



To: Rep. Les Mason, Chair, and Members, Social Services Budget Committee
From: Rachel Monger, President/CEO
Date: February 16, 2022

LeadingAge Kansas is the state association for not-for-profit and faith-based aging services. We have 160 member organizations across Kansas, which include not-for-profit nursing homes, retirement communities, hospital long-term care units, assisted living, homes plus, senior housing, low-income housing, home health agencies, home and community-based service programs, PACE and Meals on Wheels. Our members serve more than 25,000 older Kansans each day and employ more than 20,000 people across the state.

**Comments on the Kansas Department for Aging and Disability Services
State Fiscal Year 2024 Long-Term Care Budget**

LeadingAge Kansas supports reimbursement that is sufficient to assure quality care for low-income Kansans who rely on nursing home care, PACE, home and community-based services through the frail elderly waiver, and senior nutrition programs. Over many years, reimbursements have not kept pace with actual costs of care delivery.

The State of Long Term Care in Kansas

Based upon provider reports and the government data we've collected, we know this to be true:

Our long term care system is collapsing under the weight of high costs and low staff. It is hurting the quality and availability of services in our communities, and we are struggling to find solutions.

Since the start of the pandemic, 47 long term care facilities have closed or reduced services in Kansas. The majority of the remaining facilities we surveyed have closed down entire wings and units due to lack of staff. Often the first to go are dementia care units.

While new adult care homes have opened in the last year, we are not resolving our statewide access to care issues. Replacing a fifty bed nursing home in a rural community with a twelve bed, private pay only, home plus in Overland Park is not an adequate trade.

In the next ten years, the 65+ population in Kansas will increase by another 208,000, and that number will continue to grow as the 85+ population increases by triple digits. The vast majority of these senior Kansans will need long term care services and supports. At a time when our state needs to be growing long term care options and investing in a senior care workforce, we are instead contracting in every direction.

Continuing Workforce Crisis

Over the last three years, long term care has faced an ever-deepening workforce crisis. Unlike other employers struggling with worker shortages, long term care does not have the option of cutting hours or hanging up a “closed” sign on the door. They are 24/7 businesses with thousands of resident lives on the line. And they are in desperate need of help.

Since the pandemic:

- The aging services workforce has shrunk more than 10%
- Labor costs are up 15%
- Staffing agency labor costs have increased by 270%

It has been impossible for our providers to keep pace. Our reimbursement rates do not adequately cover our regular labor costs, let alone the 270% increase we would need to compete with staffing agencies.

Our reduction in workforce continues to cause access to care issues all over the state. The complaints we hear from hospital dischargers and health system executives are borne out in our data. At the beginning of December, 2022 all three long term care associations surveyed our members on their admissions data in the prior month. 116 nursing facilities responded:

- 60% cite insufficient staff as the primary reason for turning away a new admission
- 44% have a waiting list of residents seeking admission
- Over 50% have had to place a hold on all admission in the last two years
- 110 of the facilities in our survey turned down 1,100 admission referrals in November, 2022

Nursing Home Rebasing

To achieve a Medicaid rate that is fair to nursing homes and can account for staffing and skyrocketing costs, we ask that the legislature:

- Fully fund the state’s obligation for Medicaid Nursing Facility rates as set forth in statute and the KDADS reimbursement methodology. This will require using the average of their last three years’ cost reports (2020, 2021 and 2022) with an inflation adjustment through 12/31/2023.
- Create an add-on Medicaid payment to better cover the actual cost of care for Medicaid residents, based upon the percentage of Medicaid care a facility provides.

The methodology for nursing home reimbursement rates, as set by KDADS, is cost-based and acuity adjusted. There are caps on reimbursement for direct care, indirect care and administrative costs. The Medicaid nursing facility rate for each provider is required to be recalculated (or “rebased”) annually, using an average of that provider’s last three years of actual costs.

Our ask for SFY 2024 Nursing Facility Medicaid funding:

- 1. \$29 M in State General Funds (\$72 M All Funds) to fully fund a nursing facility cost rebase, with an inflation factor through 12/31/23**

This is an estimate of potential increase in the cost of full funding for SFY 2024 Nursing Facility rates. KDADS will have an actual impact in April 2023 which will be based on 2022 cost reports currently being submitted by Nursing Facilities. We request that the funding be adjusted in keeping with any updates from KDADS.

- 2. \$24.6 M in State General Funds (\$61.6 M All Funds) to fund a Medicaid payment add-on to distribute per Medicaid resident based on the percentage of Medicaid residents as reported on a facility's annual cost report.**

Last legislative session, policymakers approved a new Medicaid reimbursement rate which was extremely helpful and appreciated. However, our Medicaid system still does not fully cover the cost of care. On average, even with a fully funded Medicaid formula, our nursing facilities lose \$20 or more a day on every Medicaid resident for whom they care.

A provider in Lindsborg, Kansas, for example, has calculated that their cost for care of 70% of their residents who use Medicaid are \$50 more a day than their reimbursement rate. That provider draws down reserve funds raised from the faith community in their area to cover the daily deficit but says this is unsustainable. A nonprofit system with 10 nursing homes in rural Kansas lost \$5.5 million dollars on Medicaid care in 2022, with five of those homes losing between \$70 and \$86/day on Medicaid residents.

Program of All-Inclusive Care for the Elderly (PACE)

The Program of All-Inclusive Care for the Elderly (PACE) is a comprehensive, fully integrated, provider-based health plan for the frailest and costliest members of our society – those who require a nursing home level of care. The PACE philosophy is centered on the belief that it is better for frail individuals and their families to be served in the community whenever possible.

Our primary ask of the 2023 Kansas Legislature is to increase PACE Medicaid rates by 5% for FY 2024

Accurate and fair Medicaid rate setting is central to the financial sustainability of PACE organizations. Based on the discussions the PACE organizations had with KDADS and various industry stakeholders, the COVID factors that destabilized and drove nursing facility caseloads have continued and will continue to affect PACE Medicaid rates in the short-term. We have discussed with KDADS leadership the need to develop alternative PACE Medicaid rate setting methodology for the long-term. In the short-term, we would request a proviso to increase PACE Medicaid rates by 5% for FY 2024 while still meeting federal CMS PACE rate setting guidelines.

Home and Community-Based Services/Frail Elderly Waiver (HCBS/FE)

We support a reimbursement for HCBS/FE providers that keeps pace with costs and supports rebalancing for community-based options for seniors.

HCBS provides routine, intermittent assistance with activities of daily living and other specific supportive services according to an individualized plan of care. Services can be delivered in the client's home, assisted living, residential healthcare, homes plus or an adult day service center. HCBS does not pay room and board costs in assisted living, or similar residential

settings.

HCBS/FE reimbursement is a serious obstacle to community-based service access for KanCare members. While half of LeadingAge Kansas members are HCBS/FE providers, most limit the number of HCBS/FE clients they serve due to inadequate HCBS/FE reimbursement. In some cases, nursing home residents who could be effectively served in an assisted living setting (for less cost to the state) remain in the nursing home.

Senior Nutrition Programs.

Good nutrition is the foundation for allowing seniors to remain at home for as long as possible. Kansas Senior Nutrition Programs serve more than 3.1 million meals annually to seniors and home bound individuals. Some programs serve meals at congregate locations like senior centers. Some programs deliver meals directly to the homes of seniors whose mobility is limited. Many programs provide both services. Meals on Wheels programs also provide a daily safety check for the seniors they serve. State funding for the Program is essential to allowing thousands of seniors to remain in the community and is yet another avenue to avoid premature nursing home placements.

We support adequate funding for senior nutrition programs.

Thank you for the opportunity to lay out our challenges today regarding staffing shortages and skyrocketing costs in long term care settings. We appreciate the legislature's strong commitment to working on behalf of older Kansans amid this ongoing crisis and we stand with you to act urgently to provide the support older adults and senior care providers desperately need.