



February 15, 2021

Senator Jim Stamas, Chair
Senate Appropriations Committee

Senator Rick Outman, Chair
Appropriations Subcommittee on Community
Health/Human Services

Representative Thomas Albert, Chair
House Appropriations Committee

Representative Mary Whiteford, Chair
House Appropriations Subcommittee on
Health and Human Services

RE: Funding for Nursing Facilities in the COVID-19 Supplemental Legislation

Dear Chairs Stamas, Albert, Outman, and Whiteford:

I am writing today to ask for your support for funding to Michigan's hardest hit nursing facilities in the COVID-19 supplemental legislation. HCAM represents more than 350 nursing facilities across the state – a great number of these facilities are in need of immediate help today as they continue the work of caring for residents during the pandemic.

The increased costs of the pandemic – PPE, wages, and operational changes – are occurring as we speak. Statewide census has dropped more than ten percent since the start of the pandemic. Facilities are facing increased costs at a time when revenues are down significantly.

Thankfully, the federal long-term care vaccination program is making significant progress and we are all hopeful the end of the pandemic is only months away. HCAM is requesting additional Medicaid funding directed toward the hardest hit facilities to bridge the gap until vaccination efforts allow for operations to return to normal, census to stabilize, and revenues to return to pre-pandemic levels.

The state has realized significant savings amounting to more than \$120 million in general fund dollars in FY 2019-2020 in the long-term care services line due to decreased utilization and increased federal match funds. It is expected that similar general fund savings of more than \$120 million will be realized in FY 2020-2021 – **amounting to nearly \$250 million in general fund savings in total.**

In one of its first actions in 2020 in response to the pandemic, Congress passed a COVID-19 relief package (Families First Coronavirus Response Act), that included a temporary 6.2 percent increase in the Federal Medical Assistance Percentages (FMAP).

Congress passed this funding with the intent to recognize the costs incurred by Medicaid providers due to their response to the pandemic. The increased FMAP has saved the state hundreds of

millions of dollars since January of 2020, and will continue through the duration of the national state of emergency.

Additionally, decreased utilization has resulted in significant savings to the state. HCAM estimates approximately \$160 million gross was saved in FY 2019-2020 due to statewide census declining more than 10 percent – savings that will also be realized in FY 2020-2021.

Our reimbursement system provides adequate funding to nursing facility operators when occupancy is stable. When occupancy declines significantly, a provider lacks adequate reimbursement to cover fixed costs that do not fluctuate with patient volume – for example utilities, mortgage payments, staff wages and benefits, property taxes and various other expenditures.

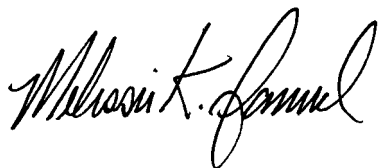
A supplement to the Medicaid rate for the current fiscal year is needed for providers that continue to face declines in occupancy along with increased costs for wages, PPE, and operational changes due to the pandemic. **HCAM is respectfully requesting an appropriation of \$30 million GF - \$100 million gross – to be targeted to the most severely impacted providers.**

These funds represent a fraction of the estimated savings that have been realized by the State of Michigan as a result of the significant decrease in the number of Medicaid nursing facility residents, as well as the increase in the federal match for Medicaid spending. While the funding has been used to make up for lost revenue for the state due to the shutdown, the economic outlook has improved over the past several months. You now are able to redirect the increased Medicaid match to providers who need it most. Nursing facilities are providing care at significantly increased costs and need your help.

HCAM would request that the enhanced Medicaid payment be directed to the most severely hit facilities – i.e. those with the largest drop in census since 2019. The targeted funding ensures help is sent to those facilities that need it most for the time period of January 2021 through September 2021, at which time it is likely census will begin to stabilize.

A memo from HCAM further detailing our proposal has been shared with you and your staff. I welcome the opportunity to discuss with each of you at your earliest convenience. Your time and consideration of this very important issue are greatly appreciated.

Respectfully,

A handwritten signature in black ink, reading "Melissa K. Samuel". The signature is written in a cursive, flowing style.

Melissa Samuel, President/CEO
Health Care Association of Michigan