

Testimony of Wanda Pelkey, CPA
CFO First Atlantic HealthCare and Board Chair of Maine Health Care Association

To the Joint Committee on Appropriations and Financial Affairs
With the Joint Committee on Health and Human Services

Wednesday, February 22, 2023 at 10:00 AM

Neither For Nor Against Long Term Care Provisions in:

LD 258, An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2023, June 30, 2024 and June 30, 2025

Good morning Senator Rotundo, Representative Sachs, Senator Baldacci, Representative Meyer and distinguished members of the joint standing committees. My name is Wanda Pelkey, and I serve as the board chair of the Maine Health Care Association and CFO of First Atlantic HealthCare. My company represents 23 nursing facility and residential care homes throughout Maine, located in towns of Saco, Portland, Freeport, Falmouth, Skowhegan, Lewiston, Dexter, Dover-Foxcroft, Bangor, Ellsworth, Machias, Lincoln, Millinocket, Calais, Houlton, Waterville and Madawaska.

I am here today to provide testimony neither for nor against sections of the Biennial Budget that pertain to long term care.

Let me begin by saying I'm deeply grateful for the past support the legislature and the administration has provided to the long term care industry. Even though Maine has endured closures, without a doubt the assistance prevented dozens more.

As we climb out of the pandemic, the virus challenges have been replaced by worsening workforce shortages. We're struggling to regain occupancy numbers because of too

few workers. STAFFING STAFFING STAFFING is by far our number-one problem. I know the State is working on solutions with a variety of worker-development programs yet we're a long way from solving the crisis.

We all understand the simple economics that scarcity drives costs. The repeated and substantial pay increases that's been a huge benefit for our workers (and staffing agencies) are at once a looming financial disaster for our homes. Last year the legislature funded Medicaid rate increases to afford 125% minimum wage for direct care workers or \$17.25/hr. That helps, but literally everywhere in Maine market rates for new CNAs starts at closer to \$20+/hr. Furthermore, shortages of RNs, LPNs and med-techs is even more extreme and driving far higher wage rates for them.

As a result, costs continue to outpace Mainecare rates. The biennium budget for nursing facilities includes a COLA in year 1 and rebasing increase for year 2, but amounts don't bridge the funding gap. Under today's rates Berry Dunn CPAs have projected a nursing facility shortfall of \$60 million starting July 1. That's a gap of roughly \$45 million for year 1 alone.

This year the \$25 million for NFs just passed in the supplemental budget for nursing homes helps to fund this current state fiscal year's gap. It's bridge funding at best and unfortunately doesn't solve the structural rate gap starting July 1.

After several years of "just in time" relief funding that's barely kept our facilities operating, many are now not in compliance with bank lending covenants and have dangerously low cash reserves. Rightfully so, banks very are nervous about the collective industry's ability to make mortgage payments. Banks are denying access to capital when more is needed, shortening lending terms on existing debt and raising interest rates on what they view are troubled loans. Many facilities are a replacement roof or busted boiler away from financial ruin.

So while I appreciate and support the proposed funding in the drafted biennium budget, please be aware a substantial funding gap will remain that I believe will lead to closures unless addressed by this legislature.

Thank you for your time and attention to this matter.

