



GRAND TRAVERSE COUNTY

REQUEST FOR BOARD ACTION

MEETING DATE: September 20, 2023

DEPARTMENT: Administration

SUBMITTED BY:

SUBJECT: Pavilions Report

SUMMARY:

Per the approved motion made at the April 5, 2023, Board of Commissioners Regular Meeting, the Pavilions staff and members of the DHHS Board will provide an update.

ATTACHMENTS:

[GTP Board of Commissioners Meeting 9 20 23](#)



plante moran | Audit. Tax. Consulting.
Wealth Management.

Grand Traverse Pavilions

Presentation to DHHS- Sustainability Planning Support

September 2023

Introductions / Overview

Page 3 of 19 Plante Moran (PM) is assisting Grand Traverse Pavilions management and DHHS board in evaluating financial results improvement / sustainability plan

➤ Agenda

- Introductions
- Historical perspective
- Process
- Pro Forma Assumptions, summary financial impact
- Final Comments / Observations

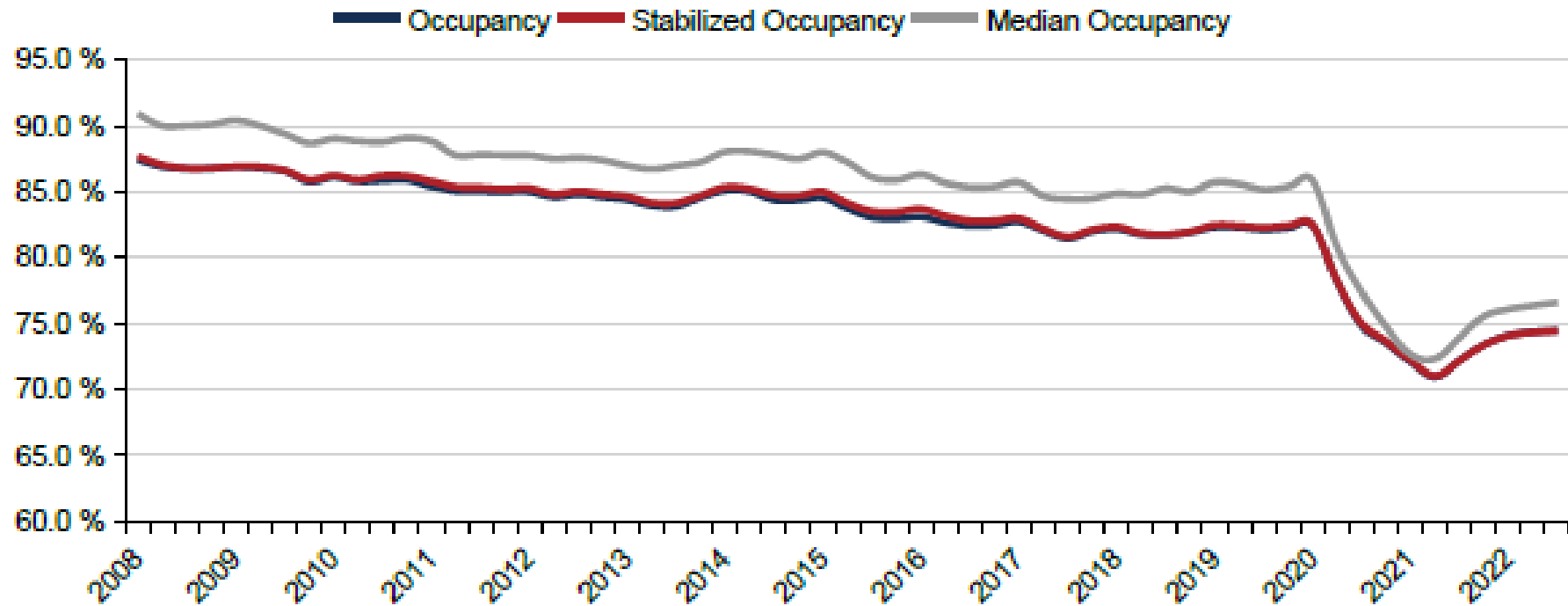
Historical Perspective

Page 4 of 19

- Medical Care Facility – Background
- Senior Living & Care Operations – Pandemic accelerates trends
 - Census declines
 - Regulatory changes / isolation and infection control measures increased significantly
 - Staffing shortages
- Funding –
 - Temporary funding via CARES Act supports pandemic operations / funding has expired
 - Medicaid payments to nursing homes –
 - Pre-pandemic – Cost reimbursed, prospective
 - Pandemic period - Payment determinations and process are changed – Results in reduced / lagging payments
 - 10/1/23 – Back to pre-pandemic methodology; cost reimbursed, prospective

Historical Perspective - SNF Occupancy Trends

Page 5 of 19



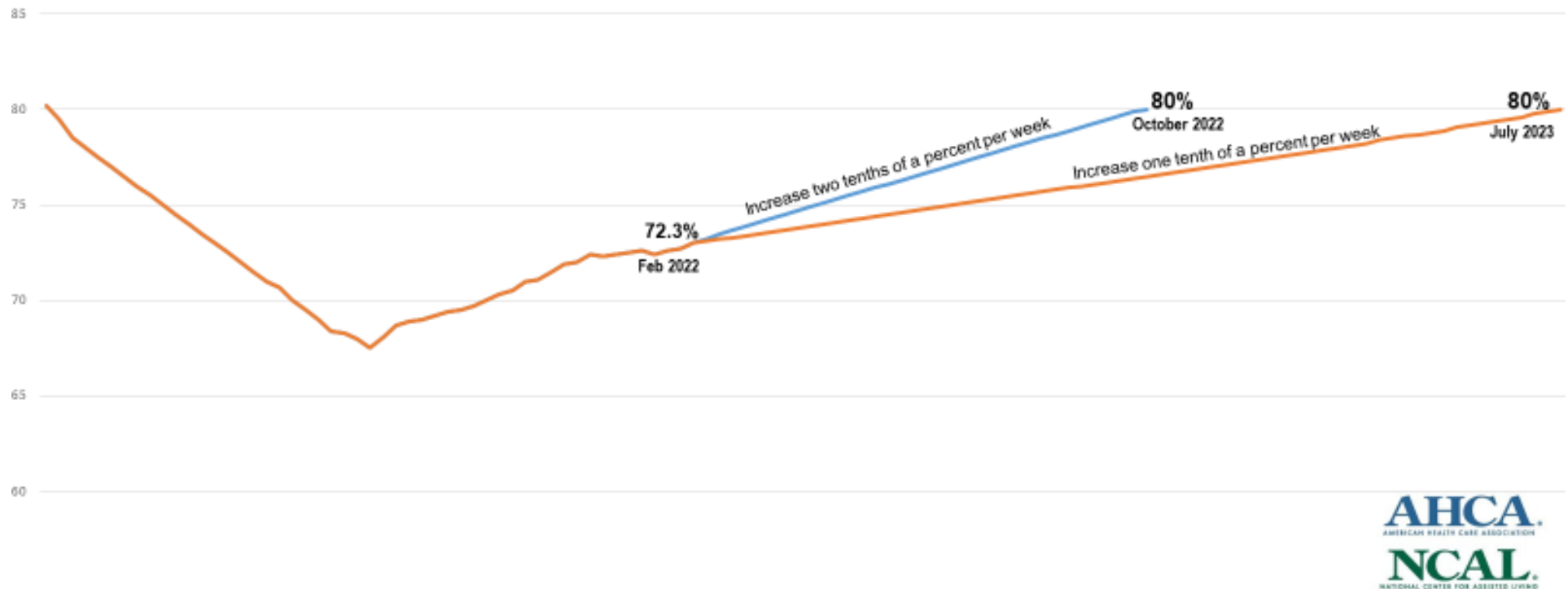
- Stabilized Occupancy History:
 - Q1 2008: 87.7%
 - Q1 2020: 82.5% (Trends down over 5-7 years, and it seemed to stabilize here for 3-5 years)
 - Q1 2021: 72.6% and falling / Q3 2022 74.4
- Pro Forma trend Line

Source: NICMAPS

Historical Perspective- SNF Occupancy Trends – *Pandemic Projection*

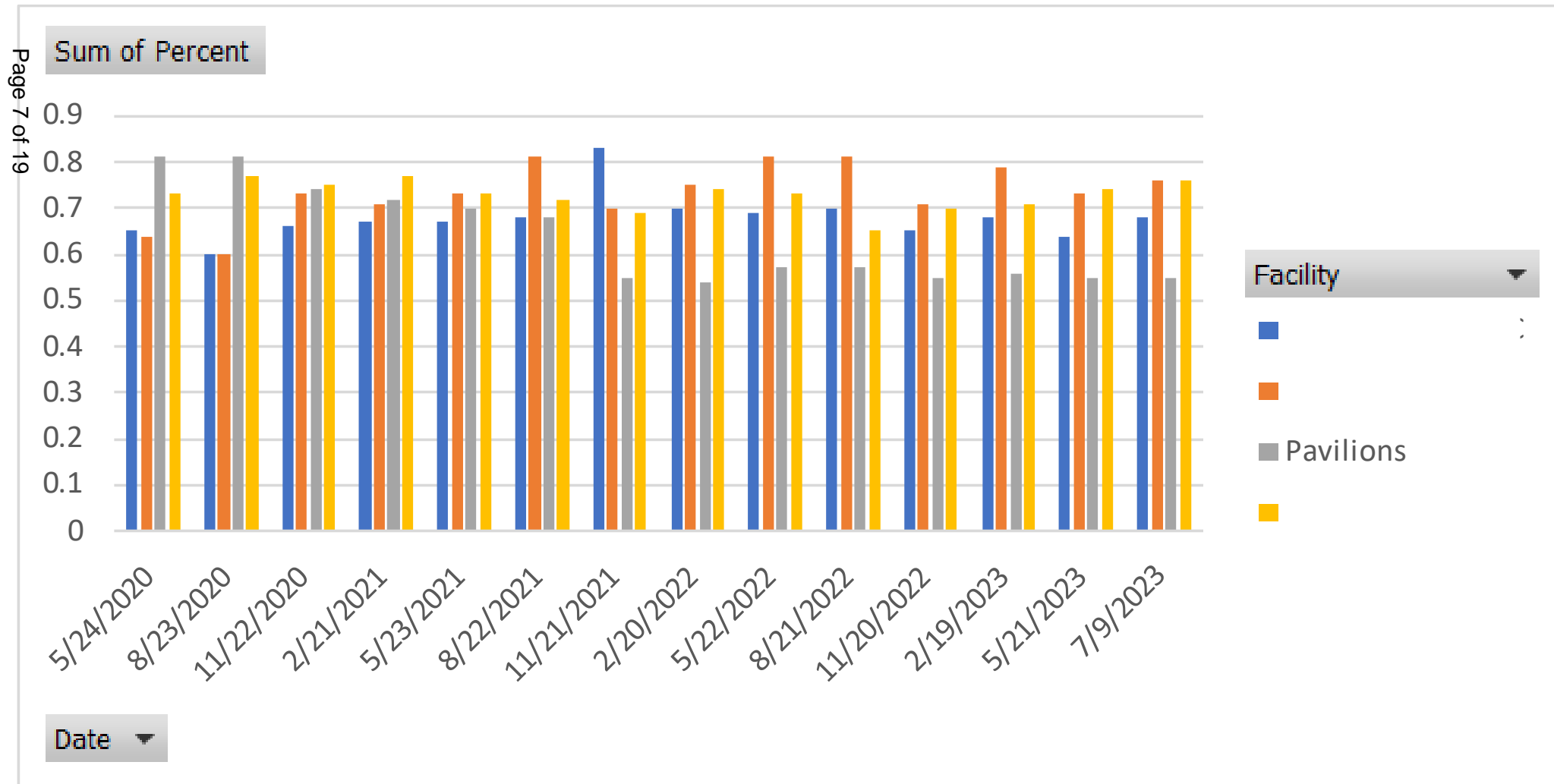
Page 6 of 19

How Long Will It Take Census to Recover?



Source: NICMAPS

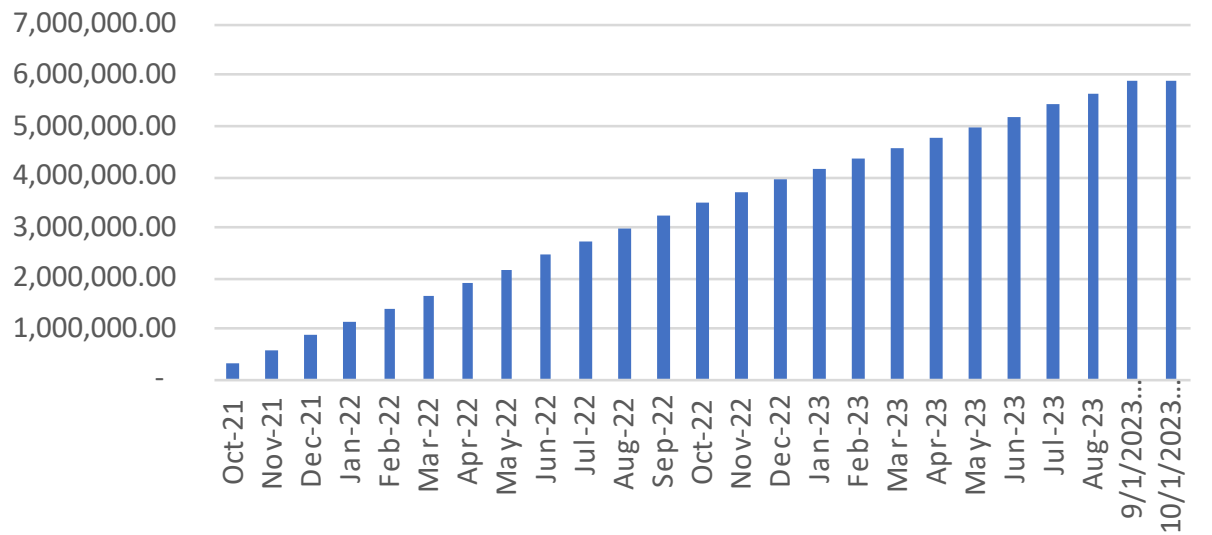
Historical Perspective - SNF Occupancy Trends / Market



Historical Perspective- Medicaid Earned, not yet Received

Page 8 of 19

Medicaid Revenue Earned vs Paid Cumulative
Difference--Receivable



Post-pandemic Medicaid funding

State of Michigan paid estimated per diem Medicaid rate for 10/1/21 – 9/30/23.

Estimated Medicaid receivable for services provided through 9/30/23: \$6,000,000+

Source: NICMAPS

Repayment Plan

Page 9 of 19

Medicaid Settlement	Estimated Scheduled	Estimated Amount
Potential Cash Sources		
Operations	Pro Forma Amount - Included	800,000
PACE	Unknown	1,300,000
Employee Retention Credit	Unknown	7,000,000
Medicaid Settlements (10/21-9/23)	Estimated - Included	6,600,000
Reasonable Expectation - Intercompany Repayment		
Intercompany Balance (Estimated)		5,300,000
Quarter 4 - 2023	Operations	-
December 2023	Medicaid Settlement Payment-#1	(2,300,000)
June 2024	Medicaid Settlement Payment #2	(800,000)
1/1/24-12/31/24	Operations - 2024	(800,000)
December 2024	Medicaid Settlement Payment-#3	(1,400,000)
Net		-

Process

- **Meetings with management team members / Cecil – 8/29, 8/30, 8/31 (DHHS Board); 9/6**
- **Establish objectives**
 - ✓ Sustainability plan actions
 - ✓ Net income, operating cash flow positive
 - ✓ Minimize impact on residents and direct care
- **Other data accumulation**
 - ✓ Peer data benchmarking
 - ✓ Assisted living – Informal market analysis / Private rates
 - ✓ Nursing facility – Updated rate/payments based on known policy (Recent updates)
- **Develop detail financial model / Assumptions**
 - ✓ Evaluate business unit – level performance
 - ✓ Set baseline census / revenue assumptions
 - ✓ Evaluate operational improvement opportunities
 - ✓ Linked / Iterative process

Pro Forma: Summary of Operations

Page 11 of 19

	Grand Traverse Pavilions		
	Pro Forma Summary of Operations		
	Historical-YTD June 30, 2023 - Annualized	Pro Forma-Year Ended December 31, 2024	% Change
Revenue			
Net Service Revenue	20,078,000	27,218,000	36%
Other Revenue	7,239,000	2,664,000	-63%
Total Revenue	27,317,000	29,882,000	9%
Expenses			
Salaries	16,285,000	15,222,000	-7%
Benefits	3,916,000	4,134,000	6%
Other Operating	8,605,000	8,455,000	-2%
Interest Expense	362,000	351,000	-3%
Depreciation	1,151,000	1,151,000	0%
Total Operating Expenses	30,319,000	29,313,000	-3%
Net Operating Income	(3,002,000)	569,000	
Reconciliation to Cash from Operations:			
Add back: Depreciation		1,151,000	
Less:			
Principal Payments		(720,000)	
Capital Expenditures		(200,000)	
Cash from Operations		800,000	

Pro Forma Model Results:

- Positive bottom line
- Positive cash flow

Pro Forma Revenue Assumptions - Census

Page 12 of 19

Unit	Payor	Pro Forma Average Daily Census
Nursing Facility (240 Total Units)	Medicaid	89.0
	Hospice	13.0
	Auto, PP, PI	18.0
	Medicare	15.0
	Medicare Advantage	10.0
	Total	145.0
Cottages (78 Total Units)	Willow Building(24 Units, Assisted Living Memory Care)	21.0
	Hawthorn Building (26 Units, Assisted Living)	15.0
	Evergreen (28 Units, Assisted Living)	21.0
	Total	57.0
Therapy	Utilization is assumed consistent with historical	

Pro Forma Revenue Assumptions - Rates

Page 13 of 19

Paid Per Diem Rate Increases Effective October 1:		Current	Updated	
Nursing Facility	Private Rate - Approved 10/1		410	
	Medicare	530	594	12%
	Medicare Advantage	517	548	6%
	Medicaid	303	380	25%
		Current	Proposed	
Cottages	Willow	\$ 4,945	\$ 7,500	52%
	Hawthorn and Evergreen:			
	Hawthorn	3,850	4,351	13%
	Evergreen	3,392	4,138	22%
	Meals	\$ 5	\$ 10	

- 4% - Net Inflation
- 2% - Facility specific based on measured outcomes
- Medicare: Increase to average

Pro Forma Operation Assumptions

Page 14 of 19

➤ Staffing –

- Beginning point: Current/year to date data by department
- Benchmarked by department
- Reduce by approximately 15 Full time equivalents
- Primary focus – Non-direct care staff
- Hold wage increases

➤ Incorporated expected benefits changes (MERS increases, health insurance cost decreases)

➤ Other operating expenses – Determined on line item basis, at the trial balance level of detail – based first on year-to-date (historical) experience, adjusted for known factors

➤ Added: planned additional cost for marketing / community

➤ Interest expense/principal repayments – Amortization Schedule

➤ Inflation on non-salary, “other” operating expenses – 2%

Nursing Home – Pro Forma Staffing Benchmark Overview

Page 15 of 19

FTE – Full Time Equivalent Staff

HPPD – Hours per patient day

MI Avg – Michigan Average

NFP – Not for Profit

Gov't – Government owned facilities (i.e., MCFs)

Facility:	Grand Traverse Pavilions										
Average Census:	145										
Staffing Detail:					Benchmarks						
		Staffing Metrics			Benchmarks - 2022 Medicaid Cost Reports - MI						
		<i>FTEs</i>	<i>Hours</i>	<i>HPPD</i>	<i>MI Avg</i>	<i>51-100</i>	<i>101-150</i>	<i>151+</i>	<i>For Profit</i>	<i>NFP</i>	<i>Gov't</i>
Administrative and General		9.32	19,391	0.37	0.48	0.65	0.43	0.41	0.43	0.60	0.67
Plant Operation		7.78	16,182	0.31	0.20	0.28	0.17	0.21	0.16	0.28	0.67
Laundry		5.92	12,307	0.23	0.20	0.20	0.22	0.22	0.20	0.19	0.28
Housekeeping		13.69	28,478	0.54	0.46	0.45	0.43	0.52	0.40	0.56	0.72
Dietary		-	-	-	0.84	0.82	0.74	0.63	0.75	1.09	1.24
Nursing Administration		11.25	23,400	0.44	0.41	0.41	0.38	0.36	0.36	0.56	0.58
Medical Supplies Total		2.00	4,160	0.08	0.10	0.08	0.00	0.17	0.08	0.10	0.00
Medical Records and Library		1.00	2,080	0.04	0.08	0.10	0.06	0.05	0.08	0.10	0.10
Social Services		2.95	6,126	0.12	0.15	0.14	0.14	0.11	0.13	0.20	0.17
Activities		5.91	12,302	0.23	0.30	0.32	0.27	0.23	0.26	0.41	0.46
Medicaid Routine Care Unit - Per LTC Direct Staffing Template											
RN		20.05	41,711	0.79	0.55	0.58	0.47	0.42	0.49	0.70	0.76
LPN		12.28	25,540	0.48	0.93	0.90	0.96	1.08	0.91	1.11	0.82
CENA		68.51	142,492	2.69	2.61	2.59	2.61	2.64	2.43	3.02	3.73
Total-Direct Care Only		100.84	209,744	3.96	4.09	4.07	4.04	4.14	3.83	4.83	5.31

Cottages- Pro Forma Staffing Benchmark Overview

Page 16 of 19

Facility:	Grand Traverse Pavilions					
Average Census:	57					
Staffing Detail:				Benchmarks - 2021 SOSH		
	Staffing Metrics			Benchmarks		
		FTEs		MIN	AVG	MAX
Administrative and General						
		2.43		0.57	2.28	6.27
Plant Operation						
		1.84		0.57	0.57	2.85
Housekeeping						
		1.00		0.57	1.14	5.13
Dietary						
		-		1.71	6.27	13.11
Activities						
		1.00		0.57	0.57	3.99
Other						
		-		0.57	1.14	2.85
Apartment/Housing Unit - Direct Care Staffing						
		31.67		11.40	12.54	46.74

Pro Forma: Summary of Operations Revisited

Page 17 of 19

	Grand Traverse Pavilions		
	Pro Forma Summary of Operations		
	Historical-YTD June 30, 2023 - Annualized	Pro Forma-Year Ended December 31, 2024	% Change
Revenue			
Net Service Revenue	20,078,000	27,218,000	36%
Other Revenue	7,239,000	2,664,000	-63%
Total Revenue	27,317,000	29,882,000	9%
Expenses			
Salaries	16,285,000	15,222,000	-7%
Benefits	3,916,000	4,134,000	6%
Other Operating	8,605,000	8,455,000	-2%
Interest Expense	362,000	351,000	-3%
Depreciation	1,151,000	1,151,000	0%
Total Operating Expenses	30,319,000	29,313,000	-3%
Net Operating Income	(3,002,000)	569,000	
Reconciliation to Cash from Operations:			
Add back: Depreciation		1,151,000	
Less:			
Principal Payments		(720,000)	
Capital Expenditures		(200,000)	
Cash from Operations		800,000	

Pro Forma – Comments and Observations

Page 18 of 19

➤ Revenue

- Census approximates current mix and overall
- Rates – Benchmarked competitor rates / resident acuity
- Other rates (Medicare, Medicaid) based on known amounts
- Census increases – incremental improvements
- Census decreases – Manage with adjustments to per resident day focus

➤ Expenses

- Changes reasonable with benchmarks
- Operating expenses using best available information

Monitoring

- Dashboard in progress
- Operational focus: “Per resident day” measurements – Hours, \$

Next Steps – Longer Term

Page 19 of 19

- Census grown / growth potential
- Community outreach
- Facility – Right size, highest and best use (For ex. Private room consideration)
- What is the right structure