



Testimony for House Finance Subcommittee on Health & Human Services

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Good morning, Chair Carruthers, ranking member Liston and members of the Health and Human Services Subcommittee. I appreciate the opportunity to return this morning to dig into nursing facility payment 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 many, if not 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.

Late last year, financial benchmarking firm, CLA, forecasts 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.

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 Representative Hoops, invested significant time to navigate Ohio's complex nursing facility reimbursement formula and consider 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 for 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. To use a blunt metaphor, when your house is burning, you don't argue about whether the water comes from the well or the street. Our members were devastated to see no promise of funding contained in the Executive Budget.

Currently, the state of Ohio has embarked on another discussion of its nursing facilities, this time led by the governor rather than the legislature. Just yesterday, my colleagues and I were in the northeast corner of the state hearing from residents, families, and staff their thoughts on quality of care and quality of life in Ohio's nursing facilities. This may be a worthwhile endeavor, but it does not supplant the important work that this subcommittee has before it. Indeed, the Task Force will not conclude its work until late May, as the state budget process is nearing completion.

We respectfully ask the Ohio House to take up the urgent work of today and remain steadfast and its support of the estimated 65,000 Ohioans that call nursing communities home. We ask that you carry forward the intent and promises laid out in HB45.

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