



Memorandum

Lakeland Health Care Center

To: Lakeland Health Care Center Board of Trustees
Finance Committee

From: Carlo Nevicosi, Director *cn*

Date: April 12, 2022

RE: Lakeland Health Care Center Pandemic/Transition Net Position Allowance

The 2021 Lakeland Health Care Center budget included \$2,569,000 in tax levy. 2021 proved unique in that LHCC did not use any of the budgeted tax levy and, in fact will return an additional \$579,186 beyond the untouched levy. This has resulted in an estimated \$3,142,509 return to the fund balance.

There are several factors that account for this large return. First, LHCC exceeded revenue projections by \$430,000. Much of this was due to temporary regulatory changes that led to an influx of Medicare admissions. Second, LHCC, like most health care entities struggled to recruit and retain staff. Actual payroll expenses were \$2,247,000 less than initially budgeted. LHCC received one-time COVID grants totaling \$373,000. Lastly, a lower overall census resulted in underspending in the area of resident-related expenses by \$193,000.

The large return to fund balance offers an opportunity to address several operational concerns. The severe shortage of healthcare workers has constrained our ability to admit new residents. We are licensed to care for 90 residents, however we artificially hold our census to around 70 to ensure that safe staffing levels are consistently maintained. The impact of this is seen in both decreased revenues and increased overtime and bonus pay to ensure that shifts are filled.

We are proposing the development of a pandemic/transition allowance account funded with a portion of the excess funds returned from 2021. This reserve will provide us with funds to support the unexpected operational needs that may occur due to these specific circumstances. As detailed in the accompanying memo from the Finance Director, the County's fund balance/net position ordinance, 30-171(6), allows for costs associated with the start or end of a program that will result in efficiencies in the future or non-recurring costs/shortfalls which have arisen out of unforeseen circumstances and are not expected to continue into future years.

The accompanying ordinance will create the pandemic/transition allowance, with a required ending date of December 31, 2026. The resolution could fund the account, with the remainder going to the LHCC building allowance account to ensure sufficient funding for future building renovations and C wing buildout. Our recommendation is for \$1.5 million to be dedicated to the pandemic/transition allowance and \$1.5 million to the building reserves. The remaining \$160,785 is unallocated for at this time however, a decision on this topic is not time-sensitive and if necessary, can be discussed at future Board of Trustees and Finance Committee meetings.