

Chairman Romanchuk, Vice Chairman Wilson, Ranking Member Ingram, and members of the Senate Medicaid Committee, I would like to thank you for your time in hearing my testimony today for the upcoming state budget. My name is Scott Unverferth and I am the Vice President of Operations at HCF Management. We are a family owned and operated company that has been in business for 55 years and we are based out of Lima, Ohio. We provide skilled nursing care, home care, hospice care, and therapy services in several rural markets throughout Ohio. My grandfather started the company in one small rural community in Ohio and we have since grown to 15 skilled nursing facilities in Ohio and 7 in Pennsylvania. I'm proud to be a third generation provider.

I'd like to speak on our experience at HCF and why rebasing for skilled nursing facilities is so critical for our survival moving forward as a business. There are several items I'd like to cover in this testimony, which include the impact the pandemic has had on our revenue, our staffing and our restrictions in being able to care for new patients given our staffing issues, our total costs and our direct care costs, and our relationships with our banking partners.

First, the pandemic has had a major impact on our ability to serve new patients. Admitting short-term skilled patients is the life blood of the skilled nursing facility business. Since the pandemic started, we have seen a dramatic drop in our nursing facility census and also our revenue. Since 2019, the revenue in our company has dropped more than 15% and our resident census has declined 23%. Without the stimulus funds received throughout the past 3 years, we would not have been able to survive. Although we have seen some modest gains in our census, we have not come close to fully recovering to our pre-pandemic census levels.

Staffing levels have dramatically dropped in our industry since 2019. Our industry has lost over 200,000 caregivers and prior to the pandemic, we were struggling to find caregivers. At HCF, we have lost over 500 staff members, which is approximately 17% of our workforce, with the majority of that being direct caregivers. We have not been able to recover that workforce to date. We have brought over 90 nurses from the Philippines so far and we have over another 60 coming in the next 12-18 months. This, of course, comes at a great cost to the organization. We have also relied greatly on agency staffing to meet the care needs in our facilities. Although much needed, the quality of people and care with these staffing agencies and the care they provide, is not up to our standards. We have made the decision as an organization to eliminate the use of staffing agencies across all of our facilities. This is a momentous task, but we feel it is absolutely critical to provide the quality service our family expects to provide to our residents. With this decision, it creates more hardships for the organization. We have facilities where sometimes close to 50% of the nurse aide staffing hours is provided by agency staff. We are diligently working towards our goal, but if we are not able to increase wages enough to attract and retain new caregivers, we will likely be in a position where long-term residents may need to be discharged from some of our skilled nursing facilities. This will be huge detriment to the residents we serve. This will also limit our ability to care for new residents. We have several hospital partners who are not able to place patients in skilled nursing facilities because they cannot find a facility where they have the staff to meet the needs of the patients. This puts a further strain on the health care system as the hospitals are not able to serve those urgent patients who desperately need the care because their beds are filled with patients who they cannot find placement for. We also have a potential federal

minimum staffing mandate in the works from the Centers for Medicare and Medicaid Services, which will further exacerbate this problem. As of this date, I'm proud to say that we have eliminated all nurse agency and we are currently making progress towards eliminating all nurse aide agency.

With the use of the staffing agencies and the inflation we have seen in the markets, our expenses have increased dramatically. Since 2019, the last year costs were rebased in skilled nursing facilities in Ohio, we at HCF have seen increases in total costs of 29%. This equates to increase in our cost per patient day of almost \$76. The majority of these costs are from direct care, where we have seen costs increase \$70 per patient day in that time period. This has been due to an increase in wages paid by our organization and by the increased cost of staffing agencies. In 2019, our staffing agency cost was \$1.35 per patient day. In 2022, our staffing agency cost was \$25.89 per patient day, an astounding 1181% increase. We have just increased wages again for direct care staff on April 1st, sometimes in the neighborhood of \$5.00 - \$6.00 an hour increase for most employees. This has comes on the eve of making \$2.00 - \$3.00 an hour increases January 1, 2023 across our organization. Our nurse aide wages have increased 87% in the past 3 years and our nurse wages have increased 43% in the same time period. This rate of cost inflation is unsustainable for our business and our industry as a whole. Even with these large increases in wages, we still struggle to attract and retain the workforce we need to provide the service we expect.

The other concerning item facing HCF today is our relationship with our banking partners. Our organization has operated at a loss for the past 3 years. We have been a very conservative company for 55 years and had large reserves built up. Today, those reserves are

almost completely exhausted. Given the financial strain on our organization, this has put restrictions on our access to capital from our banking partners. Given the nature of our business and large costs of maintaining large physical plants, we have no ability to improve the environment for our residents. Whether this would be creating more private rooms, enhancing the environment, building new facilities, etc., we do not have the ability to entertain any of those options today. We have almost put a stop to all capital projects the past 3 years. Given the age of some of our facilities, our needs grow larger every day and so do the costs to address them. We would love nothing more than to improve the environment for our residents and staff, but it is just not something we can do in today's environment. Until our financial picture improves, we will be in this situation.

I'd ask for your consideration to invest in our state's most vulnerable population by supporting the work done in the House with House Bill 33. Rebasement of our direct care rates, providing incentives for more private rooms, increasing the quality portion of the rate, and curbing agency spending is a great start to what our company and industry needs to survive. Our residents in Ohio deserve the best possible care and facilities to live in. In order for us to provide that level of service, we need the resources to accomplish that. Our family has put our heart and soul into this business and serving those most in need for 55 years. We would love to continue doing this for another 55 years, but the current trajectory is not sustainable for us or anyone in our industry. I'd ask for your careful consideration to invest in our seniors in Ohio and those who provide services to them.

Respectfully submitted,

Scott Unverferth – Vice President of Operations, HCF Management, Inc.