



Maine Health Care Association

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

To the Joint Standing Committee on Health & Human Services

May 10, 2023 at 10 00 AM

**In support of LD 1827, An Act to Prevent Closures and Ensure Sustainability of Nursing  
Facilities, Private Nonmedical Institutions and Residential Care Facilities by  
Removing So-called Budget Neutrality**

Good morning 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 present testimony in support of *LD 1827, An Act to Prevent Closures and Ensure Sustainability of Nursing Facilities, Private Nonmedical Institutions and Residential Care Facilities by Removing So-called Budget Neutrality*. This bill seeks to eliminate the so-called budget neutrality provisions related to transferring and selling beds between nursing facilities and residential care facilities, converting beds from nursing to residential care, and delicensing nursing facility beds.

The long term care industry is in a fragile state. On numerous occasions, I have testified before this committee on the severe workforce crisis facing the sector. In addition to workforce challenges, current reimbursement rates do not cover all allowable costs of providing long term care. Specifically, there is a \$40 per day difference between the allowable costs per resident

day and the average MaineCare reimbursement rate for nursing homes. And while we are very grateful to the legislature for appropriating one-time supplemental funding, our sector still faces a \$47 million annual shortfall (per BerryDunn's analysis of 2021 cost report data). There have been 15 facility closures in the last three years, and additional closures were just announced last month.

Approximately 30 years ago, in order to maintain so-called "budget neutrality," the state put into policy a requirement that any new costs to the system have to be wholly offset by reductions in MaineCare costs elsewhere. If replacement facilities are to be built, an operator must shut down beds in another part of the state and relocate residents in order to meet budget neutrality. That is one of the consequences of this policy. This occurred during a time when the Department was seeking to decrease nursing home beds and create more residential care facility beds/Private Non-Medical Institution (PNMI) Appendix C beds.

The policy did its job. However, we need to ask the question: Does this public policy from three decades ago work now, given that our demographics have shifted significantly since 1994 and nursing homes are closing at an alarming pace? Reducing beds, even if occupied, at a time when we have backlogs of residents in hospital emergency rooms needing placement in long term care is a real challenge, and one policy makers should examine.

Budget neutrality isn't the only reason that nursing homes have closed, but it's one of the reasons. There are others here to testify today who have much more detailed knowledge to share on the impact of budget neutrality, in particular as it pertains to the sale of long term care facilities. We know rate reform is on the horizon and that many aspects of long term care funding will be examined including this provision. But more importantly, we call upon the legislature to adequately invest in long term care now in order to protect access to these critical services for the people of Maine for the future. Thank you for the opportunity to provide comments today, and I would be happy to try and answer any questions.