LIFESPAN NETWORK

Keeping You Connected…Expanding Your Potential…
In Senior Care and Services

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Honorable Larry Hogan Administration

FROM: Danna L. Kauffman
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DATE: February 26, 2020

RE: **OPPOSE** – Senate Bill 192 – *Budget Reconciliation and Financing Act of 2020*

On behalf of the LifeSpan Network, a senior care provider association representing Medicaid providers, such as nursing facilities, assisted living providers participating in the Community Options Waiver, and medical adult day centers, we **oppose** any effort to reduce the 4% rate increase contained in *Senate Bill 280 (Chapter 11) "Fight for Fifteen*" from the 2019 Session. Therefore, we request that the committee reject the change that reduces the 4% rate increase to 2% contained on page 17, line 11 of Senate Bill 192.

The restoration of the full 4% increase is vital to cover increases in routine operating costs and to offset increased costs associated with recent mandates, such as the increase in minimum wage and the implementation of paid sick and safe leave. Equally important is that, without the full 4%, the disparity in underfunding (cost of care versus amount of Medicaid payment) highlighted in the *Rate Methodology Study Pursuant to Section 2 of House Bill 1696 (Chapter 798 of the Acts of 2018)* will be exacerbated. While the FY2020 budget required the Department of Health to provide a detailed report on how it was going to close the funding disparity, the Department failed to submit this information and only stated that it is still reviewing the information.

Medicaid is the largest payer of long-term care services and supports in Maryland. For those needing 24-hour services, care is sought in nursing facilities or, for a few, in assisted living communities. Approximately 67% of individuals in a nursing facility are enrolled in Medicaid, meaning that 67% of the facility's revenue is derived from the State.[1]

[1] Maryland operates a Community Options Waiver which allows individuals to reside in assisted living communities under Medicaid. However, due to operational issues with the Waiver and extremely low funding, there are only a limited number of beds available under this program. Nonetheless, it remains a care option whose viability will be further jeopardized if monies are not added to the budget to offset an increase in minimum wage.

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Residents in a nursing facility are typically elderly and/or physically disabled and have significant care needs. Many require extensive assistance with activities of daily living that may range from difficulty walking to not being able to get oneself out of bed. Residents may also need daily assistance with dressing, bathing, eating and toileting. Nearly half suffer from Alzheimer's disease and other forms of dementia or have other challenging behavioral health needs. The Alzheimer's Association reports that by 2025 the rate of individuals with Alzheimer's is expected to increase by 18.2%. This is at the same time when Maryland's 60+ population is anticipated to increase from 1.2 million to 1.7 million, a 40% increase. The State must ensure the availability of services to an aging population. This involves both home-and-community based day services and those individuals whose health care needs are so complex they require 24-hour services.

Unlike other businesses that can adjust their prices to cover expenses, the State reimburses providers a set rate under the Medicaid program. Providers must use this rate to cover all expenses, including the payment of wages and benefits, which is the largest cost center for providers. As stated previously, over the last decade, the State has chronically underfunded Medicaid providers, with rates not keeping up with costs, which is highlighted in a recent State report, which shows the extent of the underfunding of the system for certain providers, including assisted living waiver providers. Without the full rate increase, providers would be placed in a precarious situation of trying to provide quality care and comply with both federal and State licensing regulations with less revenue to do so. Given the already chronic underfunding, providers will need to make tough choices – choices that will not benefit either the workers or the residents cared for by them.