



March 23, 2023

Representative Mohamud Noor
Chair, Human Services Finance Division
379 State Office Building
St. Paul, MN 55155

Senator John Hoffman
Chair, Human Services Policy & Finance
2111 Minnesota Senate Building
St. Paul, MN 55155

CC: Members of the House Health Finance Division & Senate Human Services Policy & Finance Committee

Dear Chair Noor and Chair Hoffman:

On behalf of the Long-Term Care Imperative, which represents over 2,000 providers across the long-term care continuum, we thank you for the opportunity to provide our feedback on Governor Walz's proposed biennial budget for the Department of Human Services.

Recent data from our members indicate that seniors were turned away 11,000 times from assisted living or nursing home settings in just one month. Metro hospitals are calling nursing homes four hours away looking for a place for a senior patient ready for discharge. Seniors are valued members of our community, and they have a right to long-term care close to home. Unfortunately, that is increasingly harder and rarer to achieve. Why? Because we have too few professional caregivers, driven by the state's lack of investment in their wages. The average starting wage of a caregiver in assisted living is less than \$16.00/hour. The average starting wage of a caregiver in a nursing home is less than \$17/ hour. Our staff are exhausted and put simply, the Governor's proposed budget misses the mark.

We acknowledge that the Governor's budget makes investments to increase the phase in of 2017 EW rates from current rates (18.8%) to 27.8%. Improving the EW rate phase-in grants more seniors access to lower acuity settings like assisted living, thereby keeping them closer to home and living with more independence. However: given these high stakes and a \$17.6 billion surplus, it is deeply troubling that there is zero funding in the Governor's budget for nursing home worker wages.

The forecast and 9.4% rate increase does not address the needs for nursing home workers. The Long-Term Care Imperative believes that caregivers deserve to earn a livable wage that is supportive of raising a family. The forecasted spending and 9.4% rate increase do not do that.

They reflect compensation at current starting wages, between \$16-17/hour, because 2023 rates are based on costs incurred in 2021.

Value-based reimbursement does not sufficiently address inflationary expenses to labor or other operating costs. While VBR annually adjusts rates based on facility costs, the costs used do not reflect current costs. When VBR was designed, the predictable inflation of 1-3% made the lack of an adjustment to current costs a minor concern, but the highly volatile and near double-digit amounts Minnesotans are seeing today has shown that not inflating costs to reflect current conditions is a huge flaw in the VBR system:

- Those costs a facility waited two years to have reflected in the rates are not adjusted for inflation. Any cost increases experienced since September 30, 2021, are not covered by the new rates and are a continued drag on responding to workforce needs.
- For example, if a nursing facility invests \$100,000 from reserves to pay for staff wage increases, staff overtime (due to workforce shortages) and pandemic related supplies during November 2020, the 2-year wait for Minnesota to recognize the activity also means that inflationary pressures have eroded the investment's value.

Minnesota seniors and their families are bearing the brunt of this collapse. Since 2020, almost 2,600 nursing home beds have been taken out of service statewide. That is the equivalent of over fifty 50-bed nursing homes. Just last week, a nursing home outside of Crookston, Minnesota announced its plans to close.

Left unfixed, access to care for seniors will continue to disappear. Over the next five years, we will have 50,000 more seniors who are 80 or older. It leaves us to wonder if the promise of One Minnesota is supposed to include our elders and those who care for them. As your committee assembles its budget over the next few weeks, we deeply implore you to pick up what the Governor left out: Ensure that there is sufficient funding to increase caregiver wages across the LTC continuum.

Respectfully,



Toby Pearson
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Care Providers of Minnesota
Member, Long Term Care Imperative



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