



December 14, 2020

SENT VIA EMAIL

The Honorable Lawrence J. Hogan, Jr.
Governor
State of Maryland
100 State Circle
Annapolis, MD 21401

Dear Governor Hogan:

Thank you for all you and your teams are doing to protect Marylanders during this historic COVID-19 pandemic. I truly believe the work we are doing together to fight this virus will be the most consequential work of our careers.

There is no doubt that your public messaging to Marylanders regarding flattening the curve, slowing community spread, and building hospital surge capacity has been among the best in the country and has saved lives. I wrote about this in April in the Baltimore Sun and the preeminent trade publication McKnight's. As we fight the current surge, the National Guard in all healthcare settings, not just skilled nursing and rehabilitation centers, will also make a difference. Together, we are all just wearing the damn mask!

As we discussed in Washington, DC on March 5 and again in your office on March 12, skilled nursing and rehabilitation centers by definition provide care to older Marylanders with pre-existing conditions. Due to the nature of COVID-19 relative to our patients and in diverse communities, nursing homes have been on the front lines in the fight against this deadly virus.

The more than \$100 million of federal CARES Act money that has been spent in Maryland on bridge teams, personal protective equipment (PPE), and testing has been beneficial to many across the care continuum, including nursing homes. As you know from your role as chairman of the National Governor's Association, other states have used CARES Act money in similar ways and in addition, about thirty states have increased Medicaid rates to skilled nursing and rehabilitation centers to help in their fight against COVID-19. Additionally, we need the state's direct financial support in the Medicaid rate to ensure continued quality care is provided to Marylanders in need.

In March, Congress passed a federal relief package that included a 6.2 percent increase in the Medicaid Federal Medical Assistance Percentage (FMAP). If fully matched, this increase would add \$656 million in federal dollars to match Maryland Medicaid resources.



However, the State of Maryland is one of approximately twenty states that has not used this federal increase to enhance the long-term care Medicaid rate.

Here in Maryland in 2020 during the first year of the COVID-19 pandemic, based on an analysis of Maryland Department of Health (MDH) cost reports done by an independent accountant:

- Marylanders in need enter nursing homes after a hospital stay to receive quality long-term care paid for by Medicaid. Because hospitals have had reduced non-COVID admissions, Medicaid occupancy in nursing homes is down by 12.9 percent. Comparing January through September 2019 to the same period in 2020, the State of Maryland paid nursing homes \$58 million less in 2020 than in 2019.
- In fact, skilled nursing and rehabilitation center occupancies are down across the board: 12.9 percent for Medicaid, 13.6 percent for Medicare, and 17.4 percent across all other payer sources; all while staffing, PPE, and testing costs have dramatically and historically increased.
- From January to September 2020, the State of Maryland, through the normal rate paying system and in accordance with the enacted FY20 State Budget, spent \$1.07 billion on skilled nursing facilities. But because of the enhanced Federal Medical Assistance Percentage (FMAP) increase passed by Congress in March 2020, the State of Maryland used \$95 million less in State funds on nursing home rates than in 2019.

Here are some examples of how other states have augmented rates to skilled nursing and rehabilitation centers. Please note that like the nursing homes in Maryland, centers in these states also received federal CARES Act funding.

- In Pennsylvania in late May, Governor Wolf used state allocated federal CARES Act dollars in the sum of \$245 million to augment Medicaid rates to skilled nursing and rehabilitation centers.
- In West Virginia, Governor Justice augmented the rates, and has provided state funded COVID-19 testing for residents and staff since April 20, 2020. This was recently expanded last month with the state supplying Abbott BinaxNOW test kits to every SNF and AL to conduct twice weekly testing of staff. Additionally, in West Virginia the state pays for PCR lab testing when there is a COVID-19 outbreak in a skilled nursing and rehabilitation center.
- In Virginia, Governor Northam increased Virginia's Medicaid rate by \$20/day (approximately 11 percent) starting March 12, 2020. The increase will remain until June 30, 2021. This is estimated to provide \$140 million in additional funding to providers. The Governor also provided \$33 million to nursing facilities and \$20 million to assisted living providers in state allocated CARES Act funding to assist with increased costs related to

COVID-19. In addition, the Governor has provided 239,000 testing kits to nursing facilities at a cost of \$7 million in state allocated CARES Act funding. He is preparing to spend another \$9 million to purchase additional tests. The support to long-term care providers is estimated to exceed \$200 million by June 30, 2021.

- In Delaware, Governor Carney did not increase rates but did create a \$100 Million Cares Fund for grants for all businesses, for which the long-term care sector was eligible.
- In North Carolina, Governor Cooper made an emergency 5 percent rate increase for the Medicaid rate to nursing homes effective March 10, 2020, added another 10 percent emergency increase effective April 1, made additional 43 percent Medicaid rate increases available to nursing homes with COVID outbreaks (2 or more cases, staff or residents) during the months of their outbreak, and used \$69 million in state allocated CARES Act dollars to support nursing homes with testing and PPE.

The 15,000 skilled nursing and rehabilitation centers across the country have received approximately \$10 billion total in federal CARES Act funding. This equates to around \$800,000 per center for all of Maryland's 227 skilled nursing and rehabilitation centers.

As you know from our work together, it is important to keep in mind that approximately 80 percent of funding for skilled nursing and rehabilitation centers comes from non-negotiable Medicare and Medicaid rates. Nursing homes can't simply increase prices to cover increased costs. Additionally, expenses, staff levels, staffing ratios, and the minimum wage are all mandated.

Going forward we ask:

- For continued protection of the FY21 four (4) percent rate increase that was put in place to help cover costs associated with the rightfully enacted minimum wage increase, as well as the four (4) percent increases through FY26 in the enacted legislation.
- That federal CARES Act funds or the FMAP funds paid to Maryland be used in a way similar to that of Pennsylvania and an emergency five (5) percent retroactive Medicaid rate increase be made to the FY21 rate. Because of the lower Medicaid volume and the enhanced federal match, a five (5) percent rate increase costs \$31.5 million in state dollars.
- That together we work on a FY22 Medicaid rate increase of at least nine (9) percent, given that this battle against COVID-19 will continue for months and years and there will be an even longer lasting impact on our healthcare infrastructure and Marylanders in need of quality care.

- Because of the lower Medicaid volume and the enhanced federal match, a FY22 nine (9) percent rate increase costs \$56.7 million in in state dollars. (Based on actual MDH Cost Reports considering the actual rate and actual days of care)

Again, COVID-19 has shone a bright light on the chronic under funding of Medicaid that you inherited and have tried to address, as well as the tragedy of healthcare disparities in our communities. Throughout your tenure as Governor, we have written you each December to outline the resources needed for continued quality care; this year we are asking as skilled nursing and rehabilitation centers have been on the front lines fighting COVID-19.

We will work with you and the Maryland General Assembly to make sure that we fully address the challenges presented by the pandemic.

Finally, please know that we realize the state budgets of all states are and will be stressed going forward. And that in all of our federal advocacy we have called for more federal financial aid directly for state governments. Again, we need the state's direct financial support in rates to ensure continued quality care is provided to Marylanders in need.

We look forward to our continued work together to protect quality care. Together, we have an opportunity to rebuild an even stronger, healthier Maryland.

Be well,



Joseph DeMattos
President and CEO

CC: The Honorable Bill Ferguson, President, Maryland Senate
The Honorable Adrienne Jones, Speaker, Maryland House of Delegates
The Honorable Guy Guzzone, Chair, Senate Budget and Taxation Committee
The Honorable Maggie McIntosh, Chair, House Appropriations Committee
The Honorable David Brinkley, Secretary, Department of Budget and Management
The Honorable Dennis Schrader, Acting Secretary, Maryland Department of Health
Keiffer Mitchell, Chief Legislative Officer and Senior Counselor to the Governor
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