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TO: The Honorable Joseline A. Pena-Melnyk, Chair
Members, House Health and Government Operations Committee
The Honorable Shaneka Henson

FROM: Danna L. Kauffman
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DATE: March 7, 2023

RE: **OPPOSE** – House Bill 725 – *Maryland Medical Assistance Program, Maryland Children's Health Program, and Community First Choice Program – Reimbursement of Service Providers*

On behalf of the LifeSpan Network, the Maryland Association of Adult Day Services, and the Maryland-National Capital Homecare Association, we respectfully **oppose** House Bill 725. Simply stated, House Bill 725 requires specified Medicaid providers (i.e., nursing homes, medical adult day care centers, private duty nursing, personal care services, home-and-community based services and Community First Choice) to use 90% of any rate reimbursement increase received in a Fiscal Year 2024 budget for wage increases.

Our specific concerns are as follows:

- While the bill tends to focus on nursing homes, by using the term "health care workers" on page 4, line 15, the bill is essentially requiring ALL Medicaid providers listed above to increase wages for ALL health care workers, not just direct care workers, which is the reason that MNCHA (private duty and personal care services) and MAADS (medical adult day care) oppose as well as LifeSpan.

- The proposed Fiscal Year 2024 budget does not contain a 10% increase in reimbursement rates for the specified providers. While there is an additional 8% increase contingent on the passage of *House Bill 549/Senate Bill 555: Fair Wage Act of 2023*, that increase is to offset the acceleration of the minimum wage to $15/hour. It is unclear the intersection between the rate increase due to the minimum wage acceleration and the 10% increase included in this bill.

- The 90% requirement fails to consider several issues. It does not consider the cost of benefits when increasing wages nor does it consider the fact that over the last few years the mandated rate reimbursement increase has become both the floor and the ceiling. Unfortunately, rates are not based on the cost of providing care but what is determined "allowable" in the State budget. By constraining how the rate increases must be spent, Medicaid providers are limited in addressing other cost factors, such as increases in transportation services, food prices, medical equipment, insurance, and others.

- The bill only allows for rate increases and, given that the rate increases must consume 90%, it would limit the ability to hire staff or be competitive in wages for new hires.

- Lastly, the rate increase is only a one-time rate increase. There is no adjustment for future years, meaning that Medicaid providers would be required to increase wages using one-time funds but those funds will not be present under the bill to sustain the continuation of those wages. This is unsustainable.

LifeSpan, MAADS, and MNCHA agree that more must be done to provide staff with higher wages. However, it cannot be done in this fashion, nor can it be done piecemeal. Maryland must make the investment and then sustain the investment. In 2018, there was a study regarding the difference between the cost of providing care and Medicaid reimbursement levels. The study demonstrated the shortfalls being paid to Medicaid providers across the board. The following year, the budget committees requested that the Maryland Department of Health develop a five-year plan to address the disparity. This plan has never been developed. Like the State has done with education, Maryland must have a "blueprint" for health care and develop funding mechanisms to ensure that providers are adequately reimbursed their costs and that wages can be paid appropriately to our workers who are the backbone of our operations.

We urge an unfavorable vote on House Bill 725 for the reasons stated above.