



SB 697
Nursing Homes - Direct Care Wages and Benefits and Cost Reports
(Nursing Home Care Crisis Transparency Act)
Position: Favorable

Dear Chair Beidle and members of the Senate Finance Committee:

My name is Ricarra Jones, and I am the political director of 1199SEIU United Healthcare Workers East in Maryland/DC. 1199SEIU is the largest healthcare union in the nation, and here in Maryland we have over 10,000 members working in hospitals, long term care settings, and federally qualified health centers.

SB697 aims to improve nursing home transparency by ensuring Maryland's cost reports collect accurate and appropriate information to be able to establish direct care ratios – requirements that facilities spend specific and designated percentages of their reimbursement or revenue on resident care and limiting profits. There is precedent for establishing spending requirements that prioritize direct care in states like Massachusetts, New Jersey, and New York. In 2020, Massachusetts implemented a direct care cost quotient as a regulatory requirement to hold facilities financially accountable for prioritizing support of direct care staff on at least 70% of revenue spent. In 2021, New Jersey passed legislation establishing a direct care ratio requirement that calls for 90% of revenue spent on direct care. In the same year, New York passed legislation mandating nursing homes spend 70% of operating revenue on direct care resident care, of which 40% must be spent on direct care staff, while also capping profits at 5%.

Nursing homeowners and operators hide their profits by making inflated payments to companies they own and control, which are called related parties. The diversion of millions of dollars of public reimbursement to private personal profit through payments to related parties limits the money available for resident care and results in residents' poor care, suffering, and death. At present, according to the HHS Office of Inspector General's 2024 report, facilities pay [40% of their revenues](#) to related parties.

Nursing homes rely mostly on public funding through Medicare and Medicaid, and yet, stakeholders in Maryland do not have a clear picture on how public dollars are used in our nursing homes. The spending decisions made by Maryland's nursing home owners can often

be as opaque as the ownership of those facilities themselves. In 2023, 1199SEIU supported legislation to address the increasingly rapid pace of Maryland's nursing home acquisitions. Maryland ranks 5th highest in the nation for nursing home acquisitions with a 33 percent turnover of nursing homes. A 2023 White House Fact Sheet found that PE owned nursing home residents are 11.1% more likely to have a preventable Emergency Department visit and 8.7% more likely to have preventable hospitalization. As noted in a final report of the Acquisitions Workgroup of the Maryland Health Care Commission, Maryland is an attractive target for private equity firms. The complicated ownership structures of nursing homes can make it easier for these facilities to siphon dollars away from direct care.

SB 697 will work with Maryland Department of Health to analyze nursing home expenditure and direct care expenditure to inform future policy on spending requirements. Too many seniors and families are accepting substandard care because their nursing home tells them that they cannot afford to hire more staff. In [“Tunneling and Hidden Profits in Health Care”](#) (July 13, 2024), economists Ashvin Gandhi and Andrew Olenski analyzed 24 years of Medicaid cost report data in Illinois and found that nursing facilities hid 62.9% of their profits by paying inflated prices to related parties, largely in real estate and management fees. They calculated that if nursing facilities spent their hidden profits on staffing, mean staffing ratios would significantly increase – by nearly 0.23 hours per resident day (HPRD) of registered nurse (RN) time, a 28.9% increase, or by 0.47 HPRD of certified nurse aide (CNA) time, a 21.0% increase.

Analyzing the data needed to make sure nursing home funds are being used on direct care wages and benefits is fundamental to protecting our state’s most vulnerable residents from abuse and neglect. For those reasons, we support SB 697 and urge a favorable report.

Sincerely,

Ricarra Jones
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