Finance Committee Minutes

July 19, 2023

Chair Wayne Kelley called the meeting to order at 3:00 p.m. in the Pointe Conference Room. Twenty-four residents were present, plus Andy Siegel, GHI Chief Business Development Officer, and Melinda Gren, GHI Vice President of Performance and Operations for Home and Community-Based Services.

Kelley welcomed Siegel and Gren, who are responsible for expanding GHI's non-residential lines of business. Gren said she joined GL in 2020 and is focused on expanding home health services to the community at large. Siegel said his background is in home-based care, and he is focused on elevating the home-based businesses that were spun off organizationally from GL's senior living communities last November 1. These home and community-based businesses include Hospice, Home Health and GL Rehabilitation – and include the home health program acquired from The Virginian. Staffing for these programs includes both full time and numerous PRN (on-call) employees.

Kelley and other Finance Committee members peppered Siegel and Gren with questions. The question of GL Rehab employees' potential receipt of gifts from the GHBC Employee Gift Fund arose. Rehab is a separate organization which serves residents and the community at large, although to date it primarily serves residents. Gren said that Rehab does have its own bonus system for its staff, and Siegel said he is optimistic about expanding Rehab's client base beyond residents.

In response to concerns about Goodwin Living at Home, Siegel stressed that its goal is to model the life care contract, but in the home. Pressed about slow and missing payments, he said GL's billing and collections operations are doing better in general. Asked about Medicare reimbursements for hospice care, he explained that the rate is $211 per day for the first two 90-day periods, then the rate drops to $170 per day. The rates are higher for higher levels of care, exceeding $1,000 per day for the highest in-patient level of care.

Siegel described challenges that GL home and community-based services, as a relatively small but growing health care provider, face in dealing with the expansion of Medicare Advantage programs. It requires negotiating significantly more contracts, he said, and the reimbursement rates are lower than standard Medicare. The fact that GL offers a continuum of services is an advantage, as insurance companies see that as a way to control costs.

If Medicare is privatized, Siegel said, there will be even more pressure to reduce costs. GL is working to get in-network with Advantage plans. Asked about Kaiser Advantage, he noted that Kaiser has its own network and in general is unwilling to work with other providers like GL's home and community-based services.

Committee members expressed concerns about the privatization of health care services, about retired government employees without Medicare whose insurance reimbursements are capped at Medicare rates, and other issues. Siegel said GL is aware of the range of insurance coverages that residents have, and demand for lower fees from insurance companies is an ongoing issue.

Kelley thanked Siegel and Gren, and they left the meeting.

The Committee then turned to a brief review of GHI's and GHBC's financial performance through May 31, 2023. Jean Reed reported that GHI ended the year-to-date period through May 31 with an operating loss of $2.1 million. Total GHI revenues in the period of $69.7 million were less than budgeted by $6 million. The primary reasons for this negative variance were reductions in projected investment income, amortization of deferred revenue and lower income from Home Care services.

GHBC ended the year-to-date period with an operating loss of $1.2 million, compared to a budgeted gain of $3.3 million. The primary reasons for this negative variance, said Reed, were reductions in investment income, amortization of deferred revenue, and expenses exceeding budget by over $2 million. These were partially offset by increases in residents' monthly fees received, and revenues from other services that were above budgeted levels by over $1 million.

Mollie Warner highlighted several issues pertaining to expenses in the eight-month period. At GHBC, plant operations and dining services continue to be budgetary problem areas. Gas, plant repairs and equipment repairs are still over budget, but the budget variance has declined significantly. Electricity continues to be a problem, and the budget variance has increased. In dining services, the total budget variance has declined due to payroll management (payroll is 60 percent of the dining services budget). The budget variance in all food categories continues to increase as inflation in food prices continues in the national economy.

In the concluding general discussion, a number of concerns were raised. High marketing budgets were cited, and concern was expressed that the GL Foundation is paying salaries of several staff, and providing benefits to staff.

Kelley noted that fiscal 2023 is the third consecutive year of operating losses at GHBC. While staff is working to control expenses, GHBC cannot continue to use resident entry fees to cover deficits, he said. Those funds must be invested to cover future healthcare costs of residents.

Kelley noted that the fiscal year 2024 budget is nearly ready. CFO Xan Smith will meet with the Finance Committee on Tuesday, August 29, at 3:00 p.m. in the Pointe Conference Room to preview the '24 budget, including resident fee increases. This August 29 meeting will replace both the August and September Finance Committee meetings.

Kelley adjourned the meeting at 4:02 p.m.

Submitted by Nancy DeMarco