



## Improving Nursing Homes in Pennsylvania

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### PRESENTED BY

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### RESPECTFULLY SUBMITTED TO

Senator Fontana, the Senate Democratic Policy Committee, Chairwoman Muth, Senator Costa, Senator Brewster, Senator Williams, Committee Members and Invited Guests

### ABOUT VINCENTIAN

Vincentian is a not-for-profit health care and human services organization that coordinates four senior care communities in the greater Pittsburgh area. These include Vincentian Home, Vincentian de Marillac, Vincentian Marian Manor, and Vincentian Schenley Gardens.

We offer a continuum of care for more than 2,000 seniors per year, including independent living, personal care, memory care, short-term rehabilitation, and skilled nursing (post-acute and long-term care). Vincentian also operates two independent living communities in the North Hills — Vincentian Villa and Terrace Place at Vincentian, two child care centers and a charitable foundation. Vincentian provides \$9 million in benevolent care every year and nearly 60% of those we serve rely on government assistance as their only form of payment.

### POSITION STATEMENT

We are here to discuss the staffing challenges and related obstacles faced by senior care communities that directly impact not only the health and safety of our residents, but also the future viability of the industry. We are in a senior housing crisis, not for the rich, but for those — particularly individuals in long-term nursing care — who cannot afford to go anywhere else.

If we continue down this road, in three to five years, many senior care homes will be forced to close their doors. This crisis will be particularly hard-hitting on mission-driven and not-for-profit operators. We've already seen the first signs of this trend in Western Pennsylvania.

## REASONS FOR THE STAFFING CHALLENGES

The pandemic helped to shine a light on and magnify many of the challenges faced by our industry. Vincentian is committed to a noble mission and not a bottom line. However, there is no profit margin in operating long-term care facilities. If we were to follow market forces, we would stop providing long-term care.

But we're not in it for profit. We're in it because people need post-acute care – and that number is growing as more Baby Boomers are getting older. They will need care, and if they can't afford it, where will they turn if places like Vincentian aren't there to provide it? We're starting to find out. The demand for our services – particularly skilled nursing – is there, but because we don't have the staffing, we've been forced to turn some people away. Where are they to go for skilled nursing care?

### Six Headwinds Faced By Our Industry

#### 1) Unemployment, Childcare Credit, Stimulus Have a Negative Effect On Us

We're doing all we can to recruit and hire registered nurses (RNs), certified nursing aides (CNAs), and licensed practical nurses (LPNs). We offer hiring and referral bonuses, we advertise, and we promote positions online, on social media, job boards, hiring agencies, but we're not getting candidates.

While the attractiveness of working in the senior care industry may have been bruised by the pandemic, that's not what is keeping people from applying for or accepting positions with us. Many applicants — and even our current employees — tell us that they can make more money by not working. We do receive applications, but often they apply only to show the government that they're applying so they can keep their benefits.

#### 2) Fair Living Wage: It's Not About Pay

Vincentian pays all clinical staff \$15/hour or more. In the last fiscal year, Vincentian has increased its average pay rate across the organization by nearly \$2.00 per hour.

	<b>FY2020</b>	<b>FY2021</b>
Employees	1,016	1,105
Average Pay Rate	\$19.43/hr	\$21.22/hr
Total Compensation	\$24M	\$27M

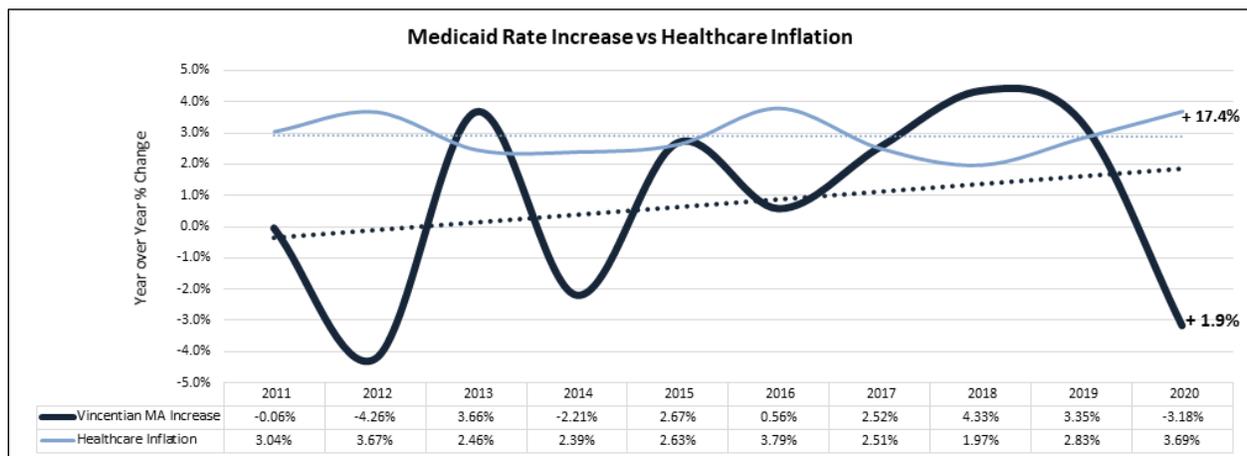
*Staffing expense does not include \$3.5M+ in agency costs.*

**3) Fair Living Wage: There’s No Way for Us To Recoup the Cost If It’s Extended to All Employees**

We support a Fair Living Wage for all, but it comes at a cost to Vincentian, and ultimately to our post-acute and long-term care residents and potential residents.

Non-profits that house a large proportion of long-term care residents – like Vincentian – cannot increase the price of the main services they provide, or pass the cost on to their residents. Reimbursement, whether in the form of commercial insurance, Medicare or Medicaid, is fixed.

Since 2011, healthcare costs have risen more than 17%, but Vincentian’s MA reimbursement has risen just 1.9%. And more than 60 percent of Vincentian’s census is made up of residents who rely on Medicaid as their only source of payment. The system is not sustainable.



For-profit senior living corporations — primarily those without long-term care beds – derive their revenue primarily through private pay products. These entities can better afford to increase their rate of pay because they can pass the cost on their residents. By and large, organizations like Vincentian can’t do this.

#### 4) **Staffing Agencies Are Not Regulated**

Staffing agencies, which provide direct clinical caregivers to nursing homes during situations of staffing shortages, have been part of the healthcare industry for decades. These vital partners provide operational support in the form of nurses, nurse aides and other clinical staff.

Operators must often rely on these agencies to fill the gaps due to call-offs or staffing shortages, or, more recently, due to sick healthcare workers being quarantined at home in a mandated CDC return-to-work protocol after a potential exposure or positive case of COVID-19.

Yet these agencies remain unregulated, free to charge arbitrary hourly rates. No regulatory body is in place, no investigation underway, to curtail these rate increases or determine who is truly benefiting from higher rates: the courageous caregivers or the staffing agency owners. Despite these skyrocketing rates, during the height of the pandemic, long-term care facilities remained responsible for screening, testing, education, and PPE for agency staff – at their own expense, and their own peril should they fall short.

Staffing agencies are not regulated for pay, professional development or quality. Yet, operators like Vincentian are held hostage to the increasing fees they charge, the level of experience and education of the staff sent to us, and quality of care they provide.

#### 5) **CARES Act Funding Calculated by Medicare, Not Medicaid**

Major acute care providers received proportionally more CARES Act funding than smaller organizations like Vincentian because the CARES Act funding was calculated by Medicare beds, not Medicaid beds. During the pandemic, relief was needed most by operators who rely on Medicaid funding. According to a recent RKL Medicaid Funding Shortfall Analysis, the Medical Assistance (MA) reimbursement shortfall for nursing home operators in Pennsylvania is a staggering \$631 million annually. More than 60% of this funding gap – \$380 million – is borne by nonprofit and faith-based providers.

Even before COVID struck, this immense shortfall left nonprofit nursing homes with an average daily expense of \$343.13 per MA patient, with only \$260.97 in reimbursement from the state – a difference of \$82.16 per patient per day. That daily shortfall is roughly four times higher than that faced by our for-profit counterparts. This uncompensated care amounts to nearly \$9 million per year for Vincentian, on the back of a \$65 million budget.

The gross economic impact of COVID-19 on Vincentian's bottom line totaled a staggering \$16.9 million. Vincentian received \$5.1 million in CARES Act funding. However, Vincentian did not furlough any clinical staff during the pandemic. While other facilities closed their doors to COVID patients, we opened ours. We established two 15-bed COVID isolation units and took in COVID-positive patients when others couldn't. We provided care for 219 patients with COVID. Only 15% of those were Vincentian residents.

#### **6) Large Out-of-State Provider vs. Non-Profit Vincentian**

The difference between for-profit and non-profit operations is laid bare in the story of Schenley Gardens, a 164-bed personal care facility located in Oakland. It's a great location for personal care housing – It's not far from the University of Pittsburgh and other universities, hospitals are close by, museums, restaurants and other amenities are within walking distance. Prior to Vincentian acquiring Schenley Gardens in 2019, it was owned by a New York-based Real Estate Investment Trust company and was operated by a for-profit company based in Oregon.

These previous owner/operators struggled with the property. What's most striking is that they were not able to obtain a full operating license from the state Department of Human Services during the five years they owned the building. At the time of Vincentian's purchase, the building was on its last provisional license, under an admissions ban and was close to being forced to close by regulators. Vincentian received a full, unrestricted license to operate the building within six months of acquisition.

When we took over, we conducted a clinical assessment on all of the existing residents. Our clinicians found that nine residents were not fit to be in personal care, but they were there because they continued to pay their monthly rent. The revenue that these residents provided was more important to the previous owners than meeting the residents' daily needs. Vincentian quickly found the appropriate level of care for those residents, regardless of the bottom line.

**IN CLOSING: KEEP INVITING US TO THE TABLE – AND LET’S FIX THIS TOGETHER**

Too often, acute care providers or other major healthcare players are given the responsibility to design systems and make decisions in the post-acute skilled nursing care world – but they’re not the subject matter experts in this area! The senior care industry is not a one-size-fits-all type of industry, but it’s often treated like it. And that’s why acute care providers are always first to receive the funding resources, but they are not always the ones who need it the most.

We urge lawmakers to continue to seek out post-acute leaders as this committee has done today. WE are the subject matter experts. Vincentian is not testifying today just to provide facts or ask for more money. We know there’s no money at the state and federal level. We want solutions. We need our elected officials to think differently about funding and the disbursement of Medicaid dollars.

*You don’t need to make the pie BIGGER. Make it SMARTER.*

Vincentian invites lawmakers to a second meeting that we’ll host at Vincentian in Pittsburgh. We’ll bring together leaders to discuss the issues and develop action plans with you so you’re better informed and can talk to your constituents with facts and information provided by the subject matter experts. We would like you to create Pilot a program in Southwestern Pennsylvania or in Allegheny County. We’ll help you lead it.

There are three panels here today, but we can’t look at them in silos. You can’t fix one alone without understanding the other two. Let’s work together to make the system more efficient, better, and safer for our most vulnerable Pennsylvanians – without bankrupting them or compromising their dignity.