



MEMORANDUM

TO: Senator Jim Stamas, Chair, Senate Appropriations Committee
Representative Shane Hernandez, Chair, House Appropriations Committee
FROM: Richie Farran, V.P. of Government Services, Health Care Association of Michigan
DATE: September 8, 2020
SUBJECT: Costs of COVID-19 to Michigan's Nursing Facilities

Michigan's nursing facilities are on the front lines of the COVID-19 outbreak, protecting our state's most vulnerable population from this deadly virus. Facilities have made extraordinary adjustments to their business operations to respond to the pandemic. HCAM estimates the total cost of COVID-19 for all nursing facilities in the state of Michigan is approximately \$402 million for the 2020 calendar year. While facilities have received significant federal funding, a considerable gap remains – approximately \$100 million.

These costs arise from staffing and supply demands required for responding to the COVID-19 outbreak. Staffing costs are increasing due to overtime pay, attendance bonuses and wage enhancements like “hero pay”. Adequate PPE supplies are of the utmost priority in nursing facility settings as they prepare for a surge or second wave – without them, facilities cannot take the proper infection control precautions to protect residents and staff.

Additionally, occupancy in facilities has declined because of the required suspension of non-emergency hospital procedures and the general underutilization of healthcare providers, especially nursing facilities, during the pandemic. This has resulted in as much as a 20% decline in census, especially in hard-hit areas like southeast Michigan. Census is not likely to stabilize for some time.

HCAM understands the financial constraints facing the state, and we do not expect the profession to be made whole. It is likely there will be remaining funds from the \$2/hour wage pass through in SB 690, as well as the long-term care services line due to decreased census. With the deficit much lower than previously expected, it is our hope that a current year supplemental will provide an opportunity for the state to recognize a portion of the COVID costs experienced by nursing facilities. **HCAM is respectfully requesting funding from the state in the amount of \$35 million.** Consistent with the federal funds sent by the U.S. Department of Health and Human Services directly to providers, these funds would be used by providers for staffing costs, PPE, and declining census.

Directing funds to nursing facilities will strengthen their ability to continue fighting this virus and protecting the state's most vulnerable population. In the supplemental for the current fiscal year budget, please include language that would direct support to our state's nursing facilities.

HCAM is a statewide trade association representing proprietary, not for profit, county medical and hospital-based long-term skilled nursing and rehabilitation facilities. If you have questions, please contact Richie Farran at RichFarran@hcam.org.