



Media Response

July 6, 2023

Posted 8:00 p.m.

PACE North received a press release from a local media outlet on Tuesday, July 5, 2023, stating that Grand Traverse Health and Human Services board has filed a lawsuit against PACE North.

PACE North has not received any formal notice of any legal action or any communication directly from the Grand Traverse Pavilions at the time of this writing.

To clarify two specific points in the press release, Mr. McNally, Chairman of the DHHS board of directors, states that PACE North is operated by Grand Traverse Pavilions (GTP) and their lawsuit is in response to the PACE North board taking actions to end a Management Agreement (MA).

First, PACE North is an independent, stand-alone nonprofit corporation. Neither the Pavilions nor DHHS own or operate PACE North.

Second, the Management Agreement is mischaracterized in the press release as a document for repayment of an initial investment by GTP. Rather, the plain language of the Management Agreement sets forth administrative services GTP will provide in exchange for a fee. PACE North is being overcharged for the few administrative services it does receive and has not received other services listed in the Management Agreement. PACE North sought to collaboratively modify the Management Agreement for over a year to create a fair arrangement for both parties. GTP refused to collaborate and seeks to enforce an agreement that could cause compliance issues under both CMS (Centers for Medicare and Medicaid Services) and IRS (Internal Revenue Service) regulations.

Since its inception in 2018, four separate Executive Directors of PACE North each voiced concerns about the Management Agreement and its deleterious impact on PACE North's mission. This Management Agreement underwent several significant revisions due to regulatory compliance issues, some of which were reported in the Record Eagle's article from January 22, 2023, with the headline "*Ex-PACE Executive Sues Pavilions Under Whistleblower Act.*" Since December 2022, when the last incremental agreement revision was approved, several significant legal concerns remain outstanding.

The PACE North board and staff attempted to collaboratively revise the Management Agreement to address well substantiated issues over the last 18 months. PACE North was met with persistent resistance and delay from Grand Traverse Pavilions, necessitating the PACE North board's action in recommending the termination of the Management Agreement to definitively eliminate known exposure. The PACE North



Board remains open to finding an alternative, legally-compliant approach to addressing the Grand Traverse Pavilion's desire to be repaid its initial investment in the PACE North start up – use of an unconscionable Management Agreement is simply not a fair means to accomplish this task.

The nine-person PACE North board is comprised of the Grand Traverse Pavilions current CEO, 2 members of the DHHS board whose role is to operate the Grand Traverse Pavilions, GTP's former -CEO and GTP's former -COO as well as four non-GTP affiliated board members. During a board meeting at the end of May 2023, the PACE North board members who were not recused due to conflict of interest voted to terminate the Management Agreement in accordance with the terms of the Management Agreement and because of its unconscionable terms. The Board further decided that the Management Agreement would terminate on July 30, 2023, which would allow GTP two more months (in addition to the 6 months already passed with no progress by GTP) to amicably unwind the Management Agreement in a manner that was fair to both parties. Rather than working toward an agreement that is fair and legally compliant for both parties, GTP filed a lawsuit against PACE North.

PACE North appreciates all its community partners, including Grand Traverse Pavilions. We value the role of GTP in the community and the services it offers to the area residents. We acknowledge and celebrate the GTP Foundation for the community fundraising they completed on our behalf. And we look forward to continuing to work with GTP to provide a comprehensive network of options for vulnerable seniors in our community into the future. When relationships with partners like GTP are formalized into legal agreements, these agreements must comply with legal and regulatory requirements. PACE North's status as a nonprofit public charity, our organizational value of Integrity, our bylaws, and our participation in the Medicare and Medicaid health care programs require us to address known issues in order to protect our participants, including those we serve in Antrim, Benzie, Grand Traverse, Kalkaska, Leelanau, Manistee, and Wexford counties.

The sole focus of PACE North is to continue to provide excellent care to the participants who are enrolled. We want to assure the community and our participants that services and care will continue to be provided without issue or interruption.

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