FREQUENTLY ASKED QUESTIONS

Why do we need fundamental changes to Maplewood's operating model?

Maplewood Manor has been running multi-million dollar operating deficits since 2004. These deficits have been subsidized by Saratoga County property taxpayers to the tune of more than $40 million, which has depleted the County's once-healthy General Fund Balance. Maplewood's operating deficit for next year, 2013, is projected to be more than $10 million – which is more money than the County will likely have available in its Fund Balance. The operating deficit in future years is projected to grow larger and larger due to cost increases and revenue decreases that are out of Saratoga County's control, including increasing mandated contributions to the state pension system and decreasing Medicaid reimbursement for nursing home care. In short, it is impossible for the County's General Fund to continue subsidizing Maplewood Manor as it has done since 2004.

Because of these issues, Saratoga County issued a request for proposals (RFP) in early 2012 to conduct an assessment of Maplewood's operations and recommend appropriate options for corrective action. In March, the county hired Harris Beach PLLC and the Arthur Webb Group, who submitted the lowest priced proposal. These consultants conducted an intensive four-month review of the facility's operations that included the examination of thousands of pages of documents, on-site inspections, a comparative review of the facility against other nursing homes and an exhaustive analysis of the federal and state healthcare policy environment. In August, they presented a comprehensive report of their findings, analysis and recommendations to the Board of Supervisors. Their report concluded that under its current operating model, it is undeniable that Maplewood is fiscally unsustainable. The report recommended that the Board of Supervisors enact fundamental changes to that model.

Would it be feasible to simply modify the current operating model and make it more efficient?

No. The Harris Beach report credited the County with enacting meaningful reforms to the current operating model, including the implementation of IV therapy, the introduction of a consultant to improve Medicare and Medicaid reimbursements, increasing the private pay rate, implementing a hiring freeze and reducing expenses on supplies and administrative overhead. The report also recommended other reforms including maximizing Medicare revenue, investing in short-term rehab, admitting higher acuity residents, changing staffing requirements and working with the union (CSEA) to reduce contracted wages and benefits and explore contracting with outside providers for therapy services. Nevertheless, the report concluded that all of these reforms taken together would only help close the deficit on a marginal basis. To quote directly from the report, "The chasm between the massive deficit and anything approaching a manageable debt load is impossible to overcome with the current financial and operational structure."

Tweaking the current model is not enough. Maplewood is running a $10 million deficit on a $28 million overall budget. This is a large financial problem that demands a comprehensive solution.

Why is sale to a responsible private sector operator the best option?

Maplewood's massive deficit exists because of the financial pressures inherent in any publicly owned and operated nursing home. Counties across New York State are getting out of the nursing home business because of these pressures. Selling the home to a responsible private sector operator is the only option that is sufficient to solve the problem while being fair to county taxpayers and Maplewood residents.

By contrast, keeping Maplewood a county-owned facility and making it sustainable for the future would involve major changes that are clearly unacceptable. The Harris Beach report highlighted that in order to get to a level approaching break-even, Saratoga County property taxes would need to increase by 20% with continuous increases into the future, or 35% of Maplewood's workforce (more than 120 employees) would need to be laid off. Such a massive tax increase would not only be unfair to taxpayers, but would also dramatically violate the 2% property tax cap imposed by the State of New York. Such massive layoffs would undoubtedly jeopardize the quality of care at Maplewood.

On the revenue side, all of the alternatives to a massive property tax increase are either impossible or unrealistic. Hoping for intergovernmental transfer (IGT) revenue from the state is not a responsible plan because IGT payments have a very uncertain future; according to state policy experts who were consulted during the Harris Beach assessment, IGT payments will most likely cease to exist within the next two years. Recent state and federal healthcare policy reforms are also projected to reduce Medicare rates by 11% while Medicaid rates will not change upward in any meaningful way. In addition, the onset of managed care will impose new operational and financial challenges for nursing homes. Therefore it is not a responsible option to wait and "hope for the best" with regard to federal and state healthcare policy changes. Finally, public nursing homes in New York State used to enhance their Medicaid revenue by building a new facility and "rebasing" their reimbursement rate. The state's new regional pricing methodology, which went into effect this year, eliminated this option.

Does a sale mean that Maplewood will be closed?

No. A key finding of the Harris Beach report is that Maplewood Manor is a needed facility that must not be allowed to close. The New York State Department of Health projects that Saratoga County will need 1,004 nursing home beds by 2016. Current capacity is 789, leaving an unmet bed need of 215. A sale would tend to ensure that Maplewood Manor remains a vital part of our community because it would mean transitioning the facility from a financially insecure publicly-owned facility that the County cannot afford, to a financially sustainable privately-owned facility that can generate a profit. If Maplewood becomes a profitable enterprise, investments can be made into improving the facility and the types of care offered, including more short-term rehab. These types of investments are unfortunately very difficult to make with the current county-owned model, under which the facility runs multi-million dollar deficits.

What are the advantages to using an LDC as the vehicle to complete a sale?

A Local Development Corporation (LDC) would enhance the County's ability to complete a sale in a timely manner and get the best value out of that transaction. LDCs are private, not-for-profit entities established pursuant to the Not-for-Profit Corporation Law. They are commonly utilized throughout the state as primary drivers for economic development programs but are also utilized to lessen the burdens of government in other ways, including tobacco revenue securitization in the early 2000s and more recently as vehicles used to surplus and redevelop municipal real estate assets. This model is currently being utilized by Ulster County to transition ownership of the Golden Hill Health Care Center and is being considered by several other county governments in New York State.

In this context, an LDC serves as the working group to manage a transition of ownership. Several counties have encountered difficulties in closing nursing home sale transactions on their own (without the assistance of an LDC) due to the constraints that are inherent in approving the many facets of such a sale through a legislative body. The reality of running the many steps of the process through multiple layers of legislative approval, under the constraints of a fixed legislative calendar and subject to political influence, can pose problems for buyers. These factors elevate the perception of risk among potential bidders that the sale may fall apart or otherwise be delayed, and could influence these bidders not to participate. Private sector entities assume financial risks when they participate in the bidding process, including conducting their own due diligence reviews of Maplewood and securing necessary approvals from the Department of Health. The risk of negotiating with a seller whose decision-making may be delayed or even change course mid-stream has a chilling effect on the bidding process and the appetite for bidders to enhance the financial terms of their offer.

The Board of Supervisors is empowered to pass a municipal resolution declaring its intention to privatize Maplewood Manor through the establishment of an LDC, as the most efficient vehicle to complete the sale, and a second resolution (subject to a public hearing) to transfer the facility. Thereafter, the LDC, with appropriate oversight by the Board of Supervisors, would undertake the cumbersome RFP and disposition process. As a result, Saratoga County will enhance the probability of a timely sale that inspires confidence among potential bidders, and therefore encourages the most competitive bids.

Why is it important for a sale to be completed in a timely manner?

Each year that the County delays action on Maplewood represents another $10 million subsidy that the General Fund cannot afford. As mentioned previously, the IGT program that has, in the past, rescued the County from having to fully cover Maplewood's losses is not expected to survive beyond the immediate future. Also, state and federal healthcare policy changes are increasing the inherent financial risks involved in running nursing homes not just for county governments, but also for private sector operators. The more time that passes, the more the perceived risks of owning a nursing home are likely to increase, and the less value the County will be able to realize from privatization. Maplewood Manor is a valuable and valued asset into which County residents have invested a large amount of their tax dollars. To further delay a decision and thereby risk a decline in Maplewood's market value would not be fair to the taxpayers of Saratoga County.

How long would it take to complete a sale?

In general, an aggressive timeline for completing a sale to a private buyer is one year to 18 months between the date of contract to the date of sale. In advance of selecting a buyer and entering into contract, it is strongly suggested that the RFP and marketing be facilitated through a firm that specializes in this type of transaction and not only has access to the market, but also possesses the skill and expertise to assess and identify the best option for the County. Once the sale is authorized, the County would continue to operate Maplewood until the selected buyer applies for and obtains a license from the State to operate the facility. Among other requirements, the Department of Health would conduct a Character and Competency Review of the buyer. In sum, from the point at which the County makes a decision to sell, to the point at which a new owner is licensed and the facility is ultimately transferred, a time period ranging from about 1½ to 2½ years will have passed. During this time, Maplewood would continue to be a County operated facility.

What would be the status of Maplewood employees during that time period?

During the period of time in which the County utilizes the LDC to negotiate and complete a sale, which would be no shorter than a year and a half, Maplewood's employees would remain part of the county workforce. Those in the union would remain union employees subject to the terms and protections of the collective bargaining agreement. Upon retirement, they would enjoy the health insurance benefits to which they are entitled under the collective bargaining agreement. Employees would also retain their contributions, service credit and pension benefits to which they are entitled as members of the New York State retirement system. Maplewood would still operate as a county enterprise fund, and all operating expenses including wages would still be paid by Saratoga County.

What would happen to residents if Maplewood is sold?

Residents of Maplewood Manor will continue to be residents of Maplewood Manor. During the LDC process, Maplewood would remain a county asset, run by county personnel, financed with county funds, with appropriate oversight by the Board of Supervisors. After a sale is completed, a private operator's ability to discharge a resident would be severely limited by state regulations prohibiting unsafe discharges. In addition, the Board of Supervisors has the authority to stipulate in its resolution authorizing a transfer to the LDC that the sale of the nursing home can only proceed upon a guarantee that the buyer will not discharge existing residents.

Would the quality of care suffer under an LDC model, or if Maplewood Manor is privately run?

No. Saratoga County is proud of the exceptional care delivered by the employees of Maplewood Manor. As documented in the Harris Beach report, Maplewood has achieved a "Four Star" rating under the federal CMS overall rating on quality, which represents "Above Average." A trained workforce with a record of superb care and personal relationships with residents and their families is a major asset that Saratoga County and any private sector operator would value. During the LDC process, which is expected to last no less than a year and a half, the same county employees would continue to care for Maplewood residents.

The notion that a privately-run facility does not deliver comparable care to a publicly-run facility is untrue, and the data does not back it up. In terms of the skilled nursing facilities in Saratoga County alone, Maplewood Manor's "Four Star" CMS rating as mentioned above was equaled by Wesley Health Care Center and the Saratoga Care Nursing Home, both of which are privately-operated facilities in Saratoga Springs. Schuyler Ridge, a private facility in Clifton Park, received an even higher "Five Star" CMS rating, which represents "Much Above Average." Private nursing homes are held to the same state and federal regulatory standards as public nursing homes, and these standards are in place to ensure that private as well as public facilities provide a high quality of care to their residents.

Who would control the LDC?

The LDC would be fully accountable to the Board of Supervisors, which would serve as the sole member of the LDC. It would be created by Board resolution and its directors – which would include sitting Supervisors – would be appointed by and serve at the pleasure of the Board of Supervisors, as sole member. The Board of Supervisors would approve the Certificate of Incorporation that charges the LDC with its duties and outlines the activities that the LDC may and may not conduct in furtherance of its mission. As sole member of the LDC, the Board of Supervisors would closely monitor the LDC to ensure that it serves the public interest and faithfully carries out its established duties.

Furthermore, the Board of Supervisors would ensure that the LDC's operations are transparent. Meetings of the Board of Directors of the LDC would be subject to the state's Open Meetings Law. The LDC would also be subject to the state's Freedom of Information Law. The LDC would be subject to the Public Authority Accountability Act of 2005 (PAAA), pursuant to which the LDC's directors would be required to complete mandatory training. The LDC would also need to have an independent audit conducted annually by a certified independent public accounting firm.

What steps would the LDC take in managing a sale?

The LDC would first be established by Board resolution, its directors would be approved, and its Certificate of Incorporation would be executed. After the LDC is officially formed and operational, the next step would be for the Board of Supervisors to schedule a public hearing on transferring Maplewood Manor and any adjacent county-owned real estate that also might be included in the sale. The mechanisms for the transfer to the LDC would be a lease-leaseback arrangement whereby (i) the LDC would have the exclusive option to acquire the facility from the County pursuant to a lease agreement, and (ii) the County would retain all responsibility for operation and maintenance of the facility until such time as the LDC exercises its option for purposes of transferring the facility to its selected bidder. The notice of public hearing on this transfer would be published, the public hearing would be held the following month, and the Board would approve the transfer at the regular Board of Supervisors meeting next following the public hearing. As previously mentioned, the transfer to the LDC does not change any of the following facts: Maplewood would remain a county asset, run by county personnel, financed with county funds, with appropriate oversight by the Board of Supervisors, and Maplewood residents would remain Maplewood residents.

Over the course of the next several months, it is contemplated that the LDC would select and contract with an appropriate real estate brokerage firm that specializes in senior housing transactions. That firm would assist the LDC in conducting a valuation of the facility, preparing an RFP for bidders, managing the bidding process, evaluating the bids and ultimately identifying the best option for the County. Once a purchaser is selected, the LDC and purchaser would enter into one or more agreements relating to the transfer of the Facility. The County would continue to operate the facility for an estimated year to 18 months while the buyer applies for and obtains a license from the State to operate the facility. Among other requirements, the Department of Health would conduct a Character and Competency Review of the buyer. In sum, from the point at which the County makes a decision to sell to the point at which a new owner is licensed, a time period ranging from about 1½ to 2½ years will have passed. During this time, Maplewood would continue to be a County operated facility.

How would the LDC finance these operations?

The LDC's directors would be unpaid. The LDC would have a limited amount of operational expenses relating to engagement of real estate brokerage firm, an auditing firm, general counsel, bond counsel and other professional services related to the many facets of the process outlined above. In order to pay these costs, the LDC would pass costs to the County in the form of rent under the leaseback agreement.

How would an LDC help the County sustain the financial burden of owning Maplewood while a sale is completed?

While the County may provide a modest amount of revenue to the LDC to support its operations, one of the key additional features of the LDC is its ability to access a much larger source of revenue to assist the County in meeting the County's financial obligations to Maplewood Manor. LDCs provide financial flexibility to counties that they do not have on their own under state law: the ability to access equity in a municipally-owned asset. The LDC would borrow against the value of Maplewood and transfer the bond proceeds to the County. The County would then pay the debt service on those bonds in the same manner that it would pay the LDC's other operating costs, as rent under the leaseback agreement.

The attractiveness of this option stems from the fact that the County would still be financially responsible for Maplewood Manor and would still need to cover its multi-million dollar budget deficit while the LDC completes a sale. An optimistic timeline for a sale would be a year and a half, but it could take longer. Each year that passes represents another $10 million that would have to come from the County's depleted reserves, taxpayers, or cuts to vital county services. The LDC bond proceeds represent an alternative revenue source and provide a significant stop-gap measure to avoid spikes in tax levies, further reduction of fund balance, and uncertainties regarding timing of receipt of IGT or other revenue sources.

In addition to directly aiding the County in paying down the nursing home subsidy, this revenue can also assist in making investments in the facility aimed at increasing certain Medicare receivables during the transition period, thereby increasing Maplewood's income and somewhat alleviating its budget shortfalls. It is currently difficult for the County to make these investments due to the already high operating subsidy paid to Maplewood by the General Fund.

How would the LDC's bonds be paid back?

When the LDC closes the sale with the purchaser, the proceeds of the sale would pay off the remaining principal and interest on any bonds that the LDC may have undertaken. The LDC would then pay any outstanding bills, close out the remainder of its business, and dissolve. The balance of the sale proceeds left over when this process is complete would be transferred from the LDC to the County. At this stage, the County would not only potentially stand to receive a multi-million dollar lump sum payment, but would also be rid of a structural deficit of $10 million or higher for each and every subsequent year.

What would be the disadvantages of the County handling the sale of Maplewood on its own without the help of an LDC?

Other counties have encountered difficulties in closing nursing home sale transactions on their own due to the constraints that are inherent in approving the many facets of such a sale through a legislative body. Running the many steps of the process through multiple layers of legislative approval, under the constraints of a fixed legislative calendar and subject to political influence, elevates the perception of risk among potential bidders that the sale may fall apart or otherwise be delayed. Good and qualified candidates to operate Maplewood may not participate in the process, and those who do participate may not put forward their most generous offer. This scenario is not in the best interest of the residents of Maplewood or County taxpayers.

Not utilizing the LDC could also lead to a longer process. The more time that passes before a sale is complete, the more the County will have to subsidize Maplewood's operating deficit with reserves it no longer has, or revenue it can only obtain by dramatically increasing property taxes. Also, federal and state healthcare policy changes including lower projected reimbursement rates and the onset of managed care will make it more difficult to be in the nursing home business. The deficits Maplewood already has will grow larger, and the attractiveness of the facility to potential buyers will likely decrease.

If the County sells Maplewood on its own, it is also unable to take advantage of an LDC's ability to borrow against the equity in the facility. Counties are prohibited under the Local Finance Law from borrowing money to cover operating deficits. Not having this option available will force Saratoga County to subsidize Maplewood directly from reserves and taxpayer dollars for the duration of the sale process, which would likely be longer and result in less generous sale revenues than if an LDC had been utilized.

What benefits would County residents realize as a result of Maplewood being sold to a responsible private sector operator?

There is nothing unique about the position that Saratoga County is in with respect to its nursing home's finances. Counties from every corner of New York State are considering selling and in many cases have already sold their nursing homes. This is because the publicly-owned nursing home model is no longer financially sustainable. Reimbursement rates set at the state and federal levels do not come close to keeping up with escalating expenses that are mandatory, including state pension costs and other increasing personnel costs that are tied to union contracts and by state law cannot be unilaterally changed. As a result, the options that counties actually have to sustain a publicly-owned nursing home are constrained. Generating enough revenue to close Maplewood's large deficit – which amounts to more than 35% of its entire budget – would require massive and continuing property tax increases that would not only be unfair to taxpayers, but would also dramatically violate the 2% property tax cap. Since 85% of Maplewood's budget covers personnel costs, cutting enough expenses to close a deficit so large would by definition involve massive layoffs, which would jeopardize the quality of care. By selling Maplewood Manor to a responsible private sector operator, Saratoga County would preserve this vital facility without imposing these draconian options.

Transitioning Maplewood from a financially insecure publicly-owned facility that the County cannot afford, to a financially sustainable privately-owned facility that can become a profitable enterprise, will make Maplewood's future more secure. With increased profitability, investments can be made into improving the facility and the types of care offered, including more short-term rehab. These types of investments are difficult to make under the current model, with the County already subsidizing multi-million dollar deficits, and the facility's future security in a dynamic market for healthcare services is what suffers.

A privately-operated Maplewood Manor does not mean that current residents would be thrown out of the facility, and it does not mean that the quality of care would go down. During the LDC process, Maplewood would remain a county asset, run by the same county personnel. After a sale is completed, a private operator's ability to discharge a resident is severely limited by regulations, and the Board of Supervisors has the authority to stipulate that the sale of the nursing home can only proceed upon a guarantee that the buyer will not discharge existing residents. The notion that a privately-run facility does not deliver comparable care to a publicly-run facility is untrue, and the data does not back it up. In terms of the skilled nursing facilities in Saratoga County, Maplewood Manor's "Four Star" CMS rating was equaled by Wesley Health Care Center and the Saratoga Care Nursing Home, and Schuyler Ridge received an even higher "Five Star" rating. Private nursing homes are held to the same state and federal regulatory standards as public nursing homes, and these standards are in place to ensure that private as well as public facilities provide a high quality of care to their residents.

Finally, in the broader context of County operations, Saratoga County was able to subsidize Maplewood Manor for many years without impacting other vital services due to the County's robust fund balance. Since 2004, the County has invested more than $40 million in helping Maplewood get by as a publicly operated facility. Those years have taken their toll. For the first time ever, at the end of this year, the County will likely not have enough money left over in its General Fund Balance to sustain a full subsidy for just one more year. The County began in 2011 and has continued through 2012 with making painful cuts to other vital services in order to mitigate the financial challenges that originate with Maplewood. The road maintenance program has been reduced for two consecutive years, a pattern that is not sustainable. The Sheriff's Department has lost deputy sheriff positions. Probation officers, nurses, mental health workers and Social Services personnel have not been hired. All county departments are in their second year of a hiring freeze. Funding for economic development programs has been cut. Property taxes have increased. The County's bond rating has been downgraded. By transitioning Maplewood Manor to a responsible private owner, Saratoga County will no longer be forced to jeopardize other vital services in order to support an operating model at Maplewood that is no longer financially sustainable. Under private ownership, Maplewood Manor – and the rest of Saratoga County's operations – can thrive.