

The Academy of Senior Health Sciences Inc.

Proponent Testimony before the House Commerce & Labor Committee on Sub H.B. 466
Respectfully submitted by Chris Murray, CEO, The Academy of Senior Health Sciences Inc.
01 March 2022

Chair Stein, Vice Chair Johnson, Ranking Minority Member Lepore-Hagan, members of the House Commerce and Labor Committee, my name is Chris Murray and I am the CEO of The Academy of Senior Health Sciences. The Academy represents Ohio facility-based long-term services and supports (LTSS) providers. I appreciate Rep. Edwards for sponsoring H.B. 466, which is the legislation providing us the opportunity today to discuss health care staffing agencies. My testimony will focus on one issue that we support in the bill: the need for government intervention in what has become a “secondary market” for health care workers.

Price Controls

“Normal” Situation

- Many buyers and sellers directly interacting
- Prices act as signals
 - o Demand increases, prices rise, signals “we need more”, quantity supplied increases, supply increases, prices fall
 - o Degree of price changes depends in part on...
 - the ability for the sellers to increase quantity in the short and long run
 - the ability for consumers to substitute away
 - the ability for sellers to control prices/revenues (price leverage) [Spoiler alert – NHs don’t have price leverage!]

“Shock” Situation

- The great toilet paper (TP) shortage of 2020
- Significant increase in quantity demand
- Limited price increase (retailers choose quantity restrictions....why?)
 - o Secondary market! People buy large supply and re-sell at higher prices....
- **Suppliers shifted resources** to increase quantity supplied and eventually supply
 - o TP price increases have been limited

Pre-Pandemic Labor Situation

- Low-skilled vs high-skilled labor
 - o In the LTSS space, low-skilled are STNAs, housekeeping/laundry, cooks
 - o High-skilled are nursing, therapy, dietary
- Already was a LTSS labor shortage
 - o Staffing agencies played a role in temporarily “shoring-up” short staffed LTC providers
 - o Competition was increasing, unemployment was low, wages were increasing

Pandemic Situation

- Decreasing supply of labor
 - o Decrease in health care labor pool
 - staff leaving workforce – burnout
 - difficult environment – PPE, N95, repeat testing
 - staff having to stay at home with school closures
 - increased competition for both low and high skilled labor
 - staff call-offs during high transmission rates of COVID
 - o Caused an increase in wage rates
- NH required to provide a level of service per resident (See OAC 3701-17-08)
 - o NH must hire staff when there is a shortage
 - o Turn to the “secondary market” or staffing agencies
- Creates a TP type of situation – staffing agencies excessively marking-up the cost in the secondary market because they know providers **must** have the service
- Why can't the supply respond?
 - o Increased competition for fewer resources
 - o Time – high skill can take 4 years; nursing schools have a staff shortage limiting supply
- Just pay more?
 - o Can (and have!) with financial support; however, Medicare/Medicaid providers cannot raise price charged to government [We already have price setting in the LTSS market!]

Solutions

- Staffing agency profit/fee caps
 - o Allows for wage increases, but can be difficult to implement
- Price cap
 - o Cost based to allow for wage increases
- Cost pass-through
 - o With government being the biggest purchaser, pass costs to government via more frequent rebasing or rate increases

Government Regulatory Oversight

The need for government oversight

- How sausage is made
 - o Lack of information between the consumer and supplier over what is purchased
 - o Food and Drug Act of 1906 (label requirements)
- LTSS
 - o Already government regulation to ensure LTC staff meet certain requirements [Residents are some of our most vulnerable Ohioans.]
 - o Ensures a base minimum standard for services
 - o Providers purchasing the staffing agency services do not know if the staff meet the requirements and have undergone the proper background checks.
 - o Government needs to intervene to ensure the product being offered meets the requirements.

- Also allows the purchaser to have recourse should there be issues with agency staff
- Strengthen the primary market
 - Staffing agencies have non-compete and non-soliciting clauses in the contracts that create a barrier to providers hiring full-time staff
 - Ensures dependency on agency staff and market share
 - Prevent staffing agencies from exploiting high prices to move resources to the secondary market
 - Why?
 - Better oversight, better accountability, better quality of care

Conclusion

Sub. HB 466 will help address the issues of health care staffing in the secondary market by ensuring the staff provided meet the requirements for the service they are providing. Furthermore, it will increase government oversight of an unregulated market and give purchasers the ability to file complaints when agency staff fail to adequately perform their duties. Finally, the inclusion of price controls will prohibit the excessive mark-up of price for these services in the secondary market.

Thank you for your time today and I will be happy to address any questions.