



October 10, 2022

David Schumacher, Director  
Office of Financial Management

*Via Email*

Dear Mr. Schumacher:

We reach out today to express our support for the Department of Social and Health Services decision package recommendations for Program 050-Long-Term Care. We have provided a detailed list of priorities with feedback. All recommendations are a high priority and will be critical to stabilizing care and services in the skilled nursing and assisted living sectors. We are also including materials used to brief Robyn Williams and Breann Boggs on September 26. This data and information are intended to ensure the Governor and policymakers understand the urgent need for adequate and sustainable Medicaid funding for skilled nursing facilities and assisted living centers serving our state's aging and disabled citizens.

Long term care services for low-income Washingtonians who rely on the state Medicaid program are at tremendous risk. The number of people who need and deserve quality long term care is growing. At the same time, there is an unprecedented long term care workforce crisis that threatens access to critically necessary services to people who need care. Access to quality care was already at risk—in skilled nursing and assisted living, the recognized underfunding is over \$100 million per year in each setting—before the three-year public health emergency that has profoundly impacted the financial viability of skilled nursing and assisted living centers statewide.

The staffing crisis in long term care was present before COVID, however, the pace of exiting workers has markedly increased. The long term care workforce is the most diverse and least compensated in Washington's health care system. Low wages have made it difficult to attract new workers, and retirement, burnout, and stress are driving workers to exit the long term care sector in unprecedented numbers. Providers are scrambling to staff to the level necessary to care for patients discharging from hospitals. Skilled nursing facility occupancy is at an all-time low, while hospitals are exceeding capacity, unable to discharge patients to subacute settings, and unable to serve those patients who do require acute care. It is imperative that Medicaid rates be improved to ensure providers can compete for the workers who care for our aging and disabled.

We urge the Governor to take bold steps in his 2023-25 operating budget proposal. A stable and sustainable system of long term care is essential—the number of people who need and deserve quality long term care is growing rapidly, yet Washington's community-based system of long term care is at a breaking point. We fully support DSHS' recommendations for skilled nursing and assisted living Medicaid program investments in the 2023-25 biennial operating budget.

Sincerely,

A handwritten signature in blue ink that reads "Deb A. Murphy".

Deb Murphy, MPA, JD  
Chief Executive Officer  
LeadingAge Washington

A handwritten signature in blue ink that reads "Carma L. Matti-Jackson".

Carma Matti-Jackson  
President/CEO  
Washington Health Care Association

## **PRIORITIES FOR THE 2023-25 OPERATING BUDGET**

### **Base Medicaid Rates in Skilled Nursing and Assisted Living Centers**

- **ALF Base Medicaid Rates** (\$96 million GF-S)  
The current assisted living Medicaid rates shortfall is over \$100 million annually. The caseload for assisted living care is declining after decades of rates erosion. Currently, providers are reimbursed below minimum wage because the rates model for Medicaid is discounted to 68 percent of the cost. This proposal fully funds the wages and benefits component and drives dollars to the direct care services costs for assisted living. It will help ensure our low-income have access to care in this setting.
- **SNF Base Rates:** (\$94 million GF-S)  
As of July 1, 2022, skilled nursing facility Medicaid rates were updated to 2020 costs using Medicaid cost reports reviewed by DSHS. The rates include an add-on for inflation that is a fixed rate of \$3.84 per patient day which is 1.1% of the overall weighted average payment rate. This inflation factor does not begin to address the two-year lag in funding nor the current inflationary pressures placed on providers. The annual Medicaid shortfall stands at \$119 million annually. At the same time, care costs are growing because of the hypercompetitive labor market. This funding and the associated policy legislation will help to create predictability in funding with an annual rebase, an annual inflation factor, and would set a new occupancy policy that incentivizes improvements over actual occupancy levels as opposed to an arbitrary percentage that only a few facilities can meet.

### **Worker-Specific Funding**

- **SNF Median Fix:** (\$36 million GF-S)  
This funding is essential to addressing a technical problem with the budget adopted by the Legislature last year related to the “wage equity” funding intended to support wage increases for low-wage workers in skilled nursing facilities. Providers are using this funding to increase low wages and without this fix, funding levels would drop below the amount needed to continue paying those higher wages. We believe it is the Legislature’s intent to ensure that funding is provided to achieve wage increases and to maintain them ongoing.

### **Other Key Priorities**

- **ALF Specialized Dementia Care (SDC) Rates:** (\$23 million GF-S)  
The specialized dementia care contract was designed to ensure that clients with advanced dementia have access to care in the community. The program has excellent outcomes for clients who might otherwise require care in a skilled nursing facility. As with assisted living facility base rates, the current SDC rates fall far short of actual costs. This proposal will establish a rates add-on of \$75/per resident day and will help ensure access to care in a least restrictive, more cost-effective setting.
- **ALF Enhanced Care Services Rates:** (\$2.6 million GF-S)  
This modest investment is to ensure that providers have resources for this nonsecure program of enhanced behavioral and residential support provided to long term and residential care providers serving specifically eligible clients who would otherwise be at risk for hospitalization at state hospital geriatric units. The proposal will establish a rate add on of \$66 per resident day.
- **Skilled Nursing Facility Safety Net Assessment:** (\$8.8 million GF-S)  
We also support the recommendation for an \$8.8 million GF-S contribution to the skilled nursing facility safety net assessment account as necessary for compliance with federal standards regarding the fund and also support the \$4.9 million GF-S recommendation for skilled nursing facility specialty rates for behaviors, vent-trach care, and traumatic brain injury.