**FROM:** Richie Farran, V.P. of Government Services, Health Care Association of Michigan

**DATE:** February 22, 2022

**SUBJECT:** Senate Appropriations Subcommittee on Community Health/Human Services

Chair Outman and committee members, thank you for the opportunity to testify today on the fiscal year 2023 proposed budget initiatives impacting long-term care. My name is Richie Farran, I am the V.P. of Government Services for the Health Care Association of Michigan. HCAM represents 362 nursing facilities across the state.

I’d like to start by thanking the committee, the legislature, and the administration for the support of Michigan’s nursing facilities during the pandemic. I have testified many times before several committees since COVID-19 first hit Michigan, and one message has been consistent – this pandemic has presented some of the most difficult challenges the nursing facility profession has ever experienced. The state has directed significant funds to facilities to assist with increasing costs for PPE, staffing, and changes in operations. The census grant program implemented in 2021 targeted funds to facilities hardest hit by the pandemic, and the direct care worker wage increase has proven extremely beneficial in providers’ attraction and retention efforts. The recently passed supplemental bill also directs funds to nursing facilities and assisted living settings – for which we are grateful.

MDHHS has also recognized the challenges facing the profession, implementing Medicaid policy and a rate setting process that reflects the changes brought on by the pandemic. HCAM extends our thanks to the department for working with the profession to address these issues.

While all of these initiatives have certainly been helpful, statewide census remains far below pre-pandemic levels. Lower occupancy means less revenue – at a time when costs are up significantly due to the operational changes, physical plant improvements, increased use of personal protective equipment to enhance infection control, increases in bonuses/wages for staff, and increased use of staffing agencies. Facilities are having to do far more with far less. Many facilities do not have the staff necessary to admit more residents, impacting the ability for our seniors to access the care they need.

The workforce shortage is the number one challenge facing providers today. Nursing facilities recognize our dedicated caregivers with retention bonuses, additional paid time off, health care benefits, 401k contributions, referral bonuses, and tuition and student loan reimbursement. Wages have increased considerably, with many facilities paying CNAs well over $20 per hour.

Unfortunately, the shortages remain. According to data from the U.S. Bureau of Labor Statistics, the long-term care industry is facing the worst job loss among all health care providers. Nationally, 220,000 jobs have been lost during the pandemic, equaling a 14% decrease in the workforce. In Michigan, an HCAM survey of membership indicates a 17% decrease in the workforce from pre-pandemic levels, with currently more than 8,000 job openings in Michigan’s nursing facilities. It is clear it will take a combination of funding support and policy changes to help attract and retain caregivers and non-clinical staff.

The Governor’s executive recommendation continues to prioritize long-term care, and nursing facilities in particular. First, the proposed budget continues the $2.35 direct care worker wage increase, and even expands it to non-clinical employees in nursing facilities. HCAM and its members are supportive of the continuation and expansion of this program due to its benefits in addressing workforce challenges.

The executive recommendation also includes boilerplate language – Section 8-1895 – continuing the unique rate setting process implemented in FY 2022 into next year as well. This will ensure the Medicaid reimbursement for nursing facilities accurately reflects the increasing costs experienced over the past two years, and will continue going forward. HCAM is supportive of this rate-setting process and thanks the administration for its inclusion in the budget proposal.

The full payments for the new Medicaid rates, however, will not be delivered to providers until cost reports are audited and settled – a process that doesn’t take place until months, or even years, after the conclusion of the fiscal year. HCAM is exploring options that would allow a fraction of this funding to be paid to providers during the fiscal year, to enhance cash flow to providers paying the higher costs now.

The fiscal year 2022 budget, recent supplemental budgets, and now the Governor’s fiscal year 2023 budget proposal all make clear the state’s priority in supporting the long-term care profession. Michigan’s population continues to age, and our state is facing a lack in caregivers for the incoming “silver tsunami” heading our way once the eldest of the baby boomer generation turn 80 years old in 2025. Beyond COVID-19, it is imperative that Michigan has a robust long-term care continuum to support our seniors – home help, the MI Choice Waiver Program, PACE programs, assisted living settings, and skilled nursing facilities all must be adequately funded and supported for years to come.

We look forward to our continued work with the legislature to ensure nursing facilities are armed with all the necessary tools to deliver high quality care to our state’s seniors. I thank you for the opportunity to testify and I am available to answer any questions the committee may have.