

House Finance Subcommittee on Health and Human Services**Interested Party Testimony****March 16, 2017**

Good morning Chairman Romanchuk, Ranking Member Sykes, and Members of the subcommittee, my name is Sharon Shaffer and I am Senior Vice President of Senior Living Development at Wallick Communities. We appreciate the opportunity to testify in front of this committee regarding the Assisted Living Medicaid Waiver reimbursement rate.

Over the past 30 years we have developed, owned, and operated Assisted Living communities for seniors. We presently have communities in Columbus, Toledo, and Cincinnati. Our Senior Housing Group has introduced an expanded product line, *The Ashford Communities* with a continued focus on Assisted Living to provide a quality community and outstanding care for seniors at an affordable price point. Wallick Communities is also a member of the Ohio Assisted Living Association (OALA).

In a broader context, Wallick Communities is one of the largest developers, owners, and managers of affordable housing in Ohio and the Midwest. Our home office is located in Reynoldsburg, Ohio and we employ 569 Ohioans throughout the state. We own/manage over 9,800 units in 148 apartment communities, making us the largest owner/manager of affordable housing statewide.

As you have heard others testify in front of this committee and as you are aware, Ohio's population is aging rapidly. In 2000, there were 1.5 million Ohioans over age 65 and that number is projected to grow to 2.1 million by 2020. The time to enact fiscally sound initiatives in the state Medicaid budget is now. Ohio needs diverse and cost effective programs and options to ensure that we are using public dollars as efficiently as possible. One of these options is the Assisted Living Medicaid Waiver Program.

Access to the Assisted Living Wavier (ALW) is currently limited due to the low reimbursement rate that Assisted Living communities like Wallick receive for providing one of the more cost efficient service packages for a significant portion of Ohio's aging population.

The reimbursement amount for the ALW has not changed since the program was established in 2006. The program continues to operate at the 2006 rate of \$69 per day. We are here today asking for an increase because the current price point of \$69 per day for the ALW is not sustainable. Increased access to the ALW will benefit both older Ohioans and Ohio taxpayers.

Further, the reimbursement rate for the ALW is not appropriately priced in comparison to other programs that provide similar services illustrated by the chart prepared by the Ohio Assisted Living Association and included in Executive Director Jean Thompson's Testimony. There are different levels of cares necessary for our aging population and we are merely asking to be funded at an appropriate level so that our business and industry can continue to be a cost-effective option in the continuum of care. We have again attached this chart to our testimony.

The Executive Budget proposes implementing a new rate setting methodology for Assisted Living services beginning July 1, 2018. The new methodology will take into consideration things such as staff ratios, program support costs, and administrative overhead. This will result in an increase in the Assisted Living rate of \$34.9 million, which includes a \$13.0 million state share for Fiscal Year 2019.

We are appreciative of the proposed increase included in HB 49 as introduced, but we are unclear on the exact percentage increase of the new rate and the requirements and structure associated with the Assisted Living services methodology. In addition to more clearly defining the requirements and structure associated with the Assisted Living Waiver, we respectfully request the increase to begin in the first year of the biennium in Fiscal Year 2018 and continue in Fiscal Year 2019.

We have attached a chart entitled "Medicaid Waiver Analysis" that helps illustrate how we arrived at our requested increase. The proposed increase is based on the increase in operating expenses in the ten years since the ALW has been in existence. Since 2006 COLA has increased by 24 percent and CPI Total Expenditures has increased by 19.3 percent. Thus, we are asking for a reasonable 20 percent increase which approximately equates to an increase from \$69 per day to \$84 per day.

Thank you for the opportunity to testify and share our perspective as a provider of Assisted Living services. Joe Gulling, Senior Vice President of Living Operations has accompanied me today and we would be happy to answer any questions you may have for us.



MEDICAID WAIVER ANALYSIS

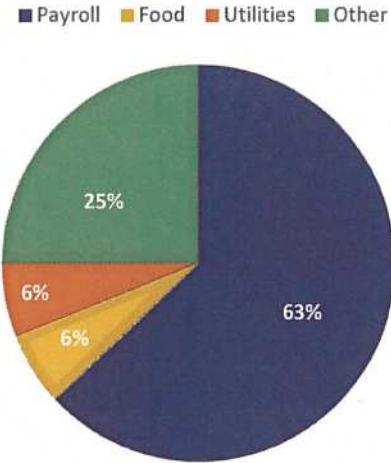
The reimbursement amount for the Medicaid Assisted Living Waiver has not changed since the program was established in 2006; **the program continues to operate at 2006 rates.**

The Ohio Assisted Living Association has proposed a 20% increase to the State of Ohio Medicaid Assisted Living Waiver; from the current level of \$69/day to \$84/day.

The proposed increase is based on the increase in operating expenses in the 10-years since the Medicaid Waiver has been in existence.

There are 4 key operating expenses that directly impact the overall efficiencies of the operations of our Assisted Living communities:

OPERATING EXPENSE DISTRIBUTION



OPERATING EXPENSE DISTRIBUTION

Expense Category	% of Operating Cost
1 Payroll & Benefits	63%
2 Food	6%
3 Utilities	6%
4 Other*	25%
	100%

10- YEAR OPERATING EXPENSE ANALYSIS (2006-2016) (percentage increase)

EXPENSE CATEGORY	INCREASE (CPI, EPI and COLA)	WEIGHTED (Based on Expense Distribution)
Payroll & Benefits	21.7	13.7
Food	25.4	1.5
Utilities	21.0	1.3
Other*	19.3	4.8
Operating Expenses (Weighted 10-year Increase)		21.3

10- YEAR NATIONAL EXPENSE TRENDS (2006-2016) (percentage increase)

CPI Total Expenditures	19.3
COLA	24.0

*Other Expenses include Real Estate Taxes, Insurance, Administrative/Activity Expenses, Maintenance, Landscaping, Housekeeping

NATIONAL EXPENDITURE ANALYSIS (2006-2016)

Year	Employment Cost Index (EPI)		Consumer Price Index (CPI)						COLA !
	Payroll & Benefits		Food		Utilities		Other		
	IP ^	% Change	IP+	% Change	IP+	% Change	IP	% Change	
2006	100.9	3.6	196.5	2.2	190.9	0.4	197.2	1.0	4.1
2007	104.5	3.6	205.9	4.8	200.8	5.2	205.8	4.4	3.3
2008	107.3	2.7	218.2	6.0	213.9	6.5	204.8	-0.5	2.3
2009	110.3	2.8	216.7	-0.7	207.3	-3.1	211.7	3.4	5.8
2010	111.9	1.5	220.1	1.6	210.9	1.7	215.3	1.7	0
2011	113.3	1.3	230.6	4.8	216.1	2.5	222.2	3.2	0
2012	115.0	1.5	234.6	1.7	216.7	0.3	225.9	1.7	3.6
2013	116.4	1.2	237.0	1.0	222.5	2.7	229.2	1.5	1.7
2014	117.9	1.3	245.3	3.5	229.8	3.3	229.9	0.3	1.5
2015	120.1	1.9	247.0	0.7	222.4	-3.2	230.8	0.4	1.7
2016*	122.8	2.2	246.4	-0.2	231.0	3.9	235.3	1.9	0
Percent Change (2006-2016)		21.7		25.4		21.0		19.3	24.0

Note: Semiannual average indexes (January-June, 2016) for CPI/ECI

*IP - Index Points:

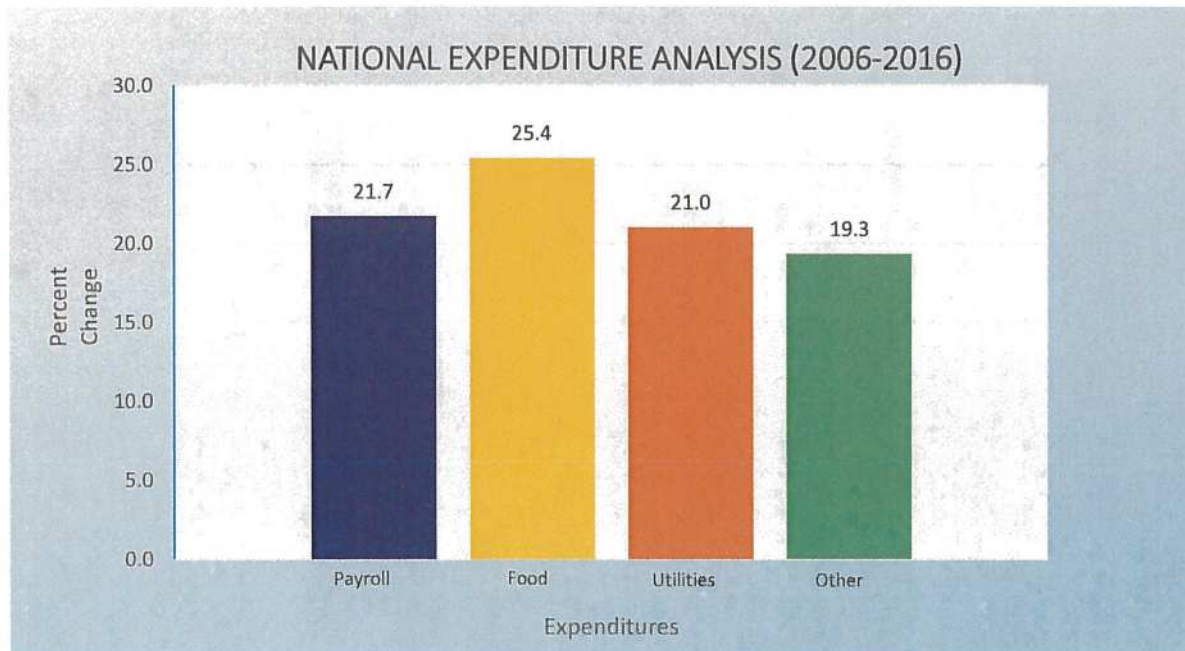
1. CPI: Base - 100 from 1982-1984

2. ECI: Base - 100 from 2005

Source (+) - Consumer Price Index (CPI), U.S. Bureau of Labor Statistics, 2006-2016, Based on CPI-W (Urban Wage Earners and Clerical Workers)

Source (^) - Employment Cost Index (ECI), Bureau of Labor Statistics, ECI Historical Listing Volume III, June 2016, Based on 'Nursing and Residential Care' wages and benefits

Source (!) - <https://www.ssa.gov/news/cola/>





OHIO ASSISTED LIVING ASSOCIATION

A cost comparison of Medicaid programs providing similar services to the Assisted Living Waiver program.

MEDICAID Reimbursement		
Assisted Living Waiver Service	24 hours per day service package	Tier 1 \$49.98/day* Tier 2 \$60.00/day Tier 3 \$69.98/day
Certified Adult Day Services	4-8 hours (Transportation & additional services billed separately)	Enhanced \$49.39** Intensive \$64.84
PASSPORT Personal Care Service	4 hours	\$71.84 (\$17.96/hr)**
Shared Living	Occasional Continuous	Level I: \$77.20/day*** Level II: \$113.90/day
Nursing Home	24 hours per day	\$ 177.31/day ****

Source: *OAC 5101:3-1-06.5 Appendix A

**ODM proposed rate – effective January 2017

***Ohio waiver application to CMS

**** Ohio Department of Medicaid-(July 2016 rate increase not included)

OALA has prepared this comparison to highlight the Medicaid reimbursement rates for programs with similar services to the Assisted Living Waiver (ALW), being provided to older adults in Ohio. The other programs are not “overpaid”, but this chart shows that *the reimbursement for the ALW falls way below that for comparable programs*. It is also important to note that both PASSPORT and Adult Day services are *scheduled* services, and in the Assisted Living setting, a complete package of services are provided as needed, 24 hours per day.

Every person in the ALW is eligible to be in a nursing home, so this program represents a large cost-savings to the state. Scripps Gerontology Center, in their last Biennial Survey Report (2015), highlighted the cost savings of the ALW program to the state, noting the average client contribution is higher in Assisted Living: “... *These costs are the actual expenditures made by Medicaid, after they have received the consumer's contribution. PASSPORT and the assisted living waiver are the two lowest cost programs (\$1,312 and \$1,608, respectively). One of the reasons that the assisted living waiver is less costly is because most residents start out paying privately and traditionally have higher monthly incomes and thus have higher program contributions. ... Nursing homes, who provide an array of services to a very impaired population, receive almost \$4,300 per month from Medicaid.*”