MAINE VETERANS' HOMES

caring for those who served

ANNUAL REPORT TO VETERANS AND LEGAL AFFAIRS COMMITTEE

Sharon R. Fusco, CEO

MAINE VETERANS' HOMES, 460 CIVIC CENTER DRIVE, AUGUSTA, ME 04330

Contents

Note: Throughout this report we have sprinkled photos of our residents and a few of our staff so that you can see the faces of those we serve because they first served us. These individuals have kindly given us permission to use their photos.

MAINE VETERANS' HOMES
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February 14, 2023

The Honorable Craig Hickman
The Honorable Laura Supica
Co-Chairs, Joint Standing Committee on Veterans and Legal Affairs
c/o Legislative Information Office
100 State House Station
Augusta, ME 04333

RE: Maine Veterans' Homes - Annual Report to the Joint Standing Committee on Veterans and Legal Affairs

Dear Senator Hickman, Representative Supica, and Committee Members:

I am pleased to provide our 2023 Annual Report to the Veterans and Legal Affairs Committee. Per the requirements outlined in Title 37-B MRS§611, this report contains the following required information:

1. Copy of audited financial statements;
2. Statistics on members who resided in the homes during the year;
3. Any amendments to the rules regarding the administration of the homes made by the board since its last report on the administration of the homes;
4. Description of any efforts to seek funding as required under section 604, subsection 6; and,
5. Recommendations to the Governor and Legislature and information regarding such other matters as the board considers pertinent.

There has been a heightened desire to learn more about our efforts related to quality and the outcomes we've achieved. As such, we've added a section to the report covering this topic. In January, 2024, we also engaged the board in strategic planning and I've included Maine Veterans' Homes' (MVH's) new strategic plan.

Highlights from FY2023 include:

- MVH served a total of 791 veterans and 214 family members in fiscal year 2023.
- We grew our daily census (number of residents served) to 566 as of December 31, 2023. This represents an increase of 4.4%, from 85.7% to 90.1% occupancy of the available beds across all homes.
- As of December 31, 2023, we employed 1,120 employees, including full-time, part-time and per diem staff and currently have an additional 102 unfilled, part time & full time positions. The good news is that the number of new positions dropped to this level from a

high of over 190 open positions in May 2023. Achieving this level of staffing has helped us increase our census.

- New leaders joined MVH, including four new board members and a Chief Workforce Officer. We restructured our Senior Executive Team from five members to four.
- We've earned the 2023 Pinnacle Customer Experience Award™. All of our homes scored in the top 15% of the nation for resident satisfaction across a 12-month average in all types of care, including skilled nursing facility, nursing facility, and assisted living care.
- Advocacy efforts yielded state funding that when matched equals about $11MM. **This funding has not been received as of the writing of this report.**
- Additional advocacy with the federal government yielded congressionally directed spending funds for FY2024 in the amount of $3MM.

In the reports referenced above, you will learn that MVH continues to provide unmatched, award-winning care to Maine's eligible veterans and family members but is facing significant financial headwinds. We have expanded Section 2 (Resident Statistics) to include valuable information on MVH's Quality Assurance and Performance Improvement program.

In FY2023, we had a loss of $17.1MM. These losses are being driven by inadequate reimbursement rates that have failed to meet the rising cost of care. These issues are not new and we discussed them with members of the Veterans and Legal Affairs Committee last year. The issues are systemic and precede the pandemic. The situation has reached a critical point and requires immediate attention as these issues are the root cause of nursing home closures across Maine and it is very likely more will be announced this year.

In the current fiscal year, we have increased the number of residents in our homes dramatically. We are approaching pre-pandemic levels. Achieving this goal required a sizeable investment in staff wages to stabilize our staffing and begin reducing our reliance on temporary labor. We have plans underway to significantly reduce temporary labor by the end of the fiscal year.

We are taking every measure to address the revenue and expense issues within our control. But it simply is not enough to cover the gap between reimbursement rates and the cost of care and the additional costs that come from being Maine's designated state veterans' home. In "*Section 5, Recommendations to the Governor and Legislature, Financial Request,*" we have outlined these additional costs. We have also provided background information under the subsection titled, "*The Makings of the Current Crisis: How did we get here and why do we need to act now?*" This information is designed to help the committee understand how the financial crisis developed and the need for immediate action.

Our request to the State is a total of $3.9 which is an additional $3.1MM more than is proposed in the Governor's 2024 budget. This will draw down matching funds in the estimated amount of $7.8 million to cover $11.7MM. MVH can leverage state, federal and VA funding to cover the entire gap.

As you read this report, you will learn that ***because MVH exists, the State is saving over $12.3MM per year.*** Last year, 26.6% of nursing facility residents met the 70% disability threshold, qualifying them for benefits under the VA which pay a "prevailing rate". This benefit keeps residents off MaineCare (Medicaid) and helps them avoid spending down their assets to receive care. MVH was a driving force in advocating for this benefit from the VA. What an unbelievable value this is to veterans, their families and the State!

I am grateful to the committee for your interest in ensuring those who served have access to the highest quality care possible. There is no doubt: Maine leads the way for other states to follow and offers an amazing system of care. I look forward to continuing that tradition and taking MVH in to the future of providing care for Maine's Veterans and their families. Doing so while meeting the desires of the State and its constituents will require funding the homes at a sustainable level. Failure to act quickly will result in dismantling a system of care that is unparalleled nationally.

I am eager to work with the State to save this system of care so Maine can continue to proudly say we are "caring for those who served."

Sincerely,

Sharon Fusco
Chief Executive Officer

1. Audited Financials[1]

Our annual audit is included as Appendix A to this report. As this audit shows, there were no material findings for FY2023 and the auditors have issued an unqualified opinion. This audit also highlights the financial impact of the pandemic on MVH, as well as the challenges the organization currently faces the organization brought on by the workforce shortage and inflation. The following are highlights from the report.

Financial Performance

Total Revenues for FY2023 were $90.3MM, an increase of $13.1MM over FY2022. The increase is primarily attributed to an increase in resident days in FY2023 compared to FY2022. Overall, net operating revenues from resident services increased by $9.5MM in FY 2023. In FY2023, we also received $2.4MM in one-time funding from LD2001, passed in 2022 legislative session. It was an increase from FY2022.

Total expenses for FY2023 were $107.4MM. Operating expenses increased by 14.5% from June 30, 2022 to June 30, 2023. This increase was due primarily to increases in salaries, contract labor used to offset staffing shortages brought on by the pandemic, and required recognition of MePERS expenses.

Balance Sheet

The net position as of June 30, 2023 was $128.1MM. Total Assets were $174.0MM. Total Liabilities were $49.9MM. The net change in MVH's total assets from FY2022 to FY2023 was a decrease of $15.2MM due primarily to withdrawals from capital replacement funds to cover operating losses, a direct result of reimbursement rates that fail to cover the cost of care, and the sale of the prior Augusta facility in FY2023.

In FY2023, MVH had to withdraw $7.75MM from the capital replacement funds to cover the cost of operations. Since the beginning of the pandemic, these funds have decreased by over 45.7%, or $13.75MM, to cover the cost of operations. During this same period, MVH financial losses has also prevented us from adding to our capital replacement

[1] MVH operates on a July to June fiscal year. In order to provide the most recent information, census and demographic data may be offered on a calendar year basis. We have noted this in the report where it occurs.

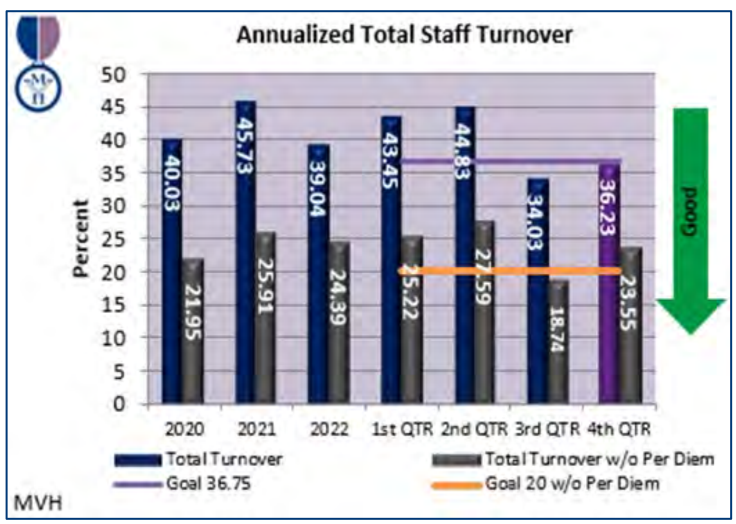
funds. This will have detrimental long term impact on the organization's ability to replace and/or renovate facilities, maintain our technology infrastructure.

Historically, ***MVH has covered all capital expenditures, saving the state millions of dollars. This includes our most recent construction of the new Augusta campus.*** In other states, for qualifying projects of the VA construction grant program, the state pays for the 35% grant match for building and construction and covers the cost of all other capital needs. Maine is unique. Maine Veterans' Homes has wisely invested annual depreciation expenses thereby guaranteeing funding for the future when it is needed. Hence, this depletion of our capital replacement funds for use in day to day operations is extremely concerning and unsustainable.

Significant efforts have been underway to address MVH's financial situation. To the extent possible, the team is taking every measure possible to increase revenue and decrease cost.

- **Census:** In FY2023, we increased census (occupancy) from 77.7% to 83.5%. This added approximately $4.7MM in revenue. We have further increased our census to 89.8% as of December 31, 2023. We are confident that by the end of the fiscal year, we will be able to maintain a daily census at pre-pandemic levels.
- **Private Room Rates:** Annually, MVH adjusts private room rates. In FY2023, room rates increased in every facility. At the beginning of our current fiscal year, we performed market analysis and made more significant rate increases to align our rates with the market.
- **Renegotiated Food Service Contract:** Renegotiated contracts with Downeast Community Hospital to increase rates to reflect increase cost of food and supplies.
- **Temporary Labor**: In FY2023, our temporary labor costs were $9.5MM, which was $3.0MM more than FY2022. In FY2024, we are projecting $7.7MM in temporary labor costs. In FY2023, MVH struggled to fill open positions, primarily due to workforce shortages and competition for labor. To combat this, in July 2023, we made a significant investment in wage increases for licensed staff. The impact of this investment is shown in Figure 1: Annualized Turnover. In our current fiscal year, we have reduced vacancies from a high of 190 positions in May, 2023 to 100 open positions in January, 2024. Turnover rates have dropped from 44% in second quarter of CY2023 to 36% in fourth quarter CY2023. We now have the capacity needed to end temporary labor contracts. Our goal is to be out of temporary labor by the end of this current fiscal year.
- **Efficiencies:** MVH Team is working to identify and implement solutions that reduce cost.

Figure 1: Annualized Turnover



- As you will learn in other sections of this report, the operating costs of the small house model in Augusta are extremely high. In October, 2023, MVH implemented a plan to consolidate dietary operations and restructure a few administrative positions. Net impact of this change was a net savings of just over $291K with no impact to resident care. We are continuing the process of evaluation to find additional operational efficiencies.
- As key positions have experienced turnover, the Senior Executive Team has evaluated whether to fill these positions or consider restructuring duties. Since January, 23, MVH has eliminated the following positions, restructuring duties:
  - Chief Pharmacy Officer
  - Chief Administrative Officer
  - Pharmacist
  - Accounting Specialist

- **Loan Refinancing:** MVH accelerated plans to refinance the interest only loan for the construction of the Augusta home. This refinancing was done through Maine Health & Higher Educational Facilities Authority (MHHEFA) and saved MVH $385,000 annually in interest expense.

- **Other Expenses:** As contracts have come for renewal, MVH is examining them to identify possible cost savings. Examples include:
  - Updating our website – annual savings is currently $15K. We anticipate an addition $35K annual from additional changes currently in progress.
  - Eliminated contracts that were no longer adding value, such as electronic tracking for assistive devices.
  - Workers Compensation claims dropped significantly through efforts to reduce injury.
  - Revamped employee benefits package to avert significant increases and meet employee requests for lower cost plans and more control over their spending for medical care.

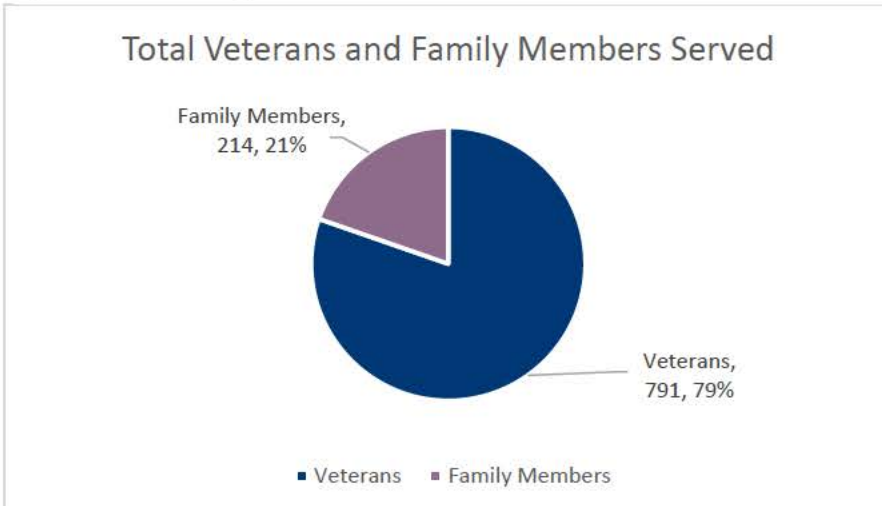
In the following section so this report of this report you will read about efforts to secure one time funding and expand pharmacy operations to diversify revenue streams. This report also covers changes to policies and procedures which enhance internal controls and will also work to ensure we are providing the highest quality care at the lowest possible cost to serve as many veterans and family members as possible. And, you will read specifics about our request for state funding and what preceded the current financial crisis and how the pandemic accelerated it.

2. Resident Statistics[2]

Key statistics for FY2023 (fiscal year) across all Maine Veterans' Homes include:

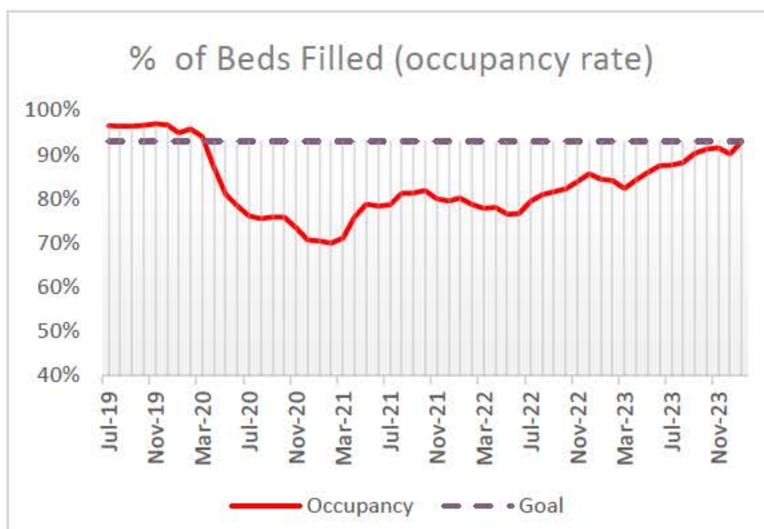
1,005 total clients served – an unduplicated number of clients served from July 1, 2022 to June 30, 2023. Of these, 791 were veterans and 214 were family members.

Figure 2: Resident Composition



Achieved 83.5% average occupancy rate in FY2023 (the number of people living in the facilities divided by the number of beds available in the facility). From July 1, 2022 to June 30, 2023, the rate grew from 77.7% to 83.5%. Our goal is to reach and sustain pre-pandemic levels of 93%[3] by the end of FY2024 (June 30, 2024). In 2023, emphasis was placed on growing the number of clients served and increasing our daily bed occupancy rates. As of January 31, 2024, we are exceeding our budget goals and have achieved an occupancy rate of 93%.

Figure 3: Occupancy Over Time



[2] Resident statistics are provided on a calendar year basis.

[3] All nursing homes experienced significant reductions in resident population during the pandemic and rebuilding our census has been a top priority. This effort has been challenging because of the workforce shortage. Without adequate staffing, we are unable to fill all of the available beds.

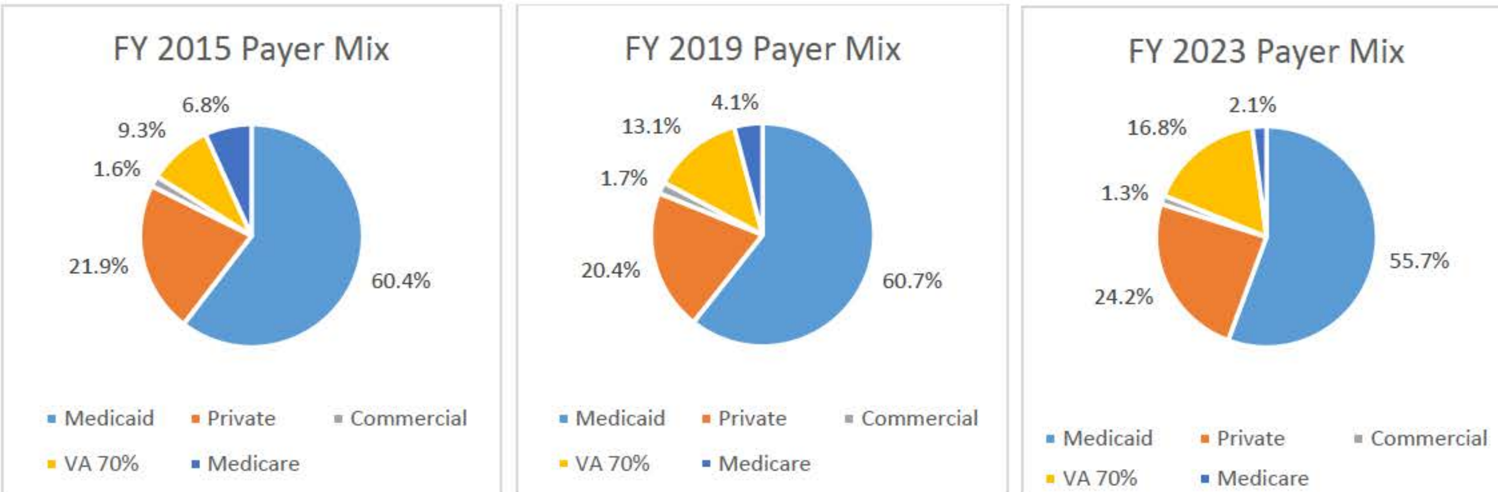
MVH provides assisted living (residential care), long term care, short term skilled nursing care, rehabilitation and therapy, dementia and memory care, and respite care. Beds are classified in two types: nursing or residential. The following chart shows the number of beds in each home location and the average occupancy data as of December 31, 2023:

Table 1: Resident Statistics by Home

		As of December 31, 2023:			
Location	**Type of Care**	**Beds Available**	**Average Census**	**Current Occupancy**	**End of FY2023**
MVH Total	Nursing	450	402	89.4%	81.8%
	Residential	178	162	90.8%	87.9%
	Total	**628**	**564**	**89.9%**	**83.5%**
Augusta	Nursing	108	97	89.6%	81.4%
	Residential	30	29	96.2%	96.5%
	Total	**138**	**126**	**91.1%**	**84.7%**
Bangor	Nursing	120	105	87.5%	74.1%
	Residential	30	29	97.8%	93.1%
	Total	**150**	**134**	**89.5%**	**77.9%**
Caribou	Nursing	40	37	92.6%	85.3%
	Residential	30	22	73.6%	78.9%
	Total	**70**	**59**	**84.5%**	**82.6%**
Machias	Nursing	NA	NA	NA	NA
	Residential	30	29	96.4%	89.7%
	Total	**30**	**29**	**96.4%**	**89.7%**
Scarborough	Nursing	120	108	89.9%	86.0%
	Residential	30	29	97.4%	96.2%
	Total	**150**	**137**	**91.4%**	**88.1%**
South Paris	Nursing	62	56	90.1%	86.9%
	Residential	28	23	82.6%	71.8%
	Total	**90**	**79**	**87.8%**	**82.2%**

Payer Mix: MVH nursing facility services are paid for by five distinct payers: Medicaid, Medicare, VA, private pay, and commercial insurance. The overall breakdown of the payment source is shown in the series of pie charts below. These charts show changes to the payer mix over time.

Figure 4: Payer Mix FY2015, FY2019, and FY2023



MVH receives a stipend for those residents covered by MaineCare and Medicare (applies to roughly 50% of residents). This stipend helps cover the gap between the cost of care and the reimbursement rates. The stipend is only received for Veterans (not spouses or Gold Star Families).

For those residents whose care is covered by the "VA Prevailing Rate" (roughly 24% of clients), it is important to note that:

- These residents who have a service-connected disability and meet the minimum threshold of 70% disabled.
- The prevailing rate is slightly more than the Medicaid rate and significantly less than the Medicare rate.
- This rate does not change based on acuity of the resident. Most of the residents in this program have higher acuity levels.
- Residents eligible for this program do **not** receive the VA stipend that all other Veteran residents on Medicaid and Medicare receive.
- Residents eligible for this program cannot use any other payer source including Medicare, Medicaid, private pay, or insurance.

In addition, there were some significant successes for MVH in 2023. These include:

- **Over 1120 people were employed in full, part-time, and per diem roles as of December 31, 2023**. At the same time, MVH had 102 vacancies, excluding temporary labor.
- MVH collaborated with Maine Adult and Community Education to implement a Certified Nurse Assistant training course to address the workforce shortage. This program benefits not only MVH, but the entire nursing home industry in Maine as graduates are employed across the system.
- MVH has actively worked to "grow our own" staff. In CY2023, we:
    - Trained 62 Certified Nurse Assistants (CNAs) who passed their certifications. 4 of 6 homes have regularly scheduled CNA classes.
    - Trained 1 Personal Support Specialist
    - Made it possible for 5 Minimum Data Set Coordinators to get certified
    - Made it possible for two staff members to get certifications in quality and compliance through the Health Care Compliance Association.

Quality Assurance and Performance Improvement

Quality of care is a hallmark of MVH services. A few examples of our achievements CY2023 include:

- American Health Care Administrators has awarded MVH three AHCA Gold Quality Awards and one Silver Quality Awards. Nationally, there are 43 gold award and approximately 250 silver awards.
- CMS Care Compare has awarded four of our nursing homes five stars (top 10% of homes nationally) and one four stars. (Note: Machias is unrated as it does not provide nursing home level of care).
- We've earned the 2023 and 2024 Pinnacle Customer Experience Award™. All of our homes scored in the top 15% of the nation across a 12-month average in all types of care, including skilled nursing facility, nursing facility, and assisted living care.
- Our resident satisfaction surveys show MVH consistently ranks very high family recommendation to others, exceeding best in class. In 2022 and 2023, we surpassed our goal every month.

This high quality system of care was created through years of adherence and dedication to principles of quality management. MVH has a very mature Quality Assurance and Performance Improvement (QAPI) program which follows the state and federal guidelines.

- 10-144, Chapter 110 of the Department of Health and Human Services rules speak specifically to resident rights, resident councils, handling of complaints, as well as to quality assurance.
- Title 42, Chapter IV, Subchapter G, Part 483, subpart B, section 483.75 of the Code of Federal Regulations provides guidelines for nursing home quality assurance and performance improvement planning and implementation. This work is so important to the

Centers for Medicaid and Medicare (CMS) that they have offer a dedicated site with tools and support for nursing facilities and a comprehensive handbook.

- State Surveyors review the Quality Action and Performance Improvement (QAPI) planning and action steps. Failure to follow regulations will end in a "tag" or finding.
- The quality management program includes feedback from residents and families. The regulations require resident-driven councils to provide input for action by home leadership, a process that we embrace.

QAPI guidelines from CMS and the State are very robust and are comparable to internal control frameworks established by the federal programs (like COSO and Standards for Internal Control from the Government Accountability Office). The QAPI framework includes five elements:

1. Design and scope
2. Governance and leadership
3. Feedback, data systems, and monitoring
4. Performance improvement projects
5. Systematic analysis and systemic action

At MVH, every level of the organization is involved in the program, from the board's Quality and Operations Committee to frontline staff in the homes. The QAPI plan is developed by the corporate office with input from every department and home. A copy of the CY2023 plan is located in Appendix B. It is approved by the board, monitored by an interdisciplinary team and executed within the homes by interdisciplinary teams within the homes.

All nursing homes are required to report a wide range of data to the Centers for Medicaid and Medicare (CMS) which flows through Maine Department of Health and Human Services. The annual QAPI plan sets forth measures which are monitored monthly and action steps are taken to address areas of improvement. These change from year to year, based on performance and identified opportunities for improvement.

A dashboard is used to track and monitor progress on these measures. Data flows from the homes through the central office committee to the board's Quality Committee. Here is a list of current metrics:

Table 2: QAPI Metrics

QAPI Metric	December 2023	Cumulative CY2023	MVH Goal	Benchmark
Annualized staff Turnover w/o Per Diem	23.55%	24.39%	<20%	ACHA = <40%
Vacancy Rate	12.1%	17.99%	<15%	Internal, 2017 data = 8.5%

QAPI Metric	December 2023	Cumulative CY2023	MVH Goal	Benchmark
Employee Injury (Days Away, Restricted and Transferred)	9	21.13	<11.4	Maine = 11.4 National = 7.3 Best Practice National Labor Board = 6
Operating Margin %	-12.4%	-16%[4]	>-23.9%	N/A
Fall Rate SNF/NF per resident days	11.05	11.57	<9	CMS = 6 per 1000 resident days
Fall Rate Residential Care per resident days	10.54	7.83	<5	N/A
Hospital Readmissions	0	.42	<10	National = 21.7 Maine = 16.6
Total Beds Occupied	88.13	84.28%	>84.7%	Maine/New Hampshire = 76.45%
MVH Acquired Infection	3.81	4.99	<4	N/A
Resident and Family Recommendation Scores	4.82	4.86	<4.73	N/A
Antipsychotic Drug Use – Long Stay	14.92%	14.92%	<12%	Maine = 20.4% National = 14.5%
Antipsychotic Drug Use – Residential Care	10.97%	15.79%	<15%	Maine = 25.5%
Facility Acquired Pressure Ulcers	2.02%	2.48%	<5%	National = <2.8%

In CY2023, heavy focus was placed on reducing turnover, reducing employee vacancy rate and increasing census because we know that quality measures rely heavily on having stable staffing. Significant strides were made:

- Occupancy increased to 88.13% in December.
- Vacancy rates dropped from a high of 23.97% to 12.1%
- Turnover including per diem staff dropped from a high of 45.73% to 36.23% and turnover without per diem staff dropped from a high of 27.59% to 23.55%.

As noted in the plan, the committee meets to perform root cause analysis and puts action plans in place to address the issues. Work is done at the home and system level. Workgroups are created to address issues. For example, we have a "falls committee" focused on falls prevention through staff training. This system of plan, do, check, act creates a cycle that leads to quality assurance and performance improvement.

Feedback information is also gathered and used from Resident Councils and family feedback. Examples of feedback that was received and acted upon include:

- Bringing back "wheelchair boxing";

[4] Missing December 2023 data

- Special luncheon for the resident honor guard members;
- Adding specific food items to the menus; and,
- Providing access to a pool table.

This system feeds into the CMS star ratings. Unlike commercial star ratings, the CMS star rating is a complex algorithm of data collected and analyzed by CMS. Data is captured from surveys, required reporting, and assessment data and compared with other nursing homes in the region. A complete explanation of the star rating is included in Appendix C.

Our performance in the area of quality management has earned MVH coveted awards and highlighted MVH as a national leader in quality care.

While we are proud of what we have created, we also know that quality requires constant due diligence and attention to detail. Quality is ingrained in our training and values. A quality program such as MVH's is truly years in the making.

3. Amendments to Rules

There were no substantive amendments to the rules governing the Maine Veterans Homes in FY2023. However, changes were made to board operations to ensure the board is focused on three key areas: governance, strategic oversight, and fiduciary oversight. Likewise, the Senior Executive Team was reimagined to better align to strategic priorities. And, several policies were updated to significantly enhance internal controls.

Reimagining Board Operations

The changes proposed to the Maine Veterans' Homes board structure are designed to ensure the board has the necessary information to execute their duties in three key areas: governance, strategic oversight, and fiduciary oversight. This plan followed best practices in nonprofit management. It also created a structure that is administratively light, to focus as many resources as possible on implementing the strategic plan and reduce the administrative cost to maintaining a large board structure. The board is "committee led", meaning the detailed, deep dive effort is done in committee. Recommendations come to the full board from committee.

While the plan did not change the number of board committees, it did clarify the role and responsibilities and increased the number of meetings per year. All board members are required to sit on either Finance or Quality and Operations. Membership of the Executive and Governance committees are defined in the respective committee charters. If short-term committee work is deemed necessary that is outside the scope of the standing committees, the board may form an ad hoc committee. For example, this past year, an ad hoc committee was formed to lead strategic planning efforts.

In addition, the board was successful in filling all board vacancies with candidates that bring to the board new and necessary knowledge, skills, and abilities. This included expertise in human resources, organizational development, business strategy, and family member experience.

The outcome of this effort has been 1) increased transparency into operational performance and improved flow of information, 2) increased board member engagement, 3) increased support for the senior executive team from the board, and 4) stronger board with broader experience and knowledge.

Restructuring Senior Executive Leadership Team

Through attrition of key personnel, the Senior Executive Team has been restructured to better align with strategic goals. As noted elsewhere, the Chief Pharmacy Officer and Chief Administrator positions were not filled when those individuals left the organization. A Chief Workforce Officer position was added and filled in late October. This allowed MVH to begin building capacity in the areas of recruiting, retention, organizational development and human resources management.

Key Policy Changes

The Senior Executive Team also updated a number of key policies to enhance internal controls and performance management. The board also reviewed and approved those related to governance, specifically GV04, GV08 and GV12. The following list outlines key enhancements:

- GV04 – Purchasing: Updated language to reflect the latest Procurement Standards outlined in the federal regulations, creating standard guidance for use of MVH's procurement software, and adding contract purchasing and supplier uniformity policies. Changes throughout to reference companion policy, GV08, and clarify the requirement to follow Uniform Guidance when needed. Updated the Uniform Guidance purchase definitions. Updated preference given to minority, women, and veteran-owned businesses.
- GV08 – Contract and Purchasing Authorization: Multiple sections changed to clarify the budget approval process; clarify contract and purchasing authority; reference companion policy (GV04); and enhance internal controls. A triennial review of this policy has been set.
- GV12 – Compensation Philosophy: Added language to clarify the policy with regards to annual increases, bonuses and authority to approve bonuses.
- FN20 – Travel Expense: Adopt best practice and sound fiscal stewardship principles. Align policy with federal regulations including federal per diem rates. Clarify the approval process for travel expenditures, and what is, and is not, allowable for reimbursement.
- FN02 – Credit Card: Add emphasis that cards may not be used for personal use and clarified the repayment process in the event the card is accidently used for a personal purchase.
- HR10 – Performance Management: This policy was created to clarify the performance management process, roles, and responsibilities.

It is worth noting that every policy is assigned a review cycle of one to three years, depending on the topic.

4. Requests for Funding in Calendar Year 2023

The following table outlines the requests for funding which have been made and the outcome of those requests.

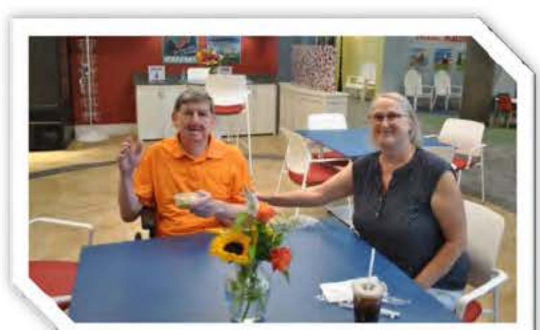
Table 3: Requests for Funding in Calendar Year 2023

From	Amount	For	Disposition
State Budget	$765,630 (which draws ~$1.5MM Federal Match)	Operating Expenses	Passed. **Funds have not been received.**
LD985	$2.6MM (which draws ~$5.5 Federal Match)	Operating Expenses	Passed. **Funds have not been received.**
Federal Budget – Congressionally Directed Spending	$3.0MM	$2.8MM for Operating Expenses in Machias and Caribou plus $200K Capital Improvement Projects	$2.8MM received. Waiting on the distribution of $200K.
Extraordinary Circumstance Allowance	$2.2MM	Operating Expenses	Received.

MVH is grateful to the Governor for inclusion in this year's budget and for those who supported LD985. The combination of the Governor's budget and funding through LD985 closed $10.3MM gap between MaineCare reimbursements and cost of caring for individuals on MaineCare. The Department of Health and Human Services is currently working through the process to secure the matching funds; as such, these funds have yet to be distributed to MVH. Our focus is on advocacy efforts that will make these sources of funding permanent.

MVH continues to work with the federal delegation to advocate for congressionally directed spending and rate increases and to fix eligibility issues related to domiciliary care.

In addition, MVH also expanded our long term care pharmacy in FY2023 – adding four external nursing homes, generating an additional $2.0MM to our annual revenue. MVH's pharmacy now serves 15 external nursing homes in addition to homes we operate.



5. Recommendations to the Governor and Legislature

Financial Request

Cost of Sustainability

MVH is requesting a total of $3.9MM in state funding which can be matched with federal funds equal to approximately $7.8MM to close the real gap of $12.9MM. We ask that the reimbursement be tied to an inflation factor to ensure MVH is here to serve the veteran population in perpetuity, as recommended by the Stakeholders Group formed by LD2001 in 2022.

Table 4: Overview of Financial Request

Proposed State Contribution in Governor's FY2024 Budget	$765,630
Additional State Funding Needed	$3,154,42,
Total State Funding Requested by MVH	$3,920,054
Plus Federal Match	$7,840,107
Total Gap Filled	$11,760,611

It is worth noting that MVH is proposing funding that is based on our FY2023 cost reports and represents the gap between costs for caring for residents on MaineCare and MaineCare reimbursements. MVH's actual total operating loss in FY2023 was $14.7MM and would have been $17.1MM without one time funding.

As noted elsewhere, MVH saves the State an estimated $12.3MM annually. Last year, 23.9% of nursing facility residents met the 70% disability threshold, qualifying them for benefits under the VA which pay a "prevailing rate" established by the VA. This benefit keeps residents off MaineCare (Medicaid) and helps them avoid spending down their assets to receive care. MVH was a driving force in advocating for this benefit from the VA.

Unlike other states, ***MVH has not requested nor received any state funding for capital projects***. ***This includes the most recent build of the Augusta Home***. MVH has covered the cost all construction and capital replacements through sound fiscal management practices, appropriately investing depreciation to create a capital replacement fund.

Assumptions

The following assumptions were used in calculating the financial request.

Assumption 1: All allowable costs as defined by state regulations are included and these cover:

- ✓ Additional costs of operating a home designated for veterans' care, detailed below.
- ✓ Additional costs because we are a quasi-state entity, detailed below.

- ✓ All allowable costs related to providing the high quality care referenced in the stakeholder recommendations.
- ✓ The gap between allowable costs and reimbursement rates.

Assumption 2: MVH will continue to provide the same high quality care we provide today.

Assumption 3: The calculations above include all allowable costs for operating only one small home facility in the MVH system. This model is significantly more expensive to operate as explained below.

Assumption 4: MVH will be able to reach targeted census goals.

Assumption 5: MVH will be able to reduce reliance on temporary staffing agencies.

Assumption 6: Per resident per day uses a target occupancy rate of 93%.

The Makings of the Current Crisis

How did we get here and why do we need to act now?

The current crisis has been in the making over several years. The pandemic both accelerated and worsened the problems identified below. The following represents a breakdown of the components of the current crisis. All costs depicted are from our FY2023 financials except where otherwise indicated.

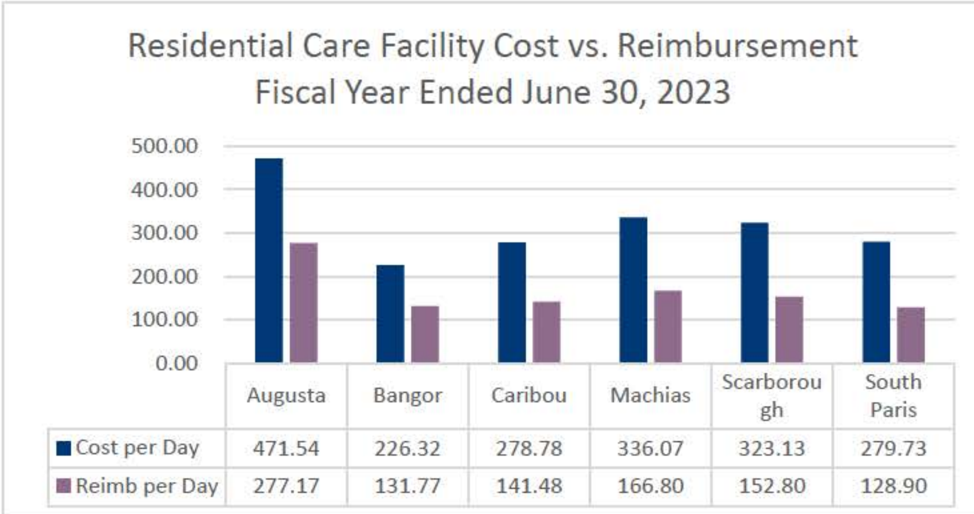
MVH has been actively engaged with state and federal advocates to obtain a long-term funding solution that will preserve our ability to continue caring for Maine's veterans in spite of operational challenges that affect not only our facilities, but the entire nursing care industry in our state.

MVH is grateful to Governor Mills for recognizing these challenges and including $765K in the supplemental budget for MVH. Combined with one-time funding from LD 985 of $2.6MM, and the ability to match both appropriations with federal funds, MVH expects to close its $10.3MM gap funding gap this year. Our goal now is to make this level of funding sustainable.

MaineCare Reimbursement vs. Cost of Care by Home

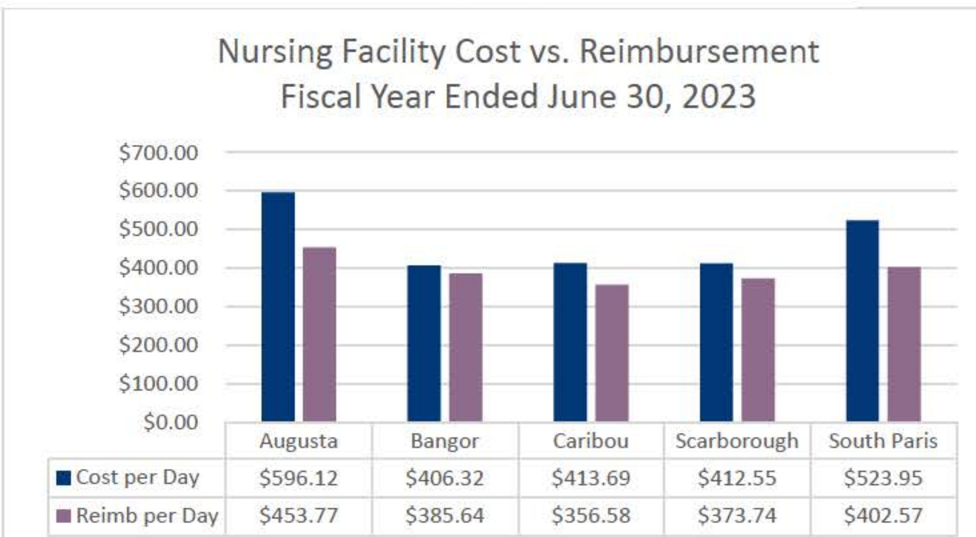
The data in Figures 5 and 6, on the next page, show the operational shortfalls that MVH has been experiencing for years, and which have been recently exacerbated by inflation and the recovery from the pandemic. We continue to work towards accomplishing federally-adjusted measures that will reduce our shortfall gap, which are primarily caused by insufficient reimbursement rates and rulemaking that complicates our ability to match the cost of care with Veterans' payment resources. As these charts show, the reimbursement rates vary by home and none of the MaineCare rates sufficiently cover the cost of care.

Figure 5: Cost versus Reimbursement - Residential Care



	Augusta	Bangor	Caribou	Machias	Scarborough	South Paris
Cost per Day	471.54	226.32	278.78	336.07	323.13	279.73
Reimb per Day	277.17	131.77	141.48	166.80	152.80	128.90

Figure 6: Cost Versus Reimbursement - Nursing Facility

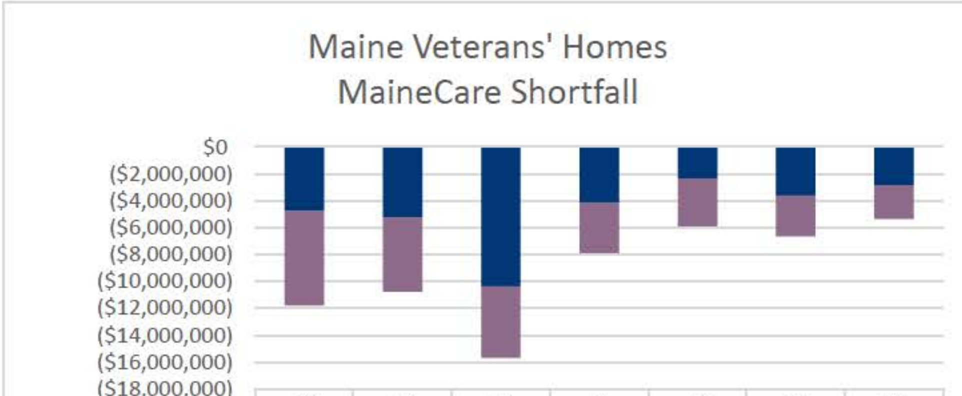


	Augusta	Bangor	Caribou	Scarborough	South Paris
Cost per Day	$596.12	$406.32	$413.69	$412.55	$523.95
Reimb per Day	$453.77	$385.64	$356.58	$373.74	$402.57

MaineCare Shortfall – 2017-2022

Figure 7, on the next page, shows that the gap between reimbursements and cost of care has been an issue for many years and is growing. The gap increased significantly during the pandemic – in part due to the significant drop in census. Reimbursement rates have not kept pace.

Figure 7: MaineCare Shortfall

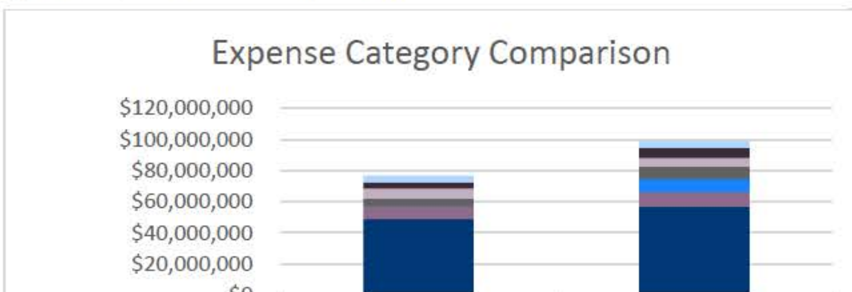


	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Res Care Shortfall	($7,018,	($5,505,	($5,307,	($3,744,	($3,529,	($3,058,	($2,500,
NF Shortfall	($4,741,	($5,252,	($10,360	($4,148,	($2,350,	($3,603,	($2,843,

Increases in Cost, by Category – FY 2017 through FY 2023

Figure 8, below, provides a more detailed examination of the costs contributing to inflation. Overall, since 2017, MVH has experienced a 30% increase in cost. Most categories average a 13% increase in cost, with Employee Compensation and Benefits increasing by 16%. However, as this table shows, one of the biggest cost drivers today is Contract Labor, a negligible cost in 2017, which contributed $8.6MM to MVH expenses in FY2023.

Figure 8: Expenses FY2017 compared to FY2023



	FY 2017	FY 2023
Supplies	$3,991,500	$4,500,131
Pharmacy Cost of Sales	$4,101,731	$6,415,669
Purchasesd Services	$6,395,270	$5,841,932
Depreciation	$5,017,276	$7,663,452
Contract Labor	$3,856	$8,638,080
Other	$8,292,147	$9,445,522
Comp & Benefits	$48,900,795	$56,708,696

Although contract labor costs have been somewhat reduced by aggressive containment strategies, the economic impact of this factor alone is extreme. The increase in depreciation is attributable to the new Augusta facility. These inflationary pressures and additional costs brought on by workforce shortages are faced by all nursing homes. But MVH, is unique among them because we are a home designated for veterans and have additional expenses mandated by the federal government.

As a designated state agency, MVH incurs costs that other nursing facilities do not. Annually, we have an estimated $2.7MM in quantifiable costs not covered by other sources of funding, and a number of additional operating costs which are not quantifiable on an annual basis. Among these costs are mandatory participation in the MainePERS, larger room requirements, higher staff ratios, occupancy requirements, and mandated eligibility requirements.

Table 5: Costs Unique to State Veterans' Homes

Cost	Annual Estimate
Higher staff ratio requirements (assuming no temporary staffing)	$440K
Lower reimbursements for residents admitted under the required VA 70% Program	$214K
Lost revenue due to VA occupancy requirements for holding beds (FY2019)	$50K
Lost revenue due to VA mandated eligibility requirements	Not Quantifiable
Larger physical plant requirements, including VA small home concept which is significantly more expensive to build and operate (annual operating costs only are shown here)	$342K
More medically complex residents requiring more expensive care	Not Quantifiable
Additional auditing and procedural expenses.	Not Quantifiable
Total annual quantifiable unfunded due to VA mandates (minimum)	**$1MM**
Cost differential of contributing to MainePERS vs. Social Security	**$1.7MM**
Total annual quantifiable costs specific to MVH	**$2.7MM**

It is imperative to identify a sustainable funding source in order to avoid dismantling the award-winning system of care that MVH delivers and Maine's Veterans rely upon.

On the Horizon – MVH Strategic Planning and Annual Operational Priorities.

Beginning in October, 2023, the MVH Board began work on a new strategic plan which was finalized on January 25, 2024. A copy of this plan is located in Appendix D with initial priorities for the next 18 months.

While this plan outlines a future vision for MVH, the board recognizes that executing this plan hinges upon securing sustainable funding to close the gap between reimbursement rates and the cost of care. Without achieving this number one priority within the next months, MVH board will face difficult choices. We are depleting our reserves at a rate of over $400K per month which provides about 36 months of funding.

The future is bright, but only if sustainable funding is secured.

Summary

As this annual report demonstrates, over the past 12 months, MVH has made significant strides related to address our financial crisis while maintaining high quality services. We are at a critical point in our history. MVH cannot sustain this level of care without additional investment from the state. Unlike 48 other states, Maine has not recognized the unique partnership between the state and the homes by providing additional financial support.

If the state wishes MVH to continue to provide care in six locations across the state, ***our recommendation to the State is to provide an additional $3.1MM in funding, for a total state contribution of $3.9MM.*** This will allow us to draw down an additional $7.8MM in federal match, thereby closing the $11.7MM gap. We also ask that this amount be tied to an annual inflation indicator to keep pace with inflation to ensure we can meet the stakeholder's recommendation to find a sustainable solution for years to come.

We must save this system of care so Maine can continue to proudly say, "We serve those who served."

Appendix A – Audited Financials

Board of Trustees
Maine Veterans' Homes

We have audited the financial statements of Maine Veterans' Homes (MVH) as of and for the year ended June 30, 2023, and have issued our report thereon dated October 31, 2023. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and the Uniform Guidance

As stated in our engagement letter dated May 18, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

In planning and performing our audit, we considered MVH's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

As part of obtaining reasonable assurance about whether MVH's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about compliance with the types of compliance requirements described in the Uniform Guidance applicable to each of its major federal programs for the purpose of expressing an opinion on MVH's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on MVH's compliance with those requirements.

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information (RSI) accompanying the basic financial statements, we applied certain limited procedures to the RSI, which consisted of inquiries of management about the methods of preparing the information and comparing the information with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not express an opinion or provide any assurance on the information because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance.

Significant Risks

In our engagement letter, we identified the risks we expected would meet the definition of "significant risks" pursuant to U.S. generally accepted auditing standards, which are risks toward the upper end of the risk spectrum based on their likelihood and potential magnitude. Through conclusion of our audit of the financial statements, we have identified the following additional significant risks:

- Completeness of payroll expense and related liabilities
- Completeness and valuation of the defined benefit pension liability

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MVH are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023. We noted no transactions entered into by MVH during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

- Estimated third-party payor settlements, which is based on prescribed regulatory principles and related interpretations
- Allowance for doubtful accounts, which is based on specific identification of accounts and historical experience
- Depreciation and amortization expense, which is based on management's estimate of useful lives
- Net pension liability (asset) and net OPEB liabilities and related amounts, which are actuarially determined based on census data and economic assumptions
- Management's estimate of the revenue recognized from U.S. Department of Health and Human Services (HHS), Coronavirus Aid, Relief, and Economic Security (CARES Act) Provider Relief Funds and the American Rescue Plan Act of 2021 (ARPA) funds, which are based on management's interpretation of the statutes and the guidelines issued by HHS and the Veterans Administration

We have reviewed the basis for these estimates to satisfy ourselves as to their reasonableness in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are as follows:

- Note 6—Significant Concentration and Estimated Third-Party Payor Settlements
- Note 7—Property, Plant, and Equipment
- Note 9—Borrowings
- Note 11—OPEB Plans
- Note 12—Contingencies
- Note 14—Defined Benefit Pension Plan
- Note 17—COVID-19 Relief Funding

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

Management Consultations with Other Independent Accountant

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MVH's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MVH's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the year ended June 30, 2023 and throughout the course of the audit, we discussed the status of claims made by a former employee and the related Office of Program Evaluation and Governmental Accountability investigation.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * * * * * *

We wish to thank the staff at MVH for the assistance provided to use during the course of our audit.

This information is intended solely for the use of the Board of Trustees of MVH and is not intended to be, and should not be, used by anyone other than these specified parties.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
October 31, 2023

BerryDunn

Maine Veterans' Homes

BASIC FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

June 30, 2023

With Independent Auditor's Report

MAINE VETERANS' HOMES

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Maine Veterans' Homes

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Maine Veterans' Homes (MVH), which comprise the statements of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MVH as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MVH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MVH's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MVH's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MVH's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP require the Management's Discussion and Analysis on Pages 4 through 10 and the Required Supplementary Information on Pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Trustees
Maine Veterans' Home

Report on Summarized Comparative Information

We have previously audited MVH's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 31, 2023 on our consideration of MVH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MVH's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MVH's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
October 31, 2023

This discussion and analysis of the Maine Veterans' Homes' (MVH) performance provides an analytical overview of its financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the attached financial statements.

USING THIS ANNUAL REPORT

This annual report consists of four parts:

- Management's Discussion and Analysis (MD&A) (this section): This section provides an analytical overview of the MVH's financial activities as of and for the year ended June 30, 2023.

- Basic Financial Statements: This section includes the following:

  ⇒ *Statement of Net Position*: Shows the financial status of MVH at June 30, 2023, including a listing of all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

  ⇒ *Statement of Revenues, Expenses, and Changes in Net Position*: Provides information on financial activity of MVH during the fiscal year and the resulting surpluses or deficits; also shows the resultant changes in the net position.

  ⇒ *Statement of Cash Flows*: Shows a categorical listing of MVH's flow of cash during the fiscal year.

- Notes to Basic Financial Statements: These notes explain some of the information in the financial statements and provide more detailed data.

- Required Supplementary Information: This section includes the following:

  ⇒ *Schedule of MVH's Proportionate Share of the Net Pension (Asset) Liability:* Shows MVH's share of the Participating Local District (PLD) Consolidated Plan (the Plan) net pension (asset) liability with the Maine Public Employment Retirement System (MePERS).

  ⇒ *Schedule of MVH Contributions:* Shows the trend of MVH contributions to the Plan as a percent of covered payroll.

  ⇒ *Schedule of MVH's Proportionate Share of the Post-Employment Benefits Other than Pensions (OPEB) Liability and Related Ratios (Retiree Group Life Insurance Plan)*

  ⇒ *Schedule of Changes in OPEB Liability and Related Ratios:* Shows changes in total OPEB liabilities and trends and total OPEB liabilities as a percent of covered payroll for the Retiree Welfare Plan.

Statement of Net Position

Comparison of 2023 to 2022

	FY 2023	FY 2022
Total current assets	**$ 13,244,641**	$ 11,102,752
Assets whose use is limited, net of amount required for current liabilities	**22,591,699**	28,576,438
Net property, plant, and equipment	**135,159,417**	144,650,605
Total other assets	**2,994,031**	4,821,461
Total assets	**$ 173,989,788**	$ 189,151,256
Total deferred outflows of resources	**$ 11,112,012**	$ 12,572,615
Total current liabilities	**$ 13,255,340**	$ 11,292,542
Long-term debt and capital lease obligations, excluding current portion	**20,449,951**	20,628,583
Net other postemployment benefit obligations	**815,736**	767,355
Net pension liability	**15,332,239**	-
Total liabilities	**$ 49,853,266**	$ 32,688,480
Total deferred inflows of resources	**$ 7,187,920**	$ 26,949,786
Total net position	**$ 128,060,614**	$ 142,085,605

MVH's total assets decreased by approximately $15,161,000 due primarily to decreases in cash, assets whose use is limited, and net property, plant and equipment.

Current assets increased primarily due to increases in estimated third-party settlements, attributable to increased MaineCare cost report receivables from the new Augusta home. Resident accounts receivable, net of allowance for doubtful accounts, which is included in total current assets, increased approximately $1,279,000.

The allowance for doubtful accounts of approximately $976,000 at June 30, 2023 reflects certain account balances that may be uncollectible, and increased by approximately $78,000 from the June 30, 2022 balance.

Net property, plant, and equipment decreased from approximately $144,651,000 to $135,159,000, a decrease of $9,492,000, or 6.6%, during the year ended June 30, 2023. MVH recorded new assets of approximately $2,900,000, disposed of assets with a net book value totaling approximately $4,037,000, and recognized depreciation of capital assets totaling approximately $8,368,000.

The deferred outflows of resources and deferred inflows of resources related to the pension plan as of June 30, 2023 and 2022 were recorded in connection with Governmental Accounting Standards Board (GASB) Statements Nos. 68 and 71. Deferred outflows of resources related to the pension plan decreased approximately $1,455,000 primarily due to change in assumptions used to value the pension plan. Deferred inflows of resources related to the pension plan decreased approximately $19,557,000 primarily due to changes in the net difference between projected and actual earnings on pension plan investments. These items are further discussed in Note 14 to the financial statements.

Total liabilities increased from June 30, 2022 to June 30, 2023 by approximately $17,165,000, or 52.5%. The major changes in liabilities relate to the net pension liability. Under GASB No. 68, cost sharing governments, such as MVH, are required to report a net pension asset or liability, pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts of all governmental entity participants in the plan. The net pension asset at June 30, 2022 was approximately $1,881,000 and at June 30, 2023 became a net pension liability of approximately $15,332,000. Current liabilities increased primarily due to an increase in accounts payable of $2,453,000 or 47.1% due to financial losses that caused a decrease in cash flow. Long-term debt decreased by $179,000 due to payments made on the network infrastructure capital lease classified as long term debt.

Net position decreased by $14,025,000 or (9.9%) from June 30, 2022 to June 30, 2023. There are three categories of net position, as follows:

	FY 2023	FY 2022
Net investment in capital assets	**$ 113,525,000**	$ 123,867,000
Unrestricted	**14,164,000**	17,922,000
Restricted – expendable	**371,000**	296,000
Total	**$ 128,060,000**	$ 142,085,000

Net investment in capital assets includes capital assets (e.g., land, buildings, equipment, vehicles, etc.) reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to these assets. Restricted/expendable net assets represent restricted gifts donated to MVH that remain unspent at fiscal year-end.

The decrease in unrestricted net position from June 30, 2022 to June 30, 2023 includes increased interest expense of $483,000 from June 30, 2022 to June 30, 2023. Also, MVH did not receive any federal COVID-19 relief funds in fiscal year 2023 compared to approximately $5,670,000 received in FY 2022.

Revenues

Total revenues for the year ended June 30, 2023 were approximately $94,742,000, an increase from the year ended June 30, 2022 of $16,225,000, or 21.0%. Revenues are divided into two categories: operating revenues and non-operating revenues. Each category is sub-divided as follows:

	FY 2023	FY 2022
Operating		
Net resident service revenue	**$ 73,860,000**	$ 64,345,000
Net V.A. stipend revenue	**6,312,000**	6,364,000
Net pharmacy revenue	**10,303,000**	7,535,000
Loss on disposal of property, plant and equipment	**(986,000)**	(1,475,000)
Other	**816,000**	439,000
Subtotal	**90,305,000**	77,208,000
Non-operating		
Contribution revenue	**289,000**	335,000
COVID-19 federal relief grant revenue	**-**	5,669,000
Investment gain/(loss)	**1,165,000**	(5,562,000)
Interest and dividend income, net of fees	**603,000**	772,000
V.A. construction grant revenue	**2,380,000**	95,000
Subtotal	**4,437,000**	1,309,000
Total	**$ 94,742,000**	78,517,000

Operating revenues increased by approximately $13,097,000 or 17.0% from June 30, 2022 to June 30, 2023. Net resident service revenue increased by approximately $9,515,000 or 14.8% from June 30, 2022 to June 30, 2023. This increase was due to an increase in resident days in FY 2023 compared to FY 2022, as well as rate increases. The pandemic forced long-term care facilities, including MVH, to limit admissions to prevent the spread of COVID-19. Census has been slow to recover due to ongoing staffing shortages. COVID-19 stimulus funds from MaineCare and Medicare ended in FY 2002. MaineCare supplemental payments to assist facilities with the residual impacts of COVID-19 were $2.7million and $7.2million in fiscal years 2023 and 2022, respectively.

Net V.A. stipend revenue decreased in FY 2023 by approximately $52,000, or (0.8%), primarily due to a drop in the residential care stipend associated with V.A. denials of these stipends which have increased steadily since the V.A. started denying residential care stipends at the end of 2019.

Net pharmacy revenue increased by $2,768,000 or 36.7% from June 30, 2022 to June 30, 2023. Pharmacy script volumes increased slightly associated with the increase in census and resident days at MVH facilities. MVH brought on new external pharmacy clients in fiscal year 2023 which contributed to increases in pharmacy script volumes in FY 2023 compared to FY 2022.

Non-operating revenues increased $3,128,000 from June 30, 2022 to June 30, 2023. V.A. construction grant revenue increased by $2,285,000 to $2,380,000 in FY 2023. Also, MVH realized investment gains of $1,165,000 in FY 2023 compared to investment losses of $5,562,000 in FY 2022, which contributed to the large increase in non-operating revenue.

Expenses

Total expenses increased from $94,705,000 to $108,768,000 from June 30, 2022 to June 30, 2023, an increase of $14,063,000. Comparison with prior year expense activity is as follows:

	FY 2023	FY 2022
Operating expenses	**$107,448,000**	$ 93,832,000
Non-operating expenses	**1,320,000**	873,000
Total	**$108,768,000**	$ 94,705,000

Operating expenses increased by 14% from June 30, 2022 to June 30, 2023. This increase was due primarily to increases in MePERS pension expense, contract labor used to offset staffing shortages brought on by the pandemic, and depreciation expense associated with the new Augusta facility.

Salaries increased approximately $1,702,000 or 3.6% from June 30, 2022 to June 30, 2023. MVH provided a wage increase at the beginning of FY 2023 to all staff. MVH also incurred high compensation costs associated with COVID-19 incentive pay during outbreaks and paying high incentive rates for staff to pick up work shifts. Pharmacy cost of goods increased $1,408,000 or 32.7% from June 30, 2022 to June 30, 2023. The increase is associated, primarily, with the increase in external business brought on in FY 2023.

Non-operating expenses increased by $447,000 from June 30, 2022 to June 30, 2023. Interest expense increased $483,000 from June 30, 2022 to June 30, 2023. The increase was due in large part to an increase in the interest rate applied to long-term debt on the new Augusta facility when MVH did not meet one of its debt covenants for the fiscal year ended June 30, 2022.

Statement of Cash Flows

The statement of cash flows reports MVH's sources and uses of cash. The four categories considered are operating, capital and related financing, noncapital financing, and investing activities. Cash at the beginning of FY 2023 was $2,302,000 and was $1,590,000 at the end of FY 2023. This represents a net decrease in cash of $712,000. The net decrease in cash from FY 2022 to FY 2023 is primarily due to cash used by operating activities exceeding cash provided by capital and related financing activities, cash provided by noncapital financing activities, and cash provided by investment activities.

For the year ended June 30, 2023, net cash used by operating activities was approximately $11.1 million, a decrease of approximately $1,352,000 from FY 2022.

Net cash provided by capital and related financing activities was approximately $9.6 million for FY 2023 which represents an increase from FY 2022 of approximately $18.5 million. This is mostly due to proceeds from sale of property, plant, and equipment of $3.1 million and increase in funded depreciation of $7.8 million, offset by additions to property, plant and equipment, and interest paid on long term debt.

Net cash provided by noncapital financing activities for FY 2023 was $172,000 primarily due to cash received from contributions.

Net cash provided from investing activities in FY 2023 only consists of interest income from investing activities and remained relatively consistent with FY 2022.

FINANCIAL ACTIVITY – BUDGET VS. ACTUAL

The total deficit of $14,025,000 for the year ended June 30, 2023 was less than the budgeted deficit of $15,423,000 by $1,456,000 or 9.0%. The positive variance from budget was due primarily to the operating loss coming in below budget. Gains on the investment portfolio in FY 2023 totaled $1.2 million, which exceeded the budgeted amount by $165,000. The loss from operations of $17.1 million fell below budget by $3.2 million. The loss from operations was caused in large part to slow recovery from the COVID-19 pandemic: lost revenue due to low census, high costs for contract labor to offset staffing shortages, high costs for COVID-19 supplies and testing. In addition, FY 2023 was first full year of operations of the new Augusta home which was budgeted to incur a larger operating loss than operations at the previous Augusta facility. The loss from operations was partially offset by unbudgeted MaineCare supplemental payments which totaled $2.7 million in FY 2023.

Net V.A. stipend revenues of $6,312,000 accounted for 7.0% of operating revenues and 6.7% of total revenues for the year ended June 30, 2023. MVH is restricted by state statute in its use of these revenues, primarily for the payment of its long-term and other debt and funding for future capital acquisitions (funded depreciation). Consequently, MVH measures its financial performance by excluding this revenue source and any V.A. construction grant revenues received during the year.

Excluding the V.A. stipend revenues and V.A. construction grant revenues, the financial performance of MVH was as follows:

	Actual Surplus/(Deficit)	Budgeted Surplus/(Deficit)	Difference
Total	$(22,717,000)	$(28,022,000)	$ (5,305,000)

Resident Occupancy

The most recently available data indicates the occupancy rate in the state of Maine is 80.9% for nursing homes and 85.8% for residential care facilities. The occupancy rate for MVH for FY 2023 was 80.9% for its nursing home beds and 86.9% for its residential care beds. The combined rate for both levels of care was 82.6%. COVID-19 negatively impacted occupancy rates for nursing facilities and residential care facilities across Maine since the pandemic began in March 2020.

Payor Sources

Payor sources for all MVH facilities combined in FY 2023 were:

	Nursing Home	Residential Care
Private/Commercial	26.7%	22.5%
V.A.	23.9%	n/a
Medicaid	46.4%	77.5%
Medicare	3.0%	n/a

Next Year's Budget and Rates

A combined budgeted occupancy of 90.2% was approved for FY 2024. Admissions were budgeted to continue to improve each month in FY 2024 to reach a combined occupancy of 94% which would be similar to pre-pandemic occupancy levels.

The approved budget for FY 2024 forecasts an operating loss of $6,343,000 including budgeted V.A. stipend revenue of $7,435,000 which, as mentioned above, is limited in its use.

Budgeted operating expenses for FY 2024 are $110,144,000, including budgeted cost of sales of $8,225,000 for MVH's pharmacy. This is $2,696,000, or 2.4%, higher than FY 23 actual operating expenses of $107,448,000. This higher budgeted amount is attributed to an increase in wages and benefits, an increase in cost of sales associated with MVH's pharmacy operations due to expected census improvement as recovery from the pandemic continues, and a full year of new external pharmacy business that began late in FY 2023.

Total FY 2024 budgeted operating revenues are $103,801,000. This is an increase of $13,496,000 from FY 2023 actual operating revenues of $90,305,000. Pharmacy revenue is budgeted to increase $2,805,000 in FY 2024 compared to the prior year actual amount associated with the increased resident census and a full year of new external business as noted above. MVH recorded investment gains of $1.2 million in FY 2023 and budgeted $1 million for investment gains in FY 2024. MVH recorded a loss on disposal of property, plant and equipment of $986,000 in FY 2023 which was reflected as a reduction to operating revenues. Neither a gain nor loss on disposal was budgeted for FY 2024. Finally, the average daily census budgeted for FY 2024 is 532.2 compared to the actual daily census for FY 2023 of 524.6. This is estimated to impact net resident service revenue by $5.9 million.

The FY 2024 budget does not include the potential impact of GASB No. 68 as that amount cannot be reasonably estimated at this time.

MVH management has re-financed the debt from the new Augusta facility under more favorable terms subsequent to the close of FY 2023. The re-financed debt provides lower debt service payments which will provide positive cash flow benefits in FY 2024.

Contacting the Maine Veterans' Homes Financial Management

This financial report is designed to provide the public with a general overview of MVH's finances and to demonstrate MVH's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the MVH central office finance department, 460 Civic Center Drive, Augusta, ME 04330.

MAINE VETERANS' HOMES

Statement of Net Position

June 30, 2023
(With Comparative Totals for June 30, 2022)

ASSETS AND DEFERRED OUTFLOWS

	Operating Fund	Restricted Fund	Eliminations	2023 Total	2022 Total
Current assets					
Cash	$ 1,590,200	$ -	$ -	$ 1,590,200	$ 2,301,604
Accounts receivable, net of allowance for doubtful accounts of $976,100 and $897,800 in 2023 and 2022, respectively	5,399,599	-	-	5,399,599	4,120,579
Pharmacy inventory	763,791	-	-	763,791	1,020,431
Employee receivables	92,962	-	-	92,962	83,368
U.S. Department of Veteran Affairs (V.A.) stipend receivable	-	886,850	-	886,850	572,027
V.A. construction grant receivable	-	452,324	-	452,324	1,025,133
Prepaid expenses, supplies, and other current assets	101,489	-	-	101,489	300,059
Assets whose use is limited	254,656	-	-	254,656	249,781
Due from other fund	967,876	-	(967,876)	-	-
Estimated third-party payor settlements	3,702,770	-	-	3,702,770	1,429,770
Total current assets	12,873,343	1,339,174	(967,876)	13,244,641	11,102,752
Assets whose use is limited, net of amount required for current liabilities	22,591,699	-	-	22,591,699	28,576,438
Property, plant, and equipment	203,729,918	530,000	-	204,259,918	217,820,223
Less accumulated depreciation	(69,100,501)	-	-	(69,100,501)	(73,169,618)
Net property, plant, and equipment	134,629,417	530,000	-	135,159,417	144,650,605
Other assets					
Computer software, net of amortization	56,416	-	-	56,416	3,256
Net pension asset	-	-	-	-	1,880,590
License rights	2,937,615	-	-	2,937,615	2,937,615
Total other assets	2,994,031	-	-	2,994,031	4,821,461
Total assets	$ 173,088,490	$ 1,869,174	$ (967,876)	$ 173,989,788	$ 189,151,256
Deferred outflows of resources	$ 11,112,012	$ -	$ -	$ 11,112,012	$ 12,572,615

The accompanying notes are an integral part of these financial statements.

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

	Operating Fund	Restricted Fund	Eliminations	2023 Total	2022 Total
Current liabilities					
Current portion of long-term debt and lease obligations	$ 154,476	$ -	$ -	$ 154,476	$ 154,877
Accounts payable	7,657,404	-	-	7,657,404	5,204,179
Accrued expenses and other current liabilities	295,232	-	-	295,232	594,145
Accrued payroll and related expenses	4,650,608	-	-	4,650,608	4,961,375
Resident funds held in trust	254,656	-	-	254,656	249,781
Refunds due to third-party payors	242,964	-	-	242,964	128,185
Due to other fund	-	967,876	(967,876)	-	-
Total current liabilities	13,255,340	967,876	(967,876)	13,255,340	11,292,542
Long-term debt and lease obligations, excluding current portion	20,449,951	-	-	20,449,951	20,628,583
Net other post-employment benefit obligation liabilities	815,736	-	-	815,736	767,355
Net pension liability	15,332,239	-	-	15,332,239	-
Total liabilities	$ 49,853,266	$ 967,876	$ (967,876)	$ 49,853,266	$ 32,688,480
Deferred inflows of resources	$ 7,187,920	$ -	$ -	$ 7,187,920	$ 26,949,786
Net position					
Net investment in capital assets	112,995,108	530,000	-	113,525,108	123,867,145
Unrestricted	14,164,208	-	-	14,164,208	17,922,059
Restricted—expendable	-	371,298	-	371,298	296,401
Total net position	$ 127,159,316	$ 901,298	$ -	$ 128,060,614	$ 142,085,605

MAINE VETERANS' HOMES

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2023
(With Comparative Totals for Year Ended June 30, 2022)

	Operating Fund	Restricted Fund	2023 Total	2022 Total
Operating revenues				
Net resident service revenue	$ 73,859,806	$ -	$ 73,859,806	$ 64,345,350
Net V.A. stipend revenue	-	6,312,184	6,312,184	6,364,063
Net pharmacy revenue	10,302,857	-	10,302,857	7,534,798
Meal, laundry, and other revenue, net	815,871	-	815,871	438,970
Loss on sale and impairment of property, plant, and equipment	(985,595)	-	(985,595)	(1,475,113)
Total operating revenues	83,992,939	6,312,184	90,305,123	77,208,068
Operating expenses				
Salaries	48,712,801	-	48,712,801	47,010,768
Benefits	13,127,063	-	13,127,063	7,776,519
Pharmacy—cost of sales	5,718,521	-	5,718,521	4,310,264
Purchased services	16,099,658	-	16,099,658	12,779,507
Supplies	5,123,792	-	5,123,792	4,923,341
Other	5,510,396	-	5,510,396	7,023,269
Bad debts	538,447	-	538,447	528,883
Depreciation and amortization	8,355,686	-	8,355,686	5,686,921
Health care provider tax	4,261,709	-	4,261,709	3,792,660
Total operating expenses	107,448,073	-	107,448,073	93,832,132
Operating (deficiency) excess of revenues over expenses	(23,455,134)	6,312,184	(17,142,950)	(16,624,064)
Nonoperating revenues and expenses				
Contribution revenue	97,396	192,287	289,683	335,071
COVID-19 relief grant revenue	-	-	-	5,669,973
Investment gain (loss)	1,165,368	-	1,165,368	(5,562,408)
Interest and dividend income, net of fees	602,845	-	602,845	771,744
Interest expense	(1,202,604)	-	(1,202,604)	(719,126)
Development expenses	-	-	-	(7,365)
Restricted expenses	-	(117,390)	(117,390)	(146,085)
V.A. construction grant revenue	-	2,380,057	2,380,057	94,569
Total nonoperating revenues and expenses	663,005	2,454,954	3,117,959	436,373
Total (deficiency) excess of revenues over expenses	(22,792,129)	8,767,138	(14,024,991)	(16,187,691)
Funding of depreciation and capital expenditures	8,692,241	(8,692,241)	-	-
Total (decrease) increase in net position	(14,099,888)	74,897	(14,024,991)	(16,187,691)
Net position, beginning of year	141,259,204	826,401	142,085,605	158,273,296
Net position, end of year	$ 127,159,316	$ 901,298	$ 128,060,614	$ 142,085,605

The accompanying notes are an integral part of these financial statements.

MAINE VETERANS' HOMES

Statement of Cash Flows

Year Ended June 30, 2023
(With Comparative Totals for Year Ended June 30, 2022)

	Operating Fund	Restricted Fund	2023 Total	2022 Total
Cash flows from operating activities				
Cash received from V.A. stipend	$ -	$ 5,997,361	$ 5,997,361	$ 6,605,814
Cash received from other sources	10,739,111	-	10,739,111	7,865,943
Cash received from residents and third-party payors	70,271,280	-	70,271,280	63,328,718
Cash paid to employees	(49,033,162)	-	(49,033,162)	(47,970,784)
Cash paid to vendors	(49,030,321)	-	(49,030,321)	(42,237,227)
Net cash (used) provided by operating activities	(17,053,092)	5,997,361	(11,055,731)	(12,407,536)
Cash flows from capital and related financing activities				
Proceeds from long-term debt	-	-	-	2,668,316
Interest paid on long-term debt and lease obligations	(1,202,604)	-	(1,202,604)	(719,126)
Principal payments on long- term debt and lease obligations	(179,033)	-	(179,033)	(275,235)
Proceeds from V.A. construction grants	2,380,057	-	2,380,057	94,569
Additions to property, plant, and equipment	(2,200,605)	-	(2,200,605)	(11,463,713)
Proceeds from sale of property, plant, and equipment	3,051,460	-	3,051,460	157,975
Interfund transfers	6,645,067	(6,072,258)	572,809	(108,708)
Cash paid for development activities	-	-	-	(7,365)
Proceeds from draw from funded depreciation and bond debt service	7,750,000	-	7,750,000	1,500,000
Increase in funded depreciation and bond debt service	(605,895)	-	(605,895)	(771,316)
Net cash provided (used) by capital and related financing activities	15,638,447	(6,072,258)	9,566,189	(8,924,603)
Cash flows from noncapital financing activities				
Cash received from contributions	97,396	192,287	289,683	335,071
Cash received from COVID-19 federal relief grants	-	-	-	10,531,371
Cash paid for restricted expenses	-	(117,390)	(117,390)	(146,085)
Net cash provided by noncapital financing activities	97,396	74,897	172,293	10,720,357
Cash flows from investing activities				
Interest income from investing activities	605,845	-	605,845	771,744
Net cash provided by investing activities	605,845	-	605,845	771,744
Net decrease in cash	(711,404)	-	(711,404)	(9,840,038)
Cash, beginning of year	2,301,604	-	2,301,604	12,141,642
Cash, end of year	$ 1,590,200	$ -	$ 1,590,200	$ 2,301,604

The accompanying notes are an integral part of these financial statements.

MAINE VETERANS' HOMES

Statements of Cash Flows (Concluded)

Year Ended June 30, 2023
(With Comparative Totals for Year Ended June 30, 2022)

	Operating Fund	Restricted Fund	2023 Total	2022 Total
Reconciliation of operating (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities				
Operating (deficiency) excess of revenues over expenses	**$ (23,455,134)**	**$ 6,312,184**	**$(17,142,950)**	$(16,624,064)
Adjustments to reconcile operating (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities				
Depreciation and amortization	**8,355,686**	**-**	**8,355,686**	5,686,921
Loss on sale and impairment of property, plant, and equipment	**985,595**	**-**	**985,595**	1,475,113
(Increase) decrease in				
Accounts and employee receivables, net	**(1,288,614)**	**-**	**(1,288,614)**	50,136
Pharmacy inventory	**256,640**	**-**	**256,640**	(21,891)
V.A. stipend receivable	**-**	**(314,823)**	**(314,823)**	241,751
Prepaid expenses, supplies, and other current assets	**198,572**	**-**	**198,572**	14,079
Estimated third-party payor settlements	**(2,273,000)**	**-**	**(2,273,000)**	(595,864)
Net pension asset	**1,880,590**	**-**	**1,880,590**	(1,880,590)
Deferred outflows of resources	**1,460,603**	**-**	**1,460,603**	(4,959,352)
Increase (decrease) in				
Accounts payable	**1,702,117**	**-**	**1,702,117**	3,271,914
Accrued expenses and other current liabilities	**(494,901)**	**-**	**(494,901)**	(614,916)
Net other post-employment benefit obligation liabilities	**48,381**	**-**	**48,381**	(81,443)
Net pension liability	**15,332,239**	**-**	**15,332,239**	(24,253,567)
Deferred inflows of resources	**(19,761,866)**	**-**	**(19,761,866)**	25,884,237
Net cash (used) provided by operating activities	**$ (17,053,092)**	**$ 5,997,361**	**$(11,055,731)**	$(12,407,536)

Supplemental cash flow disclosures:

At June 30, 2023, additions to property, plant, and equipment totaling $1,029,882 were included in accounts payable. Additions to property, plant, and equipment of $278,774 included in accounts payable at June 30, 2022 were paid in 2023.

The accompanying notes are an integral part of these financial statements.

Nature of Business

Maine Veterans' Homes (MVH) provides nursing and residential care to qualified veterans and their spouses, widows, widowers, and "gold star" parents. MVH operates six facilities in Maine.

Augusta

Construction on an Augusta replacement facility with 108 nursing facility beds and 30 residential care beds was completed and opened in March 2022. Construction was funded by a grant from the U.S. Department of Veterans' Affairs (V.A.) for 65% of allowed costs, board designated investments, and long-term financing. The original facility, which was vacated, was held for sale at June 30, 2022.

The former Augusta facility had 120 nursing facility beds and 30 residential care beds. The nursing facility had been operating its 120 nursing home beds since 1983. Construction of this original facility was funded by a grant from the V.A. for 65% of allowed costs, and the balance was funded by a general obligation bond issue of the State of Maine (the State). The land was deeded to MVH by the State Bureau of Public Lands (the Bureau). Title to the land was to revert back to the Bureau after a certain tax-free general obligation bond was redeemed. During 2022, MVH purchased the land from the Bureau to facilitate the sale of the building

The 30-bed residential care unit in Augusta had been in operation since August 2004. Construction of this unit was funded by a grant from the V.A. for 65% of allowed costs and the balance was funded by a tax-free revenue bond issue of MVH. The residential care unit was adjacent to the nursing facility.

In January 2023, MVH closed on the sale of the former Augusta facility and land for $3,200,000.

Caribou

The Caribou facility has 40 nursing facility beds and 30 residential care beds attached to Cary Medical Center. The 40-bed nursing facility has been in operation since January 1990. Construction was funded by a grant from the V.A. for 65% of allowed costs, and the balance was funded by a tax-free revenue bond issue of MVH. The property is under a lease from the Caribou Hospital District. Although the term of the lease is for 99 years, the landlord has retained the right to terminate the lease upon 30 days’ written notice in the event MVH shall cease to operate a veterans’ facility at the premises. The lease expires in August 2087. In the event of a termination, MVH is entitled to receive, from Caribou Hospital District, a prescribed pro-rata portion of the original construction cost based on the number of years the facility has been in existence.

The 30-bed residential care unit in Caribou has been in operation since September 2003. Construction was funded by a grant from the V.A. for 65% of allowed costs, and the balance was funded by a tax-free revenue bond issue of MVH. The land occupied by MVH for the residential care unit is under lease from the Caribou Hospital District. Although the term of the lease is for 99 years, the landlord has retained the right to terminate the lease upon 30-day written notice in the event MVH shall cease to operate a veterans’ facility at the premises. The lease expires in March 2101. The residential care unit is adjacent to the nursing facility.

Nature of Business (continued)

Construction was funded by a grant from the V.A. for 65% of allowed costs, and the balance was funded with board designated investments and long-term financing.

The Caribou facility also has a management contract with Cary Medical Center for the provision of various clinical and non-clinical ancillary services. The agreement can be terminated by either party with 90 days written notice.

Scarborough

The Scarborough facility has 120 nursing facility beds and 30 residential care beds. The nursing facility has been operating its 120 nursing home beds since July 1990. Construction was funded by a grant from the V.A. for 65% of allowed costs, and the balance was funded by a tax-free bond issue of MVH. The land was donated by the Town of Scarborough and the American Legion Post #76 of Scarborough. Title to the land would revert back to the town should MVH cease to operate as a veterans' facility.

The 30-bed residential care unit in Scarborough has been in operation since March 2003. Construction of this unit was funded by a grant from the V.A. for 65% of allowed costs and the balance was funded by a tax-free revenue bond issue of MVH. The residential care unit is adjacent to the nursing facility.

South Paris

The South Paris facility has 62 nursing facility beds and 28 residential care beds and has been in operation since July 1995. Construction was funded by a grant from the V.A. for 65% of allowed costs, and by tax-free revenue bonds of MVH. Most of the land was donated by Oxford Bank and Trust Company and Peoples Heritage Bank, and adjacent parcels were purchased from, or donated by, private land owners.

Bangor

The Bangor facility has 120 nursing facility beds and 30 residential care beds. The nursing facility has been operating its 120 nursing home beds since October 1995. Construction was funded by a grant from the V.A. for 65% of allowed costs, and by a tax-free revenue bond issue of MVH. The land was donated by the State. The 30-bed residential care unit has been in operation since June 2003. Construction was funded by a grant from the V.A. for 65% of allowed costs, and by a tax-free revenue bond issue. The residential care unit is adjacent to the nursing facility.

Nature of Business (concluded)

Machias

The Machias facility has 30 residential care beds and has been in operation since September 2005. Construction was funded partially by a grant from the V.A. for 65% of allowed costs.

The land occupied by MVH for the residential care unit in Machias is under lease from Down East Community Hospital. Although the term of the lease is for 99 years with a $1 payment due annually, the landlord has retained the right to terminate the lease upon 30 days written notice in the event MVH shall cease to operate a veterans' facility at the premises. The lease expires in April 2104. In the event of a termination, MVH is entitled to an apportionment equal to the value of the facility.

MVH also has a central office whose costs are allocated to each of the facilities. The central office provides accounting, human resources, and other management support.

In addition, MVH operates a pharmacy at the central office location. The pharmacy provides pharmaceuticals and pharmacy consulting services to residents of MVH facilities and to certain other long-term care facilities in Maine under contracts for professional services which are renewable on an annual basis.

MVH was created by the State Legislature to provide public homes for veterans, and the State has the authority to appoint its governing board. However, MVH is a separate and distinct legal entity, and is not included in the State's component unit financial statements. It receives no annual appropriation from the State legislature, and there are no appropriated budgets to include for reporting purposes. In addition, its employees are classified as public, not State, employees.

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. MVH extends credit at regular terms without collateral to its residents.

1. Summary of Significant Accounting Policies (continued)

Pharmacy Inventory

Inventory consists of pharmaceuticals and is stated at cost.

Assets Whose Use is Limited

Assets whose use is limited includes investments which are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of the investment securities will occur and that such changes could materially affect the amounts reported in the statement of net position.

Investment income, including interest, dividends, and realized and unrealized gains (losses), is excluded from operating revenue. Interest and dividends are included with interest income from other sources in the statement of revenues, expenses, and changes in net position.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at the fair market value at date of donation. Depreciation and amortization are provided on the straight-line basis over the assets' estimated useful lives, as outlined in *Estimated Useful Lives of Depreciable Hospital Assets, 2013 Edition*, published by the American Hospital Association. Following is a summary of estimated useful lives by asset category:

	Estimated Useful Lives (Years)
Land improvements	8 – 20
Buildings and improvements	5 – 40
Equipment	5 – 15
Motor vehicles	4

Computer Software

Computer software costs are being amortized using the straight-line method over three years.

License Rights

MVH capitalized the Medicaid funding stream rights acquired from other long-term care facilities, to construct and operate residential care units at its Scarborough, Augusta, Bangor, Caribou, and Machias locations. These beds have been placed in service and through June 30, 2008, MVH had been amortizing the costs by the straight-line method over 20 years. Under Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, intangible assets with indefinite useful lives should not be amortized. If changes in factors and conditions result in the service capacity being reduced or the useful life of the license rights no longer being indefinite, the assets are to be tested for impairment.

1. Summary of Significant Accounting Policies (continued)

In September 2014, MVH purchased $2,600,000 of MaineCare revenue stream for use in future projects. Utilization of the license rights and related revenue stream is subject to review and approval by the Maine Department of Health and Human Services (DHHS). DHHS approved the use of approximately $2,400,000 of this revenue stream to meet MaineCare neutrality requirements for the Augusta replacement facility (see Note 8).

Operating Revenues and Expenses

The operating (deficiency) excess of revenues over expenses reported in the financial statements includes revenues and expenses related to the primary, continuing operations of MVH. Principal operating revenues are charges to residents for services and pharmaceuticals and stipends received from the V.A. for eligible resident services. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

Restricted Revenue

When both restricted and unrestricted resources are available for use, it is MVH's policy to use restricted resources first, then unrestricted resources as needed, as permitted by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Resident Revenue

MVH records its revenue based on its standard charges for resident services rendered. MVH has contractual arrangements with Medicare, DHHS, and other third-party payors to render services to qualifying residents under certain cost-based programs which may result in MVH receiving payments for such services which differ from the standard charges. Any differences of this nature are recorded as contractual adjustments.

Basis of Presentation—Fund Accounting

The accounts of MVH are maintained in accordance with the principles of fund accounting recognized on the accrual basis using the economic resources measurement focus. MVH maintains two proprietary type funds. It has no fiduciary or endowment type funds.

The financial statements include certain prior-year summarized comparative information in total, not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with MVH's financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived.

1. Summary of Significant Accounting Policies (continued)

Risk Management

MVH is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Net Position

Net position of MVH is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, and is reduced by the current balances of any outstanding accounts payable and borrowings used to finance the purchase or construction of those assets. Expendable restricted net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to MVH. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or expendable restricted net position.

Operating Fund

Included in the operating fund, in addition to the unrestricted net position, are amounts received from the V.A. for completed construction, contributed land on which the facilities are built, and an initial state appropriation from 1982.

Restricted Fund

Under Maine law, MVH is allowed to retain, as revenue, any stipend funds it receives from the V.A. for MVH's Medicaid-eligible resident population. The law stipulates that MVH shall expend stipend funds received for the support and maintenance of its facilities primarily on the payment of debt service. It is the policy of MVH to release funds from restrictions when the required parameters are met.

Income Taxes

MVH is a nonprofit organization and has been recognized as tax-exempt pursuant to Internal Revenue Code (the Code) Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal and state income tax.

1. Summary of Significant Accounting Policies (concluded)

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (the System) Participating Local District (PLD) Consolidated Plan (the PLD Plan) and additions to or deductions from the Plan's fiduciary net position has been determined on the same basis as it is reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the System PLD Consolidated Plan—Retiree Group Life Insurance Plan and the MVH Retiree Welfare Plan (collectively, OPEB Plans), and additions to/deductions from the OPEB Plans' fiduciary net position has been determined on the same basis as it is reported by the OPEB Plans. For this purpose, the OPEB Plans recognize benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, MVH has recorded deferred outflows of resources and deferred inflows of resources relative to its pension plan and OPEB plans. As discussed in Notes 12 and 15, amounts reported as deferred outflows of resources and deferred inflows of resources are results of differences between expected and actual experience, projected and actual earnings on pension plan investments, changes of assumptions, changes in proportion and differences between contributions and proportionate share of contributions, and contributions made subsequent to the actuarial measurement date. These deferred outflows of resources and deferred inflows of resources are amortized over various lives and are charged to OPEB and pension expense as discussed in Notes 12 and 15, respectively. The unamortized portion is reported in the Statement of Net Position as a deferred outflow of resources or deferred inflow of resources, as applicable.

2. Assets Whose Use is Limited

Unrestricted assets whose use is limited consist of cash and cash equivalents and investments, and include resident funds held in trust and funded depreciation as follows at June 30:

	2023	2022
Resident funds held in trust	**$ 254,656**	$ 249,781
Funded depreciation and bond debt service*	**22,591,699**	28,576,438
Total assets whose use is limited	**22,846,355**	28,826,219
Less those required for current liabilities	**254,656**	249,781
Noncurrent assets whose use is limited	**$ 22,591,699**	$ 28,576,438

* In addition to cash of $1,342 and $1,318 at June 30, 2023 and 2022, respectively, funded depreciation and bond debt service includes assets held in investments; see Notes 4 and 5.

3. Investments

Investments are reported at fair value and consist of the following as of June 30:

	2023	
	Cost	**Fair Value**
Vanguard Total Bond Market Index Fund Institutional Shares	**$ 5,618,560**	**$ 4,994,726**
Vanguard Short-Term Investment Grade Admiral Shares	**2,324,688**	**2,217,696**
Vanguard Intermediate-Term Investment Grade Admiral Shares	**1,826,584**	**1,562,201**
Vanguard Total Stock Market Index Fund Institutional Shares	**2,584,825**	**7,079,097**
Vanguard Total International Stock Index Fund Institutional Shares	**3,784,505**	**4,472,123**
Vanguard Long-Term Investment Grade Admiral Shares	**1,687,429**	**1,220,647**
Vanguard REIT Index Fund Admiral Shares	**905,547**	**1,043,867**
	$ 18,732,138	**$ 22,590,357**

	2022	
	Cost	Fair Value
Vanguard Total Bond Market Index Fund Institutional Shares	$ 7,023,080	$ 6,459,243
Vanguard Short-Term Investment Grade Institutional Shares	3,038,921	2,924,767
Vanguard Intermediate-Term Investment Grade Admiral Shares	2,383,964	2,061,932
Vanguard Total Stock Market Index Fund Institutional Shares	3,561,100	8,551,454
Vanguard Total International Stock Index Fund Institutional Shares	5,159,177	5,617,837
Vanguard Long-Term Investment Grade Admiral Shares	1,985,350	1,492,075
Vanguard REIT Index Fund Admiral Shares	1,178,526	1,467,812
	$ 24,330,118	$ 28,575,120

3. Investments (concluded)

The Vanguard Total Bond Market Index Fund (VBTIX) tracks the Barclays Capital U.S. Aggregate Float Adjusted Index. This index tracks investment grade bonds commonly traded in the U.S. The holdings of the VBTIX are rated as follows as of June 30, 2023: AAA (71%), AA (3%), A (12%), and BBB (14%).

The Vanguard Short-Term Investment Grade Fund (VFSUX) seeks to provide current income while maintaining limited price volatility. The holdings of VFSUX are as follows as of June 30, 2023: AAA (12%), AA (2%), A (36%), BBB (49%), and other (1%).

The Vanguard Intermediate-Term Investment Grade Fund (VFIDX) tracks high and mid-quality fixed-income securities. The holdings of VFIDX are as follows as of June 30, 2023: AAA (9%), AA (3%), A (39%), BBB (47%), and other (2%).

The Vanguard Long-Term Investment Grade Fund (VWETX) provides diversified exposure to medium- and high-quality investment-grade corporate bonds with an average maturity of 15 to 25 years. The holdings of VWETX are as follows as of June 30, 2023: AAA (11%), AA (22%), A (61%), and BBB (6%).

4. Fair Value Measurement and Application

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB Statement No. 72 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

4. Fair Value Measurement and Application (continued)

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	Fair Value Measurements at June 30, 2023, Using:			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Equity mutual funds	**$ 11,551,220**	**$ 11,551,220**	**$ -**	**$ -**
Fixed income mutual funds	**9,995,270**	**9,995,270**	**$ -**	**$ -**
Real estate investment trusts	**1,043,867**	**1,043,867**	**-**	**-**
	$ 22,590,357	**$ 22,590,357**	**$ -**	**$ -**

	Fair Value Measurements at June 30, 2022, Using:			
	Total	Level 1	Level 2	Level 3
Investments:				
Equity mutual funds	$ 14,169,291	$ 14,169,291	$ -	$ -
Fixed income mutual funds	12,938,017	12,938,017	-	-
Real estate investment trusts	1,467,812	1,467,812	-	-
	$ 28,575,120	$ 28,575,120	$ -	$ -

Investment return (loss) consisted of the following for the years ended June 30:

	2023	2022
Interest and dividends, net of investment fees of $35,761 and $43,907 in 2023 and 2022, respectively.	**$ 602,845**	$ 771,744
Investment return (loss)	**1,165,368**	(5,562,408)
	$ 1,768,213	$ (4,790,664)

Investment Practices

Investments are managed to generate maximum total return (interest, dividends, and capital appreciation) from MVH's invested assets consistent with accepted risk levels and objectives of the MVH Board of Trustees. The long-term objective of the portfolio is to produce total returns, net of fees, which exceed the inflation rate (as measured by the Consumer Price Index) by at least four percentage points.

4. Fair Value Measurement and Application (concluded)

Fund assets are allocated across the three broad asset classes in accordance with the following guidelines:

Asset Class	Sub-Asset Class	Target Allocation	
Equity			
	Domestic (U.S.)	30 %	
	International (non-U.S.)	20 %	50 %
Fixed income			
	Investment Grade	23 %	
	Bond Market Index	22 %	45 %
Real estate investment trusts			5 %

5. Interfund Balances

Outstanding balances between the operating and restricted fund reported as "due from (to) other fund" include V.A. stipend receivables, V.A. construction grant receivables, and restricted funds.

Substantially all of these interfund balances at June 30, 2023 are expected to be repaid within one year.

6. Significant Concentration and Estimated Third-Party Payor Settlements

Approximately 56% and 60% of the residents served during 2023 and 2022, respectively, were beneficiaries of the Maine Medicaid or federal Medicare programs. Revenue from the Medicaid program accounted for approximately 50% and 56% of MVH's net resident service revenue for 2023 and 2022, respectively. Under the Medicaid program, the provider is reimbursed for the care of qualified residents at specified interim contractual rates during the year. Differences between these interim contractual rates and the "cost" of this care, as defined by the Principles of Reimbursement governing the respective programs, are determined and settled on a retroactive basis. Nursing facility rates are released bi-annually and include inflationary increases and additional funds for facilities servicing a high MaineCare population. Providers of services to nursing care residents eligible for Medicare benefits are paid on a prospective basis, with no retrospective settlement. The prospective payment is based on the scoring attributed to the acuity level of the resident at a rate determined by federal guidelines. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

6. Significant Concentration and Estimated Third-Party Payor Settlements (continued)

A per diem allowance is received from the V.A. for all eligible veterans. This allowance is for support of a mutual obligation between the federal and state governments. The V.A. per diem payments for the first 20 days of Medicare eligible veteran stays was reported in net V.A. stipend revenue. The per diem allowance for the remaining days of stay is recorded as a reduction of accounts receivable. The per diem allowance for private pay veterans is recorded as a reduction of accounts receivable. The per diem allowance for Medicaid veterans is recorded as revenue by MVH. Net V.A. stipend revenue was $9,182,971 and $7,641,548 in 2023 and 2022, respectively.

In December 2018, the V.A. changed enforcement of existing rules that include a work requirement for veterans under the domiciliary care per diem stipend program, which impacts eligibility. MVH was granted equitable relief from this enforcement through September 30, 2023, and was, therefore, able to bill for residents who were initially deemed ineligible. MVH is required to file for equitable relief annually in order to continue to bill for certain veterans deemed ineligible under the domiciliary care per diem stipend program. Such billings approximated $536,700 and $950,200 for the years ended June 30, 2023 and 2022, respectively.

In addition, during 2022, the Maine legislature approved supplemental appropriations to MVH in the amounts of $2,442,200 and $1,063,830 during the years ended June 30, 2023 and 2022, respectively, which is included in net resident service revenue. An additional $2 million was approved through the legislature and will be paid to MVH during the year ending June 30, 2024.

MVH receives room and board per diem payments from the V.A. for qualifying service-connected disabled veterans. Eligibility criteria for this program is identified by statute based on a V.A. adjudicated service-connected disability. The room and board per diem under this program is included in net resident service revenue. Revenue under this program was $14,939,035 and $11,444,550 in 2023 and 2022, respectively.

6. Significant Concentration and Estimated Third-Party Payor Settlements (concluded)

Settlements do not become final until the cost reports are audited and approved by DHHS or the Medicare intermediary. Differences between the estimated and actual settlements are recorded as contractual adjustments in the year of final determination. Net resident service revenue increased by approximately $687,000 in 2023 and by approximately $144,000 in 2022 due to changes in prior years' estimated settlements. Medicaid cost reports have been audited through 2019 and Medicare cost reports have been audited through 2021.

Following is a summary of net resident service revenue for the years ended June 30:

	2023	2022
Routine services	**$ 67,474,345**	$ 61,162,049
Ancillary services	**11,715,060**	8,721,865
Contractual adjustments under third-party reimbursement programs	**(5,329,599)**	(5,538,564)
Net resident service revenue	**$ 73,859,806**	$ 64,345,350

Due to the large concentration of residents who receive benefits from the Medicaid and Medicare reimbursement programs, MVH is highly dependent upon regulatory authorities establishing reimbursement rates that are adequate to sustain MVH's operations, as is typical for most long-term healthcare facilities in the State.

7. Property, Plant, and Equipment

The following tables provide a summary of changes in capital assets:

	June 30, 2022	**Increases**	**Decreases**	**Transfers**	**June 30, 2023**
Cost					
Land	$ 7,129,369	**$ -**	**$ 230,593**	**$ -**	**$ 6,898,776**
Land improvements	12,387,198	**115,472**	**728,658**	**-**	**11,774,012**
Buildings and improvements	168,404,400	**1,676,892**	**12,482,144**	**-**	**157,599,148**
Equipment	26,465,978	**507,210**	**3,011,159**	**28,411**	**23,933,618**
Motor vehicles	1,624,734	**-**	**21,516**	**(28,411)**	**1,631,629**
Construction in process	1,808,544	**614,191**	**-**	**-**	**2,422,735**
Property, plant, and equipment, at cost	217,820,223	**2,913,765**	**16,474,070**	**-**	**204,259,918**
Accumulated depreciation and amortization					
Land improvements	2,953,834	**585,836**	**413,218**	**-**	**3,126,452**
Buildings and improvements	53,244,312	**5,942,432**	**9,232,727**	**-**	**49,954,017**
Equipment	15,726,898	**1,591,041**	**2,791,070**	**-**	**14,526,869**
Motor vehicles	1,244,574	**248,589**	**-**	**-**	**1,493,163**
Total accumulated depreciation and amortization	73,169,618	**8,367,898**	**12,437,015**	**-**	**69,100,501**
Net property, plant, and equipment	$ 144,650,605	**$ (5,454,133)**	**$ 4,037,055**	**$ -**	**$ 135,159,417**

7. Property, Plant, and Equipment (concluded)

	June 30, 2021	Increases	Decreases	Transfers	June 30, 2022
Cost					
Land	$ 8,544,130	$ 186,093	$ 1,600,854	$ -	$ 7,129,369
Land improvements	3,963,552	8,423,646	-	-	12,387,198
Buildings and improvements	93,977,370	74,427,030	-	-	168,404,400
Equipment	20,118,325	6,521,606	173,953	-	26,465,978
Motor vehicles	1,662,154	108,567	145,987	-	1,624,734
Construction in process	86,146,228	1,200,501	-	85,538,185	1,808,544
Property, plant, and equipment, at cost	214,411,759	90,867,443	1,920,794	85,538,185	217,820,223
Accumulated depreciation and amortization					
Land improvements	2,675,279	278,555	-	-	2,953,834
Buildings and improvements	49,521,611	3,722,701	-	-	53,244,312
Equipment	14,183,878	1,543,020	-	-	15,726,898
Motor vehicles	1,404,533	127,745	287,704	-	1,244,574
Total accumulated depreciation and amortization	67,785,301	5,672,021	287,704	-	73,169,618
Net property, plant, and equipment	$ 146,626,458	$ 85,195,422	$ 1,633,090	$ 85,538,185	$ 144,650,605

8. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2023 was as follows:

	June 30, 2022	**Additions**	**Reductions**	**June 30, 2023**	**Due Within One Year**
Net other post-employment benefits obligation liabilities	$ 767,355	**$ 48,381**	**$ -**	**$ 815,736**	**$ -**
Net pension liability (asset)	(1,880,590)	**17,212,829**	**-**	**15,332,239**	**-**
	$ (1,113,235)	**$ 17,261,210**	**$ -**	**$ 16,147,975**	**$ -**

Noncurrent liability activity for the year ended June 30, 2022 was as follow:

	June 30, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Net other post-employment benefits obligation liabilities	$ 848,798	$ -	$ (81,443)	$ 767,355	$ -
Net pension liability (asset)	24,253,567	-	(26,134,157)	(1,880,590)	-
	$ 25,102,365	$ -	$ (26,215,600)	$ (1,113,235)	$ -

9. Borrowings

Long-term debt and lease obligations consist of:

	June 30, 2022	Additions	Reductions	June 30, 2023	Due Within One Year
5.00% lease payable to vendor due in 48 monthly payments of $10,989, including interest, through July 2022; collateralized by equipment.	$ 10,989	$ -	$ 10,989	$ -	$ -
6.195% lease payable to vendor due in 84 monthly payments of $14,736, including interest, through November 2026; collateralized by equipment.	772,471	-	164,605	607,866	154,476
3.51% construction loan payable due in monthly payments of interest only through July 10, 2025, at which time the entire balance is due; collateralized by land and building under construction, and guaranteed by a tax-exempt revenue bond through the Finance Authority of Maine. The loan was refinanced in July 2023.	20,000,000	-	3,439	19,996,561	-
	$ 20,783,460	$ -	$ 179,033	$ 20,604,427	$ 154,476

9. Borrowings (continued)

	June 30, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Loan payable with principal due at original maturity of September 30, 2015, extended to September 30, 2023, interest due quarterly to registered holder Bangor Savings Bank. The bond bears interest at 1.75% per annum based on outstanding principal during the term of the bond; unsecured.	$ 5,000	$ -	$ 5,000	$ -	$ -
4.03% lease payable to vendor due in five annual payments of $36,449, including interest, through March 2022; collateralized by equipment.	35,037	-	35,037	-	-
5.00% lease payable to vendor due in 48 monthly payments of $10,989, including interest, through May 2022; collateralized by equipment.	128,362	-	117,373	10,989	10,989
6.195% lease payable to vendor due in 84 monthly payments of $14,736, including interest, through November 2026; collateralized by equipment.	890,294	-	117,823	772,471	143,888
3.51% construction loan payable due in monthly payments of interest only through July 10, 2025, at which time the entire balance is due; collateralized by land and building under construction, and guaranteed by a tax-exempt revenue bond through the Finance Authority of Maine.	17,331,686	2,668,314	-	20,000,000	-
	$ 18,390,379	$ 2,668,314	$ 275,233	$ 20,783,460	$ 154,877

9. Borrowings (concluded)

On February 1, 2023, the interest rate on the construction loan was increased from 3.51% to 8.51% as a result of not meeting a financial performance covenant from the original loan document executed July 2019.

Subsequent to the year ended June 30, 2023, MVH refinanced its Finance Authority of Maine loan and secured the Maine Health and Higher Educational Facilities Authority (MHHEFA) Series 2023A bonds with an average coupon interest of 4.57%, a par amount of $21,125,000 and a premium of $729,000.

The annual debt service requirements to maturity of borrowings as of June 30, 2023, including the requirements under the MHHEFA 2023A bonds, are as follows:

	Principal	Interest
2024	$ 154,476	$ 29,521
2025	469,200	944,915
2026	514,700	985,706
2027	469,490	959,722
2028	375,000	940,344
2029 - 2033	2,175,000	4,402,970
2034 - 2038	2,765,000	3,803,970
2039 - 2043	3,530,000	3,039,470
2044 - 2048	4,475,000	2,098,532
2049 - 2053	5,545,000	1,024,189
2054 - 2058	1,260,000	55,125
	$ 21,732,866	$ 18,284,464

10. Leases

The Caribou facility lease (see Nature of Business Note) provided for a one-time lease payment at inception equal to the cost of the facility. The mortgage on the Caribou facility is a leasehold mortgage on MVH's leasehold estate. The following amounts are included in property, plant, and equipment related to this lease at June 30:

	2023	2022
Buildings and improvements	**$ 1,426,711**	$ 1,426,711
Less accumulated depreciation	**(1,186,308)**	(1,150,639)
	$ 240,403	$ 276,072

11. OPEB Plans

Plan Description

MVH offers two defined benefit OPEB Plans, the System PLD Consolidated Plan—Retiree Group Life Insurance (Life Insurance Plan) and the MVH Retiree Welfare Plan (Welfare Plan). The Life Insurance Plan is a multiple-employer cost sharing plan administered by the System. The Welfare Plan is a single employer plan administered by MVH. Information regarding these plans is as follows:

Benefits Provided

The Life Insurance Plan provides basic group life insurance benefits, during retirement, to retirees who participated in the plan for a minimum of 10 years prior to retirement.

The Welfare Plan offers health insurance to employees who have attained age 59½ at the time of retirement and completed 15 consecutive years of service. The Welfare Plan is closed to new participants. Employees of MVH retiring prior to July 1, 2000 are not eligible. Employees of MVH as of September 28, 2001, who meet the established criteria are eligible to receive the benefit. Employees hired after September 28, 2001 are not eligible to receive the benefit. Under the Welfare Plan's provisions, MVH pays 50% of the premiums for individual coverage and the employee pays the remainder.

At June 30, 2023, the following employees were covered by the benefit terms at June 30:

	Life Insurance Plan	Welfare Plan
Inactive employees or beneficiaries currently receiving benefits	-	1
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active plan members	55	38
	55	39

Total OPEB Liability

MVH's total OPEB liability of $815,736 as of June 30, 2023 is comprised of an OPEB liability related to the Life Insurance Plan of $250,232 and an OPEB liability related to the Welfare Plan of $565,504. The Life Insurance Plan OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date. The Welfare Plan OPEB liability was measured as of July 1, 2022, and was determined by an actuarial valuation as of that date.

11. OPEB Plans (continued)

Actuarial Assumptions

The OPEB's liabilities in the June 30, 2022 and July 1, 2022 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Life Insurance Plan	Welfare Plan
Inflation	2.75%	2.50 %
Salary increases	2.75% – 11.48%	3.00 %
Healthcare cost trend rates	N/A	6.50 %
Retirees' share of benefit-related costs	N/A	50.00 %
Investment rate of return	6.50%	5.47 %

The discount rate used for the Life Insurance Plan valuation was 6.5% and was based the assumed long-term expected rate of return on plan investments. The discount rate used for the valuation of the Welfare Plan was 4.06% and was based on the S&P Municipal Bond 20-Year High Grade Index.

There were two mortality tables used for the mortality rates in the Life Insurance Plan. The RP-2014 Total Dataset Healthy Annuitant Mortality Table was used for active members and non-disabled retirees. The RP-2014 Total Dataset Disabled Annuitant Mortality Table was used for disability benefits.

The PubG-2010 Mortality Table projected generationally with scale MP-2020 for males and females was the mortality table used for all three assumptions related to the Welfare Plan—pre-retirement mortality, disabled mortality, and post-retirement mortality.

The actuarial assumptions used in the June 30, 2022 valuation for the Life Insurance Plan were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. The actuarial assumptions used in the July 1, 2022 valuations for the Welfare Plan were based on the latest experience studies published by the Society of Actuaries.

11. OPEB Plans (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability	
	Life Insurance Plan	Welfare Plan
Balance at June 30, 2022	$ 177,220	$ 590,135
Changes for the year:		
Service cost	17,273	14,780
Interest	119,462	11,604
Differences between actual and expected experience	(8,373)	(14,501)
Changes in assumptions or other inputs	-	13,149
Benefit payments	(55,350)	(49,663)
Net changes	73,012	(24,631)
Balance at June 30, 2023	$ 250,232	$ 565,504

Changes in assumptions or other outputs for the Welfare Plan reflect a change in the discount rate from 2% in 2021 to 4.06% in 2022.

Sensitivity

The following presents the total OPEB liability of MVH, as well as what MVH's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Life Insurance Plan

	1 % Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Total OPEB liability	$ 339,624	$ 250,232	$ 178,459

Welfare Plan

	1 % Decrease (3.06%)	Discount Rate (4.06%)	1% Increase (5.06%)
Total OPEB liability	$ 588,257	$ 565,504	$ 540,190

The following presents the total OPEB liability of MVH, as well as what MVH's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Welfare Plan

	1 % Decrease (5.50%)	Trend Rate (6.50%)	1% Increase (7.50%)
Total OPEB liability	$ 526,408	$ 565,504	$ 607,150

11. OPEB Plans (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2023 and 2022, MVH recognized OPEB benefit of $66,875. At June 30, 2023 and 2022, MVH reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023			
	Deferred Outflows of Resources		**Deferred Inflows of Resources**	
	Life Insurance Plan	**Welfare Plan**	**Life Insurance Plan**	**Welfare Plan**
Difference between projected and actual investment earnings	**$ 21,634**	**$ -**	**$ 2,214**	**$ -**
Difference between expected and actual experience	**12,172**	**-**	**-**	**207,969**
Changes of assumptions	**20,807**	**87,053**	**78,138**	**-**
Changes in proportion	**5,246**	**-**	**11,232**	**-**
Total	**$ 59,859**	**$ 87,053**	**$ 91,584**	**$ 207,969**

	2022			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Life Insurance Plan	Welfare Plan	Life Insurance Plan	Welfare Plan
Difference between projected and actual investment earnings	$ -	$ -	$ 54,394	$ -
Difference between expected and actual experience	20,026	-	-	309,569
Changes of assumptions	29,898	96,746	119,508	-
Changes in proportion	5,351	-	21,068	-
Total	$ 55,275	$ 96,746	$ 194,970	$ 309,569

11. OPEB Plans (concluded)

Amounts reported as net deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	Life Insurance Plan	Welfare Plan
2024	$ (8,283)	$ (93,259)
2025	(16,935)	(21,484)
2026	(22,413)	(3,536)
2027	15,625	(2,265)
2028	368	(196)
Thereafter	(87)	(176)

12. Contingencies

Legislation and regulations at all levels of government have affected, and may continue to affect, revenues and expenses of nursing facilities. These basic financial statements have been prepared based on all known legislation currently in effect. If future legislation or regulations related to nursing facilities are enacted or adopted, such legislation or regulations could have a material effect on future operations.

MVH receives construction grants from the V.A. for the construction and major renovation of nursing home care facilities and residential care facilities. If MVH ceases to operate these homes for nursing home care, domiciliary care or hospital care to veterans within 20 years from the final approval and inspection of the construction and/or renovation, the V.A. shall be entitled to recover from MVH, or any subsequent owner, 65% of the project costs (but in no event an amount greater than the original grant awards). Management does not anticipate the V.A. will recover any funds from the initial construction of the previous Augusta facility.

In a prior year, MVH received a donation of land from the State valued at $530,000 which was included in restricted fund contributions as the deed includes certain restrictions, including limiting the use of the land to principally provide services for Maine veterans such as hospice care, a community-based outpatient clinic, housing for veterans in need, and other such services. During 2010, MVH entered into a $1 ground lease agreement expiring in December 2030 with a third party, with permitted use under the lease as described above. If MVH fails to satisfy any conditions as outlined in the land deed, or the property is not used for the purposes described above, title to the land, including any and all improvements thereon, shall revert to the State of Maine.

From time-to-time certain complaints are filed against MVH in the ordinary course of business. Management vigorously defends the MVH's actions in those cases and utilizes insurance to cover material losses. In the opinion of management, there are no matters that will materially affect the MVH's financial statements.

13. Restricted Expendable Net Assets

Restricted expendable net assets at June 30, 2023 and 2022 consist of funds restricted for the following purposes:

	2023	2022
Equipment	**$ 10,343**	$ -
Activities	**263,517**	203,918
Scholarships	**2,681**	3,031
Memorials	**1,053**	1,616
Special events	**9,239**	8,739
Residents in need	**23,174**	19,284
Masonic	**9,497**	8,858
Future capital campaign	**50,000**	50,000
Other projects	**1,794**	955
	$ 371,298	$ 296,401

14. Defined Benefit Pension Plan

General Plan Description

All full-time, part-time, and intermittent employees are covered by the PLD Plan. The PLD Plan is a multiple-employer cost sharing plan and is administered by the System. Eligible employers are defined in Maine statute.

Benefit terms are proposed by an advisory group, established by Maine Statute, who review the terms of the plan and periodically make recommendations to the Legislature to amend the terms. The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. The normal retirement age for PLD Plan members is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age.

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by the Board of Trustees of the System and Title 5 MRSA Part 20, Chapter 425, Subchapter 3 and were 7.6% of wages in 2023 and 7.8% of wages in 2022 for the Age 60 Plan members. The contribution rates were 6.85% of wages in 2023 and 7.05% of wages in 2022 for the Age 65 PLD Plan members. Employer contribution rates are determined through actuarial valuations. Employer contributions determined by the System based on financing needs were 10.2% of wages in 2023 and 10.3% in 2022.

14. Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

At June 30, 2023, MVH reported a pension liability of $15,332,239 and reported a net pension asset of $1,880,590 at June 30, 2022 for its proportionate share of the net pension (asset) liability. The net pension (asset) liability was measured on June 30, 2022 and 2021, respectively, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date. MVH's proportion of the net pension (asset) liability was based on a projection of MVH's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. MVH's proportion of the net pension asset was 5.77% as of the June 30, 2022 valuation, which was an decrease of 0.08% from the June 30, 2021 valuation of the net pension asset.

For the years ended June 30, 2023 and 2022, MVH recognized pension benefit of $888,558 and $5,124,872, respectively. At June 30, 2023 and 2022, MVH reported deferred outflows of resources and deferred inflows of resources related to the PLD Plan from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,849,398	$ -
Net difference between projected and actual earnings on pension plan investments	-	6,435,025
Changes in proportion and differences between MVH's contributions and proportionate share of contributions	-	453,342
Changes of assumptions	3,111,914	-
MVH contributions subsequent to the measurement date (June 30, 2022)	5,003,788	-
Total	$ 10,965,100	$ 6,888,367

14. Defined Benefit Pension Plan (continued)

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,216,515	$ 127,819
Net difference between projected and actual earnings on pension plan investments	-	25,633,134
Changes in proportion and differences between MVH's contributions and proportionate share of contributions	100,316	684,294
Changes of assumptions	6,314,866	-
MVH contributions subsequent to the measurement date (June 30, 2021)	4,788,897	-
Total	$ 12,420,594	$ 26,445,247

The amount of $5,003,788 reported as deferred outflows of resources related to pensions resulting from MVH contributions subsequent to the measurement date at June 30, 2022 will be recognized as a reduction of the net pension asset/liability in the actuarial report for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PLD Plan will be recognized in pension benefit as follows:

Year ending June 30:	
2024	$ 1,558,451
2025	(1,510,165)
2026	(3,997,797)
2027	3,022,456

Actuarial Assumptions

The total pension asset in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	2.75% to 11.48%
Investment rate of return	6.50% per annum, compounded annually
Cost of living benefit increases	1.91%

Mortality rates were based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The economic assumptions and mortality table were proposed by the actuary and adopted by the Board of Trustees of the System on May 13, 2021 meeting for use starting with the 2022 valuation. The demographic assumptions are based on an experience study covering the period from July 30, 2015 through June 30, 2020.

14. Defined Benefit Pension Plan (continued)

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Public equities	6.0%
U.S. Government	2.3
Private equity	7.6
Real assets:	
Real estate	5.2
Infrastructure	5.3
Natural resources	5.0
Traditional credit	3.2
Alternative credit	7.4
Diversified	5.9

Discount Rate

The discount rate used to measure the total pension liability was 6.50% for the plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

14. Defined Benefit Pension Plan (concluded)

Sensitivity

The following presents MVH's proportionate share of the net pension asset calculated using the discount rate of 6.50%, as well as what MVH's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate	1% Increase (7.50%)
MVH's proportionate share of the net pension (asset) liability	$ 45,295,800	$ 15,332,239	$ 9,433,710

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately-issued System financial report. A copy of the most recent financial statements can be obtained at www.mainepers.org.

15. Defined Contribution Retirement Plan

MVH has established a defined contribution retirement plan. MVH's Tax Sheltered Annuity Plan is administered by the System. MVH provides discretionary matching contributions to employees up to 3% of eligible compensation upon meeting certain service requirements. Total employer contributions to the plan were $369,925 and $395,163 for the years ended June 30, 2023 and 2022, respectively.

16. Health Care Provider Tax

A 6% health care provider tax is assessed on revenues derived from nursing care services. Total nursing home provider tax expense was $3,681,356 and $2,774,367 for the years ended June 30, 2023 and 2022, respectively.

16. Health Care Provider Tax (concluded)

A 6% Service Provider Tax (SPT) is assessed on the "value" (i.e., sales price) of certain services provided in the State including Private Non-Medical Institutions (PNMI) services. MVH's residential care services are considered PNMI services. Providers are taxed based on all revenue, regardless of source, received for the purpose of providing food, shelter, and treatment. MaineCare reimburses facilities for their portion of the tax by increasing their direct care per diem rate. The portion of the tax paid on revenue generated from private pay residents is not funded by MaineCare. Total SPT expense was $580,353 and $547,473 for the years ended June 30, 2023 and 2022, respectively.

17. COVID-19 Relief Funding

The U.S. government responded to the COVID-19 global pandemic with relief legislation. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was enacted into law March 7, 2020. The CARES Act, among other things, established the Provider Relief Fund (PRF) to support healthcare providers in the battle against the COVID-19 outbreak. The PRF is being administered by the U.S. Department of Health and Human Services (HHS). The PRF program was expanded based on the passing of the American Rescue Plan Act (ARPA) of 2021. MVH received and reported as revenue PRF in the amount of approximately $4,145,000 during the year ended June 30, 2022. These funds were to be used for infection control, qualifying expenses, and to cover lost revenue due to COVID-19. The PRF is recognized as income when qualifying expenditures have been incurred, lost revenues have been identified, or incentive payments earned based on HHS criteria. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of income recognized may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

During 2022, MVH also received emergency grant funding under the CARES Act passed through the Maine Department of Economic and Community Development (DECD) in the form of Maine Health Care Financial Relief Grants totaling $1,525,000. The grant funds are intended to alleviate the disruption of operations as a result of the COVID-19 pandemic.

MVH also received an additional $2.7 million and $7.2 million in 2023 and 2022, respectively, from funds appropriated by the State legislature and matched by federal HHS to alleviate further COVID-19 related operational challenges. The use of these funds is subject to audit by DHHS. MVH recognized the full $2.7 million and $7.2 million in net resident service revenue during the years ended June 30, 2023 and 2022, respectively.

Management believes MVH has met the conditions necessary to recognize the PRF, ARPA, and DECD funds received and accrued through June 30, 2023 as revenue.

MAINE VETERANS' HOMES

Required Supplementary Information

Schedule of Maine Veterans' Homes Proportionate Share of the Net Pension (Asset) Liability

Maine Public Employees Retirement System PLD Consolidated Plan

June 30, 2023

Last 10 Fiscal Years *

	Measurement Date								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Maine Veterans' Homes (MVH) proportion of the net pension (asset) liability	5.77%	5.85%	6.10%	6.01%	6.14%	6.26%	6.19%	5.96%	5.79%
MVH's proportionate share of the net pension (asset) liability	$ 15,332,239	$ (1,880,590)	$ 24,253,567	$ 18,380,629	$ 16,794,428	$ 25,617,192	$ 32,871,051	$ 19,007,220	$ 8,902,081
MVH's covered-employee payroll	$ 43,451,021	$ 39,364,649	$ 39,754,900	$ 39,317,462	$ 35,485,002	$ 33,758,119	$ 32,617,986	$ 31,222,341	$ 30,851,076
MVH's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	35.29%	(4.78)%	61.01%	46.75%	47.33%	75.88%	100.78%	60.88%	28.86%
Plan fiduciary net position as a percentage of the total pension liability	93.26%	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%

* The amounts presented for each year were determined as of June 30 of the previous year. This schedule is designed to provide information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is presented.

MAINE VETERANS' HOMES

Required Supplementary Information

Schedule of Maine Veterans' Homes Contributions

Maine Public Employees Retirement System
PLD Consolidated Plan

June 30, 2023

Last 10 Fiscal Years *

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 4,475,455	$ 3,975,830	$ 3,943,124	$ 3,675,489	$ 3,406,561	$ 3,249,033	$ 2,945,950	$ 2,435,217	$ 2,005,609
Contributions in relation to the contractually required contribution	(4,475,455)	(3,975,830)	(3,943,124)	(3,675,489)	(3,406,561)	(3,249,033)	(2,945,950)	(2,435,217)	(2,005,609)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Maine Veterans' Homes covered employee payroll	$ 43,451,021	$ 39,364,649	$ 39,754,900	$ 39,317,462	$ 35,485,002	$ 33,758,119	$ 32,617,986	$ 31,222,341	$ 30,851,076
Contributions as a percentage of covered employee payroll	10.30%	10.10%	9.92%	9.35%	9.60%	9.62%	9.03%	7.80%	6.50%

* This schedule is designed to provide information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is presented.

MAINE VETERANS' HOMES

Required Supplementary Information

Schedule Maine Veteran's Homes Proportionate Share of the Post-Employment Benefits Other Than Pensions (OPEB) Liability and Related Ratios

Maine Public Employees Retirement System PLD Consolidated Plan—Retiree Group Life Insurance

June 30, 2023

Last 10 Fiscal Years *

	Measurement Date					
	2023	2022	2021	2020	2019	2018
Maine Veterans' Homes (MVH) proportion of the net OPEB liability	1.73%	1.72%	1.78%	1.79%	1.74%	1.77%
MVH's proportionate share of the net OPEB liability	$ 250,232	$ 177,220	$ 234,704	$ 383,672	$ 352,386	$ 295,304
MVH's covered-employee payroll	$1,141,440	$1,179,445	$1,145,285	$ 985,370	$ 953,850	$ 725,090
MVH's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	21.92%	15.03%	20.49%	38.94%	36.94%	40.73%
OPEB plan fiduciary net position as a percentage of the total OPEB liability	55.88%	67.26%	55.40%	43.18%	43.92%	47.42%

* This schedule is designed to provide information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is presented.

MAINE VETERANS' HOMES

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

Maine Veterans' Homes Retiree Welfare Plan

June 30, 2023

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	$ 14,780	$ 14,875	$ 14,583	$ 12,738	$ 37,793	$ 30,437
Interest	11,604	12,073	22,345	22,534	41,880	38,028
Differences between expected and actual experience	13,149	-	(160,735)	-	(548,467)	-
Changes in assumptions or other inputs	(14,501)	-	138,626	-	(7,819)	-
Benefit payments	(49,663)	(50,907)	(48,715)	(36,462)	(65,410)	(33,606)
Net change in total OPEB liability	(24,631)	(23,959)	(33,896)	(1,190)	(542,023)	34,859
Total OPEB liability—beginning	590,135	614,094	647,990	649,180	1,191,203	1,156,344
Total OPEB liability—ending	$ 565,504	$ 590,135	$ 614,094	$ 647,990	$ 649,180	$ 1,191,203
Covered employee payroll	$ 2,810,290	$ 2,810,290	$ 2,728,437	$ 3,157,652	$ 3,157,652	$ 3,939,656
Total OPEB liability as a percentage of covered employee payroll	20.12%	21.00%	22.51%	20.52%	20.56%	30.24%

Notes to Schedule

Changes of assumptions

The discount rates used were as follows:

2022	4.06 %
2021	2.00 %
2020	2.00 %
2019	3.50 %
2018	3.50 %
2017	3.25 %

* This schedule is designed to provide information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is presented.

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Maine Veterans' Homes

REPORTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
and
U.S. OFFICE OF MANAGEMENT AND
BUDGET UNIFORM GUIDANCE

June 30, 2023

MAINE VETERANS' HOMES

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Maine Veterans' Homes

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Maine Veterans' Homes (MVH), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise MVH's financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MVH's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MVH's internal control. Accordingly, we do not express an opinion on the effectiveness of MVH's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MVH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Board of Trustees
Maine Veterans' Homes

Maine Veterans' Homes Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on MVH's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. MVH's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
October 31, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
Maine Veterans' Homes

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Maine Veterans' Homes' (MVH) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on MVH's major federal program for the year ended June 30, 2023. MVH's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MVH complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MVH and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MVH's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MVH's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MVH's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MVH's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the MVH's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the MVH's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the MVH's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the basic financial statements of MVH as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MVH's basic financial statements. We have issued our report thereon dated October 31, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming and opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part* 200, *Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
October 31, 2023

MAINE VETERANS' HOMES

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Pass-Through Agreement Number	Federal Expenditures
Direct			
U.S. Department of Veterans Affairs			
Veterans State Nursing Home Care	64.015		$ 24,122,006
Veterans State Domiciliary Care	64.014		834,570
Grants to States for Construction of State Home Facilities	64.005		2,380,057
Total U.S. Department of Veterans Affairs			27,336,633
U.S. Department of Health and Human Services			
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution – COVID 19	93.498		4,144,702
Total Expenditures of Federal Awards			$ 31,481,335

The accompanying notes are an integral part of the schedule.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Maine Veterans' Homes (MVH) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MVH, it is not intended to and does not present the financial position, changes in net position, or cash flows of MVH.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

MVH has elected not to use the 10% de minimis indirect cost rate.

MAINE VETERANS' HOMES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I—Summary of Auditor's Results

General-purpose basic financial statements

Type of auditor's report issued:	unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	____	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	X	yes	____	none reported
Noncompliance material to general-purpose basic financial statements noted?	____	yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	____	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	____	yes	X	none reported
Type of auditor's report issued on compliance for major programs:	unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	____	yes	X	no

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
64.015	U.S. Department of Veterans Affairs—Veterans State Nursing Home Care

Dollar threshold used to distinguish between Type A and Type B programs:	$ 944,440			
Auditee qualified as low-risk auditee?	X	yes	____	no

Section II—Financial Statement Findings

Finding 2023-001

Criteria:

Timely journal entry review is a vital part of the overall internal control over financial reporting. By formalizing a review process, especially for non-standard journal entries, MVH has the ability to monitor the activity within its general ledger on a timely basis.

Condition:

There was no formal journal entry review process during the majority of fiscal year 2023. We understand there was turnover within a key position of the finance department, and the importance of the journal entry review was shifted to other reconciliations within the finance team.

Cause:

Turnover within the finance department was the key driver in why this control was not occurring during the majority of fiscal year 2023.

Potential Effect:

Without review of journal entries, there is a heightened risk of material misstatement within the financial statements.

Recommendation:

We recommend management develop a journal entry review process, paying heightened attention to non-standard journal entries.

Views of Responsible Officials:

See Corrective Action Plan

Section III—Federal Award Findings and Questioned Costs

None.

MAINE VETERANS' HOMES

Summary Schedule of Prior Year Findings and Questioned Costs

Year Ended June 30, 2023

N/A

Maine Veterans' Homes
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings by Auditor

The following finding was identified by BerryDunn in the FY 2023 report on Government Audit Standards:

__Condition:__
There was no formal journal entry review process during the majority of fiscal year 2023. We understand there was turnover within a key position of the finance department.

__Recommendation:__
We recommend management develop a journal entry review process, paying heightened attention to non-standard journal entries.

MVH Response:
The journal entry review process was halted by the previous controller without consulting the Chief Financial Officer. Maine Veterans' Homes (MVH) did have turnover in its controller position early in FY 2023 and was without a controller for a three month period. When the new controller started, the initial focus was directed towards updating and maintaining account reconciliations which was deemed most important as there limited staff time and resources. The account reconciliations were all complete prior to year end and reviewed by the controller or supporting staff. Management feels this is a good compensating control for the journal entry review process as the reconciliation process is designed to identify any issues that will require journal entry review.

In FY 2024, management has reinstated and made enhancements to the journal entry review process. The Accounting Manager is reviewing accounting entries prepared by the Staff Accountant. The Payroll Manager is reviewing the payroll entries prepared by the Staff Accountant. The Controller is now reviewing a monthly report of all journal entries for amounts that exceed $50,000 and for journal entries that are deemed to be non-standard. Focus also remains on maintaining account reconciliations which provide an enhanced layer of internal controls to the preparation of the financial statements.

Appendix B – Quality Assurance and Performance Improvement Plan

MAINE VETERANS' HOMES
caring for those who served
An independent nonprofit organization serving Maine's Veterans and families

2023 Quality Assurance and Performance Improvement Plan

Mission:

The mission of Maine Veterans' Homes (MVH) is "Caring for those who served". We feel strongly that our purpose and work in providing care to Maine's veterans and family members are a special privilege and calling. The manner in which each employee of MVH provides service is key to our organizational success. The core values we embrace are **Honesty and Integrity**, **Veterans are Unique, Respect, Excellence, Team**, and **Lead the Way**.

Vision:

Maine Veterans' Homes is committed to being the Provider & Employer of Choice and recognizes its special role as a Veterans Advocate.

Purpose:

The purpose of the Quality Assurance and Performance Improvement (QAPI) Program is to achieve and sustain an organizational culture of Excellence by using a fact-based, data-driven decision-making model with a proactive approach to continually improving the way we care for those who served. The QAPI Plan describes a framework for assessment and continuous improvement that is used to improve the quality and safety of healthcare services, including outcomes of care and quality of life for residents residing at MVH.

QAPI Guiding Principles are used to define expectations and to encourage leaders and staff to focus on the needs of individual residents and to systematically monitor and improve processes that deliver services to them. Consistent with our core values of Respect and Excellence, MVH believes most issues that offer opportunities for improvement reflect weaknesses in systems and processes, not individuals. Constructive, multidisciplinary collaboration is the most effective method to address improvement opportunities. Our goal is to consistently achieve results that meet or exceed the expectations of those we serve by using the following guiding principles.

MVH Quality Model reflecting the elements that enhance the mission of "Caring for those who served

QAPI Guiding Principles:

Principle #1: In our organization, QAPI includes all employees, all departments and all services provided.

Principle #2: QAPI has a prominent role in our management and Board functions.

Principle #3: Our organization uses quality assurance and performance improvement to make informed decisions and guide our day-to-day operations.

Principle #4: The outcome of QAPI in our organization is the quality of care and the quality of life of our residents within a framework of Person Directed Care and the recognition that **Veterans are Unique**.

Principle #5: QAPI focuses on systems and process. The emphasis is on identifying system gaps rather than on blaming individuals.

Principle #6: Our organization has a culture that supports **Honesty and Integrity** by encouraging employees to identify errors or system breakdown.

Principle #7: Our decisions to improve will be guided by data, in conjunction with individual care and choice, which includes the input and experience of caregivers, residents, health care practitioners, families and other stakeholders.

Principle #8: Our organization sets goals for performance and measures progress toward those goals with a focus on **Leading the Way** within our industry and sustaining a culture of **Excellence**.

Principle #9: Our organization supports performance improvement by encouraging our employees to **Respect** and support each other as well as be accountable for their own professional performance and practice.

Principle #10: MVH encourages collaboration and **Team** sharing of best practices across the organization and celebration of successes.

Goals and Objectives:

The goal of this plan is to implement a systematic approach to the design, measurement, assessment, and improvement of organizational performance. These activities are measured using Donabedian's classic framework of structure, process and outcome.

<u>Donabedian's Classic Framework Model:</u>

QAPI Program Goals include:

1. MVH will maintain compliance with State, Federal and VA nursing and domiciliary facility regulations.
2. MVH will effectively and safely manage admissions, discharges, transfers, and continued stays to achieve person-directed desired health outcomes.
3. MVH will maintain an effective Infection Prevention and Exposure Control program.
4. MVH will provide services that consistently meet or exceed customer expectations.
5. MVH will create a culture of safety by utilizing processes and systems that identify and minimize risk of injury to staff and residents.
6. MVH will maintain a safe and effective Medication Administration Program.
7. MVH will promote a culture of transparency that fosters an environment of excellence and innovation.

QAPI Program Objectives include:

1. To develop, support and sustain an organizational culture that embraces quality assurance, continuous performance improvement and safety.
2. To maximize resident safety by reducing the opportunity for medical/health system errors.
3. To utilize knowledge learned from experiences and best practices to proactively improve services to veterans and their families.
4. To integrate this plan with the organization's strategic plan, employee performance and education, system development and evaluation, budgeting, capital expenditure, and recognition and reward programs.
5. To assure regular communication and oversight of quality of resident care and continuous improvement efforts by the medical staff, administration and the board.
6. To promote collaborative efforts among physicians, nurses, clinical professionals, support staff and leaders to advance person-directed resident care.
7. To provide a mechanism to assure the competence of professionals and to use performance improvement activities in the evaluation/credentialing process. To develop valid data systems that can be used to measure and assess the organization's performance both internally and in comparison to external data sources.

8. To develop valid data systems that can be used to measure and assess the organization's performance both internally and in comparison to external data sources.
9. To develop and adhere to processes which assure compliance with State, Federal, VA and other regulatory/accrediting requirements.
10. To promote a culture of infection prevention using evidenced based standards to decrease healthcare acquired infections.

2023 QAPI Goals and Objectives:

1. ***MVH leadership will prioritize workforce stabilization to***
   A. Establish facility based Retention Committees that will meet and provide input to the MVH Retention PIP to determine best practices and direction for the organization to decrease C.N.A. turnover by 10% to 52.06% by 12-31-2023
   B. Review Retain feedback collected from CNA new hires & terminations from all six MVH Facilities to identify any existing patterns that directly correlate with CNA staff turnover.
   C. Promote the increase in new hire Retain survey completion rates thus increasing the accuracy of using the survey feedback for trending measures such as staff satisfaction and for developing action plans to increase staff retention.

2. ***MVH will monitor healthcare outcomes to identify opportunities to reduce adverse events.***
   A. Review and revise improvement activities to further reduce resident falls, off label anti-psychotic drug use, pressure ulcers, and preventable hospital readmissions.
   B. In RC review root cause analysis system and competency and implement strategies for improvement.
   C. Review and revise improvement activities to further reduce resident falls, off label anti-psychotic drug use, pressure ulcers, and preventable hospital readmissions.
   D. ***Enhance Infection Control Program***
      a. Utilize expertise of system-wide IP work group to:
         i. Monitor CDC guidance and corresponding licensing regulations to effectively respond to changes identified from scientific studies and evidence.
         ii. Monitor dashboard data for changes/ trends in infections
         iii. Assess and evaluate MVH's emergency response plan for COVID-19 to identify opportunities for improvement. Determine use of evaluation tools as available and updated from regulatory bodies

3. ***MVH leadership will prioritize financial stability***
   a. Census development:
      i. Monitor dashboard for occupancy rates
   b. Focus and enhance marketing efforts to include:
      i. Review Marketing Essential playbook and implement appropriate strategies.

      ii. Consider opportunities for use of Salesforce software system including review of video tutorials as appropriate.

iii. Begin to develop home specific marketing plans in partnership with homes and Marketing team.

c. Decrease Bad Debt
   i. Monitor data on dashboard.
   ii. Monthly A/R calls in each home.
   iii. Review self-pay (including cost of care) ageing report monthly and implement strategies for controlling bad debt.
   iv. SET review of all accounts over 25,000.
   v. Review processes determined by the Bad Debt task force to include:
      Billing processes during Mainecare pending, including NF admissions.
      Process and tracking for movement cards, Mainecare renewals etc
      Process for collections, demand letters and D/C notices.

d. Increase operating margin
   i. Monitor Data on dashboard
   ii. Monthly budget reviews with CFO and COO
   iii. Implement and utilize procurement partners' software to monitor real time purchasing.

Governance and Leadership:

Governing Body: The MVH Governing Body consists of the Board of Trustees, Chief Executive Officer, Chief Operations Officer and Chief Financial Officer. The Governing Body delegates oversight of the QAPI program to the Board Quality Committee and implementation to the Chief Operations Officer.

Board of Trustees: The MVH Board of Trustees, in collaboration with Senior Leadership, Facility Administrators and Medical Directors, has responsibility for the quality and safety of resident care and oversight of the improvement of organizational performance. This responsibility includes an ongoing review and annual approval of the QAPI Plan. The Board also assesses its own effectiveness as a governing body to identify opportunities to improve and strengthen its own performance.

Board Quality Committee: The Board Quality Committee, a working committee of the Board of Trustees, is responsible for overseeing and advising management on the development and direction of the organization's QAPI Program. They review and evaluate the quality of resident care, outcomes of care, quality of life activities, and organizational performance through the activities of the QAPI Workgroup. In addition, the Quality Committee will monitor MVH Dashboard measure results to ensure progress is being made on improvement opportunities. They will review the organizational QAPI self-assessment, and based on findings, will recommend the annual QAPI Plan and quality priorities to the Board of Trustees.

QAPI Workgroup: The QAPI Workgroup is a steering committee made up of senior management and personnel from the facilities and central office. They are responsible for the development, oversight, publication, and implementation of the annual QAPI Plan along with the establishment and management of the MVH Results Dashboard, which includes measurements of results in healthcare outcomes, customer satisfaction, workforce safety and capacity, leadership and governance, and financial and market (See attached charter for details). They will review/conduct studies, evaluations, investigations, make recommendations, and take appropriate actions necessary to:

1. Maintain or improve the quality of care rendered in or by MVH and its facilities, or by physicians and other health care professions rendering care to MVH residents.
2. Establish and enforce appropriate standards of professional qualification, competence, conduct, or performance with respect to health care professionals rendering care to MVH residents.

The QAPI Workgroup provides a stabilizing influence, so organizational priorities and directions are established, maintained with a visionary view, and consistent with the core values of Excellence and Lead the Way. The Workgroup provides insight on long-term strategies in support of QAPI. In practice, these responsibilities are carried out by performing the following functions:

1. Develops and recommends to the Board Quality Committee the annual QAPI plan and Results Dashboard.
2. Reviews outcome results to identify and prioritize opportunities for improvement and strategy sharing.
3. Controls project scope as emerging QAPI issues force changes to be considered, ensuring that scope aligns with the agreed requirements of key stakeholder groups (veterans, families and staff).
4. Resolves project conflicts and disputes, reconciling differences of opinion and approach. 5. Conducts the annual QAPI Program self-assessment and evaluates results to recommend improvement and education priorities to the Board Quality Committee.

Facility QAPI Committee: The Facility QAPI Committee is a working committee made up of Senior Management and Leadership team members, including the Facility Administrator, Director of Nursing Services and/or Residential Care Director, Medical Director, Pharmacist, Infection Preventionist Officer, and at least two other team members assigned by the Facility Administrator. The QAPI Committee meets at least quarterly and as needed, to coordinate and evaluate activities under the QAPI program, such as identifying issues with respect to which quality assurance and improvement activities including Performance Improvement Projects (PIP) are to be conducted under the QAPI program. In addition, the committee regularly reviews and analyzes data and acts on data to make improvements. They develop and implement plans of action to correct identified quality deficiencies. The Facility QAPI Committee will develop a data-monitoring plan annually and establish performance improvement priorities using the Prioritization Matrix tool. They will review adverse events identified as sentinel for underlying causes and monitor/evaluate effectiveness of corrective action plans.

Administration: The Board delegates the responsibility for effectively implementing the QAPI Plan to Senior Leadership and the Facility Administrators. The Chief Operations Officer (COO) and the Director of Corporate Compliance & Quality are responsible for corporate leadership and coordination of the plan throughout MVH. The Facility Administrators, Directors of Nursing Services and/or Residential Care Directors, and the Staff Development Coordinators are responsible for the coordination of the QAPI Plan in the facilities. Facility Administrators are also responsible for submitting their annual QAPI plan to DHHS as required by regulation.

Chief Executive Officer: The CEO is responsible for ensuring that adequate staff, systems and resources are in place to support a commitment to performance improvement, resident safety and organizational compliance. Staff training on the QAPI Plan and tools will be achieved using standardized educational materials and informational meetings such as town hall forums. Leadership will support staff participation

and attendance at QAPI training sessions, and where appropriate, will plan and budget the necessary funding to support performance improvement activities.

Scope:

The scope of this Plan includes all resident care services provided by MVH employees and contracted services. Resident care services include: skilled nursing and rehabilitative care; long term care; memory care; residential care; pharmacy; food and dining; housekeeping and laundry; physical, occupational, and speech/language pathology services, and activities.

Particular attention and focus are given to clinical care, quality of life, resident choice, and care transitions. The MVH Results Dashboard will contain at least one organizational measure in each of these four areas and targets for improvement will be identified. This is accomplished by reviewing and implementing best practices and benchmarking MVH results to industry standards. Customer satisfaction surveys and the Artifacts of Culture Change tool are two standardized measurements that will be monitored by the QAPI Workgroup.

QAPI activities will aim for safety and high quality with all clinical interventions while emphasizing autonomy and choice in daily life for MVH residents. Team members will follow and inform the stakeholders of best practice and industry standards, keeping in mind that ultimately the resident has individual rights and autonomy that we follow within the scope of regulatory compliance.

In addition, when conducting performance improvement staff will use the best available evidence to determine appropriate care and to define and measure goals. Examples of source materials can be found in the following: AMDA guidelines, Gerontological Nursing Standards of Practice, Potter and Perry Clinical Reference Manual, and CMS Nursing Home Quality Initiative.

The QAPI Workgroup and the Facility QAPI Committees will meet at least quarterly and maintain minutes outlining activities. Learnings and best practices will be shared across the organization and will be a standing agenda item at the MVH QAPI Workgroup meeting. The COO will communicate results of organizational performance improvement activities to the Board of Trustees through the Board Quality Committee.

Program Responsibilities:
The QAPI Plan includes responsibilities and roles for the following subgroups.

Role of QAPI Workgroup

1. Develops and recommends annual plan
2. Evaluates the effectiveness of the plan
3. Develops standardized educational material
4. Develops, monitors, and publishes the MVH Results Dashboard
5. Identifies and prioritizes organizational opportunities for improvement
6. Serves as a resource on QAPI
7. Reviews event trending, industry standards, and benchmarks

Role of Facility QAPI Committees:

1. Reviews and evaluates effectiveness of the annual plan
2. Identifies and prioritizes opportunities for improvement specific to facility needs and the health, safety, and wellbeing of residents.
3. Measures and reviews event trending and facility performance
4. Serves as local resource to staff
5. Monitors and publishes the MVH Results Dashboard
6. Monitors and evaluates effectiveness of corrective action plans
7. Ensures completion of root cause analysis for sentinel adverse events
8. Implements Performance Improvement Projects
9. Educates staff on QAPI and resources necessary tools and time

Role of Department Leaders:

1. Identifies department specific performance improvement opportunities
2. Participates in multidisciplinary performance improvement projects
3. Measures and reviews department performance
4. Compares results to industry standards/benchmarks
5. Supports staff participation in QAPI activities

Role of Performance Improvement Process (PIP) Committee:

1. Develops a charter to identify PIP purpose and plan
2. Utilizes Plan-Do-Check-Act (PDCA) model to examine and improve systems and processes
3. Reports activity and results to the Facility QAPI Committee
4. Utilizes data to measure and understand performance
5. Reviews and evaluates best practices and conducts Root Cause Analysis (RCA)

Feedback, Data Systems and Monitoring:
A system to monitor care from all segments of our services including short-term skilled, long-term care, memory care, residential care and rehabilitation will be utilized as follows:

Sources of data that are monitored through QAPI:

1. Input from caregivers, residents, families and others stakeholders
2. Performance indicators
3. Complaints and Grievances
4. Resident and Staff Satisfaction Surveys
5. Quality Indicator/Quality Measure Reports(QIQM)
6. Casper Reports
7. Survey Results: VA, DHHS, Complaints
8. Occurrence Reports in Electronic Charting System (ECS)
9. HR Injury Reports
10. HRO Turnover Reports
11. Safety/Days Away, Restricted or Transferred (DART) Score
12. MEMIC Reports
13. Infection Control Reports and surveillance activities
14. NHSN submissions and reports
15. OSHA Log
16. Financial Reports
17. Census Reports
18. Hospital Readmission Data
19. 5 Star Rating from CMS Care Compare
20. Medical record reviews
21. Agency for Research and Healthcare Quality
22. Performance reviews
23. Facility Assessment results
24. Long term care trend tracker
25. Other available and relevant data such as QIO/QIN reports, satisfaction surveys etc.

Process for collecting the above information:

1. MVH team members have access to various systems that produce reports that reflect performance results. These include but are not limited to Sage Fund Accounting, ECS, QS1, HRO, MDS, and Casper.
2. MVH outsources Satisfaction Surveys.
3. External consultants, such as MEMIC, send regular reports to MVH leadership monthly, quarterly, and/or annually.

Organizational and facility performance results will be reviewed by the Facility QAPI Committee at least quarterly, as available, and will be analyzed based on targets established for performance, industry goals and comparative benchmarks. MVH uses comparative information to establish strengths, opportunities for improvement based on high volume, high risk and/or problem prone areas. Key measures representing overall MVH organizational performance will be displayed on the MVH Results Dashboard, which is posted on the MVH intranet and in each facility. The MVH Results Dashboard is reviewed at Board and other committee meetings regularly.

The MVH Results Dashboard will be shared quarterly by the QAPI Workgroup with all members of the workforce and may be shared with other key stakeholders at the discretion of senior staff and Facility Administrators. Customer satisfaction results will be shared with key stakeholders monthly at each facility in a location accessible to employees, residents and families.

Performance Improvement Process (PIP):
Approach: A variety of improvement methods may be used depending upon the nature of the opportunity to improve. In general, improvement initiatives that involve project teams are encouraged to follow the "Plan-Do- Check-Act" described below:

Plan: Establish a project team whose membership includes representation from the area(s) of required expertise and area(s) most likely to be affected by the improvement initiative. Establish goals for the improvement project and target dates for completion. Outline a plan for how the team expects to diagnose this opportunity to improve and evaluate the effectiveness of any actions taken (e.g., what steps or phases in the improvement process are expected, what data needs to be collected).

Do: Implement the plan and revise as necessary. Recommend and/or initiate improvements (e.g., pilot improvement ideas).

Check: Evaluate the effectiveness of actions taken to improve.

Act: If actions have been effective, establish protocols or systems to support and maintain the improvement. If actions have not been effective, reevaluate improvement opportunity (i.e., return to "Plan" stage).

Guidelines for PIP teams:
MVH will identify projects through using a variety of tools and resources, including review of:

1. Quality Measures
2. Satisfaction surveys (resident, family and resident representative)
3. Licensing survey deficiencies
4. Management team process/outcomes during QAPI and RCA activities
5. Consultant pharmacist review trends
6. Office of Inspector General (OIG) and Quality Improvement Organizations (QIO) work plans
7. Monitoring and Audit plans
8. QAPI Workgroup trend reports
9. Industry Quality Initiatives
10. Process Mapping
11. Gap analysis
12. Facility Assessments
13. Performance reviews
14. Infection Control surveillance information
15. Occurrence and adverse event reports

Using these tools, potential organizational and facility based PIPs will be identified.

Criteria for prioritizing and selecting PIPs:

There are always more improvement opportunities than there are resources to address at any one time. As a result, performance and safety improvement initiatives will be selectively identified. Factors that should be considered in good faith with the selection of improvement opportunities are: impact to health, safety and wellbeing of residents; consistency with our mission; fit with strategic goals determined each year by organizational leadership; alignment with the QAPI principles and plan; and the likelihood for addressing the opportunity successfully.

Other factors include:

High Volume: Will this improvement opportunity address something that is done frequently or affects a large number of people?

High Risk: Will this improvement opportunity address something that currently represents a significant risk to residents, the organization or others?

High Cost: Will this improvement opportunity address something that represents a significant cost to the resident, the organization or others?

Problem Prone: Will this improvement opportunity address something that is overly complex, demonstrates unacceptable variation or is problem prone?

Low Volume: Will this improvement opportunity address something that is done so infrequently that maintaining competency?

How and when the PIP charters will be developed:

Once the PIP has been identified, establish key stakeholder lead/champion and team/workgroup. Address the PIP utilizing the Advancing Excellence circle of success framework for developing the charter and progression, utilizing PDCA format.

Process for reporting results of the PIP:

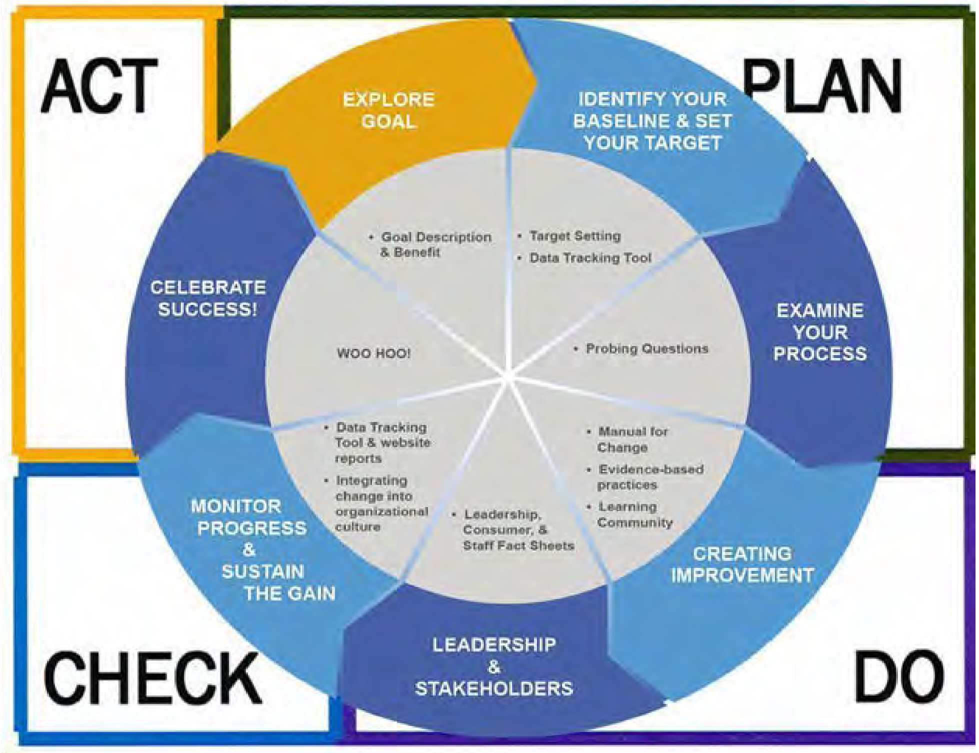
1. Establish a baseline utilizing tools to measure.
2. Collect data and report to appropriate parties such as QAPI team on a quarterly basis.
3. Establish and define comparative data to be used (PI minutes).
4. PIP team to report and present to corporate QAPI Workgroup as requested.

Designation of PIP teams:

1. Key leadership will assemble team members and assign champion.
2. Multidisciplinary approach to get a well-rounded, multi-focus view with various perspectives. Remember to include the key stakeholders, such as residents, families, staff and community members, as appropriate.

Required characteristics for PIP teams:

1. Assemble team with members that voiced concerns, include variety of talents toward projects, identify informal and formal leadership to bring a well-balanced team (extravert and introverts – balance of management and non-management members)
2. Qualified team leader that understands the process, has good facilitating skills, able to see all perspectives and facilitate group dynamics.
3. Please see attached PIP form templates.



Performance Improvement Projects (PIP) Plan-Do-Check-Act Model

Systematic Analysis and Systematic Action:
An effort should be made to look for unintended consequences as a plan is being established. Once a plan is established, a group made up of the people who will be directly affected by the plan and, at least in part, by different people than those who established the plan, will review the plan for unintended consequences using RCA techniques described next.

MVH will use the Plan-Do-Check-Act techniques for improving performance. The process we will use to ensure we get at the underlying causes of issues will be the RCA technique with a multidisciplinary team including as many persons with different perspectives as possible. An experienced facilitator using the MVH Root Cause Analysis tools (see attached RCA template) is recommended and important for quality outcomes.

The following MVH QAPI guiding principles are paramount to an effective analysis:

1. QAPI focuses on systems and process. The emphasis is on identifying system gaps rather than on blaming individuals;
2. Our decisions to improve will be guided by data, in conjunction with individual care and choice which includes the input an experience of residents, families, caregivers, advisory councils, health care practitioners and other stakeholders; and
3. MVH encourages team collaboration, sharing of best practices, and celebrating successes across the organization. The performance improvement plan will be developed based on the results of the RCA using evidenced based practices whenever possible when deciding on changes.

Measurements should be chosen that have comparable data with benchmarks and goals whenever possible. They will be selected to measure the effectiveness of the interventions or actions of the plan to sustain improvements aligned with MVH mission, vision, core values and strategic plan. Each project will have measurements identified to monitor the extent to which the performance improvement plan has been deployed and integrated.

Communications:

Access to QAPI information is defined below in recognition that all materials are privileged and confidential and considered the property of MVH.

Full Access of the QAPI Charter, QAPI Meeting Minutes, QAPI Plan, MVH Results Dashboard and QAPI Data will be provided to the following groups by the frequency noted:

1. MVH QAPI Workgroup (Monthly)
2. Facility QAPI Committees (Monthly)
3. MVH Senior Leadership (As needed)
4. MVH Board Quality Committee (as needed but at least four times annually)

Limited Access to certain QAPI information will be permitted to the following groups:

1. Resident & Families: QAPI Charter, QAPI Plan, MVH Results Dashboard (Available upon request, presented annually at Resident/Family Council)
2. Staff: Charter, QAPI Plan, MVH Results Dashboard and QAPI Data (Presented at Home-level QAPI Committee Meeting Quarterly)
3. Health Care Practitioners and Volunteers: Charter, QAPI Plan and MVH Results Dashboard (As needed)
4. Community: MVH Results Dashboard (As needed)

Evaluation:

Purpose: Evaluation of the QAPI Plan is a valuable step that assists the MVH governing body and senior staff to develop and expand QAPI utilization and to maximize the impact of QAPI activities further hardwiring a culture of Excellence.

Each Facilities' QAPI Committee will conduct an Annual Assessment in the fall (see attached QAPI assessment template).

The Facility-level Annual Assessment will be reviewed by the MVH QAPI Workgroup and used as inputs for a consolidated Annual MVH QAPI Assessment. Results from the assessment will be utilized to strengthen and revise the MVH QAPI Plan each year.

Establishment of Plan:
This plan is reviewed and approved by the Chief Operations Officer, Chief Executive Officer, and Board of Trustees annually.

Approved by Chief Operations Officer — DocuSigned by: Rebecca Gagnon 81344536985948C...

Approved by Chief Executive Officer — DocuSigned by: Sharon Fusco 961111C0EB624CC...

Approved by Board of Trustees — DocuSigned by: Donald Lagace 1991EB7E63E7482...

Date of approval:

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Appendix C – CMS Care Compare Star Rating Explanation

What are the criteria for CMS' Five Star Quality Rating System?

- The Centers for Medicare and Medicaid Services (CMS) rating system is a comprehensive set of measures applied using three separate domains, or areas of assessment, which include Health Inspection, Quality Measures, and Staffing. The overall rating for a facility is achieved by a combination of performance scores in these three areas.
- The base rating is created using the Health Inspection domain star total, which CMS states is the best overall indicator of quality in a nursing home. A rating can change by a total of one star if a change occurs in either the Quality Measures or Staffing domains.
- Ratings are scored on an *industry comparative scale,* which averages the performance of all nursing facilities being evaluated at that time. **This means an individual Home's scores can remain the same, but their rating could change based on the comparative scores of the nursing homes in their region, within a pre-determined array of how many four and five-star ratings will be awarded.**
- VA regulations and criteria, which MVH is required to follow, are not calculated as part of the CMS Five Star Rating System.

How do Five Star Quality Rating System ratings change?

Ratings are fluid and can change for many reasons. It is also possible for a Home's rating to change even without any substantial change in the quality performance of a home. Examples of common reasons for a change in rating include:

- Any change to Health Inspection (HI) data or multiple (two or more) revisits or follow-ups surrounding the Annual Survey. Examples of Health Inspection change can include an infection control claim or complaint.
- Old scores or incidents expiring. The measures stay in the score calculation for varying periods based on CMS guidelines. As these "age off", scores are recalculated.
- A successful appeal or explanation to cited concerns.
- A change in CMS, survey, or inspection criteria.
- Changes to quality ratings of other homes in a region. Final star ratings are determined by the performance of all homes in a region as noted above.
- Changes to staffing levels.
- Sample size. Changes in census mix or census levels can also affect the calculation of quality measures, and subsequently, ratings. Likewise, some measures have a small sample size. Hence, small changes have big impacts because the sample size used in calculating the quality measures is relatively small.

How should these ratings be viewed?

Star Ratings represent a simplification of a complex set of data that is ever-changing as CMS works to continually improve the performance of the industry. It is worth noting:

- Star ratings are an overall aggregate rating, presented within the context of all nursing homes evaluated during that year including any changes made by CMS to set performance thresholds.
- In April 2022, CMS began planned, regular increases to the QM domain thresholds, by one-half the average improvement in QM scores since the last time the thresholds were set. This change made it more difficult to achieve a Five Star Quality Measure domain rating.
- **Despite this fact, during the past three years, MVH has scored a less-than Five Star Quality Rating throughout all five qualifying Homes* only four times.** *Refer to the chart below.*

MVH's Commitment to Quality

MVH is committed to quality and meeting the ever-increasing threshold for the highest quality ratings possible.

Home	Apr. 2020	Oct. 2020	Apr. 2021	Oct. 2021	Apr. 2022	Oct. 2022	Apr. 2023	Oct. 2023
Augusta	5	4	4	5	5	5	5	5
Bangor	5	5	5	4	5	5	5	5
Caribou	5	5	5	5	5	5	5	4
Machias	5	5	5	5	5	5	5	5
Scarborough	5	5	5	5	5	5	5	5
S. Paris	5	5	5	5	5	5	5	5

Summary

Achieving Quality Ratings that are consistently high requires a culture of quality, planning, and compliance. MVH establishes a Board-approved Quality Assurance and Process Improvement Plan for every Home each year, aligned with both VA and CMS guidelines. Each Home utilizes a data informed metrics and goals dashboard, monitored by local teams who work in tandem with a system-wide, leadership-level Quality team to monitor performance. Action plans are implemented for any areas needing improvement and are closely monitored to ensure MVH continually meets and exceeds targeted performance indicators. Quality and compliance data are reported regularly to the Board of Trustees through the MVH Quality Committee. This thorough "bottom-up" and "top-down" approach has made MVH one of the top-ranked Veterans' Homes in the nation – a system of care worth preserving.

** The CMS Five Star Quality Rating System does not measure quality at Assisted Living facilities. Because Assisted Living is the only level of care offered at MVH-Machias, their quality information is not included within this comparison. Additionally, South Paris' Five Star Quality Rating performance is evaluated only on their SNF/LTC levels of care.*

Appendix D – Strategic Plan with Operational Priorities through FY2025

Proposed Strategic Plan

Vision: MVH… offering the future of Veterans' care today.

Mission: Caring for those who served

Goal (5 year): Breakeven

Pillars: Our Centers of Excellence and Strategies

1. **People**: We are ONE Team
   a. Recruit the best of the best
   b. Invest in people to retain and grow excellence
   c. Optimize the organizational design
   d. Foster teamwork and belonging to leverage unique strengths

2. **Services**: Establish ONE Operation To Be number ONE in Quality
   a. Strive to achieve and maintain nationally recognized measures of quality.
   b. Streamline and standardize processes across the organization to consistently deliver the same high quality customer and employee experience regardless of location.
   c. Use data driven decision making to continually improve service delivery
   d. Offer exceptional facilities
   e. Use technology to create a competitive edge

3. **Financial Stewardship**: ONE commitment to moral, ethical and prudent financial decision-making
   a. Balance quality and cost to provide the highest quality service possible at the lowest price possible.
   b. Maximize revenue in existing business lines.
   c. Invest for the future of MVH.
   d. Optimize internal controls to promote and support stewardship.

4. **Innovation**: Continually advance MVH toward ONE future serving our communities' unique needs
   a. Innovate to deliver the future of senior care
   b. Strengthen and advance the MVH brand
   c. Seek opportunities to diversify revenue
   d. Invest in key stakeholder relationships to fund and advocate to support and advance the mission

Proposed Strategic Plan with Top Operational Priorities through FY2025

The following table is designed to demonstrate how the Strategic Plan will translate into operational priorities for the next 12 to 18 months. The priorities shown are in DRAFT form. This is a "living document" that will be revisited periodically. This version serves as a starting point for discussion and to visualize how the strategic plan will cascade into operational activities. Note that not all strategies have priorities noted – this is intentional as the senior executive team was committed to outlining priorities that could be accomplished with in the timeline provided. In addition, there is work that may be done at the department or Home level that advanced these strategies.

Strategy	DRAFT Senior Executive Team FY2025 Priorities
Recruit the best of the best	1. Create and implement a total Rewards program: a. A - Create and implement compensation plan, to include paid FMLA per new laws. (Lindsay) b. A – Operationalize the revised performance management process. (Lindsay) c. B – Enhance labor management tools and processes to prepare for HPPD and for budgeting and monitoring purposes. (Lindsay/Rebecca) d. Retention planning 2. A - Streamline/standardize recruiting process.
Invest in people to retain and grow excellence	A – Create and implement a leadership development program.
Optimize the organizational design	1. A – Review/revise job descriptions. 2. A - Review/revise organizational structure for FY2025 budget. 3. B - Create and start implementing a three year people strategy.
Foster teamwork and belonging to leverage unique strengths.	A - In FY2025, implement a program to strengthen the leadership team, specifically focused on building trust across the leadership team.
Strive to achieve and maintain nationally recognized measures of quality.	Restructuring Compliance – establishing a singular compliance program.
Streamline and standardize processes across the organization to consistently deliver the same high quality customer and employee experience regardless of location.	1. Establish function meetings for various service and clinical areas of expertise. Examples include: schedulers, res. care, infection prevention, facilities, dietary, activities, etc. 2. Evaluate insource/outsource of therapy

Strategy	DRAFT Senior Executive Team FY2025 Priorities
Use data driven decision making to continually improve service delivery	
Offer exceptional facilities	A - Implement Infrastructure planning meetings and plan for grant funding or seeking other funding.
Use technology to create a competitive edge	A - Create IT Roadmap.
Balance quality and cost to provide the highest quality service possible at the lowest price possible.	Minimize Cost 1. A - Eliminate Temporary Labor. (Rebecca) 2. A - Review Augusta Operations and Implement a plan to reduce cost (Kevin/Rebecca)
Maximize revenue in existing business lines.	A - Maximize Census A - Explore other avenues to increasing existing revenue – i.e., private pay rates
Invest for the future of MVH.	
Optimize internal controls to promote and support stewardship.	1. B – Implement pharmacy financial and production process improvement. 2. B - Implement training and performance management around budget management (to include reporting).
Innovate to deliver the future of senior care	
Strengthen and advance the MVH brand	Create and execute a plan for building capacity in marketing and communication (i.e., insource/outsource)
Seek opportunities to diversify revenue	1. Explore how to begin offering outpatient therapy and overcome the barriers presented by Optum – shift to FY2026 2. Develop process for development efforts (i.e., seeking and receiving donations) 3. Initiate grant writing (secure capacity, identify grant opportunities and match to needs, etc.)
Invest in key stakeholder relationships to fund and advocate to support and advance the mission	A+ - Secure sustainable funding. (#1 Priority) Note: The team recognizes that if this priority is not achieved, the conversation will need to shift dramatically to determining the future of the organization.