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Senate Health Committee
Am. Sub. House Bill 110
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Good morning, Chair Huffman, Ranking Member Antonio, and members of the committee. I am Pete Van Runkle from the Ohio Health Care Association. OHCA is Ohio's largest association representing long-term services and supports (LTSS) providers: assisted living; home care; hospice; intellectual and developmental disabilities; and skilled nursing services. We appreciate the opportunity to appear before you again today to discuss the budgets for the Departments of Aging and Medicaid on behalf of our members who provide LTSS funded by those agencies, which include home and community-based services (HCBS) and skilled nursing care.

I'd like to start with an overarching theme that you heard last week relative to services for people with intellectual and developmental disabilities: workforce. As an organization representing the continuum of LTSS providers, we know from our members that lack of available workforce overshadows all of them equally. Ohio's skilled nursing facilities (SNFs), assisted living communities, home care agencies, and hospices are desperate to find staff to care for their patients and residents, just as you heard last week about ID/DD providers.

Turning to HCBS specifically, let's define HCBS providers for today's discussion. They are providers who receive Medicaid payments for services to Ohioans who have a level of care that would qualify them for SNF coverage, but who choose nursing or personal care (or other services) in their own home or an assisted living community. There are different Medicaid programs that fund these services. In many cases, they are Medicaid waiver programs (Assisted Living Waiver, PASSPORT, Ohio Home Care, MyCare Ohio Waiver). In addition, Ohio's state plan Medicaid program, which is not a waiver, covers home health and hospice services.

What all of these providers have in common, aside from extreme workforce challenges, is they depend on Medicaid for operational revenue. Because Medicaid payments are historically very low, they do not support the wages and benefits needed today to attract staff. While this problem is economy-wide, health care is different because our members serve people who need the services to survive and, in the case of HCBS, to stay in their homes, whether that home is a personal residence or an assisted living community.

Providers' inability to find staff because of low reimbursement has consequences for Ohioans. Agencies cannot take on new caseload or must reduce their existing caseload when they do not have enough staff to deliver care in everyone's home. In some cases, they stop taking Medicaid patients at all. Assisted Living Waiver providers routinely limit how many Medicaid beneficiaries they will take. Many assisted living communities do not participate in the waiver at all, resulting denial of access and a waiting list for services. In every case, a senior who needs help is not getting it.

Medicaid HCBS have been starved of resources for years. The staffing and access problems are long-standing because of low reimbursement rates, but the workforce impact of COVID-19 has made them much worse. Partly because they are not in statute and controlled by the legislature, Medicaid rates for HCBS providers for the most part have been stagnant in good times and bad. Occasionally there are small increases, other times there are cuts. For instance, in 2020, some PASSPORT services and assisted living received a small, 3.25% increase resulting from legislative action, but home health was left out. Overall, though, rates have come nowhere near keeping up with the cost of providing services and have kept the wages of direct care workers too low to attract sufficient staff.

Thus we turn to the legislature for help.

COVID-19 has played a huge part in the challenges HCBS providers face. They have borne higher costs for things like personal protective equipment (PPE), testing, overtime, wage increases, and bonuses while seeing their workforce further depleted by illness and individual decisions to leave the field for COVID-19-related reasons. At the same time, HCBS providers have seen steep declines in their revenue – their ability to pay those higher costs - because people choose not to receive services in their homes or to move into assisted living because of fear of COVID-19 and the restrictions it has spawned such as quarantine and visitation.

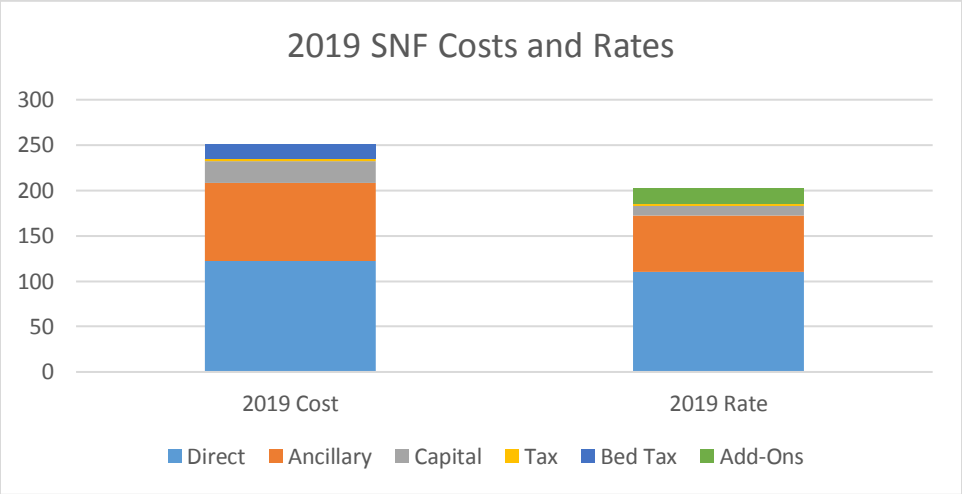
We appreciate and support the Executive Budget proposal of a 4% increase for nursing and aide services delivered by waiver and home health providers, but feel it is insufficient given the historic underfunding of HCBS and the impact of COVID-19 on workforce. We asked the House to fund a 5% increase in each year of the biennium and to add language to effectuate this increase (the Executive Budget did not contain language on the 4% increase). Unfortunately, the House did not include this funding, which we estimate at $42.9 million state share over the biennium.

Our request to this committee and to the Senate is to add the language and the appropriation to help HCBS providers secure the necessary workforce and to ensure older Ohioans can receive the services they need in the settings of their choice.

We believe that instead of a culture of allowing rates to stagnate over a long period of time, which got Ohio's HCBS system to where it is now, the legislature should establish the principle that rates are to be adjusted regularly to reflect increases in the cost of providing services, particularly labor costs, which make up far and away the bulk of HCBS providers' expenses.

Turning to SNFs, they are on the brink. One OHCA member, a multi-facility operator who also offers assisted living, home health, and hospice, recently reported that they lost $9 million in 2020. Another multi-facility company, which also provides multiple services, reports that they are losing $1 million per month. A third operator detailed $9 million in lost revenue between March 2020 and March 2021, with $6.8 million in increased costs.

This stems from multiple factors. To begin with, SNFs nationally were underwater by 0.3% before COVID-19, according to the Medicare Payment Advisory Commission. Medicaid is the predominant reason. In 2019, as shown in the chart below, Ohio's Medicaid rates averaged $202 per day compared to costs of $250 per day, including the bed tax – a loss of $48 per day on every Medicaid day.



Then COVID-19 hit. SNF census, which drives revenue, was decimated. Occupancy in Ohio facilities fell from 81.7% in 2019 to 68.7% by early 2021. Medicaid census declined even more. At the same time as these devastating revenue losses, COVID-19 drove cost increases to SNFs of $25 per day or more. Like all providers, SNFs are suffering grievously from the staffing crisis. They have had to raise wages far beyond what is supported by the Medicaid rate and are using unheard-of amounts of agency staff at highly inflated prices, but that is still not enough. SNFs are forced to deliver only basic-level care and to turn away admissions because they do not have enough staff.

Our SNF members are afloat today only because of a massive influx of federal funding under the CARES Act, either directly or through the state. Members report that this money will run out in anywhere from 3-6 months, creating great anxiety about their futures.

HB 110 contains two major pieces that relate to Medicaid reimbursement for SNFs: rebasing and quality incentives. Existing law requires rebasing rates every 5 years to account for changes in operating costs. State Fiscal Year 2022 is the fifth year, so the law requires rebasing for July 1, 2021, rates using 2019 costs. It should be noted that rebasing is not done individually, but uses

the 25th percentile of large peer groups of facilities to set a price for each rate component.

The quality incentive under ORC 5165.26 has been in place since January 1, 2020, but sunsets June 30, 2021. The current quality incentive averages $9.35 per day ($12.63 for the 689 of the total 931 SNFs that actually received the incentive).

The Executive Budget proposed to avoid rebasing until after the biennium, but did extend and add to the quality incentive. The House restored rebasing, but funded it far below the level required by the documented cost increases from 2014 to 2019. The House language also permits the Department of Medicaid to delay rebasing until June 30, 2022, even though it is needed now. The House added more money to the quality incentive, but included language (possibly by mistake) that would deny incentive payments to hundreds of SNFs.

OHCA supports both rebasing and quality incentives. The correct approach, in our view, is full rebasing to give every SNF in Ohio baseline funding needed to provide quality care to their residents, with the incentive as an add-on calibrated to each center's performance on the statutorily-specified metrics. Quality incentives are not a substitute for rebasing because they do not recognize the cost increases SNFs have sustained over the past 7 years. The House budget, which allocates much more funding to the incentive than to rebasing, does not adequately address this reality.

As COVID-19 subsides, SNFs eventually may be able to reduce expenditures for things like PPE and for COVID units, but it will take years for census to recover, and labor costs never will return to pre-COVID levels. Failure to rebase now and to do so in accordance with existing statute jeopardizes the very existence of facilities in all parts of Ohio. This is particularly true because the quality incentive in the House budget completely leaves out more than 300 SNFs across the state – even assuming the additional restrictions in the House-passed language were drafting errors. The blow would fall hard on Ohio's rural communities, where a SNF may be the largest local employer and may provide the only access to care for miles around.

OHCA's request is that the Senate complete the job the House started by fully funding rebasing and making it effective, as under current statute, July 1, 2021. We also support additional funding for the quality incentive and redrafting the incentive language to ensure appropriate distribution of the dollars.

These measures would go a long way to ensuring the stability of a health care service that so many of Ohio's seniors and their families depend on.

Thank you very much for your attention to our suggestions for improving the budget as it relates to LTSS. I would be happy to answer any questions from the committee.