



**PRAIRIE HOME**  
HOSPICE &  
COMMUNITY CARE



# **ANNUAL REPORT TO THE BOARD**

August 2016

## **PREFACE**

Fiscal year 2016 (July 1, 2015 – June 30, 2016) was a good year. The year brought continued growth in our Hospice and Home Care programs, which enhanced our financial performance and provided a good measure of financial success. We believe the expansion of Home Care and sustained growth in both programs will continue to add strength to our long term financial stability.

## **VISION FOR THE FUTURE – update**

### **1) Establish a Medicare certified Home Care agency**

Fiscal year 2016 was our first full year as a licensed, Medicare-certified Home Care Agency. Our investments in Home Care have been consistent with our vision and proactively prudent in terms of positioning the organization for a sustainable future. We have strengthened our foundation and expanded our capacity to serve the community that supports us.

We will continue efforts to market both Home Care and Hospice, with the goal of continued growth in both programs.

### **2) Significantly updating/upgrading our electronic medical records (EMR) system**

- Upgrade Hospice EMR capacity
- Add Home Care capacity
- Add billing, human resource, reporting and quality/regulatory reporting components to our EMR

We have done the work that needed to be done to ensure we have the capacity and the technology to meet ever-expanding state and federal regulatory requirements going forward. The regulatory environment and reporting requirements of today are much more stringent than they were just a few years ago. The investments we have made during the past few years through our “Vision for the Future” initiatives have provided us the capacity to meet (or exceed) state and federal requirements and industry standards going forward. State/Medicare surveys completed during the past year have been very strong and reflect the progress we have made in meeting or exceeding regulatory requirements. This progress has also positioned us well to provide the highest quality care to those we serve.

As it turned out, our timing in implementing the upgrades couldn't have been better, as we were able to address new Medicare reporting and quality requirements in our system upgrades. We were also able to expand the capacity of our system to support billing and human resource functions, which has helped us to improve our billing processes and made us more efficient.

In the end, without the system upgrades we would not be in a position today to meet the new Medicare requirements for Hospice or Home Care. That being said, there was a significant cost to implementing the upgrades, most notably in training staff to understand and fully utilize the system. The training not only addressed how to use the system, but how to use it in a way that meets Medicare standards and will support key quality measures that we now report, and eventually will be tied to quality reports that will be available to the public. Ultimately, the Medicare payments we receive for service, will be based in part on the quality measure we report on.

### **3) Establishing a Salon & Spa**

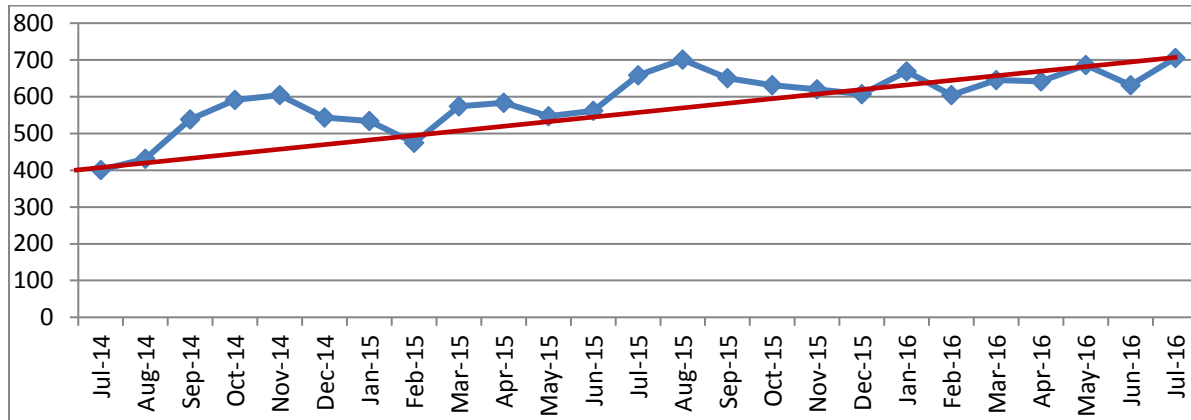
- Expand opportunities to provide enrichment services for patients, their families and the community
- Cover costs that we incur for the Salon & Spa space
- Provide potential to generate a small profit over time to help support our hospice mission

Initially, we struggled to find the right structure for our Salon & Spa. We have found through trial and error that the best structure is one in which we rent furnished Salon space to individuals who are licensed/certified and allowing them to operate independently. After searching for the right individuals who would be a good fit for our Salon & Spa, we now have 4 well-established stylists renting space in our Salon to serve the public, and provide salon services to our patients. We continue to employ a part-time certified massage therapist that serves our patients and also offers services to the public through our Salon & Spa. The rental income we now receive from the Salon and earnings from our Spa allows for a small profit and provides us additional capacity to serve clients, families and the community. It also provides an opportunity to expand relationships within the community.

## SERVICES

### 1) Hospice & Hospice House

- In the past year, we had an unduplicated hospice census of 85 patients.
- The total hospice patient day count for fiscal year 2016 was 7,744. This is up from 6,383 the previous year, an increase of 21% over last year. The chart below shows the trend in the hospice patient day count over the past two years. The patient day count is a good measure of the growth we have experienced in the past two years.



- Occupancy at the Hospice House this past year was 94%, and increase from the 72% occupancy rate the previous year. Additionally, there were a number of patients who sought admission to the hospice house during the past year, who we were not able to accommodate because we did not have an available room. We worked with those patients to find other accommodations where we could provide hospice services to them, usually a nursing home in the area. We generally have a waiting list for the current house of 2-6 patients. However, once we find other accommodations for the patients who initially seek admission to the hospice house, most (but not all) end up staying where we place them, as they choose not to make another move. As a result of the demand for hospice house admissions and the number of patients that we could not admit due to lack of beds, we began exploring options for expanding the number of hospice house beds in our community.
- Average length of stay for all Hospice patients in the past year was 60 days.

Occupancy rates, patient day counts, and average length of stay rates can fluctuate, but here are a few factors that influence these figures:

- Our population continues to age, which is and will continue to increase demand for hospice services and hospice house admissions. Demographic projections for our area in coming years will significantly impact the demand for hospice services as the number of residents over the age of 65 and over the age of 85 are projected to increase rather significantly over the next 15 years. We should pay close attention to the following projections and data:
  - 84% of hospice patients are over the age of 65
  - The number of Lyon County residents over the age of 65 was projected to increase by 46.3% between 2010 and 2030, with the most significant increase projected to occur between 2015 and 2030.
- We continue to see an increase in dementia as a primary hospice diagnosis. These patients tend to have a longer length of stay than patients with other primary diagnosis and tend to be more difficult to care for at home, as they decline and become eligible for hospice services. Thus, many seek hospice services at a hospice house.
- Our strong reputation of providing quality care to patients and their families for over 32 years continues to provide us a market advantage. We are committed to working hard to meet or exceed the quality of care that the community has come to expect from Prairie Home Hospice & Community Care. This will allow us to maintain our status as the number one preference for hospice care in Lyon County. Thus, as overall demand grows, the number of patients who choose Prairie Home Hospice will also continue to grow.

## **2) Home Care**

- During fiscal year 2016 we served 45 Home Care patients.
- Since becoming licensed and certified as a Home Care agency, we have served a total of 58 Home Care patients.
- We are currently serving 16 Home Care patients.
- Most Home Care patients receive Home Care services for a specified period of time. The average Home Care episode is 77 days.

## **3) Chronic Disease Management and Alzheimer's & Parkinson's Care Programs**

- We have received a total of \$130,000 in funding for this program, recently having received a third annual grant in the amount of \$40,000 from the Otto Bremer Foundation to support the program. Earlier this year, we also received \$10,000 from the Southwest Initiative Foundation to support the program.
- We currently serve 10 patients through this program. To date, 100% of the patients served under this program require financial assistance provided through the grants to pay for this care, even though the rates we charge for these services are less than our typical home care rates. Generally, Medicare and insurance do not cover the cost as these individuals do not meet the requirement of being "home bound". While we do not serve a large number of patients through this program, those we serve benefit greatly. The data we collect for this program demonstrates a significant savings in health care costs for these patients, as the care we provide helps to them better manage their chronic disease, provides more health stability, and helps to reduce trips to the ER and hospital stays.
- This program also provides us the opportunity to establish relationships early on with patients who may require a Medicare home care episode and/or may require hospice services at some point in their disease progression, which makes the transition in care easier for the patient. In the meantime, our goal is to provide minimal services and supports to these patients in their home, helping them to maintain health stability and avoid repeated trips to the ER or hospital because they are struggling to manage their chronic illness well.

## **4) Community**

- We continue to host a number of events in the community to support those who have lost a loved one recently and/or provide other information to the community related to terminal or chronic illness, home care, hospice, palliative care, etc., including:
  - Monthly grief support lunch group
  - 5-week grief support sessions held in both the spring and the fall
  - Annual Memorial Service for those who have lost a loved one in the past year
  - Forums that provide information about living wills, health care directives, hospice, home care, etc.
  - Grief counseling for students through the Marshall school district
  - Chronic Disease Self-Management sessions, provided through the community and through the SMSU Gold Program (formerly Senior College)
  - Participation in the ACTS on Alzheimer's group in the community
  - Participation in One Voice for Seniors group in the community
  - We Honor Veterans Partner (partnership between the Department of Veterans Affairs and the National Hospice & Palliative Care organization)
  - Participate in the Yellow Ribbon Committee in community (local veterans)
  - United Way annual campaign, employee donation program
  - Chamber of Commerce – participation in meetings with other non-profit organizations in community

## **QUALITY**

- At Prairie Home Hospice & Community Care, we are committed to the philosophy that quality care begins with a team of highly qualified, well-trained, well-supported staff. We believe that our long term success will be determined in large part by the quality of services we provide and that doesn't happen without highly qualified, well-trained and well supported staff. We are committed to offering our patients the most qualified staff and the highest levels of skilled staffing possible.
- Those who utilize our services continue to rank us above the state and national average for overall quality of care. All Medicare-certified hospice and home care providers are required to participate in this evaluation process through a certified third party vendor and all results are available to the public. We are exempt from this requirement for Home Care until our annual patients served reaches 50. We anticipate this exemption will end in 2017.

- Changes in regulations now require us to report on numerous quality measures for both hospice and home care services. Results of our quality measures are available to the public, so that individuals seeking services have the opportunity to compare quality among available providers as they seek services. Medicare has made it clear that ultimately our quality measures will impact the reimbursement rates we receive for services provided to Medicare beneficiaries.

**It is clear that our future lies in providing the highest quality of care possible – and do it better than the competition, while utilizing the resources we have effectively and efficiently.**

### **STATE & FEDERAL COMPLIANCE**

During the past 18 months we have had numerous state and federal surveys. These surveys are conducted by the Minnesota Department of Health on behalf of the state of Minnesota and CMS (Centers for Medicare and Medicaid Services). Surveyors have completed intensive audits of our Hospice Services, Hospice House and Home Care Services – and the results of surveys conducted in the past 18 months have been extremely positive. No significant findings were noted in terms of deficiencies. We have made tremendous progress over the past 4 years in becoming highly respected for the level of compliance with which we operate consistently, in all areas of our operations. This is something that our staff and management team has worked very hard at and take great pride in.

### **FINANCIAL SUMMARY FY 2016**

Fiscal year 2016 was the first full fiscal year in which we provided both Hospice and Home Care Services. After two years of investments in significantly upgrading our electronic medical records and regulatory reporting capacity and becoming a licensed Medicare-certified Home Care Agency (in addition to a licensed Medicare-certified Hospice Agency), our bottom line for FY 2016 reflects a solid return on the investments we have made. Here are a few financial summary notes for FY 2016 based on our year end unaudited financial statements:

The following figures are not included in the preliminary year-end financial report. Year-end accounting entries will be made for the following expenses as we close out the books in early July:

- 1) About \$29,000 in accrued payroll. This entry will be made as an expense for June and then will be reversed in July as it is paid.
- 2) About \$40,000 in accrued employee PTO (personal time off) accrued but not used. This expense will be entered for June and reversed in July.
- 3) At year-end we had prepaid expenses totaling over \$20,913. An entry will be made crediting these expenses for June and reversing entries for prepaid expenses in July.

*These accounting entries are made each year in order to appropriately delegate actual expenses accrued at year end and ensure that they are reflected appropriately. While these expenses are not actually paid in the fiscal year they are appropriated to, they are accrued in that fiscal year.*

Other financial notes (based on preliminary year-end financial reports, prior to year-end accounting entries):

### **PROFIT & LOSS**

- Total revenues for FY 2016 were \$2,048,320 vs. total revenues the previous year of \$1,688,230, an increase of 21%. Revenues for FY 2016 were \$152,490 higher than our projected budget, a positive variance of + 8%.
- Total expenses for FY 2016 were \$1,833,608 (before year end accounting entries). This compares to total expenses (before accounting entries) in the previous year of \$1,838,017. The fact that we were able increase revenues by 8%, while actually lowering our overall expenses slightly reflects continued efforts to control expenses, even as we grow.

One area in which we have been able to control expense well is in the area of staffing. Despite growth and increases in salaries we have made in order to stay competitive in our employment market, salaries for FY 2016 were \$82,575 below FY 2016 budget and \$86,876 less than the previous year. There are a number of contributing factors.

First and foremost, we have become more efficient in our staffing and scheduling. Small changes such as assigning nurses based somewhat on geographic area, to limit travel time; allowing more flex scheduling for nurses to reduce time spent in the office; etc. have helped control salary and wage expenses. We have also restructured our billing, accounting and administrative departments, which has resulted in significant efficiencies and cost savings. In addition, salary expenses have been reduced in part because we have reduced our training time significantly as

staff became more familiar with the new electronic medical records system. In the past year or so, time spent on training staff to use and understand the new system resulted in inflated salary related expenses. Clearly, the investments we have made in technology and the changes we have made in staffing/structure has helped make us more efficient and has helped us control salary related expenses, despite increases in wages and salaries that have helped us to become a bit more competitive in our employment market.

Increases in salaries over the past two years has resulted in a significant increase in our Worker's Compensation expense over the last two years.

- Net Profit for FY 2016 (before year-end accounting entries) is + \$205,108. This is \$166,078 over our FY 2016 budget and a significant improvement over the two previous years, in which we recorded net losses, largely due to planned investments in establishing a Home Care agency and significantly updating our medical records system and regulatory reporting capacity. Once year-end accounting entries are made, I anticipate that our audited financial statements will show a net profit of around \$140,000 - \$150,000 for FY 2016 .

#### BALANCE SHEET

- At year end, we had \$257,569 in cash, checking and savings accounts which is about \$120,438 more than we had a year ago.
- At year end, we had \$239,616 in accounts receivables, which is about \$64,111 more than we had a year ago. Accounts receivable over 90 days at year end were just \$12,245, well within our goal for managing our accounts receivable, and a vast improvement over previous years. The higher total in accounts receivable generally reflects our growth in overall revenue during the past year. The reduction in accounts receivable over 90 days is largely due to the changes we have made in our billing procedures and staffing. The fact that our upgraded medical records systems supports our billing process has strengthened our billing process tremendously.

**All said, 2016 was a very good year, in which we are seeing the results of the investments we have made in the two previous years. Those investments have positioned us well for the future, in terms of our capacity to serve the community and our patients well, while maintaining financial stability.**

#### FUNDRAISING & CONTRIBUTIONS

We continue to be very successful in our fundraising efforts. Here are a few highlights of our success:

- In FY 2016, we raised \$290,084 through fundraising and donations. This was \$16,504 more than we had budgeted. We also received \$59,975 in grants during FY 2016.
- The Tough Enough to Wear Pink has become a very successful campaign, generating revenues that help to support cancer patients and their families. Proceeds help provide enrichment services to cancer patients we serve, free massages for cancer patients undergoing cancer treatment, and other assistance and support for cancer patients in the community.
- The Annual Table Setting & Wine Tasting generated just over \$4,500 in profit in FY 2016. The decision has been made to forego this event for FY 2017 and replace it with our Annual Raffle (rather than holding the raffle in conjunction with the Annual Charity Ball & Auction). We anticipate that this will allow participants at the Charity Ball to spend their dollars that evening on auction items and other opportunities at the event, rather than on raffle tickets, thus not reducing net revenues from the Charity Ball.
- The Charity Ball and Auction was tremendously successful again this year. Net proceeds was \$94,285, about the same as the previous year. Net proceeds have grown from about \$55,000 in 2012. Continuing that trend will be challenging, but we'll continue to look for opportunities to increase sponsorships and overall revenues.

Continued success in the areas of fundraising, contributions and grants is critical to our ability to continue to provide the level of services we do for each and every patient. About 17% of our annual budget comes from these areas. Without this level of community support, we would be hard pressed to maintain the sharp focus on patients and provide the level of service that has helped to build the strong reputation that we have in the communities we serve. We are very blessed by the level of support we have across our service area, and the many supporters who understand and appreciate the importance of the work we do and the high quality of care we provide. We have touched over 1600 lives since our inception in 1984 – and many of those lives touch us back through their support and contributions.

## **VOLUNTEERS**

Our volunteer staff and committee members have done a good job in revamping our volunteer recruitment and training program. We continue to pick up new volunteers each year. We are in the process of tweaking our patient volunteer program. Patient Volunteers will serve as “Day Makers” and we will be providing additional resources, training and support for volunteers through our Day Maker Program, with the goal of providing more opportunities for our patients.

We are also very blessed with a team of volunteers who maintain our grounds and water feature at the House; those who continue to volunteer time to prepare meals at the House; those who deliver equipment to patients; those who help out in the office; those who are instrumental in our fundraising efforts; those who serve on our board; and those who serve as ambassadors in the community.

## **COMMUNITY PARTNERSHIPS**

We continue to enjoy strong partnerships within the community, including (but not limited to):

- Many longtime individual supporters/members/volunteers
- A growing list of businesses and event sponsors that have been incredibly generous in their support
- Continued support from the United Way through their Community Partnership Grants.
- Continued support from the local American Legion and VFW, which have been providing annual support, with total combined giving of over \$22,000 during the last four years.
- Shades of the Past have become a supportive organization, donating proceeds from their annual quilt auction the past couple of years.
- Women of Today are donating proceeds from Sounds of Summer bean bag tournament to PHH&CC for a second consecutive year.
- The Lyon County PRCA and Fair Board donate proceeds from the Tough Enough to Wear Pink Rodeo Auction and \$1/t-shirt worn by those who purchase tickets for the Friday night rodeo each year.

## **PRIORITIES FOR THE COMING YEAR**

Priorities for the coming year include:

- Continued efforts to enhance our staff efficiencies while providing the best possible care to those we serve
- Continued growth in our Home Care services, and retaining (or expanding) our Hospice market share
- Continued efforts to control expenses overall
- Continue efforts to utilize technology to support our efforts and enhance efficiency throughout the organization
- Continued effort to maintain a positive image in the community
- Continued efforts to sustain successful fundraising efforts
- Continued efforts to recruit and retain a highly qualified, highly motivated team for the positions that are critical to the work we do
- Continued efforts to maintain a positive, productive work environment
- Continued efforts to positively engage volunteers from the community in the work we do

## **Opportunities**

- A second Hospice House, which will allow us to better accommodate a growing demand for Hospice Housing.
- Continued efforts to enhance our capacity to provide specialized care and support for hospice patients, including patients with dementia related illness/disease, which supports our goal of establishing ourselves as a recognized leader in providing quality care for hospice patients, including those with dementia related diagnosis
- Continued efforts to provide Chronic Disease Management Program and Alzheimer’s & Parkinson’s Care Programs, which we believe meet a need in the community and provide opportunities to establish relationships with those who may need home care and/or hospice care services at some point , making the transition to Hospice or Home Care services easier for the patient

## **Misconception**

- NOTE: We have heard that some in the community have concerns that the increase in dementia patients admitted to the Hospice House in the past year or so is creating a situation whereby we are not able to accommodate requests from patients with cancer who seek admission to the Hospice House. We need to address this general misconception. In fact, we have not had a significant number of situations where we were not able to accommodate a request for admission to the Hospice House for a patient with cancer. In reality, we have become very good at caring for hospice patients with cancer in their home, which is where most patients with cancer choose to stay. In contrast, it is more difficult to care for hospice patients with end-stage dementia at home. Meeting requests for admission to the Hospice House from patients with cancer has not been a significant issue.

## SUMMARY

The past year has been a good year, marked by growth in both our Hospice and Home Care programs. It appears we are emerging from two years of investment in our "Vision for the Future" in pretty good shape.

Here is where we stand as we close out Fiscal Year 2016 and begin Fiscal Year 2017:

- We end FY 2016 with \$257,569 in cash balances
- In FY 2016, we provided \$2,277.63 in assistance for patients who were not able to cover the full cost of care, and provided \$50,000 in services to patients enrolled in our Palliative Care/Chronic Disease Management Program, thanks to the support of the Otto Bremer Foundation and the Southwest Initiative Foundation
- We end the fiscal year with \$468,148 in our Investment account
- Our accounts receivable over 90 days as of July was \$12,245. When I started in April 2012, A/R over 90 days was at \$341,889. We've seen steady improvement and now do a very good job of maintaining A/R over 90 days.
- All Accounts Payable are current
- We remain the Hospice provider of choice in Lyon County, recognizing that we now face competition that is very aggressive in their strategies
- We are well-positioned to grow a successful Home Care agency, recognizing that securing our share of that market in a competitive environment will take time and sound strategies
- We have significantly enhanced and expanded our capacity to meet (or exceed) regulatory standards and requirements in both Hospice and Home Care, as demonstrated by very favorable state/federal surveys in the past 18 months
- We have a well-qualified, well-trained team that will serve our patients and the organization well
- A committed team of volunteers who serve our patients and the organization well
- We have the commitment of a generous community behind us
- We have strong leaders who continue to focus on our mission, provide a "Vision for the Future", and have demonstrated a willingness to invest in a strong organization that has the capacity to sustain itself and serve the community well
- As of September 1, 2016 we will have a second Hospice House, which we hope will be fully operational before the end of 2016, and will help meet the growing need for hospice housing in our service area