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Testimony Before the Senate Health Committee

House Bill 33
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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). I appreciate the opportunity to appear before you today to discuss the Department of Aging's portion of the state budget and House Bill 33.

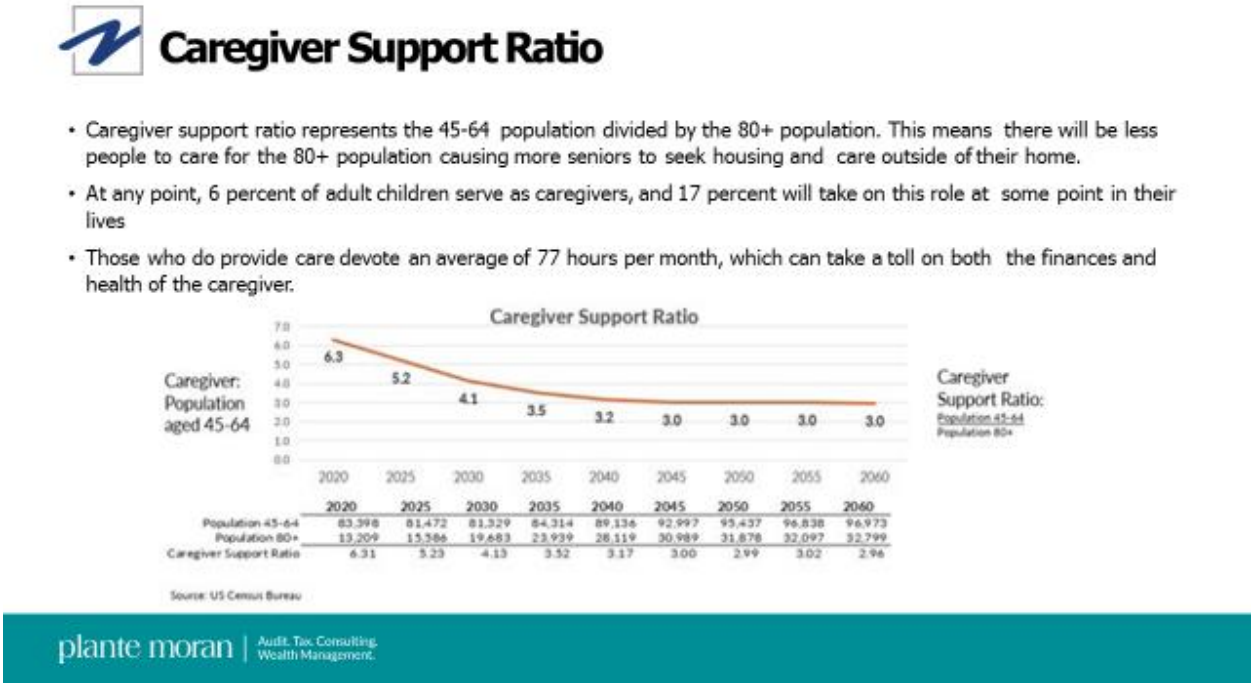
OHCA is a trade association that represents providers of long-term services and supports (LTSS). We count among our membership assisted living communities, home care and hospice agencies, providers who serve people with intellectual and developmental disabilities, skilled nursing facilities (SNFs), and a host of businesses that furnish goods and services to those health care providers.

OHCA appreciates Director McElroy's eloquent testimony and enjoy the close working relationship we have forged with her during her tenure and through the difficult times of COVID-19. We look forward to working with the director, this committee, and the rest of the General Assembly to complete development of a budget that benefits older Ohioans and people with disabilities.

We are here today is to discuss the impact of the state budget on home and community-based services (HCBS) programs operated by the Departments of Aging and Medicaid and on our members who provide those services. Throughout the budget process, it has been made clear that workforce is the central issue. In LTSS, everything is built on workforce. Quality of and access to services depend upon workforce. Without workforce, our members' businesses cannot survive. And Ohio LTSS providers are in a crisis situation with workforce.

As Senate hearings proceed in this and other committees, members will hear many depictions of the workforce crisis and its causes, but I would like to share one that I found particularly compelling for aging services. This slide from Plante Moran, an accounting and consulting firm that is a member of OHCA, shows the impact of demographics on workforce by what they call the caregiver support ratio: the ratio of people of caregiving age to those of care-receiving age.

It is a sobering picture, one that policymakers must bear in mind as they consider the future of these critical services for older and disabled Ohioans.



Clearly this underlying, demographic aspect to the current LTSS workforce crisis will continue for years to come. Two other major factors in the crisis are the COVID-19 pandemic and general inflation in the economy. The pandemic decimated the LTSS workforce and shrunk the overall pool of workers by triggering fundamental changes in the labor market. Inflation in the economy, most importantly wage inflation driven by supply and demand, makes it extremely difficult for LTSS providers to compete in the labor market.

That is the key driver for LTSS: the ability to compete in the labor market. Inability to compete is the primary cause of the workforce crisis, and improving the ability to compete is the most important part of the solution. As the supply of workers of caregiving age shrinks and as inflation drives wages in competing workplaces up, it is vital that the state give Medicaid LTSS providers the resources to attract enough workers to deliver critically-needed services to a rapidly growing population.

If providers do not have the workforce, Ohioans needing services suffer. Without enough staff, primarily direct-care workers such as home care aides, resident assistants, and nurses, quality of service declines. While it is not the only factor, sufficient staffing is directly related to quality of care. Access also declines if there are not enough workers. Across Ohio, seniors and people with disabilities are unable to get the services they need because there are not enough people to care for them. Providers have had to curtail or to eliminate services – or have gone out of business altogether – because they cannot secure needed staff.

The root of the problems is low Medicaid payment rates that make it impossible for HCBS providers to pay competitive wages. As wages in the general marketplace rise, providers cannot keep pace. The more a provider relies on Medicaid funding, the more difficult the challenge. During times before the pandemic when inflation, including wage inflation, was relatively low, this problem existed, but it became extreme over the last three years. The current rates for aide services in Medicaid only support wages around $11 per hour. According to data from the Bureau of Labor Statistics (BLS), Ohio's home health workforce decreased 9% between the fourth quarter of 2019 and the second quarter of 2022. Ohio personal care services providers (such as in the PASSPORT or Ohio Home Care Waiver) lost 10% of their workforce during that period.

While it is not the complete solution to workforce, an extremely important part of the answer is increasing Medicaid HCBS rates significantly. While it is painful from a budgetary perspective to fund the necessary rate increases, it is that much more painful in human terms for Ohioans who do not have access to quality services and supports in the environment they prefer and that is appropriate to meet their needs.

We are grateful to the DeWine Administration for proposing, in the Executive budget, increases to HCBS provider rates, as Director McElroy testified. We also are grateful to the House of Representatives for supporting and building on this foundation in the House-passed version.

The Executive budget did not spell out in the legislative language the rate increases or their impact on wages for direct caregivers. Instead, the Administration provided more detail in materials they released during the House budget process, specifically a white paper and a wage calculator. The white paper indicated that the proposed rate increases were intended to raise direct care workers' wages from their current levels to an average of $16 per hour. The white paper listed average rate increases for nursing and aide services in the Aging and Medicaid programs that are the subject of today's hearing and the funding associated with each rate increase. The white paper also included rate increases for Ohio's Assisted Living Waiver program.

Later, at the request of the House Finance Committee, the Administration released the calculator, which shows additional funding that would be needed to support average wages for direct care workers at different levels from $17 to $20 per hour. In its budget, the House selected the $17 level for FY 2024, beginning January 1, 2024, and $18 for FY 2025. The funding amounts are exactly as specified by the calculator.

While we very much appreciate this movement, more needs to be done. Seventeen and eighteen dollars an hour is not enough to compete effectively in the labor market for direct care positions. Providing direct care to people with skill and compassion is challenging work. Health care providers must be able to pay more than food service, retail, warehousing, and other competing industries.

We believe that $20 an hour – as an average wage, not a starting wage – should be the target, and that rates for personal care services should be increased by a sufficient amount to support that wage. We are proposing an amendment to the House-passed version of HB 33 to accomplish

this result, using the funding amounts shown in the Administration's calculator. The amendment also would require the state to develop, by July of 2024, rate methodologies for each program that allow for annual adjustments to reflect changes in the cost of providing services. These adjustments would prevent future rate stagnation and the need for further legislative intervention.

One key issue is that the calculator only includes wages for direct-care workers – that is, aides – and not higher-paid professionals such as nurses. As a result, when the House used the calculator to develop its budget in this area, it omitted nursing, probably inadvertently. The Executive budget included funding for nursing, but the House did not augment this funding as it did for aide services. Our amendment would address nursing and therapy outside of the calculator by including rate increases for those services to support a $35-per-hour average wage for registered nurses instead of the roughly $27-28 per hour that we believe the Executive budget supports. Nursing care at home is a critical part of HCBS, and Medicaid nursing providers need to be able to pay wages that will attract nurses to this work.

I now will turn to another home and community-based service, hospice. Our hospice members also are affected by the workforce crisis, but their reimbursement is structured differently than the home care services already discussed. For Medicaid beneficiaries receiving hospice care at home, the Medicaid payment is the same as Medicare. For Medicaid SNF residents who elect hospice care and also have Medicare coverage, the hospice is paid 95% of the SNF rate to cover "room and board" in the SNF. Hospices are a pass-through entity. By contract with the SNF, the hospice pays 100% of the SNF rate, and the 5% gap causes a mismatch of revenue and expense for each patient. This gap grows when the SNF rate increases, and our hospice members see it expanding further with the anticipated rebasing of SNF rates in the budget.

Our request for hospice is an amendment that would increase the room and board rate for SNF patients on hospice to 100% of the SNF rate. This change is allowed under federal law, which requires states to pay <u>at least</u> 95% of the SNF rate.

I previously mentioned that the Executive budget included a rate increase for the Medicaid Assisted Living Waiver. For assisted living, the workforce crisis is just as severe as it is for other LTSS providers. According to BLS data, assisted living communities in Ohio (residential care facilities) lost 14% of their workforce between Q4 2019 and Q2 2022. The problem is especially acute for assisted living providers who participate in the Medicaid waiver program. Waiver rates today are only 50-60% of market rates, which has resulted in an access problem for Ohioans who need assisted living but cannot afford to pay privately. People who need to use the waiver immediately or shortly after moving into an assisted living community have great difficulty finding a provider willing to take them because the current waiver rates are so low. This problem is particularly acute for memory care, where current rates are even more inadequate because of the higher cost of providing memory care.

Assisted living is different from other HCBS because payment is for a package of services, so it is not directly connected to an explicit or implicit wage component. Nonetheless, inability to pay a

competitive wage for direct care workers is a problem for assisted living, particularly to the extent that a community serves Medicaid waiver beneficiaries. The most recent BLS data show the average wage for personal care aides in Ohio assisted living communities was $14 per hour, which correlates with a 2021 Scripps Gerontology Center study that found the median starting wage was $13.

In connection with the as-introduced version of the budget, the Administration proposed to eliminate the current Assisted Living Waiver rate tiers, to establish a memory care tier, and to increase waiver rates overall by 48%. The as-introduced budget and accompanying materials did not specify the base rate or the memory care rate, although the overall average would be about $113. The Executive budget did not provide any consideration for assisted living communities that make a strong commitment to serving Medicaid beneficiaries. It did include criteria for qualifying for the memory care rate that providers viewed as problematic.

Working with other organizations that represent assisted living, we developed an amendment in the House process that clearly spelled out higher base and memory care rates, as well as a rate for providers serving primarily Medicaid beneficiaries (defined as greater than 50% of their census). The rates are $130 per day for the base rate, with add-ons of $25 for memory care and $15 for high Medicaid census. In addition, the amendment clearly prescribes the criteria for receiving the memory care rate and requires the Administration to create a process for annual rate updates. House Bill 33 as passed by the House includes this amendment. We respectfully request that the Senate also support this provision.

Again, I thank you for the opportunity to speak with you today. I would be happy to answer any questions you may have now or through follow-up at pvanrunkle@ohca.org or 614-361-5169.