MHCA

Maine Health Care Association

TESTIMONY OF Richard A. Erb
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To the Joint Standing Committee on Health & Human Services

In Support of L.D. 1758

"An Act To Clarify and Amend MaineCare Reimbursement Provisions for Nursing and Residential Care Facilities"

Good afternoon, Senator Gratwick, Representative Hymanson 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 the majority of the state's nursing homes and 135 assisted living facilities. I am pleased to testify in support of LD 1758 today and thank Senate President Jackson for sponsoring it. As he has outlined, these are indeed challenging times for nursing homes and assisted living facilities.

Long term care facilities are very labor intensive by nature. I think you will be pleased to know that compensation is improving for direct care workers in our facilities. MHCA surveys its members each year on wages and benefits for all employees. For certified nursing assistants and personal support specialists, the increase over last year is 8%. Even with RNs in short supply, those wages increased by 3%. Nursing home administrators only saw a 1% average increase. Increases in compensation are largely going to unlicensed staff, as well as people employed in dietary and housekeeping positions. It is gratifying to see these employees rewarded, but it is putting pressure on facility finances.

LD 1758 is a part of a solution and would attack the problem by targeting rate relief where it is needed most – addressing workforce costs and the needs of facilities that have an extremely high MaineCare population.

The bill is lengthy – mostly because of the need to reiterate existing statute that can put changes into context. But basically it does a limited number of things:

- It extends the supplemental wage allowance from last year to include contract labor costs in its calculation. Contract labor is wages by definition. Facilities that are struggling the most are also the most dependent on contract labor and it is only reasonable to capture this cost.

- It provides an additional supplemental wage increase going forward, as the minimum wage will be increasing once again in 2020. With each increase a larger number of workers are impacted, including those who make just more than the minimum wage. Like last year's increase, this one will sunset when rebasing catches up with cost increases, beginning in 2020.

- Facility rate increases already being provided would now be calculated using a projected CPI, which would then be adjusted up or down to the actual CPI when it becomes known. Our understanding is that DHHS has recently agreed to make this change in methodology.

- It would make the high MaineCare add-on, which is already in effect, non-cost settled. Facilities in this category have to manage their expenses so tightly that they are sometimes put in the position of having to give back the payment, because they didn't spend every last bit of their state payments. The fact is that they cannot afford to run at a deficit, making the margin between retaining the relief targeted to them and turning it back in to the State very tight.

  Because of the urgency of situation for these high MaineCare facilities, the bill calls for these change be made retroactive to July 1, 2018.

- This add-on for high MaineCare facilities has been a godsend to them, but it excluded a handful of nursing homes because they serve brain injury and psychiatric patients and have above average costs. We believe that all facilities that are high MaineCare should be able to access these funds and LD 1758 would address this.

- When DHHS wrote the reimbursement rules for the most recent rate change, they included old language that requires a facility to show that they used it exclusively for wage increases. The problem with this is that the facility may have already given raises because of the tight labor market and/or new minimum wage requirements. To require them to again dedicate new reimbursement to the same purpose is unreasonable and may take resources away from other pressing needs. There is no statutory requirement for this. It was entirely from rulemaking.

- There is a cost of living adjustment for assisted living facilities in effect now, but it only addresses wages. We believe it should also cover other allowable expenses that are approved by DHHS and the Division of Audit. This bill would do that, putting assisted living facilities on par with nursing homes.

We understand that difficult decisions will need to be made before the budget can be closed. Knowing that the Appropriations Committee will be reviewing all funding requests, we hope you will send LD 1758 to them as written and allow the bill to compete with other proposals for available funding.