



First Atlantic HealthCare

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

To the Joint Standing Committee on Health & Human Services

In opposition to LD 1575, An Act to Promote Quality and Innovation in Nursing and Residential Care Facilities

Dear Senator Baldacci, Representative Meyer, and distinguished members of the Committee on Health and Human Services. My name is Wanda Pelkey, and I serve as the board chair of the MHCA and CFO of First Atlantic HealthCare. My company represents 23 nursing facility and residential care homes throughout Maine: Saco, Portland, Freeport, Falmouth, Skowhegan, Lewiston, Dexter, Dover-Foxcroft, Bangor, Ellsworth, Machias, Lincoln, Millinocket, Calais, Houlton, Waterville and Madawaska.

I fully support promoting quality and innovation for nursing facilities and residential care facilities and I believe it's good policy to build rate setting provisions that rewards and promotes those advancements. Further I'm pleased the DHHS is leading work to develop a new system that promotes efficiency, administrative ease and sustainability. However as this bill is drafted there are elements I feel strongly don't align with the essential goals of preserving access to services, high quality care and adequate funding. For that reason, I don't support the bill as written.

Foremost, I believe this bill would strip away a statute that requires nursing facility rate rebasing every two years and every year COLA adjustments. This is a provision that several years ago was voted in by the legislature so reimbursements could better keep pace with the actual costs of providing good quality care. Back then the NF rate-setting system of COLA increases without regular cost-based resets led to a rash of closures several years ago. While our current system

isn't perfect and closures continue to this day, I know it's prevented many closures too thereby preserving access to NF services. Undeniably, it's an important protection.

DHHS officials claim this provision needs to be removed to enable rate reform scheduled for 2025. I'm afraid this will destabilize the current rate setting system without the certainty that new rates proposed by DHHS will be adequate or implemented on time. For certain it will eliminate a much-needed rebasing scheduled for July 1, 2024. To me it would be like someone quitting a stable job without another in place and hoping the mortgage can still be paid. Where is the wisdom in that approach? Wouldn't it be better to let rate reform work (now underway) finish and then determine whether a law change is necessary? A bill could be introduced next spring when more is known. Although it may delay the January 2025 implementation, it seems wiser to allow the Rate Reform committee to do its careful work first, then create laws to enable the change. Better to take it a bit slower and get it right.

Many other provisions in Section 4 of the bill appears to promote good quality care and innovation. That's good yet upon reading the referenced MRS title 22 Section 3173-J, it seems the DHHS already has the authority to design rates to promote these goals. Therefore, I don't understand why this bill is necessary and perhaps the HHS Committee could explore this question during the work session.

For the finish, I do support value-based pay and promotion of innovation, but only in addition to, not instead of the essentials of funding full reasonable and necessary costs. As presently written I feel the stripping away of the present NF rebasing law without adequate new system designed and in place will cause dire consequences. For that reason, I don't support the bill in its present form.