



**Testimony for Senate Medicaid Committee
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Good morning, Chair Romanchuk, Vice Chair Wilson, ranking member Ingram and members of the Senate Medicaid Committee. I appreciate the opportunity to be here with you today to share our thoughts on the critical decisions before you regarding nursing facility payment and policy.

LeadingAge Ohio represents mission-driven, values-based providers of aging services. Our members include affordable senior housing, home health agencies, assisted living, hospices, adult day, life plan communities, and Ohio's only PACE program. We represent a minority of Ohio's nursing facilities -- roughly 120 providers across the state.

Ohio nursing facilities are in dire straits at the moment, battered by the triple threat of the COVID pandemic, unprecedented workforce shortages and rising inflation. I am certain that all of you have heard from organizations in your community that are considering drastic measures to maintain solvency. Those steps range from closure and sale to radical bed reduction. LeadingAge Ohio members typically have higher costs than our for-profit counterparts, staffing at higher levels and investing more into life enrichment programming and the physical environment. In this way, they can also function as "canaries in a coal mine"-- when financial pressures mount, they are the first to be affected.

Here are some examples of what we have seen in our membership over the past year:

- Closures: including one of only a handful of remaining county homes in Greene County, multiple hospital-based care units, and the nation's oldest African American-founded and led nursing facility in Cleveland's Hough district.
- The sale of multiple non-profits to out of state for-profit chains: these include a historic Widow's home in Dayton, a central-city Lutheran home in Toledo, and one of Ohio's few Jewish homes in southwest Ohio.
- Significant levels of bed relinquishment among high quality providers, as many life plan communities decide to no longer admit residents from outside their communities, but pivot to a business model that only serves their independent living residents.

Significant numbers of providers continue to limit admissions because they are unable to staff adequately or because in order to achieve appropriate staffing levels, they would be compelled to rely on healthcare staffing agencies. This artificially depresses their census, making it appear that there is not demand for services, when indeed there is. While healthcare staffing agencies may offer a short-term solution, they often have a corrosive effect both on the quality of care and on the morale of staff. Furthermore, agency staffing is a key driver in the escalating cost of care, driving up the direct care cost center and fueling wage inflation as established staff compare their wages to temporary agency workers.



Meanwhile, the last time Ohio rebased the payment, it was only partially completed—that is, there are still portions of the payment today that are based on costs of care in 2014. The most up-to-date portions of payment are still set to pre-pandemic costs (2019).

Late last year, financial benchmarking firm CLA forecast that nearly half of Ohio's nursing facility population resided in communities with a margin of -7.5 % or lower. This is a shocking number; it conveys how tenuous is the shelter and care of over 30,000 very frail older Ohioans.

This is the inevitable result of roughly a decade of depressed revenues in the Great Recession, where reimbursement rates were largely flat or only reflected small increases that didn't keep pace with rising costs and particularly, rising wages. Over that time period, Ohio went from having a reimbursement formula that almost covered its costs to one that fell well below costs. Currently, Medicaid reimbursement falls between 60 and 80 dollars short of the actual cost of care, for every single day provided. That means that over a single year, an average Ohio nursing facility pays an additional \$20,000 annually for every long-term Medicaid resident it serves. Ohio's average statewide reimbursement is the lowest when compared to each of the contiguous states and while much has been made of Ohio's 36th ranking in the five-star scores, the truth is that this is largely driven by our poor performance in staffing compared to other states, and staffing is tied to funding.

Late last year, both the House and Senate made a point to include in House Bill 45 language that expressed its intent to fully rebase nursing facilities according to their 2022 costs, which providers are currently preparing for submission to the state of Ohio via annual Medicaid cost reports. This commitment by the General Assembly came on the heels of an 8-week process whereby a group of your peers, including Senators Romanchuk and Huffman, invested significant time to navigate Ohio's complex nursing facility reimbursement formula and consider possible reforms.

The chief point of discussion last summer was not how much additional funding was necessary. There is agreement that the investment must be significant in order to be impactful. Rather, the conversation centered around whether to target funding at specific nursing facilities with high marks on specific performance metrics, or whether we should let all boats rise with broad-based strategy that would bring reimbursement closer to the actual costs of providing care.

The result of the summer's discussion was a three-way agreement between each of the associations that would do the following:

1. Increase funding for nursing facilities on par with the increase in costs. While 2021 cost reports are the latest currently available, we believe it is important to estimate 2022 costs to account for the unusual level of inflation.
2. Distribute this pool of funding with 40% distributed via cost centers-- that is, updating portions of the formula that are built off costs-- and use 60% of funding to quality-related portions of the formula. Nearly 1 in 10 dollars Medicaid pays Ohio nursing facilities is currently dedicated to quality-- higher than any other state we have yet been able to identify. This realignment would roughly double that investment. Additionally, we would expand the number of clinical measures used in the quality portion of the payment and allow all providers to be paid for the quality they deliver. Currently those that score in the bottom quartile are excluded from receiving any remuneration for their efforts.



3. Set in motion work to modernize the nursing facility formula in two ways: first, to move towards a private room add-on. Private rooms not only uphold the dignity of residents, but also play an important role in infection control. Second, to change the way Ohio reimburses capital costs. Currently, Ohio uses a pricing approach for capital, which fails to incentivize reinvestment in the physical plant and environment of care. By moving to a fair rental value methodology, which is used in other states, which considers recent renovations and upgrades.

These recommendations reflect compromise on the part of all three associations, made necessary by the urgency of the current moment. Your colleagues in the House built a proposal that largely mirrors the recommendations and takes a few steps further with the creation of a private room add-on and inclusion of language that would regulate healthcare staffing agencies. We believe the private room incentive will help to modernize Ohio's facilities and better control the spread of infection, a lesson learned from the pandemic.

Three months ago, when the Executive Budget was first released, our members were shocked to find that there was no additional investment in Ohio's nursing facilities, especially in light of the traumatic COVID experience from which they were still emerging, and the assurances made in late 2022 in HB45. If that experience caused them to gasp, then the House budget made them sigh in relief.

We urge you to support the levels of investment contained in the House budget for Ohio's nursing facilities, which align with the investments supported by the Senate in late 2022.

Thank you for your time and consideration. I am happy to answer any questions you may have.