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Maine Health Care Association

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Testimony of Angela Cole Westhoff, President and CEO
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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 Angela Westhoff, and I serve as the President and CEO of the Maine Health Care Association. We represent approximately 200 nursing homes, assisted living, and residential care facilities (also known as Private Non-Medical Institutions or PNMIs) across the state. Our mission is to empower members to ensure the integrity, quality, and sustainability of long term care in Maine. I am here today to provide testimony neither for nor against sections of the Biennial Budget that pertain to long term care.

Maine's long term care sector is facing a very serious crisis. We are grateful for the legislature's support in the Supplemental budget with one-time payments totaling $25 million. However, the financial burden long term care providers are facing is not waning. A historic work force shortage, lagging reimbursement, and skyrocketing costs are threatening access to long term care services.

LD 258 provides funding for cost-of-living increases per Public Law 2021, Chapter 639 (Biennial Budget, page A-382). The most recent COLA was approximately 3.38%, but providers are facing much higher costs overall, especially with labor. The cost of temporary nurse agency staffing has climbed over $30 million dollars representing an 85% increase from 2017 to 2021. This is unsustainable.

Included on pages A-368 and A-411 there is approximately $5 million per year in the Biennial Budget for high MaineCare utilization add-on payments to private non-medical institutions (PNMI-Cs) as a bridge to broader payment reform that will go into effect in January 2025. This is a continuation of an existing add-on program that mirrors a provision in the nursing home Principles of Reimbursement. Because of the gap between the Medicaid reimbursement and the cost of care, this helps to incentivize providers to take in more MaineCare residents. However, the program was not fully funded at the initial outset and we believe based upon Medicaid occupancy that the total amount needed is $7 million per year or $14 million over the biennium.

In addition, the Biennial Budget also includes approximately $29 million in funding for nursing facilities to "support investment and rate reform for fiscal year 2024-2025. This amount is equal to the estimated amount required for nursing facility rebasing in fiscal year 2024-2025" (page A-382). We know the current rate structure is grossly inadequate with structural shortfalls year over year. Rebasing alone does not address these gaps let alone support investments and rate reform. Despite caring for our most vulnerable population, MaineCare reimburses nursing homes **$40 less** on average than the actual cost of care per patient per day.

Actual Cost:	MaineCare Reimburses:	Shortfall:
$322 per day	**$282 per day**	**-$40 per patient/per day**

Based upon statewide averages on filed 2021 cost reports.

With 1.2 million Medicaid days, this equaled a $47 million shortfall in 2021, including one-time Supplemental payments. There are zero new funds in the Biennial Budget dedicated to fixing this structural rate problem.

We fully appreciate that the Department has hired consultants and begun a rate reform study for nursing homes (Section 67) and private nonmedical institutions (Section 97- Appendix C). We are eager to engage and work collaboratively to reform the overly complicated and administratively burdensome cost settlement system in place now. We are told a new payment model is scheduled to be implemented in 2025. However, 14 long term care facilities have closed since 2020 (with 6 closures in 2021 alone). There will undoubtedly be additional closures over the next two years as reimbursement rates continue to not keep pace with the cost of providing long term care.

We will be introducing legislation to address this problem including a proposal to increase the median from 110 to 130% of allowable costs. With BerryDunn's estimates, we believe that this would address the funding shortfall for the majority of facilities.

Nursing homes and residential care facilities are struggling with a workforce crisis of epic proportions with the lowest work force levels in the last 13 years. While other health care sectors have started to rebound or are approaching pre-pandemic levels of staffing, long term care is still struggling. In fact, long term care is the worst impacted health care sector for staffing. With fewer and fewer staff, facilities are forced to limit admissions and that contributes to the back log of patients in hospitals waiting for a long term care placement. This has serious negative consequences for access to care in a much broader context.

We appreciate all of the competing priorities that the legislature has to balance. However, with significant reserves and predicted revenue forecast strong, we implore you to allocate the resources needed to keep long term care providers solvent until a more adequate rate system can be implemented. If no action is taken to address this funding shortfall, additional facilities will close, access to long term care will further deteriorate, and our most vulnerable citizens will be left uncared for.

Thank you for your time today, and I would be happy to answer any questions.