

Q&A

Presently, Grand Traverse Pavilions administration, in collaboration with county commissioners, appointed DHHS board members, and other financial and planning professionals, is developing an operating platform focused on long-term and sustained performance and financial stability.

This initiative has been prompted by several years of operating in a deficit mode caused by factors that have beset the long-term medical care industry.

Rose Coleman, CEO of the Pavilions, addresses some of the issues facing the county owned facility, in the narrative below:

How much money does the Pavilions owe Grand Traverse County?

This changes every day but roughly \$4M as of 9/15/2023

Does anyone owe the Pavilions money that can be used to pay the County back?

"Yes, almost \$13M dollar from pandemic relief programs including the Internal Revenue Service (\$6M plus interest of roughly \$1M as of 9/15/2023) and the State of Michigan rate settlements to our actual costs for Medicaid reimbursement for two years estimated at \$5.8M.

In addition, Pace owes the Pavilions over \$1M in back rent and management fees."

What is the deal with the IRS?

"We claimed the retention credits in June of 2022. They are being audited by the IRS which has denied similar credits. This may result in an appeal or judicial ruling to compel payment. We're confident of eventual payment,

however when is impossible to predict. The upside is these credits will be paid with continuing interest."

What is the deal with the State of Michigan/Medicaid?

"As for Medicaid reimbursement, in the early days of the pandemic the state committed to reimbursing nursing homes for actual costs per Medicaid day. This includes the period from October 1, 2021 through September 30, 2023.

"Meanwhile the State paid an amount based on historical costs per day (ref. accompanying chart at the end). This has resulted in a receivable of \$5.8M. Though timing of repayment is uncertain, recently the state committed to a process change clearly defining the amount and procedure for paying some of these amounts.

"Moreover, the state will return to paying our full claims for reimbursement when billed. That means that starting in November, there will no longer be a difference between what is earned and what is paid."

What is the plan to reimburse the county?

"As more money comes in than is spent the County will be reimbursed for the amounts it has and will extend to the Pavilions."

Why does the Pavilions have operating losses, what are you doing about it?

"This is due in large part to a much lower occupancy rate (census) since the pandemic. Pre-pandemic we were as high as 230. Now we have been as low as 129. This is not only the result of the pandemic, but other choices for those needing nursing homes-----including PACE North, whose start up and operations we have funded.

"It's also due to inflation and higher operating costs than are necessary at a lower occupancy.

Another issue is the money invested to recruit and retain top notch staff to work in a highly regulated environment requiring vaccines and masks to protect our residents.

"And lastly, our rates have been lower than market rates. For 64 years the Pavilions has provided multiple services at below or on a par with statewide averages.

"We currently are meeting to set an operating budget and business plan for 2024 that will result in profit and positive cash flow. We have evaluated a fresh operating performance model for every area of our operation. Ultimately, it will provide the Pavilions with a long-term and sustainable platform. "

Why did you wait to adjust your costs?

"We began our strategic planning process in December of 2022 and have been tracking industry expert's predictions that nursing homes would experience a fairly quick return in occupancy too close to pre-pandemic levels.

"If that happened, maintaining our capability to care for those people would be critical and with \$13M in government receivables we felt ok proceeding in a manner that would ensure we could care for those who needed our help.

"While the first three months of 2023 saw increases in average occupancy, beginning in April that trend reversed. After a couple of months to evaluate the reasons behind the reversal the decision was made to expedite a change in our cost structure."

How are other medical care facilities in the state dealing with these issues?

"We are not alone. Long-term care facilities throughout Michigan and the Midwest are operating with deficits similar to ours.

"One of the primary causes is Medicaid underfunding. This is according to the American Health Care Association and National Center for Assisted Living."

What's ahead in the short-term?

"Developing a fresh performance model with the parties already mentioned is our immediate focus.

"As a public owned facility, our steps and actions will be transparent.

"Communication like this will continue to be posted on our website, in our newsletters, and to our large family of stakeholders.

"I want to personally thank the many staff, volunteers, and countless supporters who have contacted us with expressions of loyalty and assistance.

"For over sixty years the Pavilions has been a beacon of caring for citizens of all backgrounds.

"May this magnificent resource continue to serve the citizens of Grand Traverse County in the future....

"We are blessed with a great deal of support from Grand Traverse County, our employees and many loyal individual supporters--thank you!!"

Medicaid Revenue Earned vs Paid Cumulative Difference--Receivable

