



**TESTIMONY BEFORE THE
SENATE FINANCE COMMITTEE**
Senate Bill 555: Fair Wage Act of 2023
March 2, 2023
Written Testimony Only

POSITION: FAVORABLE

On behalf of the members of the Health Facilities Association of Maryland (HFAM), we appreciate the opportunity to express our support for Senate Bill 555: Fair Wage Act of 2023.

HFAM represents skilled nursing centers, assisted living communities, and associate businesses in Maryland and our members provide services and employ individuals in nearly every jurisdiction of the state. HFAM member skilled nursing and rehabilitation centers provide more than 2.3 million days of Medicaid care annually.

Senate Bill 555 repeals the near-term “Fight for Fifteen” minimum wage increases to accelerate the last two years of the \$15 per hour minimum wage phase-in period, resulting in a \$15 per hour minimum wage beginning October 1, 2023. This legislation also provides provisions for tying the future minimum wage increases to the Consumer Price Index (CPI) published by the Federal Bureau of Labor Statistics.

We are supportive of accelerating the minimum wage; however, we are extremely concerned about the wage indexing provisions due to the potential for future market changes and instability in the economy at large. We believe, based on our review of the language of this legislation, that the intent is for any future increases in the minimum wage based on the CPI to be accompanied by increases in the Medicaid rate. We ask that linkage between the minimum wage and Medicaid rate be made more explicit in the language of the bill, the record of public hearings, and adoption of the measure.

Unlike other businesses, skilled nursing and rehabilitation centers cannot simply raise prices to cover increasing expenses – they are reliant on federal Medicare and state Medicaid revenue in the form of reimbursement rates.

In addition, as outlined in this testimony, it is incredibly important that the FY24 budget be passed with the appropriate Medicaid rate increase for Medicaid providers to support the accelerated minimum wage increase to \$15 per hour, which is currently included in Governor Moore’s budget.

The original Fight for Fifteen minimum wage legislation included an annual 4% rate increase for Medicaid providers from FY21 through FY26 to help cover wage increases. As mentioned, these providers are reliant on Medicaid reimbursement rates for the majority of their revenue. Importantly, the FY24 budget includes an appropriation to ensure that employers who rely on Medicaid rates will receive a rate increase to cover the previously approved 4% Medicaid rate increases they would have received in both FY25 and FY26.

Along with the 4% Medicaid rate increase in the FY24 budget, these additional funds to cover the FY25 and FY26 rate increases are essential to skilled nursing centers and other Medicaid providers who continue to serve as a safety net to Marylanders in need.

Employees should earn as much as possible relative to the government-set rates, and other costs associated with providing quality care. Due to market conditions and some local jurisdiction requirements, very few employees in Maryland skilled nursing and rehabilitation centers currently earn less than \$15 per hour. Additionally, it is important to note that accelerating the minimum wage increase will cause wage compression in our sector and others – those employees already earning more than \$15 per hour will expect an increase relative to lower wage earners.

Most skilled nursing centers have already been paying these higher wages, despite the costs not being funded by reimbursement rates. Examples of wages in our setting, based on Medicare and Medicaid cost reports and federal Medicare payroll-based journal data, include:

- In January 2019, the average hourly wage of any professional with nursing licensure (GNA, LPN, RN) was \$23.55.
- In the second quarter of 2022, the average hourly wage of any professional with nursing licensure (GNA, LPN, RN), was \$29.51.
- On average, the blended hourly average nursing wage (GNA, LPN, RN) has increased by 25 percent from the first quarter of 2019 to the first quarter of 2022.

In terms of care, relative to staffing, based on Medicare and Medicaid cost reports and federal Medicare payroll-based journal data:

- Although some data is incomplete due to COVID, in the first quarter of 2020, Maryland skilled nursing and rehabilitation centers reported an average of 3.85 nursing hours per day.
- In two quarters in 2020, skilled nursing and rehabilitation centers averaged 4.00 nursing hours per day.
- In the entire calendar year of 2020, skilled nursing and rehabilitation centers averaged 3.98 nursing hours per day.
- In the first and second quarters of 2022, nursing hours per day in Maryland skilled nursing and rehabilitation centers were about 3.71 hours per day.

The payment system for skilled nursing and rehabilitation centers was not designed to account for the current financial instability left in place by the pandemic. Our centers are facing historically low occupancy, historically high wages and benefits, and double-digit inflation.

Skilled nursing and rehabilitation center occupancy in Maryland and across the country remains extremely low compared to pre-pandemic levels. According to federal payroll-based journal data, Maryland's average occupancy is currently 82.7% and the national average occupancy is 76.7%. Skilled nursing and rehabilitation centers remain a fee-for-service sector—meaning, lower occupancy results in lower revenue.

For all these reasons, we support accelerating the \$15 per hour minimum wage if the FY24 budget includes the critical \$413 million appropriation for Medicaid providers who would have received a 4% rate increase in both FY25 and FY26 **and** that the budget includes the 4% Medicaid rate increase for FY24. This funding is essential to skilled nursing and rehabilitation centers and other Maryland Medicaid providers so that they can continue providing quality care while paying competitive, market-driven wages and benefits.

For these reasons, we request a favorable report on Senate Bill 555.

Submitted by:

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