HB1414
Nursing Homes - Direct Care Wages and Benefits
Position: Favorable

Dear Chair Beidle and members of the Senate Finance Committee:

My name is Claudia Balog and I am an Assistant Director of Research at 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.

HB1414 aims to require nursing homes to meet a threshold of spending that would target revenues towards resident care and address the low wages in the industry that create short staffing. Maryland's nursing home residents and workers can no longer afford to be subject to the profit motives of an industry that is increasingly owned by out-of-state private equity investors and large chains with spotty quality records. Today, 81% of the nursing home industry is for-profit, with a significant market presence of large chains.

Too many seniors and families are accepting substandard care because their nursing home tells them that they cannot afford to hire more staff, and there is academic research to illustrate this. 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.

As a result of the mandate to assess nursing home spending that was enacted through the passage of SB 697 last year, the Maryland Department of Health is finally beginning to get a picture of how Medicaid and Medicare dollars are being spent by our nursing homes. The 2025 Report on Nursing Home Costs provides a review conducted by MDH with the assistance of its fiscal audit contractor. Looking at the cost reports filed in 2024 of the 221 nursing homes enrolled in the Maryland Medical Assistance Program, MDH found that allocated approximately $1,843,866,632 to direct care staffing statewide, **representing about 53.86%** of total reported comprehensive care revenues of $3,423,565,013

In Maryland, the latest 2026 data from CMS shows that nearly 20% of our 220 nursing homes are "Problem Facilities" meaning they are either Special Focus Facilities, Special Focus Facility Candidates or CMS One-Star facilities. Looking to payroll based journal data filed in Quarter 2 2025, only six nursing homes out of 220 reported staffing levels for nurse aide titles that met our state's expected nurse aide HPRD. We know that staffing drives quality, and poor quality is often the likely result of poor staffing.

Meanwhile, nursing home owners 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 Inspecter General's 2024 report, facilities across the country pay 40% of their revenues to related parties.

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. Today, 80% of Maryland's nursing homes are for-profit. 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.

There is a 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 75% of revenue spent.
    - The latest Direct Care Cost Quotient Report from the MassHealth Office of Long-Term Care Services and Supports provides evidence that such a threshold is not only aspirational; **it is attainable.** Looking at 331 nursing homes in Massachusetts, only 65 of them failed to meet the 75% threshold in FY 2025; 80% of the nursing homes met or exceeded the spending standard targeted for direct care workers.
- 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 to spend a minimum of 70% of their operating revenue on direct care resident care, of which 40% must be spent on direct care staff (CNAs, LPNs and RNs), while also capping profits at 5%.

We know that Maryland's nursing home residents and workers would benefit from this model. Ensuring that 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 HB 1414 and urge a favorable report.

Sincerely,

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