

**WARREN COUNTY BOARD OF SUPERVISORS**

**COMMITTEE: WESTMOUNT HEALTH FACILITY & COUNTRYSIDE ADULT HOME**

**DATE: JULY 28, 2006**

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**COMMITTEE MEMBERS PRESENT:**

Supervisors Haskell  
Tessier  
Champagne  
O'Connor  
Barody  
Mason  
Geraghty

**OTHERS PRESENT:**

Hal Payne, Administrator, Westmount Health Facility  
Brenda Hayes, Director, Countryside Adult Home  
Representing UHL LLP Certified Public Accountants:  
Richard Lipman  
Marc Mesick  
Chairman William Thomas  
Joan Sady, Clerk of the Board  
Supervisor Caimano  
Supervisor Kenny  
Supervisor F. Thomas  
JoAnn McKinstry, Confidential Secretary to the Commissioner of Administrative and Fiscal Services  
Amanda Allen, Legislative Office Specialist

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Mr. Haskell called the meeting to order at 9:29 a.m.

Motion was made by Mr. Barody, seconded by Mr. Mason and carried unanimously to approve the June 27, 2006 minutes of the Westmount Health Facility & Countryside Adult Home Committee Meeting, subject to correction by the Clerk.

Privilege of the floor was extended to Hal Payne, Administrator of Westmount Health Facility, who distributed copies of his agenda packet to members of the committee, a copy of which is on file with the minutes.

With respect to Item 1 of the agenda under Westmount Health Facility, Mr. Payne introduced Richard Lipman and Mark Mesick from UHY LLP, Certified Public Accountants, who presented the audit report for 2005. A copy is on file with the minutes.

Mr. Mesick stated page 1 of the audit report comprised of the auditor's unqualified opinion, which meant the financial statements were presented fairly in accordance with applicable policies and procedures. The next page, he said, reflected the balance sheets for the past two years ending December 31, 2005 and 2004. While there were some fluctuations, he noted a majority of the figures were similar. For example, he said there was a decrease in cash resulting in a loss for the year; however, under Fixed Assets, the Property and Equipment Net increased from \$1,230,525 to \$4,573,809 due to the Co-Generation facility. On the liability

side, he explained the amount under Capital Lease Payable was the actual lease obligation to the facility. With the exception of the Co-Generation facility and cash, Mr. Mesick stated the assets and liabilities were similar from 2004 to 2005. In response to Mr. Barody's inquiry about depreciation of the Co-Gen facility, Mr. Mesick replied it was broken down into components and depreciated over the use of the lives. He commented there were various components of the Co-Gen facility, some being depreciated over 20 years, some even less but it depended on the component. At the bottom of page 2, he said the Fund Equity referred to the Westmount Health Facility assets, with a majority of their equity invested in property and equipment. In response to Mr. Mason's inquiry relative to the significant difference between 2004 and 2005 in the Total Fund Equity, Mr. Mesick responded it was due to an operating loss.

Continuing on with page 3 of the Audit Report, Statements of Revenues and Expenses and Fund Equity, Mr. Mesick reported an approximate loss of \$576,397. He said it was not uncommon for most governmental nursing homes to lose money. Mr. Barody queried why Westmount lost less in 2005 compared to 2004 and Mr. Lipman replied the capital contribution for the annex of \$168,013 under the governmental accounting process must be shown as income whereas if it were a commercial enterprise, it would be shown as equity. Mr. Mesick commented there were additional expenses this year compared to last year; for instance, depreciation and interest expenses, both attributable to the Co-Gen lease. Mr. Caimano asked if this accounting was done on an accrual basis and Mr. Mesick replied affirmatively. In summation, Mr. Mesick reported the Net Patient Service Revenue had increased slightly (\$150,000) and the Total Operating Expenses increased from \$5.6 million to \$6 million, obviously relating to the Co-Gen facility as well as benefit and rate changes, etc.

Mr. Champagne asked where the savings from the Co-Gen facility were listed on the report and Mr. Lipman answered the savings were mixed in and were offset by other expenses. Mr. Champagne commented he would like the accountants to show the Co-Gen savings as a line item in future audit reports. Mr. Barody queried whether UHL performed audits of other governmental facilities and Mr. Lipman replied affirmatively.

Referring to page 7 of the audit report, Mr. Mesick said Note 3 detailed the assets under Capital Lease. He reported the Co-Generation plant consisted of land improvement, building and equipment of approximately \$3.6 million, less \$146,932 in depreciation expense, leaving a net value of \$3,479,616. In addition, he commented Note 4 described the capital lease arrangement with Siemens Building Technologies comprising of principal and interest payments, interest fixed at 4.35%, payable in 146 monthly installments of \$32,000 each and a lease maturity of April 2018. Mr. Mesick said page 8 reflected how the lease demands impacted the cash flow.

Continuing on with Page 9 of the audit report, Mr. Mesick noted there was a significant increase in the pension expense from 2003 to 2004 but had leveled off in 2005. With respect to Note 6, Post-Retirement Benefits, he said Westmount Health Facility paid a portion of health insurance benefits for retirees. Within the next few years, Mr. Mesick apprised there would be a new accounting treatment applicable for government facilities that would change

the way benefits were accounted.

With respect to Note 7, Mr. Mesick explained as part of an allocation plan, the County provided operating funds as well as indirect costs and a portion of the general operative transfers from Warren County which benefitted the Westmount Health Facility. Mr. Haskell added that allocations occurred within every department of the County. Mr. Mesick stated the total operating transfers were \$598,084 in 2005 with an allocation of \$197,000 to Westmount. Mr. Lipman commented due to the availability of funds, the County did not subsidize the facility as much in 2005.

Mr. Mesick distributed a Cost Per Day Analysis and Operations Comparison relating to the Westmount Health Facility. He apprised the total operating cost per day per resident was approximately \$209 and the average revenue per patient per day was \$150, leaving a \$60 per patient per day deficit; however, the facility made money on private pay patients. Mr. Mesick said when he compared the Westmount cost with the Medicaid rate, the Westmount Health Facility lost approximately \$80 per day. It was typical in a governmental run facility for a Medicaid census to be higher than a competing not-for-profit nursing home, stated Mr. Lipman.

Mr. Caimano inquired whether UHY had investigated any alternative methods their clients could utilize in improving business. Mr. Lipman explained governmental facilities were constrained by union contracts, operating on a 1983 base year and “political issues” of getting a constituent into a nursing home even though they may not be the appropriate person.

Mr. Kenny entered the meeting at 9:46 a.m.

Mr. Payne commented the IGT (Intergovernmental Transfer) would steadily increase to approximately \$100 million over the next three years and each County would receive a percentage based on their medical caseload. Mr. Champagne queried if they had projected what the IGT would be for 2007 and Mr. Payne responded he thought it would be \$210,000. Upon receipt of the increase in IGT, Mr. Champagne asked whether Westmount Health Facility would require less subsidizing from the County. Mr. Lipman stated he was hopeful the County would be closer to breaking even but it depended upon the expenses and commitments incurred at the time. He further advised that commencing January of 2007 every facility in the State of New York was going to get their Medicaid rate re-based using 2002 as a base year and thereafter re-based every six years.

Mr. Mesick discussed the Operations Comparison of the Westmount Health Facility for the past five years. He noted, while the revenues increased from \$3.7 million in 2001 to \$4.3 in 2005, the expense for employee benefits (pension, health insurance, health insurance for retirees) also increased from \$693,318 in 2001 to \$1.2 million in 2005 and would continue to rise. He articulated the Intergovernmental Transfers (IGT) had continually decreased from \$600,000 in 2001 to \$174,000 in 2005. In summation, Mr. Mesick remarked the excess revenues over expenses had decreased from 2001 to 2005 for a loss of \$576,397.

Mr. Champagne queried whether the rate for Medicaid/Medicare patients in a government facility was the same as a private facility and Mr. Mesick replied Medicare was the same rate but Medicaid was specific to the facility. Mr. Payne expounded the funding for the Westmount Health Facility was determined by the average score of all residents based on a feeding and ambulating evaluation. Mr. Lipman added there were other factors that ascertained the rate, one being the 1983 cost, the County facilities having exceeded their ceilings, as well as the region and wage equalization factor.

Based on all the audits performed, Mr. Champagne asked whether UHY had obtained a case mix. Mr. Lipman remarked he thought the case mix for Warren County was low compared to the statewide average but had seen worse. In an attempt to improve operations, Mr. Mesick recommended increasing the case mix as well as obtaining as many Medicare residents as possible.

Privilege of the floor was extended to Richard Lipman, who articulated the professional standards of UHY, LLP relative to the Westmount Health Facility audit and the required communications.

Referring to the letter from UHY, LLP to the Warren County Finance Committee, Mr. Lipman stated they had not performed a detailed examination of all transactions and therefore there was a risk of material error, fraud or illegal act that could exist and not be detected. In addition, he said they looked at the internal control of Westmount Health Facility for the purpose of determining their auditing procedures. As far as accounting policies, Mr. Lipman commented they were selected by the management of Westmount Health Facility and disclosed in footnote 1 of the Financial Statement. Besides the capital lease transaction, there were no additional policies adopted by Westmount Health Facility, he apprised. He stated most financial statements comprised the concept of an estimate, which were determined by management, based on experience and knowledge of current, past events and assumptions on future events. While it was possible the estimates could change by a significant amount, he outlined the four most significant estimates in a financial statement. Furthermore, Mr. Lipman defined Significant Audit Adjustment as a proposed correction of the financial statements that may not be detected through the auditing procedures. He detailed some suggested 2005 audit adjustments that had a net income effect of \$391,800.

Mr. Lipman reported they had no disagreements with management during the course of the audit and to the best of their knowledge, Westmount Health Facility had not consulted any other accountants. In addition, he stated there were no issues discussed with management prior to the retention of independent auditors for the current year audit, as well as no significant difficulties in performing the audit.

Referring to page 5 of the letter, Other Observations and Comments, Mr. Lipman suggested Warren County find other ways to build revenue and cost reduction to help minimize the reliance on IGT funds. In addition, he said they noted the documentation of the daily census count was not adequate and recommended management randomly check the daily census sheets for proper documentation as well as provide the necessary training for those involved in the recording of the census count. Mr. Payne added the nurse neglected to put the information on the daily report. As a result of the errors in the count, Mr. Champagne asked if there was a loss in revenue. Mr. Lipman stated if there were one or two missing residents,

he was doubtful the biller would catch the error. Mr. Caimano inquired whether there was a way to conduct random audits and Mr. Lipman responded management could perform the same type of audit they do a couple times a year. In response to Mr. Mason's question about how the error occurred, Mrs. Hayes, Director of Countryside Adult Home, replied the nursing staff did not properly record the count at the end of the shift. Mr. Payne explained the count was tricky because if the patient was taken to the hospital for observation, they were considered a resident even though they were not at the facility.

As Mr. Mesick mentioned earlier, in July of 2004 a new Governmental Accounting Standard Board's (GASB) opinion was issued relating to accounting and reporting for post-employment health benefits. He explained the overall goal would require each facility to operate on an accrual basis, provide an actuarial report and accrue the liability for retiree health care benefits over the course of the employment of each employee. While this system was already in place for larger governmental facilities, he said he anticipated this information would be required on financial statements for the year ending December 2008. Mr. Lipman stated while Warren County still had two years to adopt this slight change, the County would be responsible for making the determination and informing Westmount Health Facility of their liability each year.

Mr. Caimano inquired whether the actuarial figure would have to be determined and put aside in one year. Mr. Mesick related the change was effective in 2008 and the figure could be relatively significant. It was likely, commented Mr. Lipman, that it would not be a current year expense as much as a change in accounting principle. The County Auditor would have to be apprised of this change as well, added Mr. Mesick.

Mr. Caimano recommended the committee pass a resolution requesting the minutes of this meeting be forwarded to Mrs. Parsons, Administrator of Fiscal Services, as well as Judith Harris, County Auditor. Mr. Haskell advised no resolution was required.

Mr. Lipman stated this concluded their audit report but wished to thank the committee as well as Mr. Payne and Mrs. Henkel for their courtesy and cooperation during the audit.

Mr. Lipman and Mr. Mesick exited the meeting at 10:09 a.m.

Mrs. Nennering requested an executive session to discuss litigation relating to Warrensburg Laundry; and a motion was made by Mr. Mason, seconded by Mr. Tessier and carried unanimously, that executive session be declared pursuant to Section 105 (d) of the Public Officers Law.

Executive session was declared from 10:10 a.m. to 10:17 a.m.

Committee reconvened and Mr. Haskell stated no action was needed pursuant to the executive session.

Moving along to Item 2 of the agenda under Westmount Health Facility, Mr. Payne requested three transfers within his department in the amount of \$172,404 for the replacement of a washing machine, the purchase of various items for the facility and contracted services.

Motion was made by Mr. Mason, seconded by Mr. Geraghty and carried unanimously approving the request as outlined above and to refer same to the Finance Committee for consideration. A copy of the resolution request form is on file with the minutes.

Mr. Payne continued by saying while the staffing report (Item 3) was included in the agenda he anticipated running additional ads for CNA's (Certified Nursing Assistants) to help lower the overtime costs.

With respect to the first item on the agenda under Countryside Adult Home, Mr. Payne requested a new contract for emergency transfer agreements with area facilities. He commented these agreements were done approximately three months ago for Westmount Health Facility but were now required for Countryside Adult Home because they were an adult care facility. (Please note: Upon receipt of contract specifics for emergency transfer agreements with area facilities, they will be forwarded on to County Attorney.)

Motion was made by Mr. Champagne, seconded Mr. Geraghty and carried unanimously to approve the request as presented and the necessary resolution was authorized for the August board meeting. A copy of the resolution request is on file with the minutes.

Moving on to the next item under the Countryside Adult Home agenda, Mr. Payne stated the annual report was submitted to the New York State Department of Health NYS DOH. On June 22, 2006 he said they received a response from DOH alleging the County under claimed \$85,000 for 2005, therefore, DOH would be issuing a check to Westmount Health Facility in the amount of \$42,000. In addition, he apprised the rate per patient per day had increased for 2006-2007. Mr. Payne informed the committee the New York State Department of Health was currently at the facility and had cited them for raising the resident rates without giving them 30 days notice. He said he received notification on June 27, 2006 which was three days prior to July 1<sup>st</sup> when they were told to raise their rates and now decided to cite them for not giving 30 days notice.

Referring to Item 3 of the Countryside Adult Home agenda, Mr. Payne requested to extend the contract with Mahoney Notify-Plus from August 1, 2006 to July 31, 2007 to provide semi-annual inspections of the alarm system for \$700 per year.

Motion was made by Mr. Tessier, seconded by Mr. Mason and carried unanimously approving the request as outlined above and the necessary resolution was authorized for the August board meeting. A copy of the resolution request is on file with the minutes.

Continuing on with Item 4, Landscaping, Mr. Payne reported the septic system at the Countryside Adult Home was complete, the area had been seeded and grass was growing. However, he said the dirt over the bank on the front side of the building had not been hydroseeded because it could not be watered due to a ban on watering in Warrensburg. Mr. Geraghty advised Mr. Payne to water between 7 p.m. and 9 p.m.

Mr. F. Thomas and Mr. Bentley entered the meeting at 10:22 a.m.

Mr. Payne indicated the last page of the agenda was an email from David Wick, District

Manager of Soil & Water Conservation, relative to a proposed pond at Countryside Adult Home. Pursuant to the recommendation of Mr. Wick, Mr. Haskell suggested DPW perform the excavating. Mr. Champagne queried whether the pond would be fenced for safety reasons. Mr. Payne related the residents cross the street to visit the fairgrounds and river but suggested a walkway be constructed around the pond.

Moving along to the last item on the Countryside Adult Home Agenda, Mr. Payne reported the Siemens contract for windows and work had not been completed. Mr. Haskell mentioned he would talk with Paul Dusek, County Attorney, relative to the status of the contract. Mr. Champagne suggested Mr. Haskell discuss liability of the pond with the County Attorney as well.

There being no further business, on motion by Mr. Mason, seconded by Mr. Barody, Mr. Haskell adjourned the meeting at 10:26 a.m.

Respectfully submitted,

Amanda Allen, Legislative Office Specialist  
Typed by: Debra L. Schreiber, Legislative Office Specialist