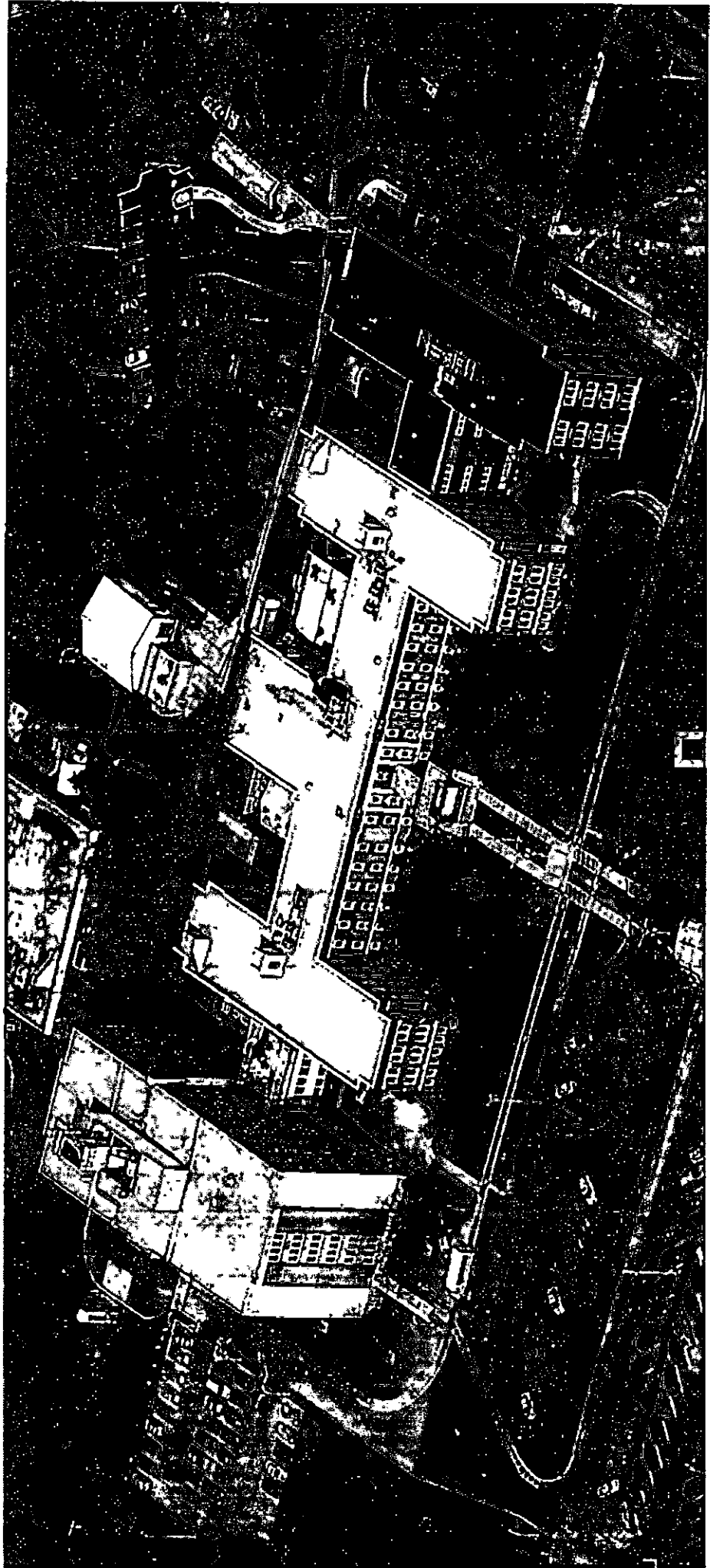


Cedarbrook Update



Tonight's Target



Objective

- To take a first step toward agreement on the desirable Cedarbrook bed count for 2030 as the logical precursor to properly evaluating the decision to either renovate/expand the South Whitehall facility or build an entirely new facility.

Assumptions

- There is agreement regarding the provision of a “safety net” for Lehigh County’s senior citizens when they need skilled nursing care and are reliant on Medicaid to support themselves.
- There is agreement that the current South Whitehall configuration including 3 & 4-bed rooms and communal bathrooms is unsatisfactory and must be addressed.
- The engineering/architectural study previously authorized by the Board and to be executed this Spring will address the renovation/expansion options for the South Whitehall facility.
- As an adjunct to that study, the firm selected—in collaboration with Good Shepherd and others—will be able to provide adequate financial/logistical input to provide a comparison with the scenario of building a new, replacement nursing home.

Factors to Puzzle Over

- The Commonwealth's priority is to encourage/enable seniors to remain in their homes.
- Seniors are generally active later in life today than in the past, so using 65 years of age as the launching point for projections may be too low.
- However, since 2000, adults ages 31-64 have been the fastest growing population in nursing homes.
- Advances in medical care, while delaying entry into a nursing home, may extend nursing home stays.
- Medicaid bed reimbursements are expected to continue to be inadequate for quality skilled nursing care.
- Private nursing homes are not increasing their numbers of Medicaid beds due to the financial implications.
- Seniors of low economic status, with limited or no supporting family and in need of skilled nursing care will require institution-based skilled nursing care.

National Facts to Puzzle Over
(Source = American Health Care Association)

- Between 2005 and 2015 certified nursing facilities have declined by 380 (2.4%)
- At the same time available certified beds have declined by 15,877 (0.9%)
- And patients in certified beds has declined by 66,461 (4.6%)
- From a peak in 2007 of 89.0%, the occupancy rate for certified nursing beds has declined to 85.8% despite both population growth and a gradual increase in ADL (Activities of Daily Living) dependency by adults over 65 years of age.

Local Facts to Puzzle Over
(Source = *LeadingAge PA*)

- The average Lehigh County long-term skilled nursing facility occupancy rate in 2014 was 92.1%
- Medicaid bed occupancy was 77.6% for Lehigh County
- 11.9% of long-term skilled nursing home residents were under age 65
- Lehigh County has 16 long-term skilled nursing facilities with a total of 2,742 licensed beds
 - No skilled nursing homes have been added this century
- 66,969 (18.7%) Lehigh County residents over age 65 are Medicaid eligible and that number increases every year

Lehigh County Considerations
(Source = Lehigh Valley Planning Commission)

- The 65+ age group is projected to increase by 49.3% (28,728) by 2030.
- The 75+ age group is projected to increase by 51.1% (13,630) by 2030.
 - Growth in the past 15 years is estimated at 6.7% (1,679)
- 24% of individuals 65+ in Lehigh County are at or below the poverty level
- 13% of individuals 65+ in Pennsylvania suffer from Alzheimer's
 - The number is expected to increase by 40% in the next 10 years (2025)

Note: Estimates by the State Data Center for Lehigh County population in 2030 are 10% lower than LVPC estimates

Lehigh County Projections
 (Source = Lehigh Valley Planning Commission)

Age	65+	75+
2015		
Male	24,778	10,304
Female	33,440	16,362
Total	58,218	26,666
2030		
Male	38,264	16,612
Female	48,682	23,684
Total	86,946	40,296
% Change	+49.3%	+51.1%

Cedarbrook Census (Average)

	Total Beds	Total Census	% Occupancy	Medicaid Census	% Medicaid
2015	670	623	93.0	552	88.6
2014	670	625	93.3	551	88.2
2013	670*	632	94.3	539	85.3
2012	680	654	96.2	554	84.7
2011	680	656	96.5	537	81.8
2010	680	660	97.0	548	83.0
2009	680	663	97.5	556	83.9
2008	680	664	97.6	569	85.7
2007	680	669	98.4	593	88.6
2006	680	671	98.7	604	90.0
2005	680	672	98.8	610	90.8

* Effective 4/30/2012

The Simplest Projection

Assumptions

- Current “safety net” (Medicaid) occupancy for Cedarbrook is 550 beds.
- The growth of the primary target population (65+ or 75+) is projected to increase by approximately 50% by 2030
- The % of the “target population” requiring institution-based skilled nursing care will remain steady amidst the many conflicting factors (stay at home and healthier living vs. increasing Alzheimers and Medicaid eligibility, under-65 usage and longer lives)

Projected “Safety Net” Bed Need = 825 beds

- Considering the historical fact that having at least 100 (18%) better paying beds minimizes the taxpayer cost, **the overall target could be as high as 975 beds** (875 Medicaid and 150 other).

Note: Reducing the projection to reflect the State Data Center estimate reduces the “Safety Net Need” to 742 beds

Berks County Process (2003)

- The target was to determine the number of beds needed by 2020 to factor into the construction of a new nursing home.
- Applied national nursing home usage data to Berks County demographics.
- The result was a determination that there would be an unmet need of 675 skilled nursing beds in 2020.
- The decision was made to build a new nursing home for 420 beds.
- Discussions are now under way regarding a possible expansion, primarily for Alzheimers beds

Applying the Berks Methodology

- 20% of the 65+ age bracket of 86,946 will be “functionally dependent”
- 19.5% will need skilled nursing care
- 12% of skilled nursing beds will be for those under 65
- 95% bed utilization is equivalent to a full house

Determines a Lehigh County-wide need of approximately 4,056 beds less 2,072 existing non-Cedarbrook beds for a potential unmet need w/o Cedarbrook of **1,984 beds**

Reducing the starting point to reflect the more conservative State Data Center projections results in an unmet need w/o Cedarbrook of **1,578 beds**

Real World Considerations

- Renovation of South Whitehall to rooms with no more than 2 beds w/o an addition would reduce the total Cedarbrook bed count to 565—58 beds below our current census
- Subject to further confirmation, the cost per bed for new construction is \$135K.
- Currently, the Commonwealth is not issuing additional bed licenses.

In Conclusion.....

- One could calculate a wide range of “safety net need” estimates for 2030 and only one thing appears to be certain—the need will be considerably greater in 15 years than it is now.
- Recent history has clearly defied logic/projections.....except for the decisions of private nursing home owners to focus on the aging segment offering profitability.
- Renovation w/o expansion is not a viable option for meeting the current Cedarbrook census much less the long-term need.

Recommendation

- Target the engineering/architectural study at a minimum of 670 beds and a maximum of 750 beds
 - Holds the existing licensed beds at the minimum
 - Reflects the more conservative State Data Center projections on the upside
 - Recognizes the historical disconnect of logic and results
 - Regards the taxpayers by not risking over-building
 - Accepts the fact that County support may increase as Medicaid bed needs squeeze out better paying beds
- Flesh out within the same time frame as the engineering/architectural study the realities of securing additional licensed Medicaid beds