



# **Integrated Leadership & Consultancy (LLC)**

**St Joseph County Commissioners/Council**

**Portage Manor Project**

**Final Report/Opinion**

**May 25 2023**

**Rick Stiffney, PhD  
2110 Westoria Drive  
Goshen, IN 46526**

## **I. Introduction**

In late April 2023, I was asked to speak with several St Joseph County Council members about some of the challenges they were addressing concerning the future of Portage Manor. We conferred once by phone and then in person. Following those conversations, I was asked by the same Council representatives and the Commissioners' legal counsel to prepare an MOU to review and prepare a professional opinion on the strength or merits of a proposal before the Commissioners. The MOU was accepted. I have worked, I hope with integrity, toward that end.

Cutting to the chase - I do not believe that the proposal presented by Dr. Sylvana Atallah evidences adequate capacity for the new nonprofit, *A Place for Everyone Inc.*, to govern and operate Portage Manor under the terms reflected in the proposal.

It is reasonable to ask with what credentials, against what criteria, and through what process did I come to this conclusion? The following outlines my response to those matters. I will end the report with a simple summary and a few brief notes.

## **II. Brief bio/credentials**

I have worked professionally in the nonprofit health and human services sector for over 40 years. I served as Exec VP in a large northern IN NFP senior-services organization. I served as CEO of a national network of nearly 100 nonprofit human services organizations - including several large community mental health organizations. I worked closely with each of those boards/executives. Further, I have consulted across the U.S. and internationally with the corporate leadership and nonprofit governing boards of well over 300 organizations giving attention to strategy, executive leadership, and nonprofit governance. Although my particular expertise is not in finance; I understand financial feasibilities, proformas, operational and capital budgets.

## **III. Broader perspective on the Portage Manor challenge and dilemma**

Before turning to my assessment, I want to share some of my perspectives about the nature of this challenging set of circumstances. Our personal biases always affect our perceptions and judgments. I owe that to all parties involved.

I have deep appreciation for the profound moral challenge and the financial/management dilemma that the Commissioners and Council faces. The residents served by Portage Manor need and deserve a safe, secure, and caring environment. It was a moral conviction that led to the development of county

homes nearly a century ago. I have no doubt that this deep moral commitment is still shared by the Council and Commissioners.

The governance and operational dilemma though is immense. This kind of program requires significant funding coupled with capable oversight and management. Federal, state, and county funding for the care of these types of residents has lagged real needs for decades. Capital improvements for Portage Manor have been underfunded or deferred for years. The financial dilemma now is multi-faceted; a failing infrastructure (building), a staffing/service model that delivers care in an increasingly regulated environment, and the lack of an apparent revenue model that can work over a long period of time. Together these represent immense operational and governance challenges.

This dilemma is not unique to St. Joseph County. Other counties across the state have addressed this. Most no longer operate such programs because other models of residence/care, licensing, and reimbursement have been developed and work effectively.

Several months ago, the Commissioners and Council secured a professional assessment of capital costs for renovating the existing PM structure and to bring it up to current regulatory and service requirements. They also secured an estimate and cost projection on a new build. Further, they contracted with Byron Health of Allen County for some administrative and some assistance in assessing options going forward. This included a deep dive into projected operating costs for PM for the next few years and potential revenue. Considerable professional expertise was brought to bear and appropriate reports prepared.

The Commissioners' decision in early 2023 to recommend or to signal intent to "close Portage Manor," was met with considerable dissent from some stakeholders. In response, a 2-month period of time was designed for further study and exploration of options.

A special task force, populated by some Commissioners and community leaders, explored several paths for dealing with this question of the future for Portage Manor and its residents. The task force conceptualized four theoretically possible strategies. They solicited proposals for solutions.

This task force prepared and submitted a report with the Commissioners on May 16, 2023. I received a copy the day before. The report indicated that the Task Force favored that of a *public/private partnership*. The proposal represented the vision and commitment of Dr. Sylvana Atallah and others. The proposal anticipated that a

new nonprofit, *A Place for Everyone Inc.* might be capable of assuming the role of the “private” partner for this pathway. This one proposal was the only proposal submitted to the task force and subsequently the Commissioners.

#### **IV. My assignment**

I was formally engaged by the Commissioner/Council May 12 to review and offer a professional opinion on this merits or strength of this proposal.

I was given a copy of the proposal, most previous professional reports from contractors and Byron Health, and information to reach key contacts.

#### **V. Key questions or criteria in evaluating the proposal**

- a. Who does this proposal represent and is it reasonable to believe that the individuals involved are capable of doing what they propose to do?
- b. Does the proposal demonstrate competence in governing and operating this kind of facility and program?
- c. Does the proposal anticipate and promise to meet basic regulatory/legal requirements?
- d. Is it reasonable to believe that the new operator can in fact operate long-term in a way that does not jeopardize residents served and/or result in liability exposure for the County?
- e. If the County were to approve a transfer of ownership and control Is there an orderly plan for transition of ownership, control and management that cares for residents served and does not reflect negatively on the county?

#### **VI. Method of review**

- a. Conversations with several Council members late (April-mid May 2023)
- b. Review of previous assessments and cost projections
- c. Conversations with Byron Health CEO (various exchanges)
- d. Dialogue with PM Administrator (5/15/2023)
- e. Tour/interview with PM management team (5/16/23)
- f. Review of written proposal and supporting documents submitted to the Commissioners and forwarded to me (5/15/2023 and following)
- g. In-depth interview with Dr. Atallah and another of her advisors (5/22/23)



## VII. Critique of proposal

### ***Who is represented in the proposal?***

Minimally, the County should ensure that if transfers hard assets (land/buildings), any operating funds, and the care of today's residents, that the nonprofit entity engenders the confidence of the Commissioners/Council and broader community in the new governing and operating entity.

The new nonprofit corporation, *A Place For Everyone Inc.* is chartered in Indiana as of 3/23/2023. The corporation was eligible and has received its Federal status as a 501 C.3 tax exempt corporation. There is no disclosure of board member names for this new nonprofit. There are no bylaws yet developed, though there is no legal requirement to do so. The articles of incorporation indicate that, in the event that for some reason this new entity ceases to exist, any assets devolve to a nonprofit organization and not a private individual.

As of this writing, I have no way to render judgement on the capacity of the proposed new board to govern or guide this organization. Dr. Atallah has indicated that the three other board members are unwilling to have their names in the public domain, until the Commissioners approve the transfer. It would be ill-advised for the Commissioners to approve such a transfer without an understanding of who will be serving as trustees or fiduciaries for the new entity.

### ***Is the governing board capable?***

It is not inconceivable that a new nonprofit board *could* do this. As stated above, it is not clear what depth of experience, talent, or seasoning is represented on the new entity's board.

This kind of endeavor requires individuals prepared to accept all legal and financial obligations of this work, can make wise judgements about executive leadership and resource acquisition and allocation, and already have the respect and confidence of regulatory and financing institutions that will be needed for this work to flourish.

I do not know the names or credentials of individuals other than Dr. Atallah. Further, I would be very concerned that a board of four is too narrow to responsibly govern this kind of nonprofit entity.

### ***Is there evidence of regulatory/legal compliance and savvy?***

Portage Manor operates under state licensing as well as federal safety standards that bring to bear a variety of regulatory requirements. These require hiring of staff

with professional licenses to ensure vigilance, compliance reports, and ongoing interaction with regulatory agencies. The proposal does not evidence a depth understanding of the legal and regulatory parameters in which such an organization works.

***Are the projections concerning capital for building improvements reasonable?***

The proposal outlines a capital improvement and an operational management plan. Several observations are noteworthy:

- a. The capital plan assumes that a 100+-year old building can be made “suitable” for about \$38/square foot. The Phase 1 capital plan assumes modest changes and some conversion from 4 resident/room to semi and single room occupancy. There is a modest increase in bathroom capacities. Phase 1 does not address major capital issues like the failing heating/air-conditioning system, inadequate plumbing, roof repairs, and window replacement.
- b. No consideration was given for the cost of a remodel that would enable the facility to qualify for the A & D Waiver, which has a much higher reimbursement rate from the state. This reimbursement rate is vital for the long-term financial viability of the organization. Without waiver rates being a major part of the future revenue stream for this community, it cannot financially be viable long-term.
- c. The Commissioners had secured another “rehab” projection from another construction firm. Their cost projections are far greater than those represented in the proposal. This is much closer to rehab costs I am familiar with in nursing homes/assisted living environments which typically are closer to \$180-200/sq. ft.
- d. The proforma as supplied in the proposal shows little additional yearly capital costs over the next few years prior to launching into Phase 2. Given the known capital needs, i.e., industrial refrigerator/freezer, plumbing, windows, the capital account is woefully lacking for the next two to five years.
- e. The Phase 2 plan assumes that new construction can be done in the attic at a cost of not more than \$148/sq ft. This too seems low in terms of what most contractors would forecast for building new into an antique building.

***Are the projections on operating revenue, expenses, and staffing reasonable?***

- a. The proposal assumes that in the short run, the facility will serve largely the same clientele, if not even more acute patients. The current staffing model does not work financially. Losses pile up each year. The proposal does evidence that

wages/benefits might be brought into greater alignment with state and industry benchmarks, but this alone will not likely close an operating gap.

- b. These numbers do not acknowledge the fact that the current operational model has the nursing department understaffed by two medication administration personnel for the day and evening shifts (based upon 100+ residents). These are safety issue positions that are not factored into the current proposed model.
- c. Other expense projections including such matters as food services, activities, and marketing are significantly below industry standards for the state based on information provided by Myers and Stauffer, the state accounting firm that oversees the transfer of funds from the state to providers.
- d. Phase 2 assumes that there are individuals with mental health challenges who do not qualify for state funding, but either have personal or family resources to pay \$3,500-4,000 as private pay clients on a long-term “lease” agreement. This may be true, although I have no market assessment upon which to conclude that such is possible in this community and in this facility. In addition, it assumes that those who can afford to pay privately, would want to live in a building with dozens of individuals who are living with serious mental illness and are on Medicaid.
- e. It became clear in an interview with Dr. Atallah’s that she cares deeply about the individuals and families being served by PM. She has many talents, but I don’t see evidence of demonstrated ability to develop and lead a complex care organization like PM. Her assumption is that she would provide the primary executive leadership in at least early years.
- f. The Letter of Engagement provided with the proposal from INOVA is better understood as a letter of *potential engagement*. Even INOVA, a regional credit union with aptitude for this kind of mission and work indicate that their commitment in the future would be dependent on the performance of the organization and the operating/governing entity. At best it’s a “maybe”.

***Can the entity operate without jeopardizing resident care or exposing the county to tail liabilities?***

- a. The current administrative and managerial team expressed high discomfort with what they know about the proposed new entity that would take over governance and operations. Each have said they would resign. There might be various reasons why staff members might say this. Perhaps, a new team could be hired. It is difficult to staff these kinds of programs and services. It is not clear to me that the new entity has experience in recruiting and training such a team.
- b. I understand that state inspectors have consistently overlooked safety and resident care issues - - not tagging PM for matters that would have been tagged

in other facilities. It is likely that if ownership is transferred to a new entity, scrutiny from the state and other regulatory bodies would increase. This would mean that the new governing and operating entity would need to be very savvy and prepared to engage with this greater intensity.

***Is there a transition plan anticipated?***

The proposal does not include a transition plan or a communication plan for interaction with residents, staff, state surveyors, local and state ombudsman, and the broader public. This would obviously be critical if this pathway was selected by the Commissioners.

**VIII. Summary**

I concur with the Task Force that a public/private partnership *might* have been a preferred outcome. This *might* have been possible had the work and feasibility been carefully done 12-18 months ago. However, these are complicated to design and negotiate.

I deeply respect the passion and concern represented by Dr. Atallah and her advisors. She has compassion, vision, and taken significant initiative. But it is my opinion that the new entity envisioned is not capable of assuming the responsibility and the burden of this project. I do not think it would be well-advised for the County to transfer assets and the care of the residents to this untested nonprofit.

In closing, I commend all involved who are trying hard to find a good solution to a vexing challenge. I believe that developing a thoughtful and compassionate plan for transition of care for each resident and transparent communication with all stakeholders is the hard but wise path at this time.