TESTIMONY OF Richard A. Erb
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April 5, 2021 1:00 pm
To the Joint Standing Committee on Health & Human Services

In Support of L.D. 1112

Resolve, To Classify Employee Health Insurance as a Fixed Cost for MaineCare Reimbursement in Nursing Homes

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 1112 today and, again, thank Senator Timberlake for bringing it forward, as well as Senators Claxton and Moore and Representative Perry for your co-sponsorship.

In a survey of our member facilities last year, 78 out of 79 respondents said they provide some form of health insurance for their employees. I would say that over the years, a key difference between long term care employers and competing industries has been the ability to offer this benefit to new employees. That is becoming more difficult though, as premium costs increase. In that same survey, 53% said they had to make changes in coverage last year because of the expense. The average facility pays for 73% of employee coverage and 44% of family coverage. In 2020, the average employee coverage was $740 per month, which is 18% higher

than two years ago. The average family coverage was over $2,100 per month, which is 25% higher than two years ago. Competition for employees makes coverage more important than ever. There has been a distinct and important focus on wages in Maine over the past few years that has resulted in a 4.3% increase in 2020 prior to COVID-19. But wages aren't the only determining factor in long term care employment. Being known as a profession that respects the need to provide health insurance to employees only helps with recruitment and retention.

This bill recommends amending the MaineCare principles of reimbursement to make health insurance a fixed cost. There are three parts to a provider's MaineCare rate — fixed, direct and routine. Currently, health insurance costs are captured between the direct care component, which encompasses expenses associated with nurses, CNAs, etc. and the routine component, which covers expenses related to things like food service, maintenance, and administration. These components are subject to arbitrary caps, which most providers exceed. Making health insurance a fixed cost, like property taxes and workers' compensation insurance, would ensure providers are wholly reimbursed for this expense.

LD 1112 clearly makes a statement that for health care employees, insurance is a priority. I would also remind the Committee that the MaineCare portion of facility revenues is matched by 2:1 in federal funds. If for instance, 75% of the facility residents are MaineCare, then 75% of insurance costs will be matched 2: 1. The State also temporarily has the added benefit of the enhanced federal matching percentage, at least until the end of this year.

It seems like a long time ago when I served on the 2013 Long Term Care Study Commission to analyze the long term care system to prevent facility closures. While some of those recommendations were implemented, classifying the cost of health insurance as a fixed cost has not yet been finalized. Subsequent long term care study work in 2019 continued to place emphasis on the importance of insurance for employee recruitment and retention. This Committee has historically supported this initiative but it never seems to make it off the Appropriations table. It is my hope that if you support this again, perhaps we can leverage federal relief money coming into the State to make it a reality. Thank you for the opportunity to comment.