resident: \$96K per year /\$8K per month
- Employee headcount: 139
- VA Per Diem reimbursement rate: \$364 per day / \$132,860 per year (covers 100% of room, board, therapy & drugs – complete cost of care) – received by 70% SC or more disabled Veterans.
- VA Aid and Attendance rate: \$102 per day / \$37,230 per year – received by all non-70% SC disabled, otherwise eligible Veterans.
- Medicaid reimbursement rate: \$188 per day / \$68,620 per year (covers room and board only. Resident is responsible for payment of drugs/therapy services).

**ARKANSAS DEPARTMENT OF VETERANS AFFAIRS  
STATE VETERANS HOME AT NORTH LITTLE ROCK  
ASSUMPTIONS FOR OPENING HOME**

| Item# | Assumption   |
|-------|--|
| 1     | Resident funding source - private pay only for the first 4 months.   |
| 2     | Non-veteran census limited to 15% of resident census.  |
| 3     | Facility will accept only 6 residents until the OLTC survey is complete and the facility is certified as Medicaid-eligible.  |
| 4     | Facility will open only 2 homes (24 residents) until VA recognition survey is complete.  |
| 5     | Four (4) additional residents will be accepted each month until facility is full, post-VA survey.  |
| 6     | 20% of residents will be eligible to receive VA per diem income (70% SC disability).   |
| 7     | Facility will not receive any VA income until 12 months after VA recognition survey complete.  |
| 8     | Facility will begin receiving Medicaid income 4 months after facility opening.   |
| 9     | VA reimbursement rates will be set equal to current VA reimbursement rates at Arkansas State Veterans Home-Fayetteville (ASVH-F).                                    |
| 10    | Private pay rate will be set equal to ASVH-F Medicaid rate.  |
| 11    | Financial forecast does not include Medicare income (although 6% of ASVH-F income is Medicare and we expect to generate Medicare income within 6 months of opening.) |
| 12    | With the exception of residents receiving Medicare and VA Per Diem income, all residents are responsible for their own medication and therapy costs.                 |

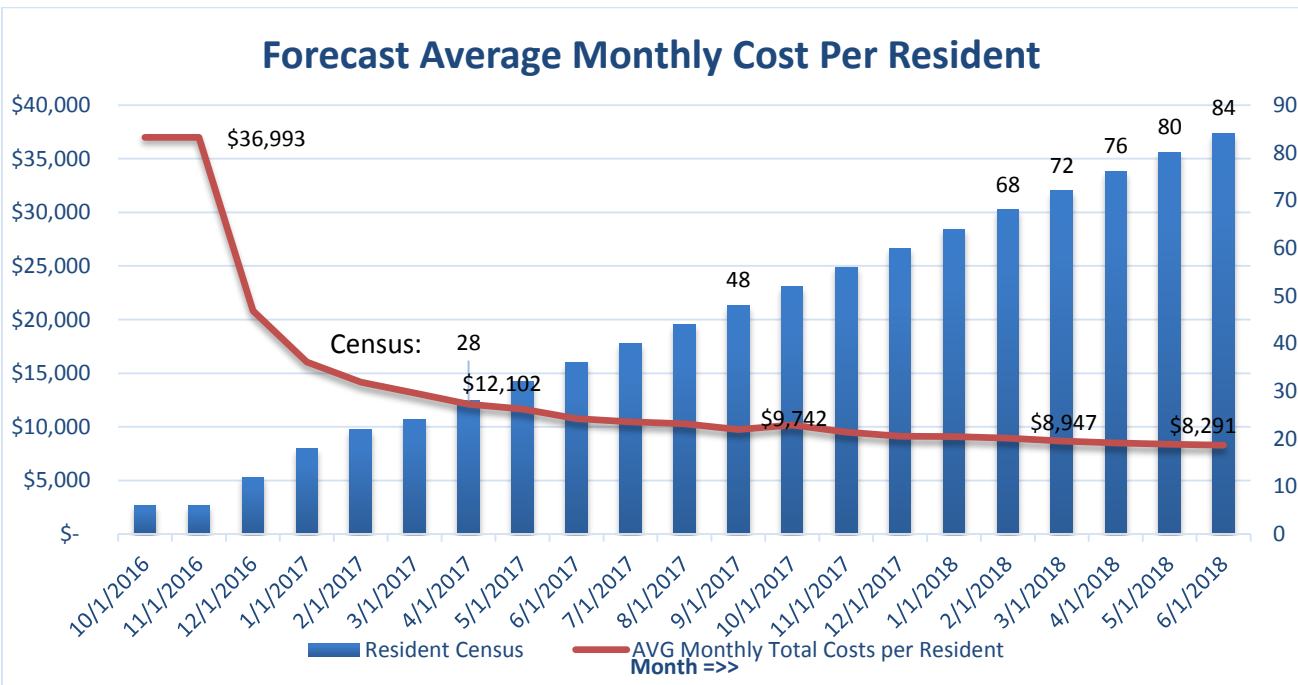
### Average Cost Distribution First 21 Months

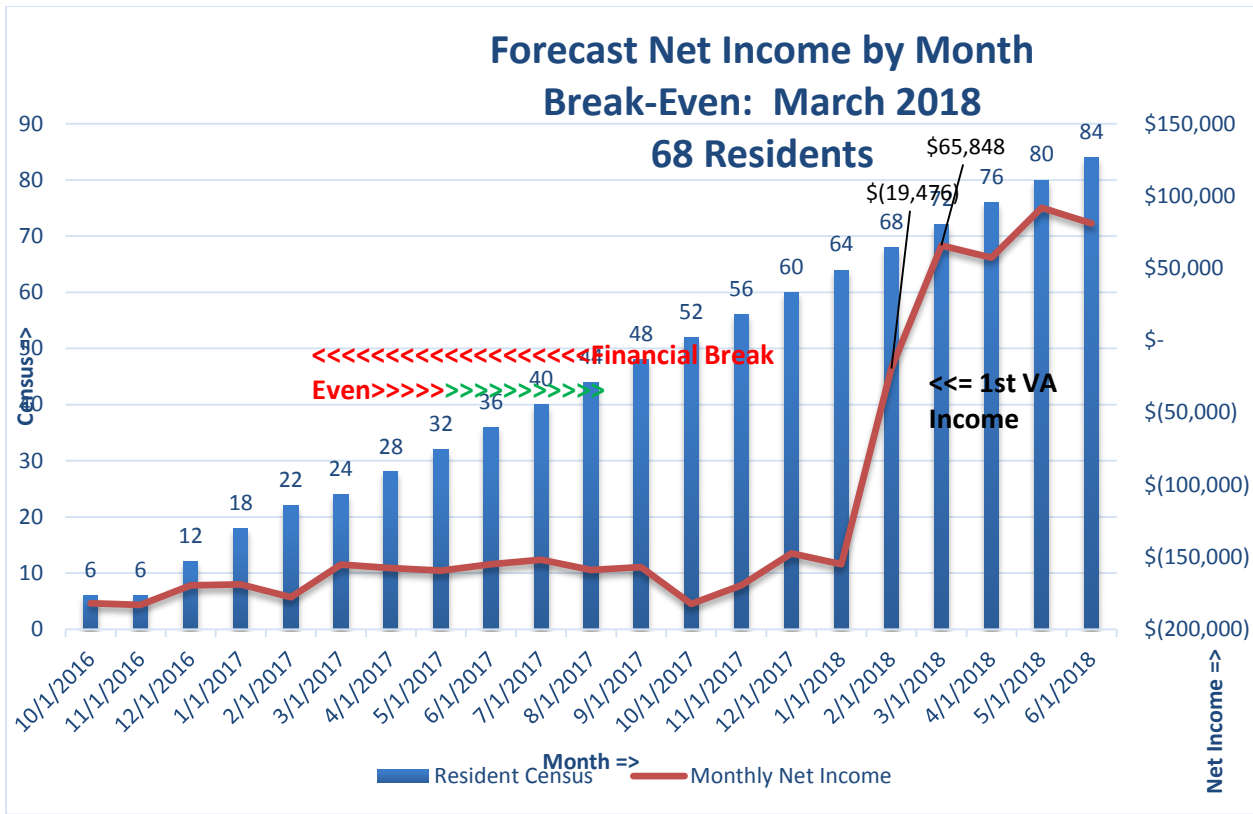


**Indirect Costs** (both variable and fixed) include: electricity, water, kitchen/janitorial supplies, insurance, telecom expense, office supplies, capital lease (vehicle) expense, industrial equipment maintenance, waste disposal, rent of office equipment, association and membership dues, linen supplies, employment screening costs, software maintenance, vehicle maintenance, public safety equipment maintenance and miscellaneous costs.

**Direct Care Supplies** vary directly with resident census and include: drugs, medical supplies, incontinence supplies, supplementary oxygen, food supplements and personal care supplies.

### Forecast Average Monthly Cost Per Resident





| Major Contracts / Procurement   |                       |
|---|-----------------------|
| Contract  | Estimated Annual Cost |
| <i>Therapy Services (PT, OT, ST)</i>  | \$ 300,000            |
| Building Maintenance & Groundskeeping   | \$ 275,000            |
| <i>Electronic Medical Records System / Nurse Call System</i>                  | \$ 250,000            |
| <i>Housekeeping Services (heavy duty only - i.e. floor maintenance, etc.)</i> | \$ 120,000            |
| <i>Billing Services Consultant (currently BKD LLP)</i>                        | \$ 78,000             |
| Medical Director  | \$ 48,000             |
| <i>Laundry Service</i>  | \$ 28,000             |
| <i>Lab &amp; Diagnostic Contract Services</i>                                 | \$ 26,000             |
| <i>Cable TV/ Internet services</i>  | \$ 24,000             |
| Pharmacy Consultant   | \$ 15,000             |
| Dietitian Consultant  | \$ 9,000              |
| <b>Total Contracted Costs</b>   | <b>\$ 1,173,000</b>   |

**FORECAST SUPPLEMENTARY FUNDING REQUIREMENTS  
FY16 to FY18**

|                        | <b>FY16</b>         | <b>FY17</b>        | <b>FY18</b>        | <b>TOTAL</b>        |
|------------------------|---------------------|--------------------|--------------------|---------------------|
| <b>ONE-TIME COSTS</b>  | \$ 1,471,670        |                    |                    | \$ 1,471,670        |
| <b>OPERATING COSTS</b> | \$ 98,170           | \$ 2,336,883       | \$ 1,389,644       | \$ 3,824,696        |
| <b>TOTAL REQUEST</b>   | <b>\$ 1,569,839</b> | <b>\$2,336,883</b> | <b>\$1,389,644</b> | <b>\$ 5,296,366</b> |
|                        |                     |                    |                    |                     |

**III. Agency Fiscal Values**

1. Empower each ADVA employee to contribute to the cost-effective delivery of services to Veterans through open communication with all agency staff regarding fiscal issues and matters;
2. Expend funds consciously rather than unconsciously by identifying specific Veterans service needs within the agency’s scope, forecasting associated funding requirements; and providing sufficient management, oversight and analysis of related spending;
3. Improve fiscal controls through development and implementation of efficient and effective fiscal procedures specific to ADVA’s operations;
4. Improve the agency’s use of technology for the purpose of safeguarding data and transforming data into useful information that can be used for decision-making;
5. Achieve fiscal insight through development of standardized data sets and reports specific to ADVA’s operations;
6. Mitigate system risks by creating and implementing disaster recovery and business continuity plans;
7. Address fiscal staffing needs by identifying required skills for effective execution of agency fiscal responsibilities and aligning job functions with appropriate titles and pay grades;
8. Improve fiscal staff performance through effective management, training and collaboration.