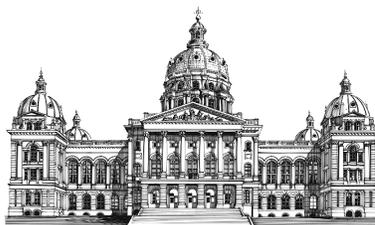

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Dietary Staffing at the Iowa Veterans Home

ISSUE

From March 1993 through September 1999, dietary services functions were provided by contractors at the Iowa Veterans Home. Effective October 1, 1999, these functions returned to operation by State employees. This **Issue Review** provides fiscal details of the change and includes an estimate of the cost of State-operated housekeeping services.

AFFECTED AGENCIES

Iowa Veterans Home

CODE AUTHORITY

Section 35, Code of Iowa

BACKGROUND

Based upon a recommendation from the *1991 Fisher Report of Cost Reductions* and input from the Marshall Economic Development Impact Committee and the Cost Reduction/Containment, Revenue Enhancement Steering Committee, on March 16, 1993, the State entered into a contract with the J. A. Jones Company to provide dietary and housekeeping services to the Iowa Veterans Home in Marshalltown, Iowa. This was a five-year contract which expired on March 15, 1998.

Following a bidding process, on March 16, 1998, the Veterans Home entered into a contract with American Building Maintenance (ABM) to provide housekeeping services and with Morrison Healthcare Inc. (Morrison) to provide dietary services.

In April 1998, Morrison Healthcare, Inc. reported to the Iowa Veterans Home that they could not provide full services for the amount of their bid. Morrison requested \$1.00 per plate more for a total of \$5.25 per plate. After negotiations involving the Iowa Veterans Home, Department of Management, and Morrison were settled, Morrison received \$.57 per plate more for a total of \$4.82 per plate beginning July 1, 1998. The total cost above the initial contract was \$383,171 for FY 1999.

Due to costs and concerns with health and safety issues, the Iowa Veterans Home exercised its contractual right and on July 1, 1999, gave Morrison Healthcare, Inc. a 90-day notice of intent to terminate the contract. The contract was terminated on September 30, 1999. The Iowa Veterans Home worked very closely with the Attorney General's Office and to date, there has been no legal problems involving this terminated contract.

CURRENT SITUATION

Employees

Effective October 1, 1999, dietary services at the Iowa Veterans Home are being provided by State employees.

Eighty-one Morrison employees were offered a job and 78 accepted. Seventeen of the 78 were prior State employees who worked for J.A. Jones Company and Morrison. Ten additional (non-Morrison) employees were hired from outside of State government.

As of October 1, 1999, the placement of the dietary staff was as follows:

| <u>FTE's</u> | <u>Position Title</u> | <u>Paygrade</u> | <u>Step/Range</u> |
|---------------------|--------------------------------------|------------------------|--------------------------|
| 1.0 | Food Service Director 3 | 32 | Mid-range |
| 2.0 | Assistant Food Service Director | 26 | Upper-range |
| 1.0 | Secretary | 17 | 7 |
| 1.0* | Food Production Supervisor | 23 | 7 |
| 4.0 | Food Production Supervisor | 23 | 1 |
| 1.0* | Therapeutic Technician | 17 | 7 |
| 1.0 | Therapeutic Technician | 17 | 1 |
| 4.0* | Cook 1 | 14 | 7 |
| 5.0 | Cook 1 | 14 | 1 |
| 1.0 | Baker 1 | 14 | 1 |
| 1.0* | Ingredient Room Worker | 13 | 7 |
| 1.0 | Storekeeper | 13 | 1 |
| 10.0* | Food Service Workers (all full-time) | 13 | 7 |
| <u>55.0</u> | Food Service Workers (41 FT & 28 PT) | 13 | 1 |
| 88.0 | Total | | |

*Former state employees that also worked for J.A. Jones Co. & Morrison Healthcare Inc.

The total salary and benefits costs of the 88 employees is approximately \$1.9 million. As State employees, the food service workers at Step 1 will be paid \$9.19 per hour. They were being paid \$6.25 per hour under Morrison. Food service workers beginning at Step 1 will be eligible for a step increase after a six-month probationary period. The workers beginning at Step 7 will move to Step 8 effective December 22, 2000.

Benefits

A side by side benefits comparison between Morrison and the State of Iowa follows:

| Benefit | Morrison Healthcare, Inc. | State of Iowa – Iowa Veterans Home (IVH) |
|------------------|---|---|
| HEALTH INSURANCE | Morrison paid 100.0% of single health/dental insurance (employee paid \$200/month for family insurance). | IVH pays 100.0% of single health/dental insurance (employee pays approx. \$185/month for family insurance). |
| HOLIDAYS | Morrison employees were paid for 6.5 days (.5 Christmas Eve). | IVH employees are paid for 9 holidays. |
| VACATION | Morrison employees received 40 hours after 1-2 years of service and 80 hours after 3 or more years of service | IVH employees receive 2 weeks and 2 days vacation during their first year of service. |
| SICK DAYS | Morrison employees accrued 8-hours of wellness per month if the employee was not tardy or absent during the month. The employee could use these hours as personal days, sick days, etc. | IVH employees accrue 12 hours of sick leave per month. |
| OTHER | Morrison employees were also paid 3 days for bereavement leave for immediate family and were provided tuition reimbursement and educational support for continuing education. | IVH employees receive a \$10,000 life insurance policy and are covered by a long-term disability policy upon the exhaustion of sick leave or 90 working days, whichever is greater. |

One-time Administrative Costs

One-time administrative costs incurred due to the changeover from contract to State employees totaled approximately \$96,000 and included:

- 1) New employee processing performed by Iowa Veterans Home Personnel Department.
- 2) Background checks.
- 3) New employee orientation for staff.
- 4) Uniforms provided by IVH.
- 5) "Computation" software and training, computers, and printers.
- 6) Bidding process for primary food vendor.
- 7) Meetings with the employee union.

On-going Administrative Costs

On-going administrative costs due to the changeover from contract to State employees are approximately \$12,000 and include:

- 1) Annual review of mandatory training requirements, which includes, but is not limited to, bloodborne pathogen, infection control, safety, resident rights, and confidentiality training.
- 2) Additional payroll processing and review of employee's performance.
- 3) Additional purchase orders issued and processing of invoices for dietary food, supplies & equipment.
- 4) Additional warehousing for storage of food.

Fiscal Impact

During the 1999 Legislative Session, the Iowa Veterans Home estimated that approximately \$95,000 could be saved in FY 2000 if the dietary services functions returned to State employees. The estimate of potential savings has decreased considerably since that time, due to the actual versus estimated step placement of some of the workers (some returned at a level higher than anticipated by the Veterans Home) and actual costs of equipment/software being higher than originally quoted. A revised estimate cannot be calculated at this time because of issues still in progress with the employee union and the effect those issues will have on staff pay. Those issues include probationary periods, starting step placements for staff that were not former State employees, and tenure benefits.

For the same reason, estimated FY 2001 costs for salaries and benefits cannot be calculated at this time. The Iowa Veterans Home has requested a FY 2001 decision package for an increase of \$41,542 for a 3.0% increase for on-going, non-personnel costs.

Housekeeping Services

Housekeeping Services were also contracted out in March 1993, based on the Fisher Commission recommendations. The Iowa Veterans Home has a current contract with American Building Maintenance to provide housekeeping services. The contract will expire June 30, 2003.

Following is a comparison of contracted FY 2001 costs for housekeeping services with estimated FY 2001 costs of State-operated housekeeping services.

| | | | |
|---|----|---------------|---------------------|
| Cost of Contracted Services: | | | |
| ABM (American Building Maintenance) (67.0 FTE) | | | |
| Contract cost | | \$ | 1,880,217 |
| Revenues to the IVH for cleaning linen supplies | | | (15,270) |
| Iowa Veterans Home Staff (3.0 FTE) for oversight and compliance | | | 151,505 |
| Pest control, garbage removal, landfill fees, etc. | | | 69,097 |
| Cleaning supplies (i.e. hand soap for dispensers) | | | 7,955 |
| Travel/training | | | 309 |
| | | | <u>\$ 2,093,813</u> |
| Estimated Costs if Housekeeping Services State-Operated | | | |
| Salaries and benefits (72.0 FTE) | | \$ | 2,095,418 |
| Cleaning supplies | | | 122,437 |
| Pest control, garbage removal, landfill fees, etc. | | | 69,097 |
| Window washing contract (external only) | | | 21,630 |
| Non-powered equipment (i.e. mops, buckets, etc.) | | | 15,759 |
| Travel/training | | | 2,060 |
| Office supplies | | | 1,030 |
| Start-up costs | | | |
| New employee training | \$ | 2,500 | |
| Criminal background checks | | 2,600 | |
| Powered equipment | | 56,315 | |
| | | <u>61,415</u> | |
| | | | <u>61,415</u> |
| | | | <u>\$ 2,388,846</u> |