

Annual Report Fiscal Year 2009



Kentucky Association of Health Care Facilities

CHAIRMAN'S REPORT



As my term as your Board of Directors Chairman comes to a close, I want to thank you for your commitment to the Kentucky Association of Healthcare Facilities. It has been an honor to represent you in the role that our association serves in so many important areas in the Commonwealth. Our strength is critical not only to us but to those we serve and will serve.

KAHCF's strength is evident with the continued growth of our membership, currently at 245 facilities, both nursing facilities and personal care homes, totaling over 23,000 beds. We have 90-plus vendor members that provide added financial support to KAHCF through services and sponsorships. KAHCF's November Annual Meeting and Trade Show is the largest for Kentucky's long term care profession. Armed with a growing reserve account and favorable projections for 2009, we are prepared to meet the challenges that will come before us.

An appropriate and sustainable funding system is crucial for providers to deliver the quality care and services that our consumers expect and deserve; KAHCF has worked smart and hard to achieve this success as you will read further in this report.

During the 2008 and 2009 Kentucky General Assembly, KAHCF was successful in our lobbying efforts. Those activities are detailed for you in the KAHCF Legislative Wrap-Up which members recently received. We continue to be long term care experts and have made much progress in educating more legislators on the economic impact of long term care in their communities. It is through the grassroots efforts of our members that we have built those essential relationships with legislators which remains vital to our success.

Our commitment to provide quality care and a quality experience to residents in a safe and secure environment remains foremost. To demonstrate to the public and the consumers our sincerity, KAHCF continues its quest to have 100% participation in the national Advancing Excellence campaign. As of May, 177 nursing facilities are participating; of those, 149 are KAHCF members. For those members who have not signed on, you have received a letter from KAHCF asking that you consider enrollment and I challenge you to do so. We must lead in quality.

I look forward to working with you as we continue to develop and advance the goals of our association to create the future of long term care.

Mary Haynes, KAHCF Chair
Nazareth Home

AMERICAN HEALTH CARE ASSOCIATION

The American Health Care Association and National Center for Assisted Living (AHCA/NCAL) is the profession's national trade association that represents nearly 11,000 proprietary and nonproprietary facilities, from small, independent owner-operators to regional, multi-facility corporations. These facilities provide professional, compassionate long term care for millions of Americans.

The AHCA/NCAL has worked extensively with its membership across the nation toward establishing and strengthening relationships with members of Congress. In this regard, AHCA/NCAL and KAHCF have remained in contact with Kentucky's Congressional Delegation regarding the various pieces of legislation likely to be considered by this current Congress. Such legislation includes: The Fairness in Nursing Home Arbitration Act; The Nursing Home Transparency and Improvement Act of 2009; and The Employee Free Choice Act (Card Check). Below are brief descriptions of these bills and how they could impact the long term care profession.

The Fairness in Nursing Home Arbitration Act prevents the mandatory use of pre-dispute arbitration agreements between a nursing facility and resident. Nursing homes would be allowed to request a resident to agree to an arbitration agreement, but residents would be under no obligation to agree to its use. This bill weakens the Federal Arbitration Act and restricts nursing facilities from resolving disputes outside of more litigious environments.

The Nursing Home Transparency and Improvement Act of 2009 expands the Nursing Home Compare Website to include information on a nursing facility's health and safety inspection reports and also allows state and federal regulators to identify those individuals and entities with ownership of nursing facilities.

The Employee Free Choice Act (Card Check) eliminates the requirement for a secret ballot election for the purpose of forming a union by allowing unions to be formed when a majority of employees sign cards. The nursing home profession has expressed concerns regarding the cost to nursing homes if this bill is enacted, as well as concerns regarding employee rights and forced arbitration matters.

In addition to the above measures, KAHCF continues to work with AHCA and Kentucky's Congressional Delegation to address concerns with the design of the Centers for Medicare and Medicaid Services' (CMS) Five Star Rating System. KAHCF is also monitoring national healthcare reform efforts to ensure that the long term care profession is represented. It is important that any comprehensive healthcare reform effort include long term care in discussions leading to the enactment of legislation and regulation.

Last but certainly not least, on May 1, CMS issued the FY 2010 Skilled Nursing Facility PPS proposed rule. There are three critically important components for long term care: a full market basket update for FY 2010, a cut in the form of an adjustment of Resource Utilization Group payment rates, and an opportunity to offer comment on changes resulting from the Staff Time and Resource Intensity Verification (STRIVE) Project, which would not be implemented until FY 2011. AHCA will continue to aggressively advocate to CMS and Congress the critical need for stable funding in order to sustain quality improvements and to provide the services relied upon by our residents. AHCA and KAHCF will provide comprehensive comments on the proposed rule.

REGULATORY

The Centers for Medicare and Medicaid Services' (CMS) Five Star Rating system took the long term care profession by storm in December 2008. CMS launched this rating system and posted stars for Nursing Facilities and Hospital Transitional Care Units on the CMS website Nursing Home Compare. We quickly began analyzing the data and found definite flaws. Information packets were sent to members to help prepare them for media, public, and staff questions and to educate their legislators. KAHCF posted Five Star reference materials on the association website to further assist members. Kentucky data was extrapolated and shared in the Members Only newsletters, on the KAHCF website, and in education sessions. KAHCF successfully educated legislators about the system's flaws which we believe thwarted the push for legislation to post the Five Star Ratings in facilities. KAHCF continues to track the Five Star data and provide input via the AHCA Survey and Regulatory Committee and the Affiliate Policy Task Force.

Transition in leadership and agency operations continued in the Kentucky survey and enforcement arena. KAHCF has participated in frequent meetings with state officials to discuss key regulatory issues and concerns on behalf of membership. Policy and interpretation changes were quickly identified and discussed with officials from the Cabinet of Health and Family Services. This information was then shared to keep all members up -to-date and to help prepare them for survey activity. KAHCF requested that joint training be provided for state surveyors and providers, which is now planned for June 2009.



KAHCF continues to meet and communicate with Department of Community Based Services (DCBS) and Adult Protection Services (APS) representatives to discuss investigatory procedures, staff training and experience, timely reporting and the need for improved communication. We continue to develop a positive rapport with these agencies so we may effectively serve members.

KAHCF played a key role in addressing the disposal of controlled drugs by bringing together stakeholders including the Drug Enforcement Agency, Environmental Protection Agency, Office of Inspector General- Survey and Enforcement, Office of Inspector General- Fraud, Cabinet for Health and Family Services, Board of Pharmacy, KY Pharmacy Association, pharmacy industry representatives, the Governor's Office, and KAHCF Pharmacy Workgroup to address the issue and work toward a solution.

Emergency preparedness planning has also been a focus for member facilities.

In addition to the regional involvement by KAHCF member representatives on disaster preparedness committees, KAHCF is a member of the Long Term Care Preparedness Task Force which includes representatives from the University of Kentucky, the University of Louisville, Kentucky Department of Public Health Preparedness Branch, and the Kentucky Homes and Services for the Aging. The task force's mission is to create templates to assist long term care facilities in their development of emergency plans, to achieve certification and be eligible for federal funding.

Many issues will confront members this year. KAHCF will continue to work with agencies and groups to find ways to handle these issues and provide quality care.

PUBLIC POLICY

The 2009 session of the Kentucky General Assembly was highlighted by the passage of various revenue raising measures to help alleviate Kentucky's economic troubles, as well as the dynamics of new leadership transitioning in the House of Representatives. Although concerns with Kentucky's economy remain, KAHCF can reflect on this past legislative session and tout our successes. We were able to successfully lobby on your behalf to address various bills that would have an impact on long term care. In this endeavor, the KAHCF lobbying team diligently worked toward keeping various bills from passing into law, as well as supporting several other public policy initiatives.

KAHCF was successful in its efforts to prevent a bill (HB 318) requiring nursing facilities to post their star rating as determined by the federal Centers for Medicare and Medicaid Services (CMS) Five Star Rating System for Nursing Homes from passing. We were also successful in opposing a bill (HB 67) that would have required all nursing facilities and hospitals to implement an infection prevention program as a condition of licensure. Further, KAHCF worked toward seating a KAHCF member on the Alzheimer's Disease and Related Disorders Advisory Council (HB 169). Although this bill did not pass, we look forward to supporting it in a future legislative session. We also supported a bill (HB 434) that would have provided Good Samaritan protection for all persons rendering emergency services or medical care during a declared emergency. This bill also did not pass this year, but KAHCF will continue to make our position known on tort reform issues. As always, KAHCF worked thoroughly to stay on top of the issues and follow all of the developments in Frankfort during this session. A more detailed account of KAHCF's legislative endeavors is reflected in our annual Legislative Wrap Up, which was mailed in May.

Although KAHCF was successful in preventing unwarranted pieces of legislation from moving through the legislative process, we anticipate bills relating to staffing standards and Five Star posting requirements to re-emerge during the 2010 session. The 2010 Kentucky General Assembly will also be charged with passing Kentucky's next biennial budget and KAHCF will be monitoring how the state's economy and revenues will affect our Medicaid program and funding for long term care services.



A major contributing factor to KAHCF's success in Frankfort has been the grassroots involvement of our members. We worked closely with our members this past year to have local legislators visit their facilities. Legislators witnessed firsthand the services that are provided to the Commonwealth's citizens. In return, KAHCF members established a strong foundation and relationship with their state legislators.

Likewise, legislators utilized this relationship to help guide them on public policy initiatives that affect long term care. Whether it is through an invitation to a state legislator to visit a facility or a contribution to the KAHCF-PAC, our grassroots involvement is essential to our success.

REIMBURSEMENT

Nursing facilities saw several Medicaid policy changes in fiscal year 2008 and 2009 that affected reimbursement and payment to nursing facilities. In July 2008, the nursing facility “price” was rebased, resulting in an increase of 1.6% and 3% for the urban and rural price respectively. As a result of a Medicaid decision, facilities moved from a “snapshot” method of determining facility case mix to a “time-weighted” method. Effective in June 2009, with the passage of the American Recovery & Reinvestment Act of 2009, Medicaid eliminated the cash management initiative originally instituted in 2004. Facilities were appraised for the first time since 1999 to comply with the price-based regulation for facilities that had not completed capital improvements. KAHCF also continued to represent nursing facility concerns at the quarterly Technical Advisory Committee (TAC) and the Medical Advisory Council (MAC) meetings in Frankfort. Issues addressed included “time-weighted” case mix computation, capital appraisals and payment for Durable Medical Equipment (DME) items in a nursing facility.

The KAHCF Billing Work Group also continues to meet on a quarterly basis to address issues such as EDS billing problems, prior authorizations and Medicare billing. One of the biggest challenges the work group faced this year was resolving many problems stemming from changes to the prior authorization process. The change, which occurred in early 2009, caused a number of problems that affected level-of-care certifications and Medicaid payment. The Billing Work Group was able to work and obtain solutions for correcting issues encountered at implementation.

KAHCF will continue to work for appropriate funding which is crucial to helping provide quality care.



PUBLIC AFFAIRS

KAHCF works to not just keep membership informed, but to keep the general public aware of the valuable service our member facilities perform in their communities. One of the best ways to accomplish that task is to promote our members and their successes.

KAHCF used radio, television and print media to pay tribute to award winners and those stories that exemplify the quality care provided by our facilities. The Public Relations Committee set a goal of one positive story per week for the fiscal year, and through March 2009 more than 80 stories appeared in various regions throughout the state. Those stories included a Lexington Herald-Leader feature story on Rebecca Croucher, the AHCA National Young Adult Volunteer of the Year from The Terrace in Berea and My InnerView Excellence in Action facility winners from across the state.

There was also radio coverage of the KAHCF award winners and National Nursing Home Week, and television stations in Lexington covered the Facility of the Year celebration at Bourbon Heights, the 2008 winner. In addition, TV stations and the Louisville Courier-Journal covered National Nursing Home Week events in that area.

Radio news releases have allowed KAHCF to educate listeners in areas across the state as speakers at Spring Training and Annual Meeting have been featured on public radio shows in Western Kentucky and radio news spots in Kentucky and surrounding states.

This coverage of our employees, residents, and families reached thousands of readers, listeners, and viewers and helped shape a more positive image of our profession.

Training sessions on working with the media have provided members with the necessary tools and approach to promote their care, staff and residents. Local efforts in their respective communities are such a vital tool in helping others see the quality work we do. Templates for press releases on the KAHCF website have also been made available for membership to access and use as well.

These skills are increasingly needed to make sure the families of your residents and the local communities know that you are providing quality care to their – and your – friends, families and neighbors.

PROFESSIONAL DEVELOPMENT AND MEMBERSHIP SERVICES

KAHCF provides the professional development tools and resources that Kentucky's long term care professionals need. In addition, we provide:

- Access to the valuable, up-to-date *Members Only* bi-weekly newsletter.
- *CareLink* magazine, the print trade magazine that is published twice a year.
- *Heroes of Long Term Care* issues featured the annual award winners, recognition of rehabilitation staff, and National Nursing Home Week activities.
- KAHCF's on-line Buyers Guide with an added benefit for Platinum members, featuring them on the homepage and in *Members Only* on a rotating basis.
- KAHCF continues to offer a comprehensive awards program that recognizes all disciplines and departments in facilities. The Association presents nearly 100 awards at its annual meeting, including the Facility of the Year and the Ira O. Wallace Award.

Targeted trainings and conferences addressed the specific requirements of different constituencies. KAHCF continues to specialize in providing continuing education throughout the year including: Nurse Aid Training-Method of Instruction, Staff Development In-Service Education and Training, The Role of Social Services in LTC, LTC Administration Training, State Training Course for Activity Coordinators, RAI/MDS Basic Training, and Advanced MDS Training.

Mary Ousley, a national leading long term care expert and past chair of the American Health Care Association, presented on quality assessment and assurance regulation, new survey guidelines, and the enforcement process to over 200 attendees. Also, KAHCF offered a LTC Dietary Symposium that provided an overview of the guideline revisions for tags F325-Nutrition and F371-Sanitary Conditions.

KAHCF presented a new program this year, Advanced Activity Training. This training covered the components of person-centered care as it relates to activity assessment

and care planning, described the components of one-to-one programming, and looked at successful activity interventions that may be utilized when responding to challenging behavior.

KAHCF also responded to requests from members and provided training on the proposed Employee Freedom of Choice Act.

KAHCF and the Kentucky Association of Directors of Nursing Administrators (KADONA) collaborated to provide a Nurses Symposium in May 2009. The training included how to deal with Immediate Jeopardy in a facility and reviewed the scope of practice of the LPNs.

KAHCF 2008 Annual Meeting & Trade Show

The 2008 KAHCF Annual Meeting & Trade Show in Louisville was again a great success with over 1,400 attendees, more than 30 different educational sessions on five different tracks and close to 140 exhibits and booths.



KAHCF 2009 Spring Training

For the first time this conference was held in Lexington, and in response to requests from our members, KAHCF went green. This is both an effort to practice responsible environmental conservation, and an effort to increase the timeliness of the materials provided to our attendees. Handouts for seminars were available to download from the KAHCF website. Over 112 facilities participated in the 14 different educational offerings. The newly elected 2009-10 KAHCF Board of Directors was inducted and the outgoing board chairman honored at the annual Chairman's Breakfast which featured Lieutenant Governor Dr. Dan Mongiardo.

KAHCF AND STATEWIDE INSURANCE SERVICES FISCAL PERFORMANCE

Financial goals are set each year by means of a combined annual budget by the Board of Directors of KAHCF and SIS, as overhead functions are shared between the entities. During the year, staff and elected leadership work together to ensure that the goals are achieved. Through membership programming and effective fiscal management, KAHCF and SIS anticipate realizing the following achievements for the year ending June 30, 2009:

- Combined anticipated net income from operations of \$89,200 net of depreciation; \$13,100 less than budgeted due to lower interest income from investments
- \$150,000 was transferred to the investment reserve account from operations surpassing the standing requirement to fund our investment reserve in an amount equal to 5 percent of the Association's dues revenue
 - Anticipated Market Value of Reserve Account Value of \$765,000 at June 30, 2009
 - The volatile financial markets affected performance throughout the year. Although values have declined this past year, the overall account performed better than the benchmarks that are set by the KAHCF investment policy

During the current fiscal year, KAHCF began Phase III of our capital improvement project. This entailed a new conference room table and accessories. The funding for these improvements came out of operations and was approximately \$2,000 less than budgeted. Phase IV will entail a new table and accessories for the library and some renovation of the filing system in the workroom. In addition, a new computer server will be purchased as well as new office computers.

KAHCF's wholly-owned subsidiary, Statewide Insurance Services, was created in 1992 to generate additional financial resources for KAHCF to help fund reimbursement, legislative, and regulatory activities. The anticipated SIS contribution to KAHCF this year is \$80,400. The partnership with Wells Fargo to promote insurance products that can benefit the membership of KAHCF was maintained during the current year. Wells Fargo helped launch an Association Vision Plan. Wells Fargo is looking at a discounted Auto and Home insurance program for employees of the membership. The goal of SIS is to build our strategic alliance with Wells Fargo, provide valuable service to our clients, and increase our financial contributions to KAHCF.

Once again the Finance Committee and both Boards have approved the Association's Combined 2009-2010 budget which meets the additional funding requirement of our reserve account as a hedge against any future circumstance that may require unforeseen expenditures.

Both KAHCF and its subsidiary continue to build a fiscally secure foundation. We look forward to this continued success by KAHCF allowing us to serve the needs of the membership and to advance your profession as we move into the future.

