TESTIMONY OF Richard A. Erb
President and CEO
Maine Health Care Association

March 17, 2021, 1:00 pm
To the Joint Standing Committee on Health & Human Services

In Support of L.D. 250

An Act to Assist Nursing Homes in the Management of Facility Beds

Good afternoon Senator Claxton, Representative Meyer and members of the Committee. My name is Rick Erb and I am the President and CEO of the Maine Health Care Association. Our organization represents nursing homes and assisted living facilities. I am pleased to testify in support of LD 250 today and thank Representative Perry for sponsoring it.

Until 2007, nursing homes were able to participate in a program that allowed them to temporarily take beds off line, while reserving their use for a later date. So called "bed banking" makes sense if a facility is experiencing lower occupancy rates. A reduced census will bring on occupancy penalties and in some circumstances negatively affect rate calculations. In 2020 and 2021, we have seen what I believe to be a temporary decline in occupancy that is directly related to COVID-19. Independent studies have projected that Maine will struggle to meet future demand for long term care services of all types. Temporarily delicensing beds make sense in these circumstances.

Maine went through a period of 18 months where we lost more than 250 nursing home beds through closures. We already had the lowest number of beds per thousand people over age

65 in New England. In these uncertain times, I believe it's important to preserve the capacity that we have.

Nursing home reimbursement for medical director compensation is currently capped at $10,000 per year. This expense is included in the "routine component" which is subject to its own cap. In other words this is a cap within a cap. Based on 2019 audited cost report data, we know that the average cost was approximately $30,000 per year. A large facility in an urban area is likely to be paying several times that amount. Many facilities struggle to find a doctor willing to take on these duties, which had already been growing even before the pandemic. Nursing homes would still have to live within their overall routine cap, but we ask you to eliminate this further restriction, which to me, appears to be micromanagement.

The bill also addresses a reimbursement issue brought about by a change in technology. Nursing homes are reimbursed for certain software purchases as a fixed capital cost. However, when most of these acquisitions became cloud based, DHHS Audit rejected them as fixed costs, putting them under the routine component — where many facilities are already over their cap. We urge the Committee to make this adjustment that will simply be keeping up with technological advances.

In closing, this Committee has historically supported these initiatives. The efforts have stalled once released from this Committee for a variety of reasons, such as funding availability and most recently last year, due to the pandemic. I hope you will support these measures again and thank you for the opportunity to comment.