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# VNA's Mid-Life Crisis

## Lay-Offs and Losses Ail Local Visiting Nurses Association

by Mary Bryant

With nearly \$600,000 to repay the MediCare program for advances collected and a nearly new leadership team in place, life at the county's most established home health agency can get a bit tense.

Ever since the sudden departure of the chief executive officer DeJorme McKee-Stoval from the Santa Cruz County Visiting Nurses Association in May, rumors have spread about the solvency of the nearly 50-year-old not-for-profit institution.

Spurring on a rash of worries, contract talks with nurses represented by the California Nurses Association included VNA officials opening negotiations by claiming inability to offer raises this year.

According to VNA Vice President Chris Macias, VNA has reached a tentative agreement with their nurses, conceding to reopen salary discussions in October. Between now and then, Macias said agency staff hope to have a better sense of the ability of the organization to repay outstanding debt, and maintain market share in a quickly shifting health care environment. Likely, the timeframe will also permit VNA's board to decide whether to pursue an affiliation with Sutter Health, a partnership that might someday result in CNA working out a new contract with Sutter Health. Or, not.

Macias said nothing has been decided, and board members are considering options. The Santa Cruz County chapter of the Visiting Nurses Association is a state licensed home health agency that makes about 80,000 home health calls each year.

### Self Inflicted Wound

VNA, like most other larger health care providers, has been pressed to provide more service for less money. However, with most of the agency's business seeing patients over the age of 65 and most of the costs of care reimbursed by MediCare, VNA has continued to bill for services for each individual, authorized visit made.

Unlike providers who contract to provide care based on a fixed fee per member per month, VNA has remained exclusively in the referral business, receiving referrals from doctors and hospital discharge planners to deliver a prescribed number of visits to established patients. According to Bob Burnett, VNA's vice president of information management and technology, VNA records are audited by MediCare administrators at the end of each year, and to date audits have not returned more than a 1 percent rate of decline from auditors.

However, despite VNA's reliance on the fee for service market, VNA's McKee-Stovall lead a charge last year to reduce the number of visits per patient, a project that was successful, but which resulted in large operational losses for the organization, according to Burnett.

VNA's Burnett agreed with likening the decision to curtail visits per patient at a time when the agency was still being reimbursed on a per visit basis, to a shooting the agency in the foot. In this case, a \$600,000 self-inflicted wound.

"At that time managed care was becoming a more prominent

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[force]," said Burnett of the decision to cut visits. "We felt at that time that it was going to become very prominent in the MediCare market in Santa Cruz County ... The feeling was we need to bring utilization down to respond to this new managed care market that was coming in."

Macias said that while bringing down the number of visits impacted VNA, neglecting to readjust the estimates used to calculate advance payment requests from MediCare to reflect lower totals resulted in adjustments to past quarters after actual totals were submitted. Combining overpayments from several quarters, MediCare (or MediCare's Health Care Financing Agency California contractor Blue Cross) agreed to accept VNA's 15 month repayment plan, a schedule that calls for VNA to make monthly payments of \$40,000.

### Cutting Costs Didn't Cut Nurses or Patient Services

"[Personal leave for McKee-Stovall] was granted May 22. That was when the leadership team formed a working unit to start reviewing our budget process and strategic planning," said Macias. "What we did was to create a team that would look at a business plan for the organization, and during that review process was when we were made aware that there were these outstanding loans."

Macias said that presently VNA collects an advance payment from MediCare, based on estimates of the number of visits VNA expects to provide. When it was learned that former VNA administrators had mistakenly overestimated the number of visits and audit results

became available, members of the new leadership team were responsible for informing VNA's board.

Not allowing for anticipated cuts in visits, MediCare had overpaid estimates to VNA for two quarters. Following the discovery of the outstanding accounts, Macias said that leadership teams were instructed to find ways to reduce operational costs without affecting patient care services or nurse staffing ratios.

On June 30, a restructuring plan was announced which reduced the number of administrative jobs, according to Macias.

Among the jobs eliminated were three vice president positions, three managers, and two clerical workers. Also, custodial services were contracted, eliminating two full-time custodial workers. In total, 14 people were "laid-off," Macias said.

### Decision To Go It Alone Back On The Table

In the late 1980s, directors of the two local hospitals suggested VNA's board of directors consider aligning more closely with the county's two not-for-profit hospitals, a recommendation easily made since the area's only two hospitals then had representatives on the VNA board.

Considering the future, the VNA directors opted to go it alone, remaining a free-standing agency without affiliation. Soon after, hospital representatives left the board.

During the intervening years, Watsonville Community Hospital planned and opened its own home health agency, an organization that got started during a period of tremendous change in the health care industry. The turmoil did the new agency good, according to

Prime Health at Home's executive director Eleanor Littman.

"We were started by a hospital for reasons that had to do with the hospital's needs. ... We really focused on the continuity of care, to function as part of a hospital and part of an integrated health care system," said Littman, adding that the agency integration within the hospital provides more hospital referrals and access to contracting. Prime Health holds two key contracts in the community, one with Physicians Medical Group and another with Secure Horizons. Even so, Prime Health has not been the cause of most of the changes at VNA, according to VNA officials.

VNA Vice President Macias said that while McKee-Stovall was on leave, Joan Grewohl, Vice President of Operational Development was appointed to the interim job as president and chief executive officer. Grewohl is a registered nurse, and was chosen for the job because of the established clinical background with VNA. Macias said the first priority of board members was to maintain quality services. Macias also acknowledged that McKee-Stovall was presently anticipated to return from leave at the end of August.

Calls to McKee-Stovall were unsuccessful, as her home number had been changed.

Macias said that savings from cuts made to date would make up for ongoing payments for MediCare, and that VNA remained in talks with Sutter Health about affiliation. Currently VNA board members are awaiting a full audit of the agency from a new team of auditors from Ernst and Young, Macias said. □