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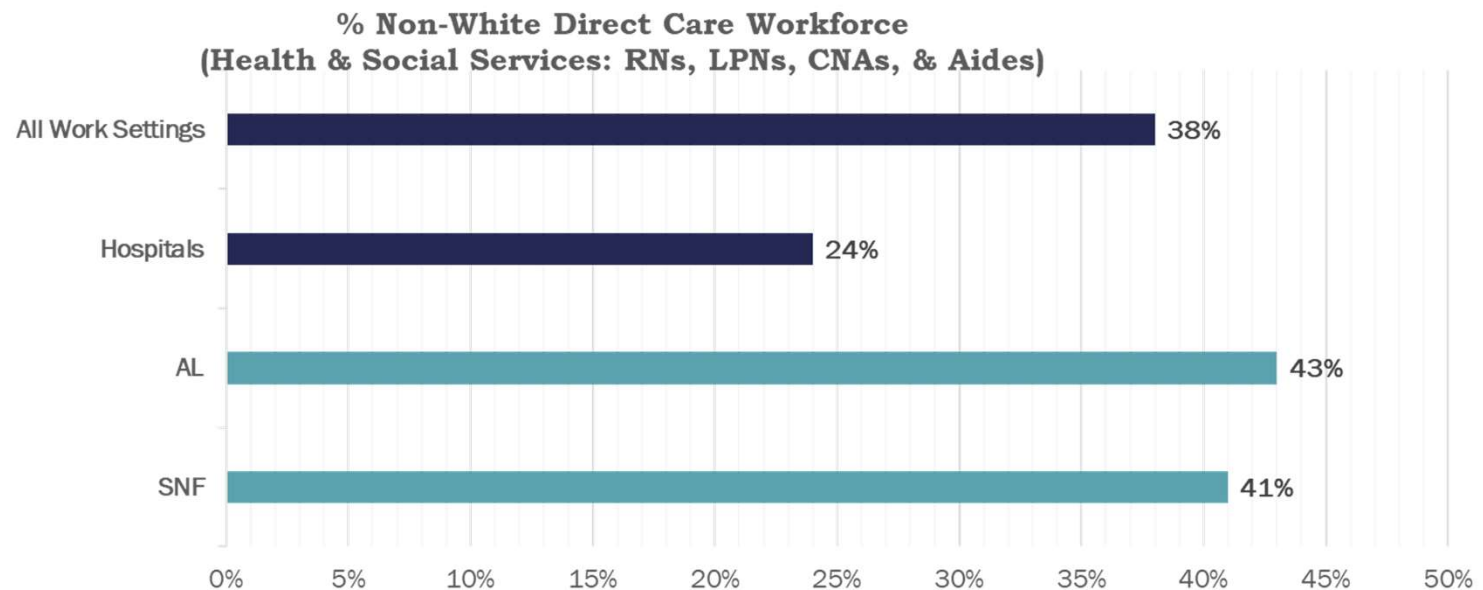
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# Long-term Care Data Review & Outlook

October 13, 2022

# WA's Skilled Nursing Facility (SNF) and Assisted Living (AL) Providers Employ a Highly Diverse Workforce.

WA's SNF/AL workforce is 88% female.



Non-white nursing staff is a weighted calculation that includes RNs, LPNs, and CNAs. Data Sources:

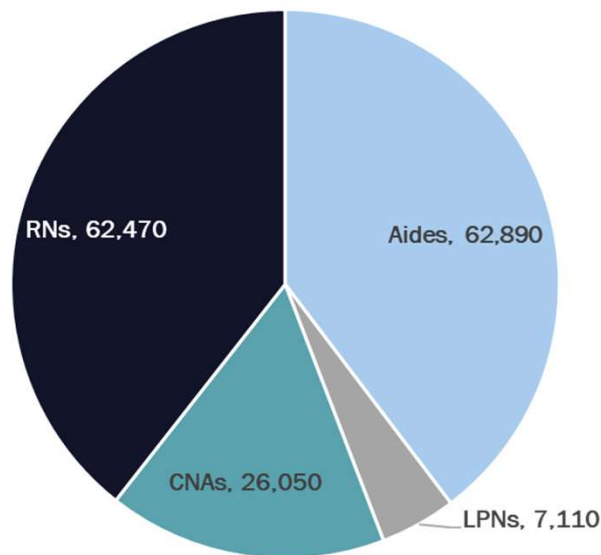
RN percentage non-white: "Washington State's 2019 Registered Nurse Workforce," Stubbs & Skillman. Center for Health Workforce Studies, University of Washington, March 2020.

LPN percentage non-white: "Washington State's 2019 Licensed Practical Nurse Workforce," Stubbs & Skillman. Center for Health Workforce Studies, University of Washington, May 2020.

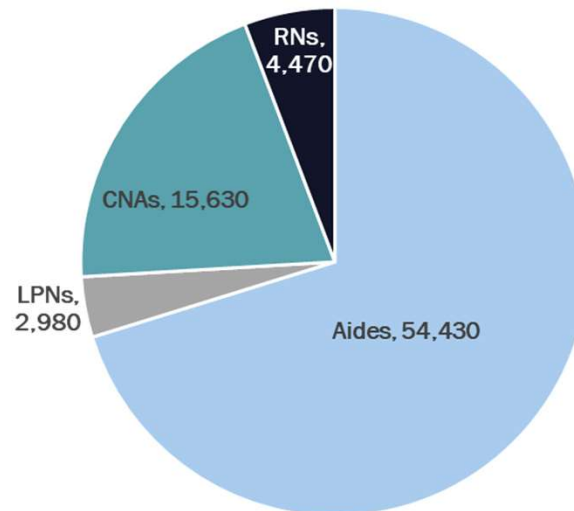
CNA & Aides percentage non-white: US Bureau of Labor Statistics, Labor Force Statistics 2019 Annual Averages. File: "Employed persons by detailed occupation, sex, race, and Hispanic or Latino ethnicity." NOTE: CNA Not Specific to WA State.

# Long-term Care Accounts for 49% of Washington's Direct Care Workforce

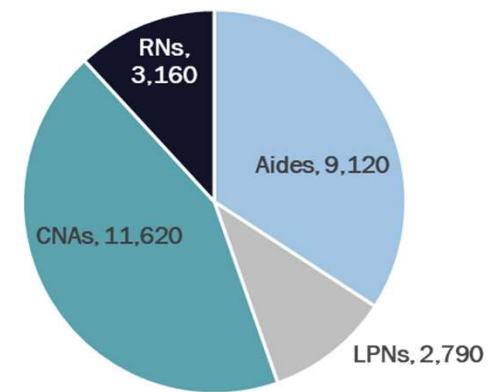
159,000 DC Workers In WA



78,000 DC Workers in Long-term Care



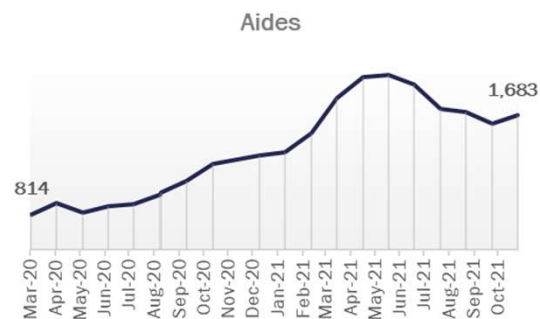
27,000 DC Workers in AL&SNF



Source: May 2021. Occupational Employment & Wage Statistics. Bureau of Labor Statistics

Direct Care (DC) workers include: Homecare & Personal Care Aides (Aides), Nursing Assistants (CNAs), Licensed Practical Nurses (LPNs), & Registered Nurses (RNs)

# With COVID, Monthly Postings for Direct Care Workers Has Grown Significantly



**Job Openings Have Grown Since March of 2020 By:**

**67% for RNs**

**84% for LPNs**

**64% for CNAs**

**107% for Aides**

Source: Employment Security Department, Labor Market & Economic Analysis. Total Job Postings March 2020 – November 2021.

The Conference Board® Burning Glass® Help Wanted OnLine™ data series.

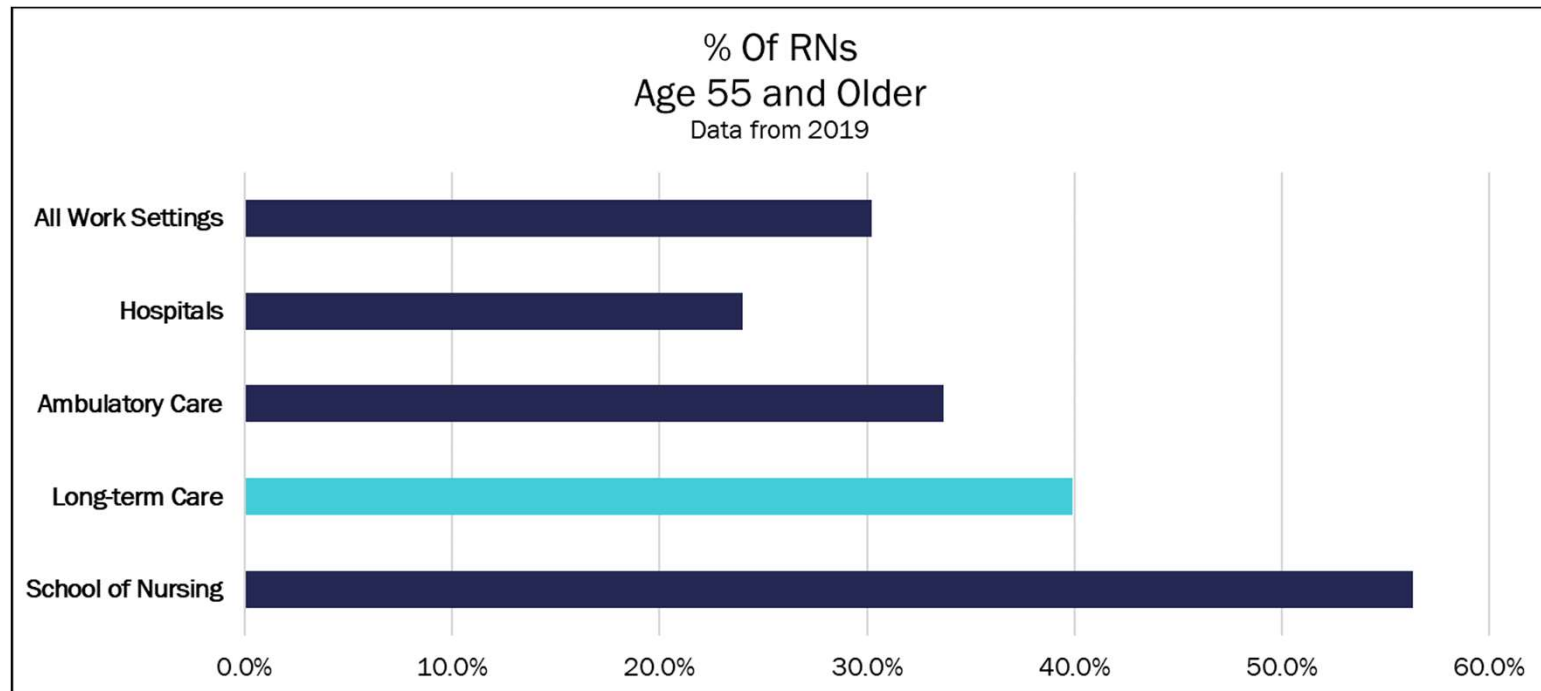
# Providers Struggle With High Turnover Rates in Washington

Occupational Title	Estimated Employment 2021Q2	Average Annual Total Openings 2019Q2-2021Q2	Average Annual Openings Due to Replacement 2019Q2-2021Q2	Estimated Annual Rates of Turnover
Registered Nurses	61,845	17,188	16,088	<b>26%</b>
Licensed Practical Nurses	8,408	3,024	2,972	<b>35%</b>
Personal Care Aides	68,139	26,926	25,578	<b>38%</b>
Certified Nursing Assistants	36,520	13,782	13,413	<b>37%</b>
<b>Total</b>	<b>174,912</b>	<b>60,920</b>	<b>58,051</b>	<b>33%</b>

- The “Great Resignation”- Rates of Retirement Doubled in 2020.
- Market Place Competitors
  - Better Pay
  - More Flexibility
  - Less Training
  - Less Intense Lines of Work
- It’s an Employee’s Market
  - Life Balance. Ample career choices and workplaces.
- Employee Burnout
  - The more the employee pool is stretched, the more stressful these jobs become: Overtime, double shifts, pandemic fatigue, childcare challenges

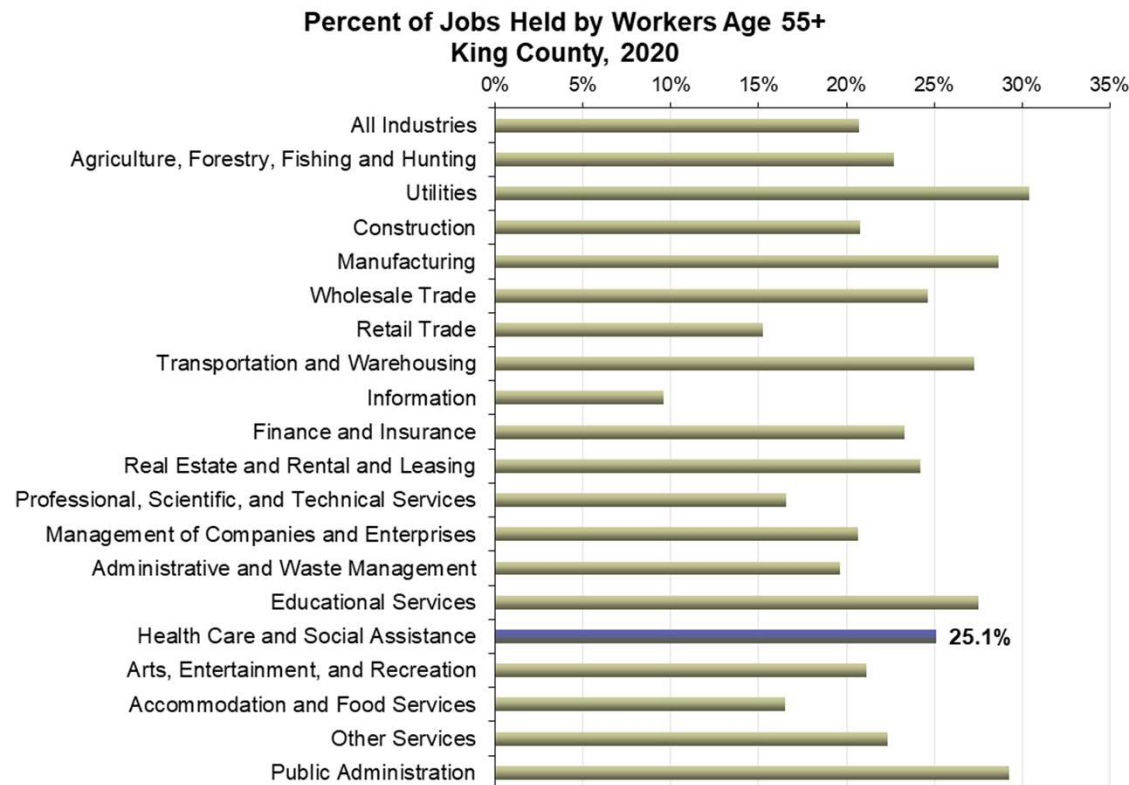
Source: Employment Security Department, Data Architecture, Transformation, and Analytics.  
 Jeff Robinson, Current Labor Force Statistics Manager. File: “LongTermCare\_ESD Information\_2021”

# Long-term Care Is Approaching Large Scale Retirements in Nursing



Source: "Washington State's 2019 Registered Nurse Workforce." Center for Health Workforce Studies, University of Washington.

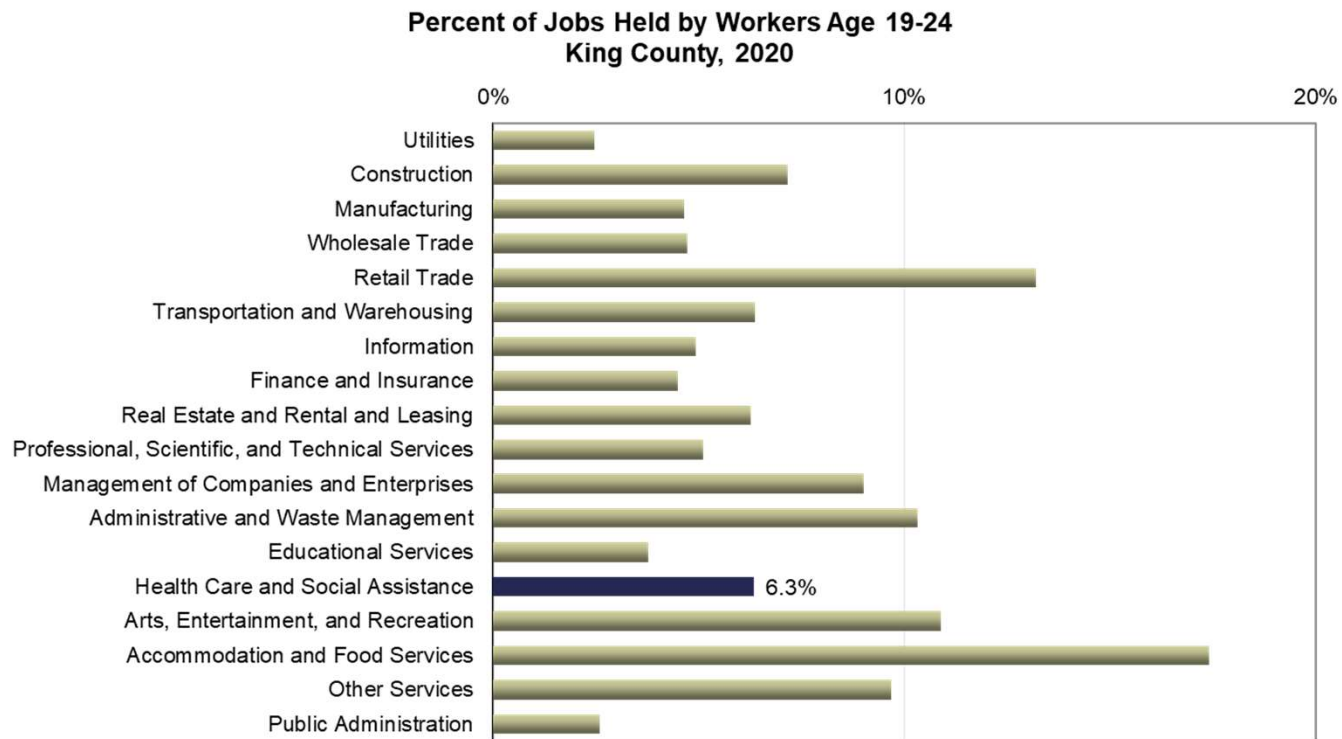
# 31,000 Health Care & Social Service Workers in King County are Nearing Retirement



7% of King County Health Care and Social Services Workers are 65 or Older. That's just under 13,000 workers.

Source: Local Employment Dynamics Database, Housing Department Reports. King County Labor Market Profile Spring 2021

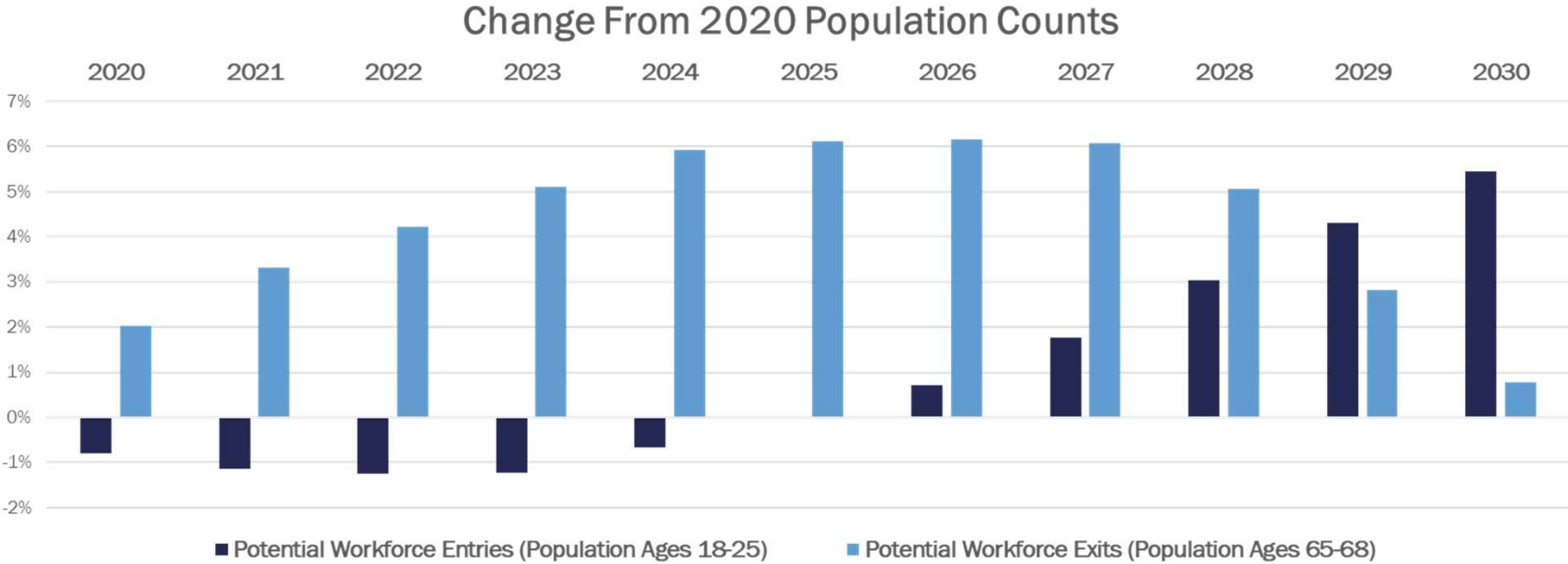
# Few Young Workers are Entering the Health Care & Social Assistance Workforce



Source: Local Employment Dynamics Database, Housing Department Reports. King County Labor Market Profile Spring 2021

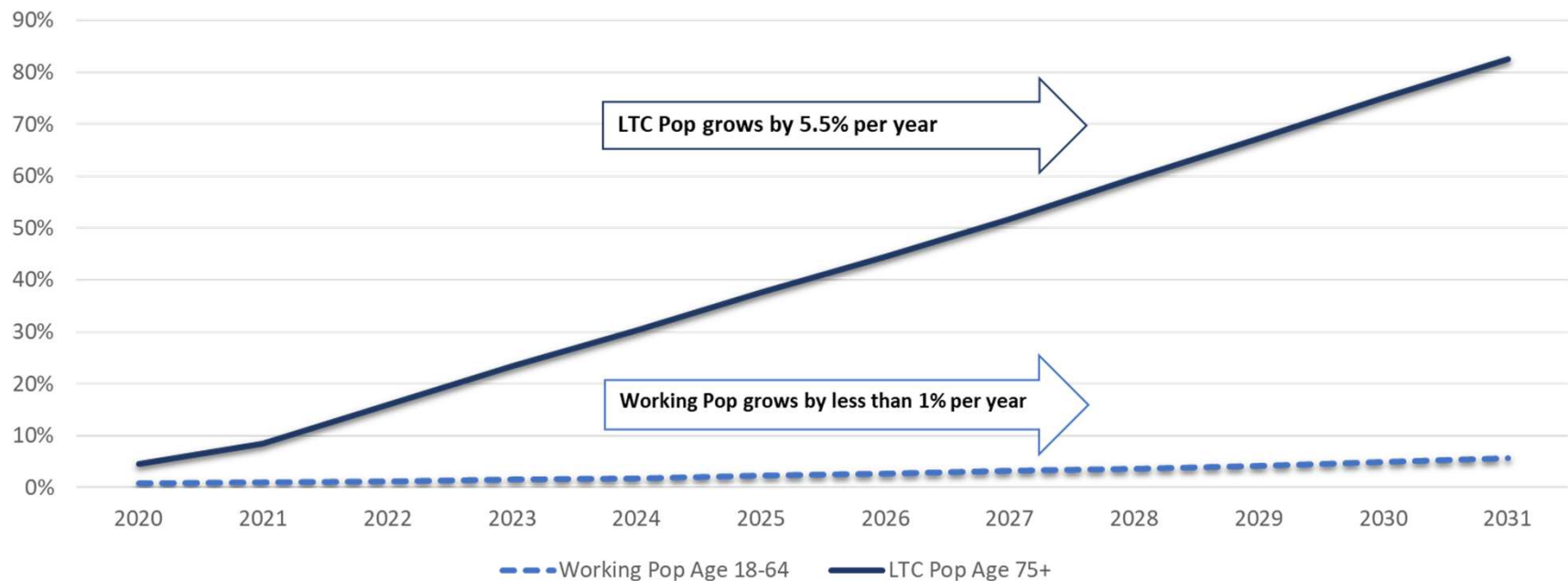


# Based on WA's Population Forecast, the Next Seven Years Will be Exceptionally Challenging for Growing the Workforce



Data Source: Washington Office of Financial Management Population Forecast, November 2021.

# Demand for Long-term Care In WA Is Already Outpacing the Supply of Workers, and This is Expected to Get Worse



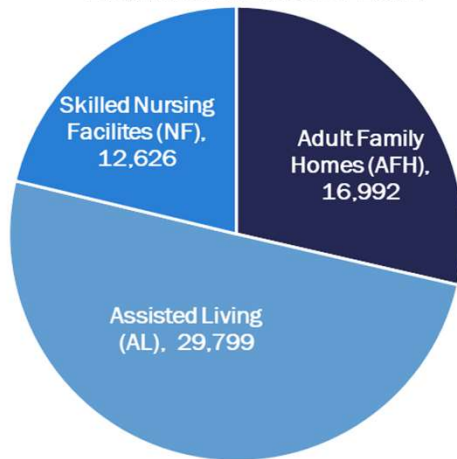
Data Source: Washington Office of Financial Management, WA State Population Forecast November 2021

# WA's LTC System Is Currently Serving Roughly 11% as a Proportion of the Population Age 75 and Older

(2022 Estimated 75+ Population = 556,963)

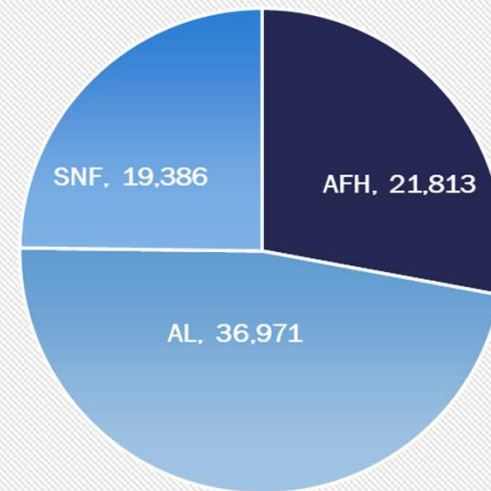
## ~60k LTC Clients in Residential Services

Estimated as of June 2022



Number of clients in residential services was based on June 2022 estimated occupancy percentages by settings. Source data includes: NIC, NHSN Network Data, and input from the AFH Council.

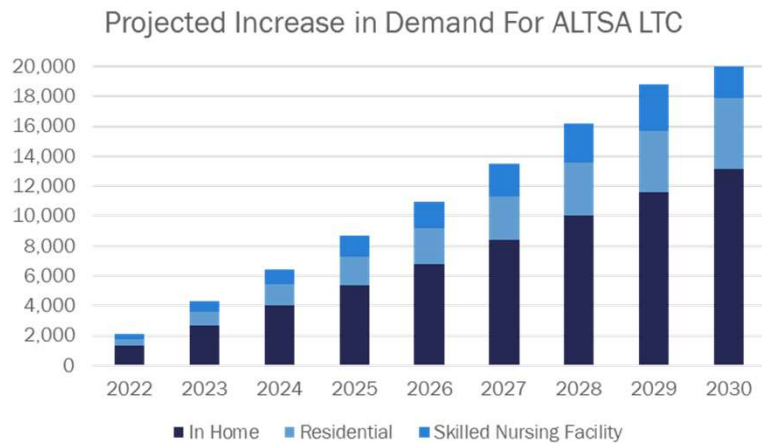
## System Bed Licenses = 78,170



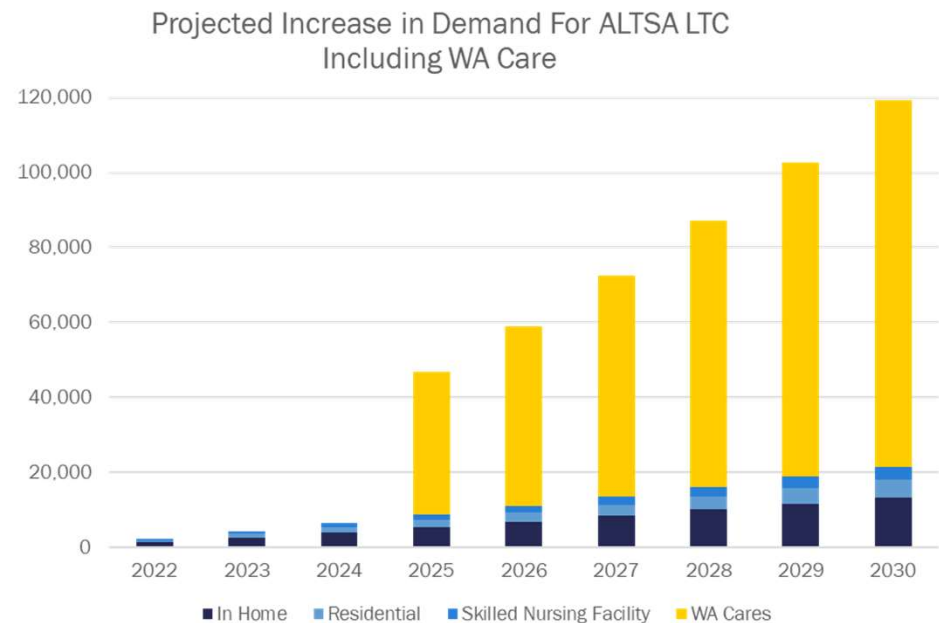
Source: LTC Licensing Data, DSHS Aging & Long-Term Support Administration, June 2022.

# Based on the Age Wave, DSHS is on Target to Outgrow Licensed Capacity Within the Next 6-8 Years

***The New WA Cares Benefit Program Accelerates this Projection to 2025***

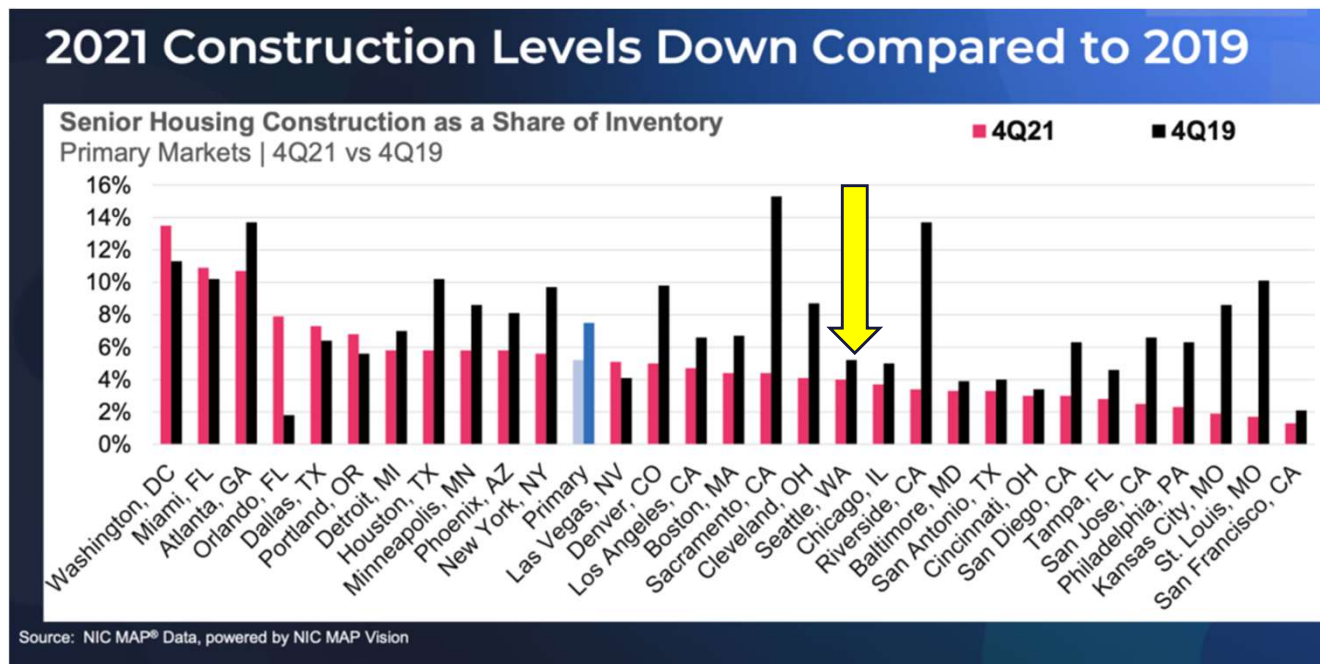


Source: DSHS RDA: Selected Population and Aging Service Utilization Forecast, Washington State. Updated August 23, 2021



Source: Milliman Report, "2020 Long-term Services and Supports Trust Actuary Study," Exhibit 4.

# The Growth in Stock for Senior Housing Has Not Rebounded to Pre-Pandemic Levels



## Q1 2022 NIC Report:

“(Senior Housing) Inventory growth was the weakest since 2013 as the impact of the pandemic on development pipelines in 2020 are evident in 2022 data.”

Source: National Investment Center for Seniors Housing & Care (NIC), April 29, 2022.

# Washington's LTC Direct Care Wages are Some of the Highest in the Nation

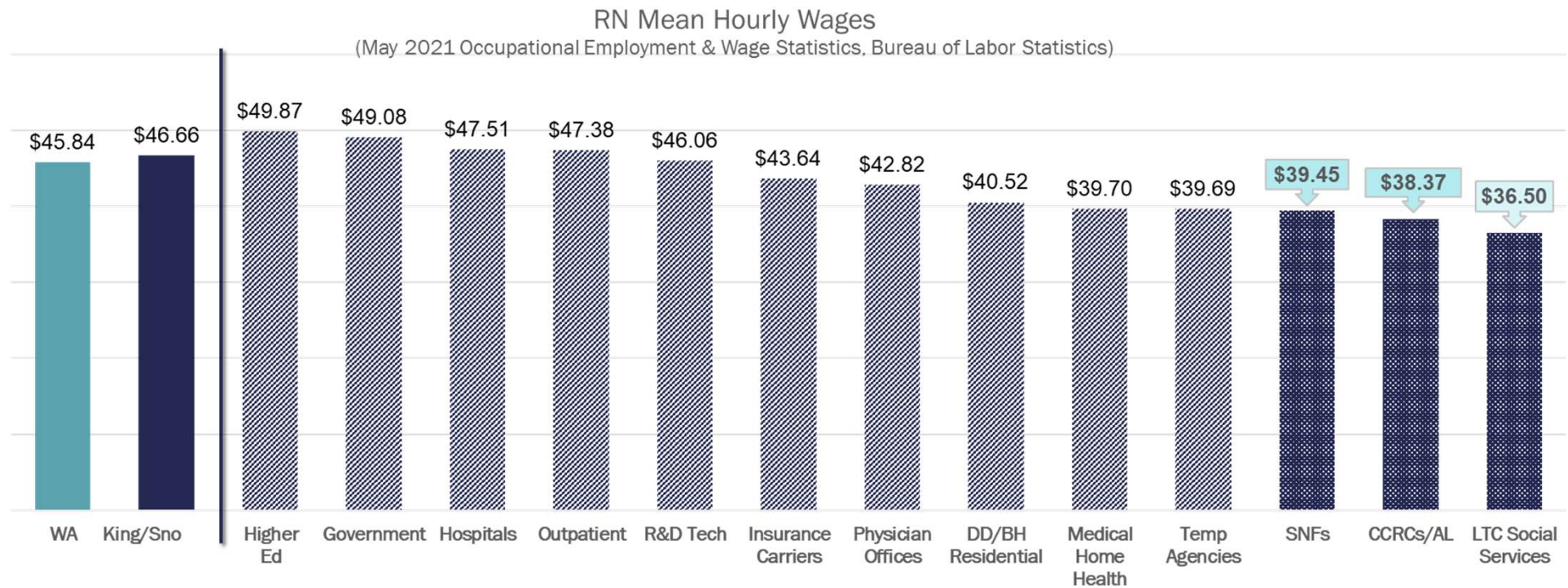
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Assisted Living Wages Compared Across all States	
Occupation	Ranking from the Highest in the Nation
RN	4th
LPN	2nd
CNA	4th
PCA	2nd

Skilled Nursing Facility Wages Compared Across all States	
Occupation	Ranking from the Highest in the Nation
RN	3rd
LPN	1st
CNA	3rd

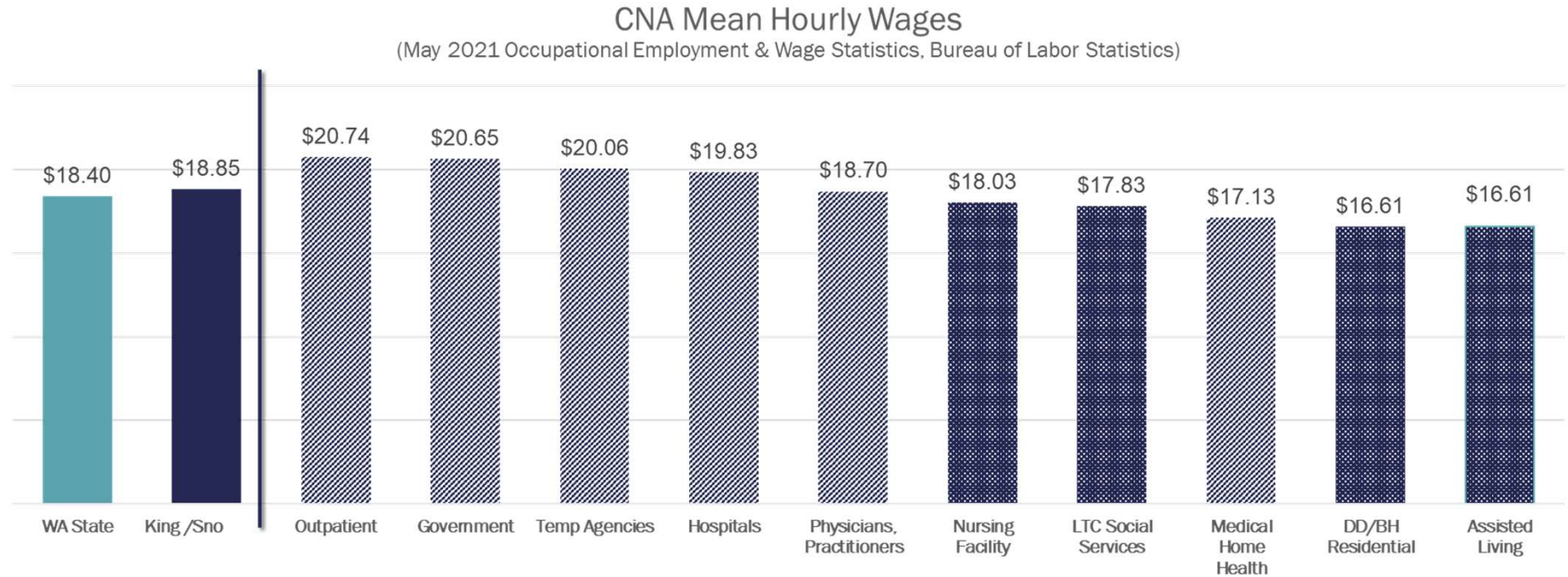
Source: May 2021 Occupational Employment & Wage Statistics, Bureau of Labor Statistics.  
Research Estimates by State & Industry. Mean Hourly Wages.

# High Reliance on Medicaid Revenue Contributes to Low RN Wages for LTC Providers, Making it Very Difficult to Hire and Retain During Staffing Shortages



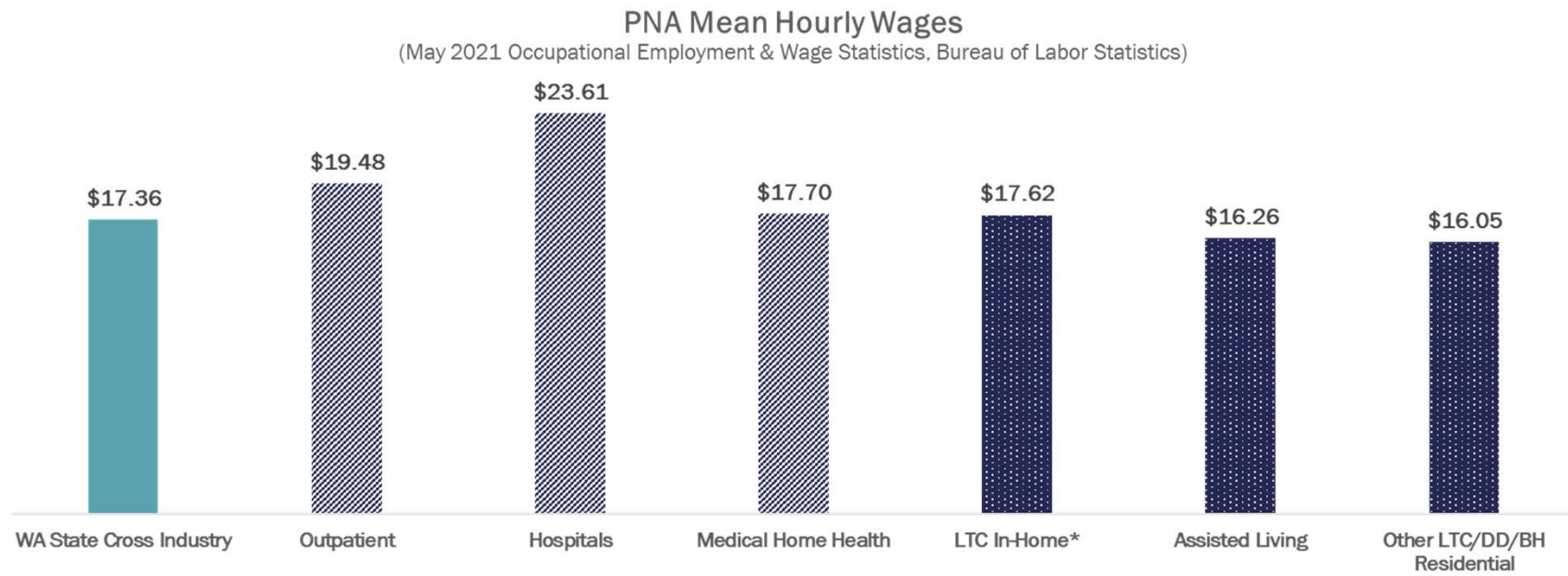
# LTC Providers Struggle to Pay Prevailing Wages While Not Being Reimbursed by Medicaid for Labor Costs

SNFs and AL are the 2<sup>nd</sup> and 3<sup>rd</sup> largest employers of CNAs, yet wages fall below the statewide average





# Historical Wage Data Gives us an Idea Which Providers have been Best Able to Compete for the Personal Care Workforce



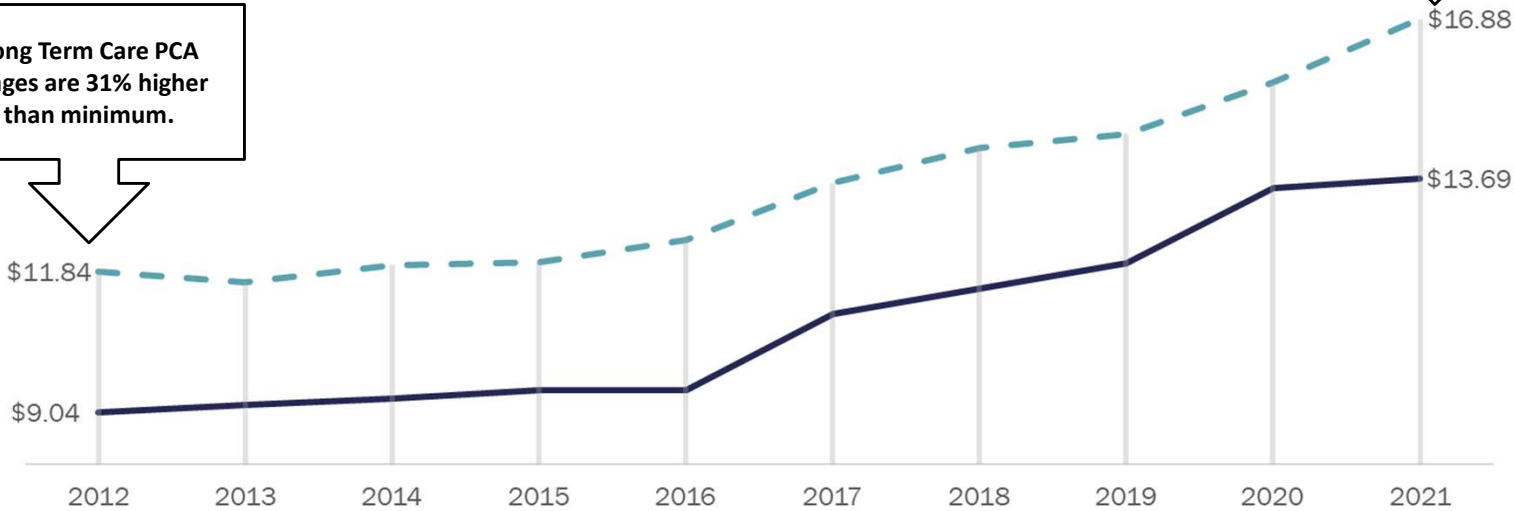
Research Estimates by State and Industry. All Sectors.  
File Name: OES\_Research\_2021  
[https://www.bls.gov/oes/current/oes\\_research\\_estimates.htm](https://www.bls.gov/oes/current/oes_research_estimates.htm)

\*LTC In-Home: Social Assistance Services for the Elderly and Persons with Disabilities (NAICS Code:624120)

# High Minimum Wages Drive Up All Wages, but the Value of Many Jobs, Including Personal Care Aides (PCAs), is Declining When Compared to the Minimum



Long Term Care PCA wages are 31% higher than minimum.



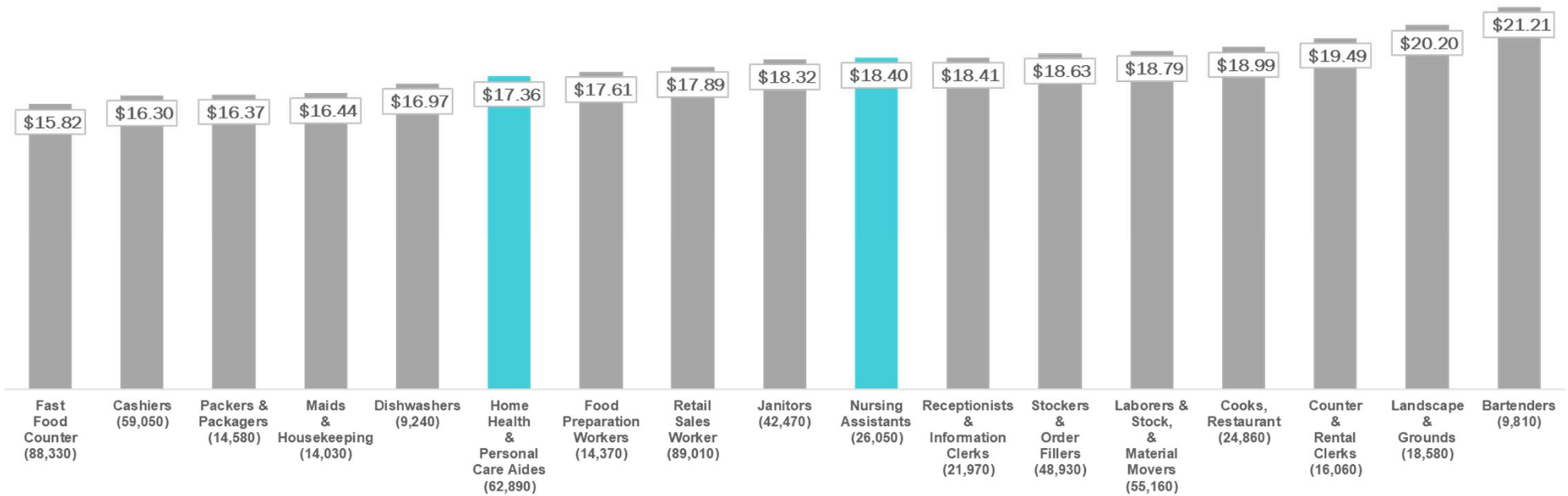
Wages for PCA's were 30% higher than minimum on an annual average prior to the implementation of WA State's mandatory minimum wage law.

For the five years following the mandatory minimum wage implementation, PCA wages have averaged 22% higher than minimum wage.

LTC PCA wages are the average of 62300 (Nursing & Residential Care Facilities) & 62400 (Social Assistance) calculated from May 2021 Occupational Employment and Wage Statistics, Bureau of Labor Statistics

# Market Place Competitors Contribute to LTC Staffing Challenges

Washington Occupations With Similar Average Hourly Wages PCAs/Homecare Aides  
 Employment counts are provided in parenthesis. Occupations were selected based on the number of workers within the occupation.

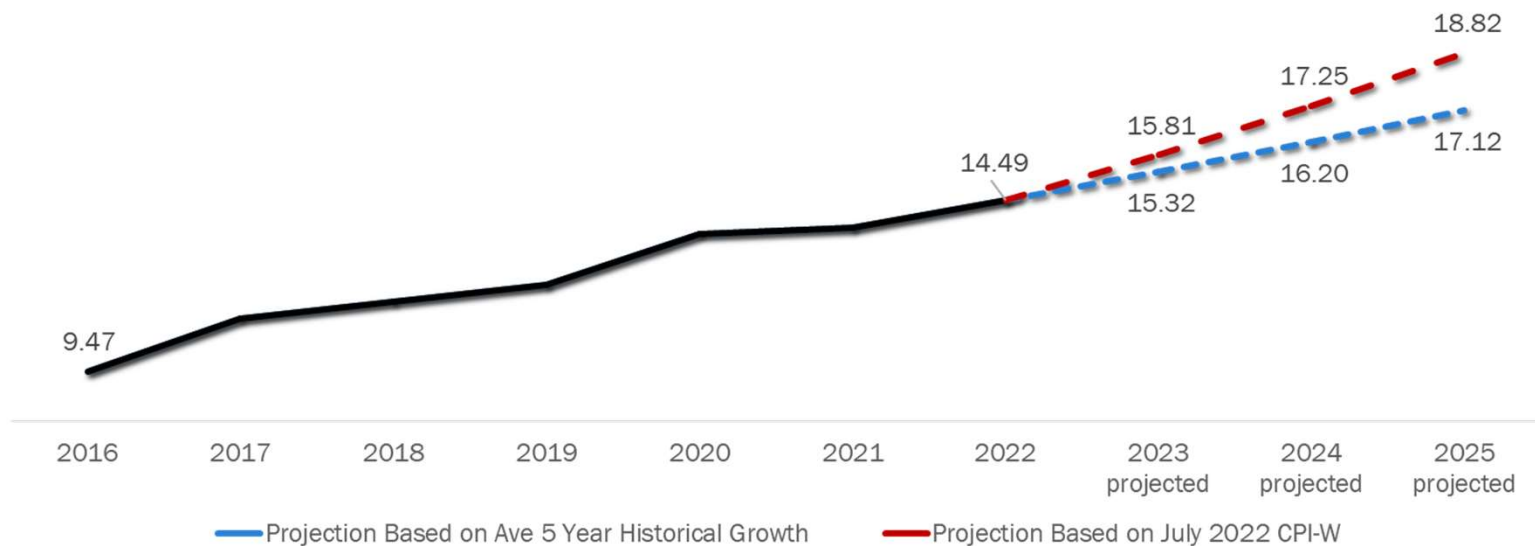


Data Source: May 2021 State Occupational Employment and Wage Statistics. Bureau of Labor Statistics Department of Labor. File Name: "state\_M2021\_dl"  
<https://www.bls.gov/oes/tables.htm>

**NOTE: Wages for PCAs and CNAs are shown here as the cross-industry, statewide averages paid in WA (includes all medical and all LTC provider types).**

# State Mandatory Minimum Wages Are Likely to Take a Big Jump During the 2023-25 Biennium

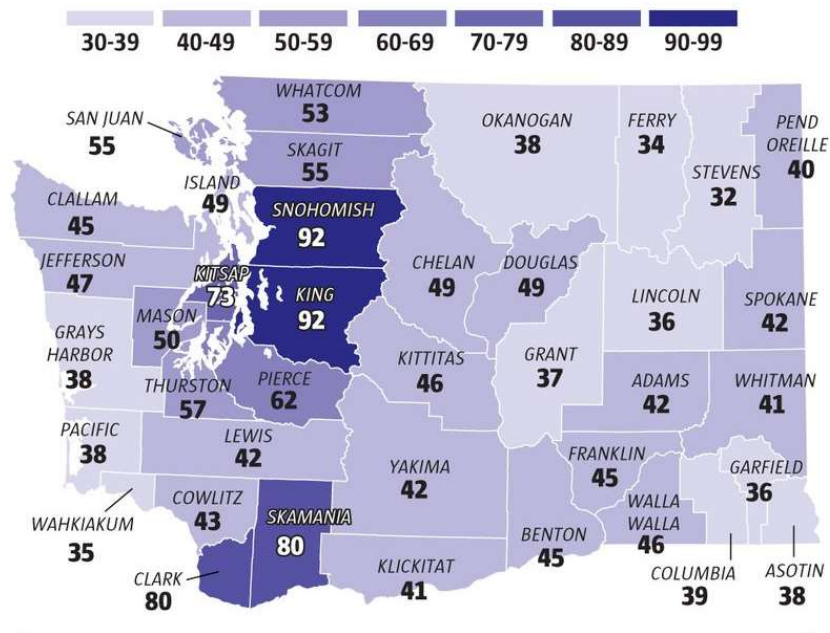
January 1<sup>st</sup> State Minimum Wages



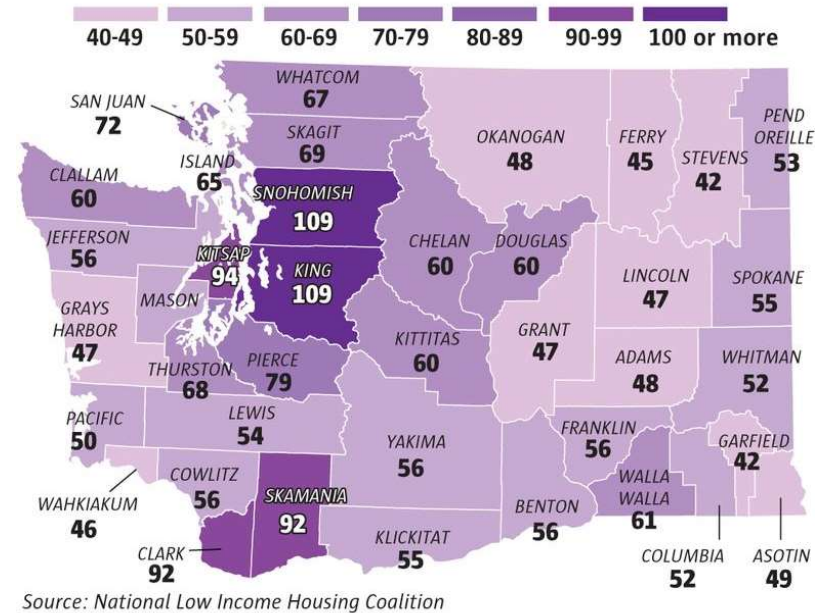
Department of Labor & Industries will review the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) and set the January 2023 Minimum Wage in September 2022. As of July 2022, the CPI-W increased 9.1% over the last 12 months. The historical annual wage growth averaged over the past 5 years was 5.7%.

# Minimum Wage is not Keeping Pace with the Cost of Living

Hours of work needed per week at minimum wage to afford a one-bedroom apartment



Hours of work needed per week at minimum wage to afford a two-bedroom apartment

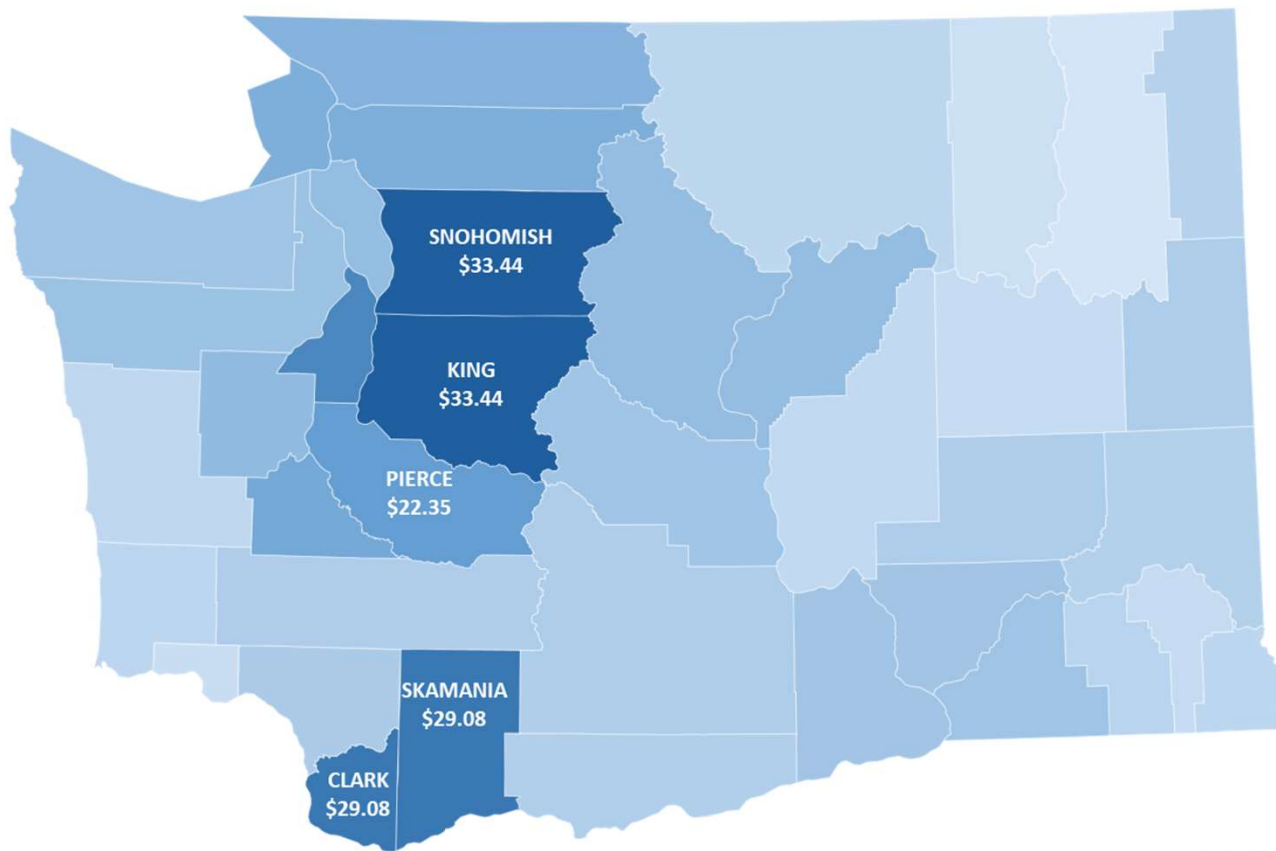


Source: National Low Income Housing Coalition

MARK NOWLIN / THE SEATTLE TIMES

Source: <https://www.seattletimes.com/business/real-estate/wa-tenants-need-to-work-72-hours-a-week-at-minimum-wage-to-afford-rent/>

### Counties Requiring The Highest Wages to Afford One-Bedroom Housing



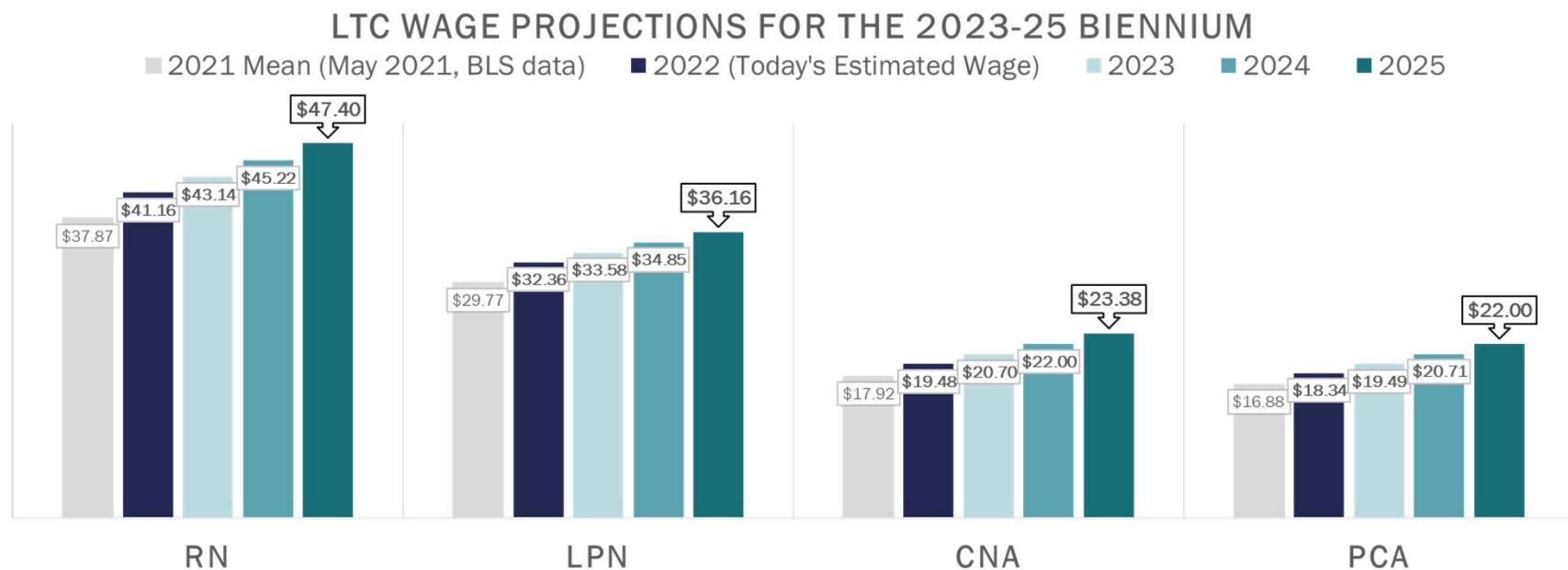
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The Average Wage Needed in WA to Afford One-Bedroom Housing is \$25.96/Hour. Some Counties are Even Higher

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Assumes Rent should be no more than 30% of annual income. Source: HUD Fair Market Rent by County for 1-Bedroom Housing Divided by 30%.

# To Keep Pace, Medicaid Rates Need to Recognize Wages Trended to the End of the Biennium



NOTES: Wages for 2022 are May 2021 wages inflated by the August 2022 CPI-W of 8.7%. Wages for 2023 to 2025 are inflated annually by the five-year historical average wage growth. For RNs this is 4.8%, For LPNs this is 3.8%, and for CNAs and PCAs this is 6.3%.

# The AL Medicaid Payment Methodology Provides an Hourly Wage of \$21.15

*If funded, this Hourly Wage Would Recognize the 2020 Labor Costs For Our Professional Workforce*

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**67%**



**Nursing Staff- RNs,  
LPNs, & CNAs**

**6%**



**Social Work &  
Activities**

**13%**



**Food Services,  
Housekeeping, &  
Laundry**

**3%**



**Building & Grounds  
Repair &  
Maintenance**

**11%**



**Reception,  
Accounting, and  
Administration**

Note: The current hourly benchmark wages used to set rates are calculated from 2020 BLS wage data. This is updated every even year.





# Funded Wages Fall Below Minimum Wage in AL Medicaid Rates Although Providers are Expected to Cover the Cost of Staffing Non-Minimum Wage Jobs

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The Modeled  
Hourly Wage  
is \$21.15

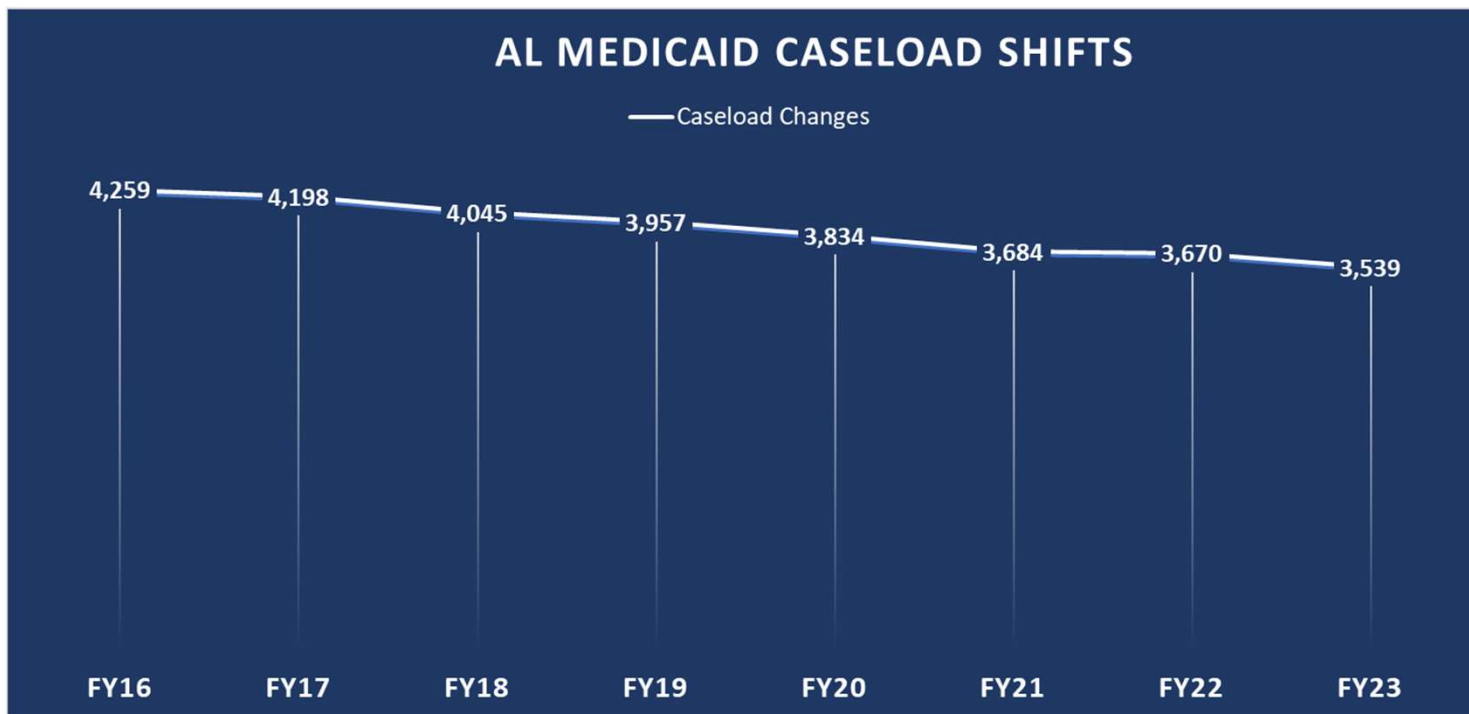
But, Wages are Only  
Funded at **68%** of the  
Model

**As of July 2022, Medicaid Pays AL Worker  
Wages at \$14.38 per Hour**

July 2022  
State Minimum Wage  
of \$14.49



# As AL Medicaid Rates Chronically Lag Behind the Cost of Prevailing Wages, Our State's Low-income Population has Lost Access to the AL Model of Care

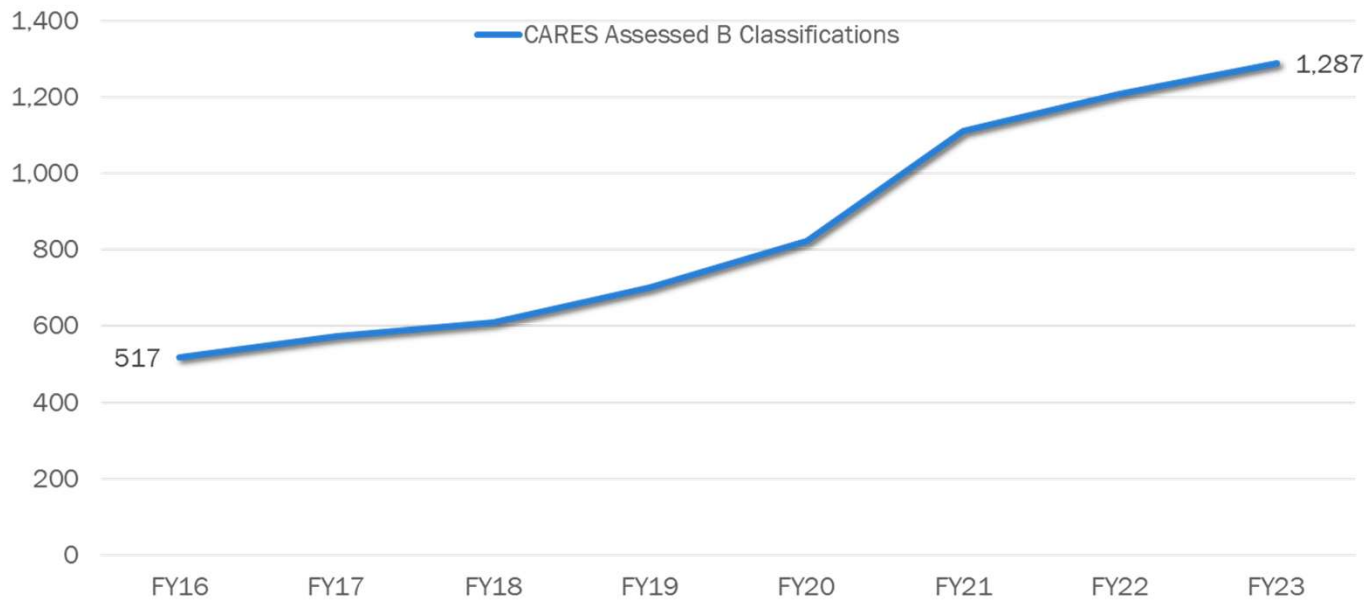


Investments in AL rates averaged 2% per year from FY2016 to FY2022.

Last year, AL rates were increased on average by 23%.

# Medicaid Access Follows Investments in Medicaid Rates

## Enhanced Adult Residential Care (EARC) Change In Medicaid Behavior Caseload



Since FY16, Medicaid rates for behavior classifications in EARCs have nearly doubled, increasing by 95% in five years. Correspondingly, these caseloads have more than doubled over that same time period.

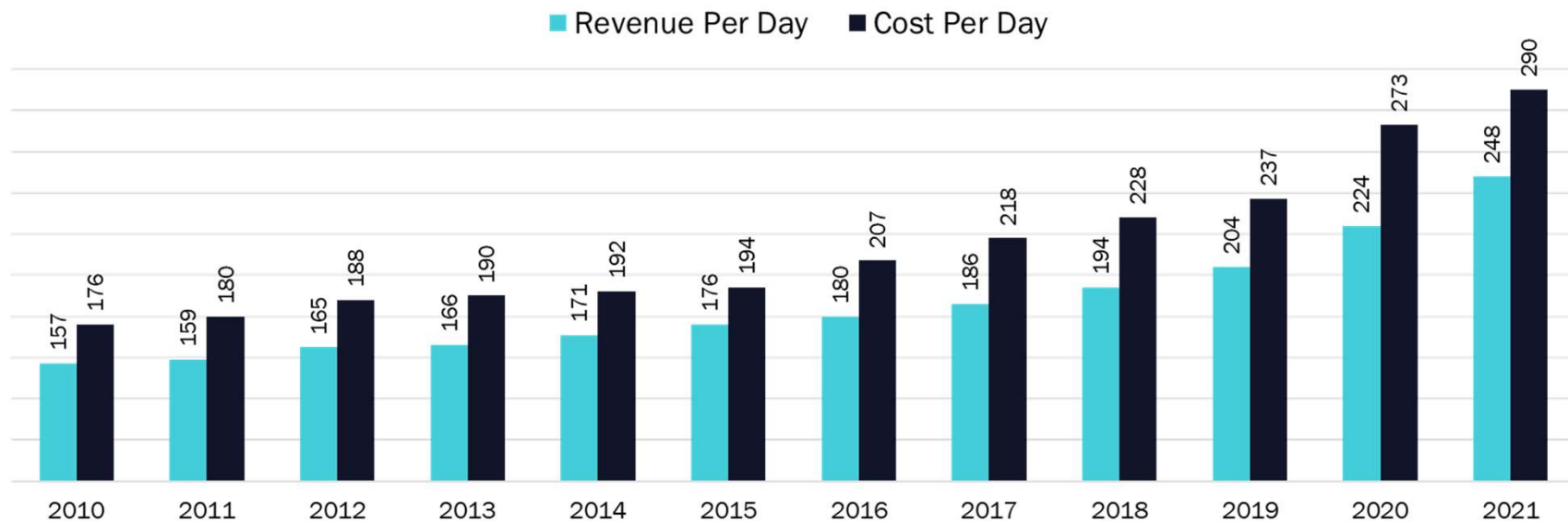
NOTE: The EARC rates were some of the most chronically behind in the system prior to 2016.



# SNF Medicaid Revenue *Continues* to Fall Chronically Behind the Cost of Medicaid Services

The System has been Underfunded on Average by \$124 Million Per Year For the Last Five Years

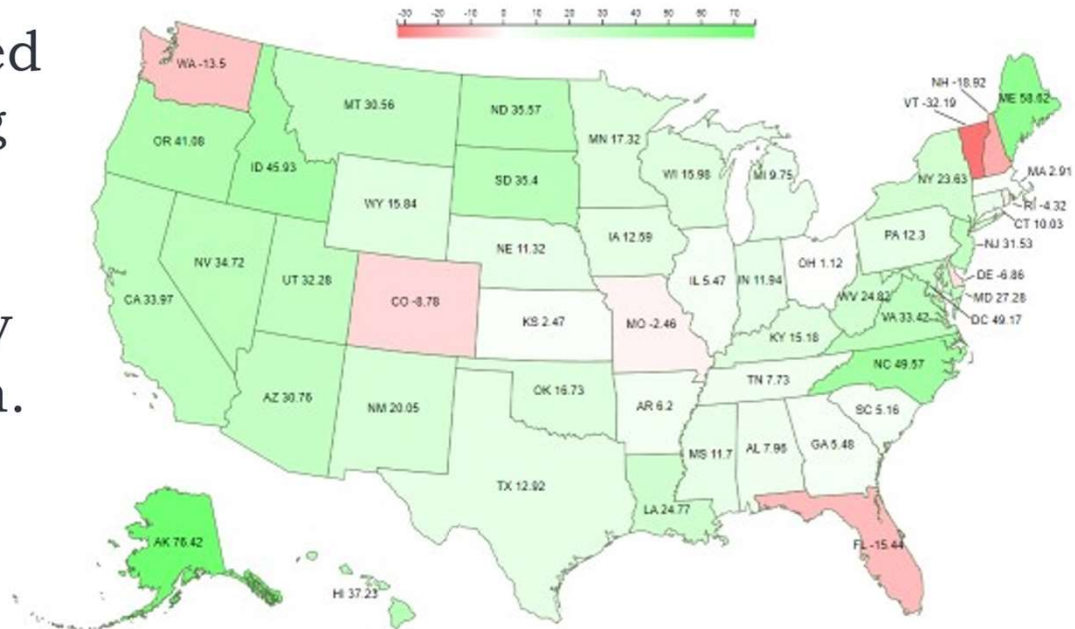
Washington's Department of Social & Health Services Medicaid Shortfall Analysis



When All Fund Sources Are Factored in, Skilled Nursing Facility Daily Costs Still Exceed Revenue by About \$61.5 Million.

### Average Net Income PPD

Source: CMS SNF HCRIS dataset, FY End Date in 2021



Source: Consolidated Billing Services, Inc. . Extracted from CMS Medicare Cost Report Data.

# Increased Costs in Labor Are Permanent Cost Growth

## System Cost Based on Labor

Most of this is permanent cost growth that will not decrease post-COVID

# 70%

## SNF Nurse Wages Grow by 5-8% Per Year (Since 2016\*)



Data Source: Occupational Employment & Wage Statistics. Bureau of Labor Statistics. Data through May 2020.

\*Current State minimum wage laws went into effect January 1, 2017.



# SNF Inflationary Growth in Costs Outpaces Rate Adjustments



One-Time Inflationary  
Adjustment Provided  
July 1, 2020

1.9%



Actual Annual SNF  
Cost Inflation  
Pre-COVID  
(Includes Wage & Non-Wage Costs)

4.0%



8.7% Wages  
11.4% Food  
23.8% Energy

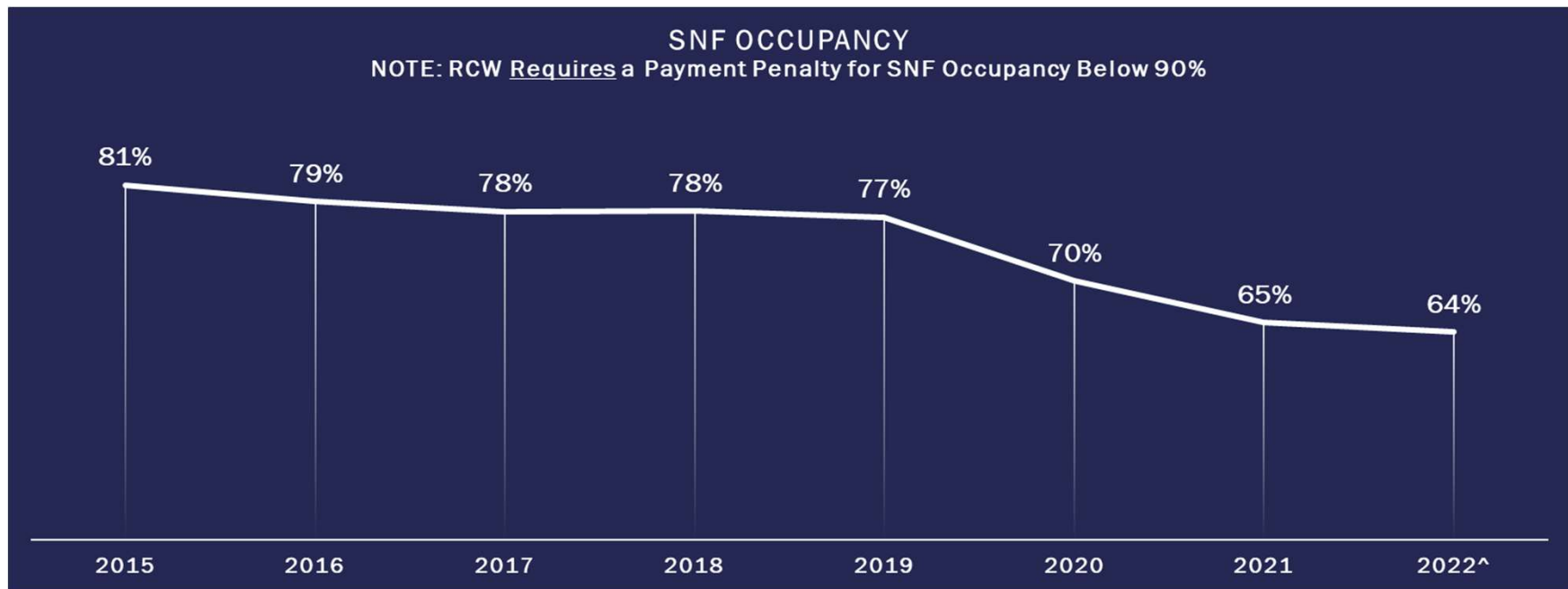
Today's Inflation

Data Sources: Actual Annual SNF cost pre-covid came from DSHS analysis. Today's inflation is based on the August 2022 CPI-W. This looks at one year changes in cost from August 2021 to August 2022.



# SNF Occupancy in WA is the 9<sup>th</sup> Lowest in the Nation

*Lack of Staff Needed to Keep Beds Open is a Key Issue Reported by Providers in WA*



Data Source: 2015-2021 Data is provided by DSHS. ^2022 is taken from KFF analysis of



## SNFs Have Faced Chronic Shortfalls in Medicaid Payment

# The Political Approach to SNFs Has Been Geared Toward Intermittent Patchwork Over Wholistic, Long-Term Fixes

### Chronic Problem



Statutory biennial rebase uses cost data that lags behind rates by 2-4 years.



Costs exceed payments by an annual average of \$124 million



Rates do not keep pace with the cost of wages.



Occupancy percentages have been well below the statutory requirement for many years.

### What's Needed: Predictability, Permanent Fixes



A permanent annual rebase would reduce the cost data lag to 2-3 years.



Regular/annual inflationary adjustments would account for cost growth between the cost data year and the payment year.



Adjust the statutory levers to allow more providers to cover the cost of wages. Currently, direct care is set at 100% of the median, and indirect care is set at 90% of the median.



Adjust the statutory mandatory occupancy level. Currently it is set at 90%.

### What's Been Provided: One-Time, Temporary Funds



The 2020 Legislature and 2021 Legislature each authorized a one-time annual rebase.



The 2020 Legislature provided a one-time inflationary adjustment of ~1.9%. Actual SNF cost inflation averages 4.0% annually (pre-covid).



The 2022 Legislature provided a one-time adjustment to direct care to 111% of the median and indirect care to 92% of the median. Without future legislative action, these will automatically reduce.



The 2022 Legislature provided a one-year lowered mandatory occupancy level of 75%.



# LAW / WHCA Funding Priorities



## Support Worker Wages

- \$202M Total (\$96M GF-S) to fund 100% of the worker wage component of the AL Model.
- \$47M Total (\$23M GF-S) to provide a \$75 rate add-on to the AL Specialty Dementia Care providers. This add-on specifically recognizes differentials in staffing and physical plant requirements.
- \$72M Total (\$36M GF-S) to maintain SNF funding at 111% of the direct care median. This funding provided a wage increase of up to \$4.00 an hour for low-wage workers. If this funding is not maintained, providers cannot continue paying the higher wages.



## Long-term, Structural Rate Fixes for SNF Rates

- \$187M Total (\$94M GF-S) for annual rate rebases, consistent inflationary adjustments, and a more accurate methodology for addressing minimum occupancy.
- \$9M GF-S to fill a shortfall and stabilize the Safety Net Assessment portion of the SNF rates.
- \$10 M Total (\$5M GF-S) for Nursing Home Specialty Rates that incentivize and recognize the higher cost of care for ventilators, tracheotomy, behaviors, and traumatic brain injuries.

Impacts based on 2023-25 DSHS decision package: 050- PL- SB Medicaid Provider Rates

