



MCH

ANNUAL REPORT 2014



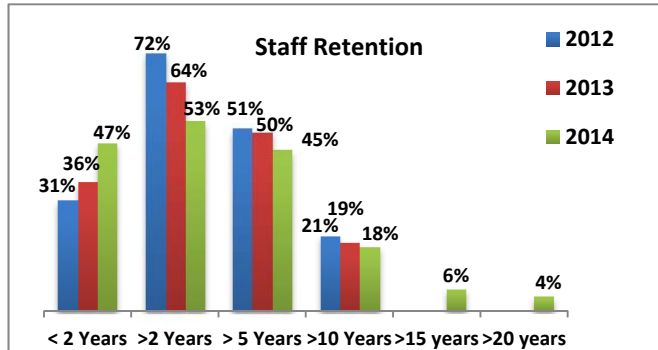
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MCH remained committed in FY 14 to continuing and improving its service delivery to meet the needs of persons served and made every effort to satisfy the needs of stakeholders in a dependable, responsible manner while still remaining within the limits imposed by funding sources, Federal and state regulations and miscellaneous other requirements which govern the operation of a non-profit. MCH trusts that *meeting the needs of the persons served, ensuring their health and safety, and remaining in compliance with funding regulations and standards* is a satisfactory method of meeting the requirements of stakeholders. Fiscal year 2014 began a whole new era in the delivery of services to those with intellectual and developmental disabilities as the last of the Local Management Entities converted to Managed Care Organizations (MCO's), and some MCOs merged with other MCOs as required by the state to downsize to 3 or 4 MCO's by 2015. We saw

state funds decrease again. More emphasis was put on Medicaid services, particularly NC Innovations and Money Follows the Person (MFP), and it has become increasingly more difficult for providers to fill empty beds as all services must now be authorized by the MCOs including ICF-IID homes. The process is often quite slow and cumbersome.

Personnel

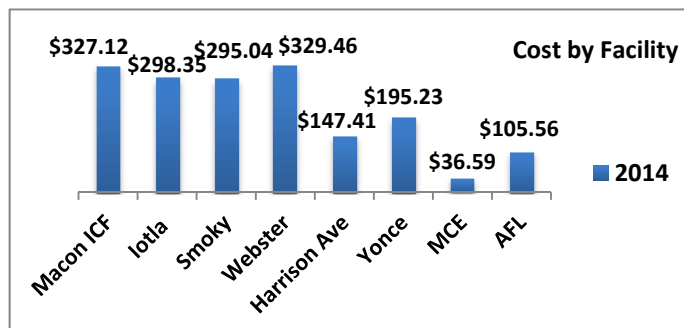


MCH is committed to improving employee benefits, and rewarding longevity whenever possible. MCH is competitive in staff pay and benefits. Although there were no raises this year, longevity bonuses were given in December which were sponsored by a donor and enhanced with an MCH contribution. Effective July 1, 2014, PTO was increased. The cap on leave was also raised from 240 hours to 320 hours/year. Staff turnover decreased this year to 17% following an increase to 26% last year. These figures are very low for our industry. Fifteen people separated employment for various reasons, and of those, 2% were involuntary and were

terminated for some violation of policy or job performance. There were 13 voluntary terminations, and 60% participated in an exit interview with no trends discovered. Five of those who separated left within the first year of employment. Staff retention remains good with 72% of MCH employees being with the agency more than 2 years and 45% more than 5 years. Of those, 18% have been employed more than 10 years. There were 3 retirements this past fiscal year.

Fiscal

The average residential client cost per day was \$265.46 per day compared to \$262.44 last year, an increase of \$3.02/day over last year. Much of this can be attributed to 89 unbillable days... 77 were an unfilled bed, and the rest were hospitalizations. Expenses were similar, but revenues were significantly less. Average MCE client cost per day was \$36.59, an increase over the last fiscal year. The unit amount (15 minutes) for ADVP is \$1.57; however, this



capped at \$39,873, another reduction since last FY.

Risk Management

Each year, the management team analyzes risks to determine obstacles to financial stability, failure to comply with regulations and standards, lack of adequate insurance coverage, or anything that might prevent or hinder services to clients, including inadequate staffing. A 25-question analysis is used to identify risks. Empty beds, funding reductions and funding which does not keep pace with inflation create the greatest risks to client stability and financial stability. An empty ICF bed presented our greatest challenge this past year and is our greatest risk as it creates a significant financial impact. An empty ICF bed for 77 days left a negative impact on revenues. Sound debt management and well-controlled budgeting are very important to withstanding future uncertainty. Unnecessarily increasing our long-term debt at this time would be negligent. Long-term debt should be paid off in approximately 3 ½ years.



MCH's liability insurance either meets or exceeds limits required in contracts, and the agency carries such insurance to withstand disasters, hardships, or litigation. Insurance is also monitored by the MCO's, and certificates of coverage are provided to each MCO that MCH contracts with. Debbie Ballard, Loss Prevention from Synergy, our Worker's Compensation carrier, visited 4 times and reviewed policies and worker's compensation claims, and visited all facilities. She found our facilities to be safe and following all OSHA recommendations.

While it is impossible to identify every risk or natural disaster, MCH feels that it is prepared to withstand those that are predictable or common to our area although there still may be some impact to finances and client or employee stability. Every reasonable measure has been taken, however, to prevent any major losses. MCE is a designated shelter recognized by Macon County, and all facilities are trained to shelter-in-place when possible during natural disasters.

In summary, MCH is fiscally stable at this time and feels that adequate measures to identify and correct other risks have been implemented.

Corporate Compliance and Responsibility

MCH promotes ethical practices both in corporate responsibility and by compliance with all federal and state regulations and has numerous systems in place to detect and rectify compliance issues as they occur. Medicaid fraud is taken seriously, and any incorrect billing or overpayment is reported as soon as discovered and repaid. Multiple practices are in place to avoid such occurrences.

Cutlural Competence

MCH upper management staff completed a self-evaluation on cultural competence in August and met each of the items on the self-evaluation sheet. We employ a diverse population for our geographic area and serve a diverse population which is relative to the census of our counties. Individual cultures are respected and honored. Our primary service delivery is to persons from the southern Appalachian mountain area. Customs, foods, and religious preferences, etc. are respected.

Demographics

Nationwide there are over ½ million people with intellectual and developmental disabilities over the age of 65. The average age of the MCH client is 43.6 years as of July 1. Several are now in their 70's. Of 68 full time equivalents employed on June 30, 2014, 55% were over age 50, and 93% were Caucasian. The racial makeup of Macon County is 96% Caucasian. The median income for a household in Macon County is \$38,615, and the average per capita income is \$21,676. The average 40-hour non-professional MCH employee makes \$31,736 per annum with benefits included. This figure does not factor in overtime.

