



Connecticut Department of Social Services
NEWS RELEASE

January 11, 2008

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State Investigating Finances of 6 Marathon Healthcare Nursing Homes

The state Department of Social Services has launched an investigation of Marathon Healthcare Inc.'s six Connecticut nursing homes because of mounting evidence of problems in meeting their financial obligations.

Social Services Commissioner Michael P. Starkowski this week assigned auditors to conduct a financial examination of the East Hartford-based nursing home chain, a step that could lead to court-ordered receivership to stabilize their financial situation.

Also today, Governor M. Jodi Rell directed Department of Public Health Commissioner Dr. J. Robert Galvin to send inspectors to Marathon facilities to ensure that their financial difficulties are not negatively impacting the quality of care provided to residents.

The Department of Public Health licenses and monitors resident care in Connecticut's 241 skilled nursing facilities. Marathon facilities in New Haven, Norwalk, Prospect, Torrington, Waterbury and West Haven have a total of 728 licensed beds.

Through the Department of Social Services, Connecticut pays over \$1.2 billion annually to nursing homes for the care of about 19,000 Medicaid beneficiaries, with the federal government reimbursing half that cost. Altogether, there are nearly 29,000 residents in licensed nursing homes. The Department of Social Services' financial monitoring role is based on the expenditure of Medicaid reimbursements for resident care.

The following factors were cited by the Department of Social Services with respect to Marathon Healthcare Inc.:

- On October 5, 2007, and on December 5, 2007, the Department of Revenue Services notified the Department of Social Services that four of the facilities (Prospect, Norwalk, Torrington and West Haven) operated by Marathon Healthcare Group owed Nursing Home Resident Day User Fees due on July 31, 2007, and November 30, 2007, respectively. Upon notification, in both instances, the Department of Social Services immediately initiated Medicaid payment intercepts to recover amounts due pursuant to Section 17b-320 (d) CGS.
- On January 7, 2008, Marathon requested \$1,000,000 as a one-week advance on a portion of Medicaid amounts payable on January 16, 2008, in order to meet payroll obligations. In order to guarantee staff were paid on time, after an

analysis of the information submitted, the department granted an \$800,000 advance.

- As is standard practice as substantiation for requested advances, on January 9, 2008, Marathon submitted an interim financial statement and an aging of accounts payable to the Department. This information indicated that as of November 30, 2007, current liabilities exceeded current assets by \$3.3 million and vendor payables of approximately \$6 million were over 90 days past due. Additional information submitted with Marathon's payable schedules indicated that Marathon needed to enter into payment plans on \$4.2 million owed to eight key vendors due to its financial condition.
- On January 10, 2008, as provided for under Section 19a-498 (d) of the Connecticut General Statutes, Commissioner Starkowski directed the Department's Office of Quality Assurance to conduct an examination of Marathon Healthcare financial records to further assess the financial condition of the operator.
- The Department was also informed that Quest Diagnostics has not received any payment since July 2007, totaling approximately \$55,000 past due. In addition, the Department received information that Swallowing Diagnostics, LLC, a therapy company that serves stroke patients and others with swallowing or aspiration conditions, has suspended work at Marathon facilities due to nonpayment.

As the investigation into the financial viability of Marathon Healthcare Group is begun, Commissioner Starkowski is asking Attorney General Richard Blumenthal to assign Assistant Attorney General Henry Salton, a specialist in receivership proceedings, to assist in the determination of the legal sufficiency of existing and accumulating financial information regarding a receivership proceeding; and, in the event of such determination, to draft legal petitions leading to the court appointment of a receiver under Section 19a-542 of the Connecticut General Statutes.

The Commissioner noted that while it is too early to determine if the statutory criteria for receivership proceedings will be met, it is incumbent on the state to plan for all eventualities. "Certainly, it is our hope that the Marathon homes will regain their financial footing and that the state will not have to go to court to essentially take them over through a receivership action. However, we need to fully examine Marathon's financial status and plan for all potential courses of action, including receivership."