



**TESTIMONY BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE**

February 27, 2020

House Bill 152: Budget Reconciliation and Financing Act of 2020

POSITION: Support with amendment

On behalf of the members of the Health Facilities Association of Maryland (HFAM), we appreciate the opportunity to testify on House Bill 152: Budget Reconciliation and Financing Act of 2020 (BRFA). HFAM represents the majority of skilled nursing and rehabilitation centers in Maryland, as well as assisted living communities and associate businesses that offer products and services to healthcare providers.

Our members provide the majority of post-acute and long-term care to Marylanders in need: 6.2 million days of care across all payer sources annually, including more than four million Medicaid days of care and more than one million Medicare days of care. Thousands of Marylanders across the state depend on the high-quality services that our skilled nursing and rehabilitation centers offer every day.

HFAM supports the Budget Reconciliation and Financing Act of 2020 with an amendment to restore the four (4) percent long-term care Medicaid rate increase called for in legislation enacted last year. The currently proposed two percent increase in the BRFA is half of the four percent that was mandated in legislation passed by the General Assembly in 2019.

Last session, HFAM steadfastly supported the Fight for Fifteen legislation with an amendment to include a four percent long-term care Medicaid rate increase from FY21 to FY26 to cover wages and wage compression associated with the incremental minimum wage increase. That important four percent Medicaid rate allocation was included in the enacted legislation.

Unfortunately, the four percent long-term care Medicaid rate increase mandated by the General Assembly and enacted last year is not in the BRFA or the FY21 Budget. We appreciate the two percent Medicaid rate increase currently identified in the BRFA, but it puts continued access to quality care for Marylanders in need at risk.

The two percent rate increase in the BRFA does not cover the rate of inflation in our sector, nor does it cover increasing labor costs. In 2019 Core CPI rose by 2.3 percent and according to the U.S. Bureau of Labor Statistics medical spending increased by 2.9 percent.

It is critical that we continue our work together to restore and secure a four percent total long-term care Medicaid rate increase for fiscal year 2021, which is estimated to be \$28.7 million in general funds. This is necessary to account for the mandated minimum wage increase, to protect jobs in healthcare, and to ensure continued access to quality care for Marylanders in need.

It is important to keep in mind that healthcare, and especially long-term and post-acute care, is a people-helping-people business. The high level of commitment to Marylanders in need depends on continuous efforts of caring, compassionate, and dedicated professionals.

Residents who receive long-term and post-acute care in our centers often have severe, multiple comorbidities (congestive heart failure, diabetes, dementia, renal failure, or perhaps a behavioral diagnosis) and have high activities of daily living (ADL) scores, meaning that they need more help with everyday tasks. The vast majority of people cared for in our skilled nursing and rehabilitation centers would otherwise receive care in hospitals at a much higher cost.

Skilled nursing and rehabilitation centers aim to be the quality care solution in Maryland's unique Total Cost of Care (TCOC) environment. They are focused on quality, innovation, and providing cost-efficient quality care for Marylanders in need. The Maryland TCOC will not work without strong and properly funded skilled nursing and rehabilitation centers.

Our sector's success depends on adequate staffing, which in turn depends on adequate wages. Paying competitive wages is a key part of recruiting and retaining sufficiently trained and effective staff who provide quality care and improve lives of the most vulnerable Marylanders.

Approximately 70 percent of all revenue in Maryland skilled nursing and rehabilitation centers directly covers employee wages and benefits. Unlike hospitals, where care is underwritten by global budgets and guided by Maryland's unique Total Cost of Care contract, and unlike other businesses that are able to adjust pricing based on the market, about 80 percent of reimbursement paid to skilled nursing and rehabilitation centers are set by non-negotiable Medicare and Medicaid rates.

Securing a four percent total long-term care Medicaid rate increase to keep pace with the increases to the minimum wage and a more competitive job market is essential to supporting healthcare jobs and access to quality care. But more importantly, an increase in the Medicaid rate means that real people across the state will have a better quality of life.

We are thankful for the leadership of the House Appropriations Committee on behalf of Marylanders in need. We respectfully urge the Committee to add an additional two percent to the BRFA to restore the necessary and mandated four percent long-term care Medicaid rate increase in FY21 to protect quality care and support healthcare jobs.

Submitted by:

Joseph DeMattos
President and CEO
(410) 290-5132