



## Meeting Minutes



### Detroit Long Term Care System Change Task Force Business & Economic Development Subcommittee Meeting Minutes

**Date:** Wednesday, December 3, 2008

**Time:** 2:00 p.m.

**Place:** Detroit Area Agency on Aging  
Ola Morris Conference Room  
1333 Brewery Park Boulevard, 2<sup>nd</sup> Floor  
Detroit, Michigan 48207

#### **MEMBERS PRESENT**

Dr. Richard Douglass, Co-Chair  
Phillip Pierce, Co-Chair  
Rick Scherrer  
Pat Anderson

#### **MEMBERS EXCUSED**

Robert Long  
Reginald Hartsfield  
James Tesen

#### **MEMBERS ABSENT**

Jerry Gumbleton  
Douglas Diggs  
Louis Guyton  
Denise Rabidoux  
Jim Branscum  
Marc Johnson  
Lawrence Jackson  
Mark Lang  
Brian Holdwick

#### **STAFF**

Faiz Esshaki, Facilitator

#### **RECORDER**

Leah Phippen

#### **I. CALL TO ORDER**

Faiz Esshaki called the meeting to order at 2:05 p.m.

#### **II. APPROVAL OF MEETING MINUTES – NOVEMBER 5, 2008**

Dr. Richard Douglass corrected the meeting schedule portion of the minutes to reflect Wednesday, December 3, 2008 at 2:00 p.m. instead of 3:00 p.m. The committee noted that the December 17<sup>th</sup> has been rescheduled to next Wednesday, December 10, 2008.

Faiz Esshaki reviewed the member roster, acknowledging new members to the committee:

- Lawrence Jackson, Nonprofit Finance Fund
- Mark Lang, Wayne County Community College District
- James Tesen, Bank of America
- Charles Dunn,
- Brian Holdwick, DEGC

Dr. Douglass would also like to have the initials removed from his last name and “Dr.” added to the beginning on future documents.

Upon no further corrections to the meeting minutes of November 5, 2008, Phillip Pierce made a motion to accept the minutes of November 5, 2008; seconded by Rick Scherrer. **Motion carried.**

### **III. REVIEW FULL TASK FORCE SUBCOMMITTEE REPORTS**

Mr. Esshaki discussed the Leadership/ Steering Subcommittee meeting and the various subcommittee reports that were presented. The reports will be available for viewing on the website. The Legislation & Regulations subcommittee is focusing on some of the same issues as the Business & Economic Development Subcommittee. Also, the Nursing Home Management Subcommittee is focusing on operational issues as it relates to reimbursement issues.

Ms. Margie Young, Director of the Department of Human Services asked what the issues are that relate to the client eligibility within Wayne County area. There was also a suggestion to invite someone from the medical services administration to explain why there is a backlog in processing claims by the Department of Community Health. There was some discussion about how we can expedite the reimbursement process.

The POSM survey is being completed. Eighteen trained interviewers will interview 450 clients within Detroit area nursing homes. The data collected from that survey will be passed to each subcommittee for use as it relates to that subcommittee's focus. Dr. Douglass stated that the range of topics covered at this meeting were very beneficial. We have to keep in mind that the lack of capital and loan availability is going to modify some of our strategies. If we have to budget neutral for the benefit of the legislature, then we also have to begin looking for alternatives if we expect people to have any kind of investment.

Faiz stated that the Bank of America's financing for healthcare comes primarily from Chicago office. They informed us that they have exhausted all of their financing for the fiscal year. Hopefully, we can get a representative from Chicago to speak about how the nursing homes can position themselves to take advantage of some of the new financing from Bank of America in their next fiscal year (calendar year). Faiz reminded the subcommittee members of the Full Task Force meeting on Friday, December 12, 2008 at Greater Grace. Richard asked if the Co-Chairs would be expected to give a report. Faiz stated that once the agenda is finalized, co-chairs will be notified. As much notice would be appreciated by the co-chairs.

### **I. SUMMARY OF EXISTING MEDICAID POLICIES (ROBERT LONG – PLANTE & MORAN)**

Faiz asked members to review the matrix that was provided by Rob Long of Plante & Moran. The table included the following topics:

- Summary of the Policy
  - Replacement Asset
  - Current Asset Value Limit
  - Tenure Factor
  - Two-Year Lag
  - Minimum Occupancy Requirement
  - Beds Out of Service
- Medicaid Manual Reference
- Proposed Policy – Open Space
- Challenges – Open Space

The subcommittee agreed that the current asset value limit would only come into play if new facilities were being built.

Regarding the two-year lag, Richard asked the following question: If an owner does short-term small investments to increase the price of a meal from \$4.50 to \$6.00, would they get a fast-track re-imbursement for that increase in their cost of operations? Pat Anderson answered, "No." If physical plan improvements are at a certain limit, mostly major renovations, they will be recognized under the system. Anything of the variable portion, the Rate-Release Policy would allow re-imbursement within 1 year vs. 2 years. Rick Scherrer noted that the Rate Release is difficult to get.

Richard asked if the Rate Release policy offers any incentive for the change of ownership or sale of a facility. Pat Anderson responded that only if that change of ownership is in the plant area and primarily that is just recognizing the fact that there is a new mortgage. Richard said that confirms his point; that could increase their access to loans and their credit rating. Rick Scherrer stated that on the variable side, he assumed a former owners rate for two years until he filed his own cost report. Then

he still had to wait the two-year lag to get his own cost. Therefore, he is affected by the system either way. Rick provided an example of an owner who is preparing to sell. He will cut his expenses to make his current bottom line look good because expenses are down. Two years from now, the new owner's rate goes down because of those expenses that were cut now create a lesser rate. Unfortunately, quality suffers as a result.

Faiz began the discussion about the minimum occupancy requirement and Beds Out of Service. Detroit area facilities are being treated at the same level as other area facilities that have a case mix of Medicare, Private-Pay and Medicaid. Those facilities are being reimbursed at a 90% rate; while, Detroit area facilities are being penalized because they do not meet the 85% occupancy requirement and are being reimbursed at a much lower rate. There were a few options discussed to improve Detroit area nursing homes to make them more attractive to Medicare and Private-Pay patients including decreasing the number of beds from three and four-bed wards to one and two-bed wards. Pat said that owners may give up beds and need them later on, but will not be able to get them back. Referencing the Beds Out of Service policy, she suggested a Medicaid Policy called Bed Banking where you could bank beds for five years resulting in immediate reconfigured variable portion of your rate. After the five years, you have to either have to put them back in service or give them up. While using the Bed Banking policy to help you get around the 85% occupancy, you cannot use the room. This negatively affects the plant side of their rates. When this was done in Washington, at the end of the Bed Banking term, most providers were not interested in reopening the beds. Richard asked if an owner could bank one bed out of a three-bed ward and still have use of the room. Rick and Pat answered, "No. Under current policy, the space cannot be used. Therefore, the owner could not improve the desirability of the facility without physically giving up the license for the bed." Richard identified that issue as a target. Richard asked Pat what was the original purpose of the 85%. Pat answered that it was a common practice because they did not want to pay for extra space. Richard asked if Pat could get a written copy of the Washington state policy on bed banking. Pat stated that she could probably get it again, but everything in Washington is in statute.

Faiz asked for any questions regarding the matrix that was just reviewed. There were no further questions to record.

## **II. GUIDELINES FOR PROPOSED POLICY CHANGES**

Faiz suggested that the subcommittee sort out the administrative rules that we can recommend to be changed apart from legislation and the changes that would require legislation. Richard suggested that we should target specific issues that we want to pursue and then decide if it is policy, statutory or legislative action. Rick and Pat noted that all of the reimbursement rules are just administrative policy. Rick explained Faiz's suggestion on following Robert Long's matrix: We could go through each policy and decide how we could change each one and what would be the challenges. Faiz elaborated that we find whether it is cost neutral, budget neutral, one-time cost vs. on-going cost and some of the benefits so that we can advance our recommendation. Richard stated that the benefit for all parties should be stated immediately as a part of the purpose. The subcommittee agreed to add state benefits and provider benefits columns to the matrix.

Richard suggested that we format our recommendation to read: "...For the purpose of increasing the marketability of Medicaid beds, we propose the following changes in bed space utilization..."

Richard Douglass asked to what extent the DCH policy maker's principle motive is to reduce Medicaid spending. The 2011 budget, which is the Granholm Administration last budget, has severe structural issues. Pat suggested that we could look to get financing due to being an economically depressed area. The federal match rate on the Medicaid dollar will be high and the stimulus package will pay more. Faiz added that there is 600 million dollars available for the State of Michigan's Medicaid, low-income population's healthcare. Pat stated that it gives you that much more in Medicaid funding, which causes the general dollar used to fund some of Medicaid to get shifted to something else. How much would we then need to maintain caseloads? So, it is never a real windfall because of the change in the economy. With the match rate being as high as it is, we should take advantage of it. Richard Douglass stated that it is not in the state or the federal interest to lose

facilities/ employment. Pat said that one of the benefit issues could be that facilities are closing in areas causing longer drives for those areas family members/ employees. Richard Douglass stated that we want to be sure not to recommend anything that is going to reduce employment. Pat stated that the characteristics of the residents differ between the Detroit area facilities and the suburban facilities. Someone who has been homeless for the majority of their life would be unacceptable to other facilities.

### **III. MEDICAID POLICY ISSUES**

- Bed Limit for New Construction and Major Renovations
- Replacement Values with renovation and maintenance projects
- Tenure Factor with Total Replacement Facility
- Minimum Occupancy Requirement
- Dual Certification
- Beds Out of Service
- Rate Relief
- Long Term Goal – New Capital Reimbursement System

(Addressed in Agenda Items I, II and IV)

### **IV. CASH FLOW ISSUES**

Faiz stated that speeding the process of eligibility would expedite the cash flow and does not relate to increased cost. A two to three million-dollar investment would increase the payor mix, which would cause the Medicaid reimbursement to go down because funding would come from other sources.

Richard Douglass stated that nursing homes are for-profit and unlike non-profit organizations can only depend on funding from banks. Richard Douglass used Harper Hospital as an example. They are a non-profit organization and could qualify for grants and all various other sources of funding. This jurisdictional divide punishes the facilities servicing the poor. Phillip Pierce added that the suburban facilities do not have the same demographics as the Detroit facilities, so the same issues that are barriers for the Detroit based facilities do not affect them. Phillip stated that the nursing home setting should be treated similar to hospitals. This brought the subcommittee to the issue of re-branding. A topic at the Leadership/ Steering Subcommittee meeting was to reform the identity of nursing homes and long term care. Residents should no longer be titled as residents. They should be referred to as patients. Ideal resolve would be to make nursing homes humane. There are no patients in a nursing home that would not rather be at home. The committee discussed the possibility of working with MSHDA and incorporating ... (illegible) ... into our recommendation. This idea is applicable to any part of the state; therefore, making it more acceptable as a recommendation.

The subcommittee agreed that our recommendation should encourage policyholders to be more advocates than adversaries.

#### **Agenda Building for the next meeting at HCAM:**

Faiz asked Pat, Rick and Rob to divide the matrix list into short-term vs. long-term issues and extend the matrix to include Cost and benefits to the state and providers. Pat and Rick responded that they would get started on it.

Phillip will provide a nursing home position statement for review at the next meeting.

### **V. NURSING HOME PUBLIC WORKS INITIATIVE**

This initiative will include a letter to President Elect Barack Obama... Richard explained that the letter would be stating the purpose of the Detroit Long Term Care System Change Task Force, outlining the issues gathered thus far and asking for the President Elects support in our endeavor. The Detroit Free Press will be involved and a draft letter will be presented at the Full Task Force meeting on December 12, 2008.

**VI. FINANCIAL MARKETS – MAKING CAPITAL AVAILABLE LONG TERM GOAL**  
Addressed in Agenda Item IV

**VIII. ADJOURNMENT**

The meeting was adjourned at 4:02 p.m.

Respectfully submitted by:

Leah Pippen

FE/lp

*Moving Towards Enhancing the Quality of Care*