

2003 was a very challenging year for the Lasata Trustees, administration and department managers. During the second half of the year there were questions raised regarding plans and options for future operations knowing that Lasata will be dependant on a tax levy to meet operational expenses. This began to draw much public attention to the services and care provided at both Lasata Care Center and Lasata Heights Retirement Apartments.

Total resident census was lower than budgeted due to increased competition and options for senior citizens, and residents staying for shorter periods of time than they once did. Due to State and Federal cut backs Lasata did not reach budgeted Medicaid revenue amounts. Private Pay census was lower than budgeted and these revenues were down as well. All these factors resulted in Room and Board Revenues being \$236,000 below budget.

Lasata's daily Medicaid rate is now \$60 per day below estimated costs resulting in \$2 million of losses incurred by caring for Medicaid residents. The federal Intergovernmental Transfer Program (IGT) did provide nearly \$1.4 million in funding to cover these losses but this was \$266,000 lower than budgeted. There are plans at the federal level to possibly phase out this program over the next few years. If this happens Lasata would have even larger revenue shortages.

Lasata's year-end Operating Deficit of \$872,308 included \$476,000 of depreciation expense and \$874,000 in expenses for Lasata's portion of the County's un-funded pension liability payment. This deficit did not include payments for principal on debt or any outlay costs for capital construction or capital equipment purchased. After all these audit adjustments were made the year-end adjusted Cash Deficit was \$821,795.

State and federal codes require all nursing homes to staff at specific levels to ensure adequate care is provided to residents. In order to meet these staffing levels wages and fringes offered to staff have to be competitive in order to retain qualified staff and to recruit new staff to fill vacated positions. This creates competition with other facilities in the industry and did result in increased costs for wages and fringes.

Additionally, several of Lasata's nurses retired, spent significant time with the armed forces, or were out on extended medical leaves. This created a dilemma in finding enough nurses to meet staffing requirements so usage of staff overtime and 'pool' nurses did increase. Unfortunately there is a nationwide shortage of licensed nurses and Lasata, as well as other facilities, will have to continue to find creative ways to replace an aging work force and recruit new nurses to long-term care.

There was a 35% increase in new admissions to Lasata during 2003 but conversely there were 24% more discharges and deaths because residents are now older and more debilitated, or are coming for short-term rehabilitation stays usually after some type of fracture or surgery. These short-term admissions created an increased burden for staff in that they spent more time on paperwork, medical follow-up and intervention for considerably less total billable days.

A total of 162 residents were admitted during the year, 116 were new admissions and another 46 were re-admitted after a short-term hospital stay. A total of 167 residents were discharged during the year, 69 due to death, 35 returned to their home, apartment or another living facility and 63 were sent to a hospital for a short-term stay.

There were several positive events at Lasata during 2003. In June the State of Wisconsin Bureau of Quality Compliance performed an annual licensure and certification survey. Lasata achieved a perfect survey with no deficiencies for resident care. This was the first perfect survey at Lasata in over 15 years.

Staffing levels for certified nursing assistants was very stable as there was less turnover and reliance on 'pool' nursing assistants than in the past several years. By having Lasata nursing assistants instead of 'pool' nursing assistants there was a decrease in cost of \$86,000 from 2002, and a decrease of \$240,000 from 2001. However the costs of the non-benefit nursing assistant program, and even the cost of our regular fringe benefits and wages, is now becoming nearly as costly as 'pool' nursing assistants.

The dayrooms expansion and fire system upgrade project was completed at \$166,000 under budget. The remaining money was used for modernization of the four passenger elevators. This project should be completed by April of 2004.

In cooperation with the Cedarburg Light and Water Utility Lasata received a State Public Benefits Program grant of \$13,500 that paid for 70% of the costs to retrofit several areas of the building with energy efficient lighting. This grant also allowed the Utility to provide a \$21,950 credit to Lasata's electric bill. Over the past three years Lasata has received \$52,300 in credit to electric bills through this program.

Several changes were made to internal operations in 2003 in an effort to be more efficient and reduce cost. These changes resulted in savings of \$50,000 by laying-off staff and eliminating several positions during the year. A reduction in laundry usage of nearly 10% saved \$25,000 in contract and utility costs. With the help of the County Purchasing Agent several contracts were modified saving an

estimated \$12,000 in medications, \$15,000 in capital outlay, and \$10,000 in service contracts and utility costs.

Occupancy levels in Wisconsin nursing homes averaged about 89% but Lasata's average occupancy was 97% (195 beds filled out of 201). Twenty three percent of the residents were Private Pay, 71% were Medicaid(T-19), and 6% were Medicare(T-18). These numbers have been fairly consistent at Lasata the past 3 years.

Sixteen percent (19 total), of new admissions were from the Lasata Heights apartments, nearly triple from 5 years ago. It is obvious that many Lasata Heights tenants are aging-in-place and then moving to Lasata when they can no longer live independently.

Over 49% of Lasata residents had Alzheimer's disease, dementia or some other brain disorder as their primary diagnosis. This was by far the largest category of primary diagnosis. Another 17% were diagnosed with heart attack or stroke and 18% were diagnosed with paralysis, fractures or a skeleto-muscular disease such as Muscular Dystrophy or Multiple Sclerosis.

The average age of all residents was 84.3 years, the youngest was 40 and the oldest was 102 years old. There were 4 residents under the age of 55 and 4 residents over 100 years old, this required staff to meet the physical, medical and social needs of a very diverse population.

Goals for 2004 include completing the elevator modernization project, retention and recruitment of qualified licensed nurses, negotiating a fair and equitable labor contract, and completion and presentation of a plan of future operational options. In an effort to keep the public and elected officials informed of progress on this feasibility study there is a link on the Ozaukee County Web-site where people can follow the progress of the study as well as respond with their suggestions and/or opinions.

Respectfully submitted by the Lasata Care Center Board of Trustees and Administrator, February 10th, 2004.

LASATA CARE CENTER 2003 REVENUES/EXPENSES vs BUDGET (unaudited)

	2003	2003	Actual vs
<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>

Medicaid(T19) Room & Board	\$5,761,718	\$5,808,065	\$46,347
Private Pay Room & Board	3,449,720	3,117,074	(332,646)
Managed Care Room & Board	35,000	23,160	(11,840)
Medicare(T18) Room & Board	1,076,750	1,138,063	61,313
TOTAL ROOM & BOARD REVENUE	\$10,323,188	\$10,086,362	\$(236,826)
Therapy/Drugs/Medical Supplies	\$950,000	\$844,771	\$(105,229)
Interest on Investments	5,000	7,637	2,637
Miscellaneous & Other Revenues	86,250	79,029	(7,221)
Unfunded Pension Liability	-	804,034	804,034
State Rate Appeals & Adjustments	125,000	76,541	(48,459)
Intergovernmental Transfer (IGT)	1,650,000	1,383,453	(266,547)
TOTAL OTHER REVENUE	\$2,816,250	\$3,195,465	\$379,215
TOTAL OPERATING REVENUE	\$13,139,438	\$13,281,827	\$142,389



	2003	2003	Actual vs
<u>EXPENSES</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Wages and Salaries	\$(6,717,280)	\$(6,647,659)	\$(69,621)
Fringe Benefits	(2,416,298)	(2,169,237)	(247,061)
TOTAL WAGES AND FRINGES	\$(9,133,578)	\$(8,816,896)	\$(316,682)
Conference and Meetings	\$(19,000)	\$(6,675)	\$(12,325)
Therapy/Drugs/Medical Supplies	(907,691)	(947,151)	39,460

Food	(365,000)	(366,866)	1,866
Nursing 'Pool' Costs	(675,000)	(662,364)	(12,636)
Contracts/Purchased Services	(562,951)	(577,150)	14,199
Supplies/Expenses	(867,508)	(876,987)	9,479
Unfunded Pension Liability	-	(873,571)	873,571
County Departmental Charges	(257,640)	(243,185)	(14,455)
Interest and Fees on Debt	(84,947)	(84,947)	-
Utilites	(234,000)	(222,103)	(11,897)
Depreciation	(283,500)	(476,240)	192,740
TOTAL OTHER EXPENSES	\$(4,257,237)	\$(5,337,239)	\$1,080,002
TOTAL OPERATING EXPENSES	\$(13,390,815)	\$(14,154,135)	\$763,320
NET OPERATING SURPLUS/(DEFICIT)	\$(251,377)	\$(872,308)	\$(620,931)
Delete Depreciation Expense	\$283,500	\$476,240	\$(192,740)
Add Construction Projects	(364,075)	(239,859)	(124,216)
Add Principal on Debt Expense	(45,000)	(45,000)	-
Add Capital Outlay Expenses	(362,740)	(140,868)	(221,872)
NET CASH ADJUSTMENT	\$(739,692)	\$(821,795)	\$(82,103)

LASATA CARE CENTER 2003 vs 2002 REVENUES/EXPENSES (unaudited)

	2002	2003	2003 vs
	<u>Year-End</u>	<u>Year-End</u>	<u>2002</u>
Medicaid(T19) Room & Board	\$5,613,338	\$5,808,065	\$194,727

Private Pay Room & Board	3,069,013	3,117,074	48,061
Managed Care Room & Board	9,130	23,160	14,030
Medicare(T18) Room & Board	917,801	1,138,063	220,262
TOTAL ROOM & BOARD REVENUE	\$9,609,282	\$10,086,362	\$477,080
Therapy/Drugs/Medical Supplies	\$863,796	\$844,771	\$(19,025)
Interest on Investments	35,857	7,637	(28,220)
Miscellaneous & Other Revenues	84,449	79,029	(5,420)
Unfunded Pension Liability	-	804,034	804,034
State Rate Appeals & Adjustments	97,217	76,541	(20,676)
Intergovernmental Transfer (IGT)	1,655,551	1,383,453	(272,098)
TOTAL OTHER REVENUE	\$2,736,870	\$3,195,465	\$458,595
TOTAL OPERATING REVENUE	\$12,346,152	\$13,281,827	\$935,675

	2002	2003	2003 vs
<u>EXPENSES</u>	<u>Year-End</u>	<u>Year-End</u>	<u>2002</u>
Wages and Salaries	\$(6,328,707)	\$(6,647,659)	\$318,952
Fringe Benefits	(1,992,911)	(2,169,237)	176,326
TOTAL WAGES AND FRINGES	\$(8,321,618)	\$(8,816,896)	\$495,278
Conference and Meetings	\$(10,652)	\$(6,675)	\$(3,977)
Therapy/Drugs/Medical Supplies	(908,922)	(947,151)	38,229
Food	(363,556)	(366,866)	3,310
Nursing "Pool" Costs	(721,919)	(662,364)	(59,555)
Contracts/Purchased Services	(534,761)	(577,150)	42,389
Supplies/Expenses	(943,171)	(876,987)	(66,184)
Unfunded Pension Liability	-	(873,571)	873,571

County Departmental Charges	(200,581)	(243,185)	42,604
Interest and Fees on Debt	(86,151)	(84,947)	(1,204)
Utilites	(190,708)	(222,103)	31,395
Depreciation	(286,442)	(476,240)	189,798
TOTAL OTHER EXPENSES	\$(4,246,863)	\$(5,337,239)	\$1,090,376
TOTAL OPERATING EXPENSES	\$(12,568,481)	\$(14,154,135)	\$1,585,654
NET OPERATING SURPLUS/(DEFICIT)	\$(222,329)	\$(872,308)	\$(649,979)
Delete Depreciation Expense	\$286,442	\$476,240	\$(189,798)
Add Construction Projects	(364,075)	(239,859)	(124,216)
Add Principal on Debt Expense	(35,000)	(45,000)	10,000
Add Capital Outlay Expenses	(45,348)	(140,868)	95,520
NET CASH ADJUSTMENT	\$(380,310)	\$(821,795)	\$(441,485)

LASATA CARE CENTER BALANCE SHEET--DEC 31, 2003 (unaudited)

<u>ASSETS</u>	<u>2002</u>	<u>2003</u>	<u>change</u>
Cash Available	\$961,604	\$319,460	\$(642,144)
Accounts Receivable	1,039,498	974,596	(64,902)
Supply Inventories	59,730	68,183	8,453
Prepaid Expenses	21,457	16,512	(4,945)
TOTAL CURRENT ASSETS	\$2,082,289	\$1,378,751	\$(703,538)
Land	\$26,596	\$31,137	\$4,541
Land Improvements	260,251	237,174	(23,077)
Buildings	5,366,655	5,186,677	(179,978)
Buildings Improvements	1,205,920	1,303,366	97,446
Machines & Major Equipment	353,905	353,905	-
Furniture & Fixtures	85,999	115,689	29,690
Computers	124,121	138,136	14,015
Vehicles	20,757	43,386	22,629
Construction in Progress	-	186,194	186,194
Accumulated Depreciation	(3,898,033)	(4,147,941)	249,908
TOTAL PROPERTY/PLANT/EQUIPMENT	\$3,546,171	\$3,447,723	\$(98,448)
TOTAL ALL ASSETS	\$5,628,460	\$4,826,474	\$(801,986)
<u>LIABILITIES</u>	<u>2002</u>	<u>2003</u>	<u>change</u>
Accounts Payable	\$332,389	\$377,420	\$45,031
Accrued Payroll Expenses Due	594,823	663,971	69,148

TOTAL CURRENT LIABILITY	\$927,212	\$1,041,391	\$114,179
Accrued Interest on Debt	\$27,739	\$27,139	\$(600)
Long Term Debt	1,990,177	1,942,380	(47,797)
TOTAL LONG TERM DEBT	\$2,017,916	\$1,969,519	\$(48,397)
TOTAL LIABILITES	\$2,945,128	\$3,010,910	\$65,782
<u>EQUITY</u>	<u>2002</u>	<u>2003</u>	<u>change</u>
Investments in Fixed Assets	\$3,546,171	\$3,447,723	\$(98,448)
Retained Earnings for Future Use	(640,510)	(759,851)	119,341
Current Year Operational Surplus/(Deficit)	(222,329)	(872,308)	649,979
TOTAL RETAINED EARNINGS	\$2,683,332	\$1,815,564	\$(867,768)
TOTAL LIABILITIES AND EQUITY	\$5,628,460	\$4,826,474	\$(801,986)

LASATA CARE CENTER RESIDENT STATISTICS					
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>DAILY OCCUPANCY:</u>	97.0%	96.7%	97.5%	97.8%	97.1%
Daily Census(201 maximum)	195.1	194.4	196.0	196.6	195.1
<u>RESIDENT PAYSOURCE:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Managed Care	<1%	<1%	<1%	<1%	<1%
Medicaid(T19)	67%	71%	73%	71%	71%
Medicare(T18)	3%	3%	5%	4%	6%
Private Pay	30%	26%	23%	25%	23%
<u>RESIDENT LEVEL OF CARE :</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Intensive Skilled/Skilled Care	81%	83%	88%	88%	89%
Intermediate Care	19%	17%	12%	12%	11%
<u>AVERAGE LENGTH OF STAY:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Under 1 Year	22%	22%	29%	21%	31%
1 Year to 5 Years	59%	64%	55%	61%	49%
6 Years to 10 Years	16%	11%	12%	14%	14%
11 Years to 15 Years	1%	1%	2%	3%	30%
16 Years to 20 Years	1%	1%	2%	1%	1%
Over 20 Years	<1%	<1%	<1%	<1%	<1%
Average Length of Stay	2.9 yrs	3.3 yrs	3.3 yrs	3.2 yrs	3.1 yrs
<u>AGE OF RESIDENTS:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Under 55 years	3%	3%	4%	2%	2%
55 - 69 years	3%	3%	3%	5%	4%

70 - 84 years	32%	35%	35%	30%	30%
85 - 99 years	61%	58%	57%	59%	62%
100 years and older	1%	1%	2%	4%	2%
Average Age of Residents	84.0 yrs	84.0 yrs	84.2 yrs	84.0 yrs	84.3 yrs
Age of Youngest Resident	36 yrs	37 yrs	38 yrs	39 yrs	40 yrs
Age of Oldest Resident	105 yrs	106 yrs	107 yrs	108 yrs	102 yrs
<u>DISCHARGES FROM LASATA:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Due to Death	45	47	66	58	69
To Home or Apartment	11	15	16	22	31
To Asst. Living or Nursing Home	6	6	8	4	4
Temporary Transfer to Hospital	<u>51</u>	<u>33</u>	<u>50</u>	<u>47</u>	<u>63</u>
Total Discharges	113	101	140	131	167

LASATA CARE CENTER RESIDENT STATISTICS (continued)					
<u>ADMISSIONS TO LASATA:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
New Admission from Hospital	34	51	54	56	80
From Home or Apartment	15	11	10	14	12
From Assisted Living or Nursing Home	18	19	30	16	24
<u>Re-Admission from Hospital</u>	<u>46</u>	<u>31</u>	<u>46</u>	<u>44</u>	<u>46</u>
Total Admissions	113	112	140	130	162
<u>COUNTY OF RESIDENCY PRIOR TO ADMIT:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
OZAUKEE	86%	80%	85%	86%	82%
Milwaukee	10%	15%	10%	9%	10%
Washington	1%	2%	2%	2%	2%
Sheboygan	1%	1%	1%	1%	2%
Waukesha	1%	1%	1%	1%	2%
Other Counties/Out of State	1%	1%	1%	1%	2%
<u>OZAUKEE COUNTY ADMISSIONS:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Belgium/Fredonia	2%	3%	2%	1%	2%
Port Washington/Saukville	19%	19%	15%	13%	13%
Grafton/Cedarburg	51%	36%	51%	45%	53%

Lasata Heights Apartments	15%	19%	16%	20%	19%
Mequon/Thiensville	13%	23%	16%	21%	13%
<u>PRIMARY DIAGNOSIS OF RESIDENTS:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Alzheimers/Dimentias/Brain Disorders	46%	51%	44%	41%	49%
Heart Attacks & Strokes	18%	16%	21%	22%	17%
Paralysis/Arthritis/Muscular Diseases/Fractures	16%	13%	15%	13%	18%
Anemia/Weakness/Cancers	2%	4%	2%	4%	2%
Diabetes/Obesity	5%	2%	4%	3%	3%
Parkinsons Disease	2%	3%	4%	3%	3%
Respiratory Diseases	3%	2%	1%	3%	2%
All Other Diseases/Illnesses	8%	9%	9%	11%	6%
<u>ABILITY TO BATHE/DRESS/FEED THEMSELVES:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Completely Dependent upon Staff	13%	11%	24%	27%	25%
Need Staff Assistance	65%	70%	55%	51%	51%
Completely Independent of Staff	23%	19%	21%	22%	24%
<u>ABILITY TO TRANSFER/TOILET THEMSELVES:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Completely Dependent upon Staff	10%	7%	13%	17%	24%
Need Staff Assistance	52%	52%	56%	52%	45%
Completely Independent of Staff	38%	41%	31%	31%	31%