



Testimony of Angela Cole Westhoff, President and CEO Maine Health Care Association

To the Joint Standing Committee on Health & Human Services

April 20, 2023, at 1:00 PM

In support of LD 1474, Resolve, Directing the Department of Health and Human Services to Expedite Reimbursement of Nursing Facilities

Good afternoon Senator Baldacci, Representative Meyer, and distinguished members of the Committee on Health and Human Services. My name is Angela Westhoff, and I serve as the President & 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 PNMI) 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 in support of LD 1474. As drafted, this resolve requires DHHS to amend its rules in Chapter 101: MaineCare Benefits Manual, Chapter III, Section 67, Principles of Reimbursement for Nursing Facilities, to require the department to reimburse at least 75% of a nursing facility's costs pursuant to the facility's cost reports within 90 days of receipt. We would respectfully ask that the committee amend the bill to also include the principles of reimbursement for residential care facilities, MaineCare Benefits Manual, Chapter III, Section 97. In addition, we support Senator Stewart's amendment that further clarifies that this resolve is referencing **75% of the calculated settlements due to a long term care provider** as reported on a nursing facility or residential care facility filed cost report to be paid within 90 days of receipt.

This bill is straightforward. It would require the Department to pay 75% of receivables based upon an as filed cost report. Nursing facilities are heavily regulated, and their cost reports are

subject to review and audit. Unfortunately, this can take the Department several years to complete. As you are aware, long term care facilities are struggling financially. We are facing the worst workforce crisis the sector has ever experienced, and Bureau of Labor Statistics data confirms that our industry lost between 10 and 15% of our workforce during the height of the pandemic.

Furthermore, facilities have had to hire temporary staffing from temporary nurse staffing agencies, and the cost of labor has escalated dramatically. Reimbursement rates have not kept pace with these skyrocketing costs, resulting in 15 facilities closing their doors over the last three years. Part of the financial instability is due to lagging reimbursement rates and poor cash flow. Having much-needed funds tied up for several years waiting on the audit review process is frustrating for providers who are trying to keep operations going and continue to care for residents.

How big is this problem? In 2019, 41 facilities were due funds from the state totaling approximately \$3 million. In 2020, that number grew to 66 facilities, and the total balance due was approximately \$6.2 million- more than double the prior year. As nursing facilities struggle to keep their doors open, if the state were to pay at least 75% of their receivables within 90 days, that could make the difference in a facility's ability to weather the storm until supplemental funding is available or reimbursement rates are updated.

I would also like to make the committee aware of two additional pieces of information that are pertinent to our discussion. Per the Principles of Reimbursement, if the Department determines that it has overpaid a facility, the facility must pay the total overpayment within 60 days of notice or subsequent payments will be reduced. Yet that same timely response isn't true on the other end. Moreover, if a long term care facility has to borrow funds from a bank to address cash flow problems, they are charged interest on that loan from the lender. The interest that accrues while waiting for the settlement process is not an allowable expense per the MaineCare rules.

Our members inform us that 2019 and 2020 cost reports are being audited now, and in some cases, there are cost settlements still pending from more than five years ago. We recognize rate reform efforts are underway, but implementation of a new model, and even one that eliminates the administratively burdensome audit process, will take time. Unfortunately, time is a luxury we don't have, and we ask for the committee's support on this bill. We hope that this is one measure that will stem the tide of long term care closures.

Lastly, this bill would not cost the state any additional funding as LD 1474 only improves the timing for a meaningful portion of the settlement. It has no impact on the settlement amount itself.

Thank you for the opportunity to provide comments today and I would be happy to answer any questions.