P. MICHAEL STURLA, CHAIRMAN
414 MAIN CAPITOL BUILDING
P.O. BOX 202096
HARRISBURG, PENNSYLVANIA 17120-2096
PHONE: (717) 787-3555
FAX: (717) 705-1923

HOUSE DEMOCRATIC POLICY COMMITTEE
www.pahouse.com/PolicyCommittee
Policy@pahouse.net
Twitter: @RepMikeSturla

House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: House Bill 1449

418 Main Capitol Building – Harrisburg, PA

November 16, 2015

AGENDA

11:00 a.m. Welcome and Opening Remarks

11:10 a.m. Panel from Pennsylvania State Agencies:
- Christine Filipovich, Deputy Secretary for Quality Assurance, Department of Health
- Larry Clark, Director of the Office of Policy, Department of Health
- Jen Burnett, Deputy Secretary for Office of Long-Term Living, Department of Human Services

11:40 a.m. Panel from SEIU Healthcare:
- Matt Yarnell, Executive Vice President for Long Term Care
- Tisheia Frazier, Nurse Aide, Philadelphia
- Brittney Perri, Nurse Aide, Plymouth
- Dharnell Bridges, Housekeeping/Laundry Worker, Easton

12:10 p.m. W. Russell McDaid, President, Pennsylvania Health Care Association

12:40 p.m. Mark Price, Ph.D., Labor Economist, Keystone Research Center

1:00 p.m. Closing Remarks

PRINTER'S NO. 2039

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1449 Session of 2015

INTRODUCED BY GAINEY, ROZZI, COHEN, BISHOP, D. COSTA, MAHONEY, McNEILL, M. DALEY, ROEBUCK, J. HARRIS, MURT AND PASHINSKI, JULY 16, 2015

REFERRED TO COMMITTEE ON HEALTH, JULY 16, 2015

AN ACT

Providing for living wage certification for nursing facilities and for employer responsibility penalties for nursing facilities; establishing the Employer Responsibility for Public Assistance Fund; and imposing penalties.

TABLE OF CONTENTS

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

CHAPTER 1

PRELIMINARY PROVISIONS

Section 101. Short title.

This act shall be known and may be cited as the Nursing Facility Accountability Act.

Section 102. Findings and declarations.

The General Assembly finds and declares as follows:

(1) This Commonwealth has a large and growing population of senior and disabled persons who require nursing facility care.

(2) Nursing facilities are predominately taxpayer-funded through reimbursements from the medical assistance program and Medicare program. The Commonwealth reimburses nursing

facilities that participate in the medical assistance program at a level that is sufficient to pay their employees a living wage so that their employees should not have to rely on public assistance.

(3) Taxpayers should not subsidize nursing facilities to reap profits while many of their employees are living in poverty.

(4) Nursing facilities that receive public money have a responsibility to report to their residents, the families of their residents and the taxpayers of this Commonwealth about the minimum hourly wage rates paid to their employees and the number of their employees receiving public assistance, so that the public may make informed decisions about the quality and administration of nursing facilities.

(5) In 2011, the Department of Public Welfare, now the Department of Human Services, found that one nursing facility company and its subsidiaries employed 137 full-time workers who received medical assistance.

(6) According to the Department of Labor and Industry, the average wage for nurse assistants is $13.39 and the average wage for dietary and housekeeping employees is $9.81. According to PathWays PA, a wage of $15 per hour would meet the sufficiency standard for many, but not all, counties of this Commonwealth for an employee with one child to provide for the employee and child without the need for public assistance.

(7) Nursing facilities that are paying a living wage of $15 per hour should be recognized with a certification from this Commonwealth that can be prominently displayed onsite and on their publicly accessible Internet website.

(8) The high rate of staff turnover is a chronic problem in nursing facilities. Turnover of certified nurse aides is particularly high. Studies have addressed the importance of continuity of care and the need to stabilize the work force in nursing facilities to improve quality care. Higher wages may actually help nursing facilities reduce turnover and fill vacancies and can also lead to greater worker productivity by improving morale and overall job satisfaction.

(9) Nursing facility employees should have affordable, comprehensive health insurance coverage. Most nursing facility employees obtain their health insurance coverage through their employment, but some working Pennsylvanians are covered by medical assistance and, commencing in 2015, some will be covered through the Healthy PA private coverage option.

(10) The Patient Protection and Affordable Care Act (Public Law 111-148, 124 Stat. 119) sets a standard for what constitutes affordable, employment-based coverage and imposes penalties on any large employer whose full-time, nonseasonal employees receive coverage through the exchange. Federal law imposes no penalty on employers whose employees receive coverage through the taxpayer-funded medical assistance program or the Healthy PA program.

(11) An employer who fails to provide affordable coverage to a low-wage worker who is covered by medical assistance shifts the cost of health care coverage from the employer to the taxpayer. An employer can avoid the employer responsibility penalty of the Patient Protection and Affordable Care Act by reducing wages or hours worked, or both, so that a worker is no longer a full-time, full-year

employee within the meaning of the Federal act. A worker who faces low wages or part-time work, or both, is too often eligible for taxpayer-funded medical assistance instead of affordable, employer-based coverage. Controlling health care costs can be more readily achieved if a greater share of working people and their families have health benefits so that cost shifting is minimized.

Section 103. Purposes.

The purposes of this act are to:

(1) Create a living wage certification program for each nursing facility that provides a base hourly wage of $15 per hour for each directly employed or subcontracted employee of the nursing facility.

(2) Encourage the provision of a living wage to each nursing facility employee by providing information to each nursing facility resident and the public on the wage rates being paid to the employees of the nursing facility.

(3) Ensure that each nursing facility pay a nursing facility employer responsibility penalty for health coverage received by each employee of the nursing facility through the medical assistance program and another public assistance program that is fully or partially funded with funds from the Commonwealth, with that penalty based on the costs incurred by the Commonwealth for providing these benefits to the employee of the nursing facility.

(4) Ensure that each nursing facility employee who receives public assistance is protected from possible retaliation by the nursing facility for seeking or obtaining that assistance.

Section 104. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Base hourly wage." The hourly wage of an employee that is exclusive of:

(1) Deductions for payroll taxes, benefits or other employment charges.

(2) Adjustments for overtime compensation.

"Covered employee."

(1) An employee who:

(i) Is a recipient of public assistance.

(ii) Works an average of 20 hours or more per week for the nursing facility.

(iii) Works more than 45 days during the calendar year for the nursing facility.

(2) The term includes an individual who is a leased employee or otherwise under the direction and control of the nursing facility.

"Employee." An individual who is employed directly or subcontracted by the nursing facility on a full-time, part-time, temporary or seasonal basis.

"Fund." The Employer Responsibility for Public Assistance Fund established under section 308.

"Living wage certification standard." The base hourly wage of $15, which shall be adjusted annually by the Department of Human Services in consultation with the Department of Labor and Industry to reflect:

(1) any increase in the appropriate regional Consumer Price Index; or

(2) the adequate living wage standard set by the

Department of Labor and Industry.

"Medical assistance program." The program established under the act of June 13, 1967 (P.L.31, No.21), known as the Public Welfare Code.

"Nursing facility."

(1) A long-term care nursing facility, as defined in section 802.1 of the act of July 19, 1979 (P.L.130, No.48), known as the Health Care Facilities Act.

(2) The term includes each member of a controlled group of corporations, as defined in § 1563(a) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1563(a)), regarding the nursing facility.

"Public assistance."

(1) Includes, but is not limited to, assistance under the medical assistance program, cash assistance or another benefit under a program that is wholly or partially funded with funds of the Commonwealth.

(2) The term does not include the assistance provided under the Children's Health Insurance Program (CHIP), Supplemental Nutrition Assistance Program (SNAP) or Low-Income Home Energy Assistance Program (LIHEAP).

CHAPTER 2

NURSING FACILITY LIVING WAGE CERTIFICATION

Section 201. Reporting requirements.

(a) Required information.--Beginning 90 days after the effective date of this section, each nursing facility that is certified to participate in the medical assistance program shall provide the following information on an annual basis as part of its cost report under 55 Pa. Code § 1187.71 (relating to cost

reporting):

(1) The minimum base hourly wage paid for each job classification at the nursing facility, categorized by full-time, part-time, temporary and seasonal employee, and including total numbers for each category.

(2) The number of employees for each job classification at the nursing facility, categorized by full-time, part-time, temporary and seasonal employee, and including the total number of employees.

(3) The total number of employees who receive a base hourly wage at, above and below the living wage certification standard at the nursing facility, categorized by full-time, part-time, temporary and seasonal employee and including the total number of employees.

(b) Verification.--Information provided under subsection (a) shall be based on payroll records and other data in a uniform format that is verifiable and able to be audited.

(c) Time for submission of information.--A nursing facility shall provide the information under this section within 90 days of the end of the fiscal year for the nursing facility.

Section 202. Determination and certification.

(a) Analysis of submitted information.--The Department of Health shall determine whether a nursing facility qualifies for a living wage certification by comparing the information provided under section 201 to the living wage certification standard for the corresponding period.

(b) Issuance of certification document.--The Department of Health shall issue a certification document to each nursing facility whose employees all earn the living wage certification standard. The document shall detail the nursing facility's

certification as an employer that provides wages to its employees that meet the living wage certification standard.

(c) Annual analysis and issuance.--The analysis of information provided and the issuance of a certification document under this section shall occur annually.

Section 203. Posting of information.

(a) Posting by Department of Health.--The Department of Health shall post the following on its publicly accessible Internet website, including the page dedicated to the nursing facility locator, or other appropriate websites of the Commonwealth:

(1) The information provided under section 201.

(2) The list of nursing facilities that have received a certification document under section 202 for the current year.

(b) Posting by nursing facility.--Each nursing facility shall post the following in a publicly accessible area of the nursing facility:

(1) The information provided under section 201.

(2) The certification document under section 202 that the nursing facility received for the current year.

Section 204. Effect of certification.

Nothing in this chapter shall require a nursing facility to provide wages to some or all of its employees in an amount equal to or exceeding the living wage certification standard.

Section 205. Inspection of records and data.

The Department of Health shall inspect payroll records and other data under section 201 during the annual inspection of the nursing facility to verify that the information provided under section 201 is complete and accurate.

Section 206. Administration by Department of Health.

The Department of Health shall promulgate regulations, rules or orders necessary to administer the provisions of this chapter.

Section 207. Civil penalties.

(a) Imposition of penalty.--The Department of Health shall impose a civil penalty upon a nursing facility that fails to:

(1) provide complete, accurate, timely or properly formatted information that is required under section 201; or

(2) submit the information under section 201 for inspection as required by section 205.

(b) Amount.--The Department of Health shall determine the appropriate amount of the penalty imposed under subsection (a).

CHAPTER 3

NURSING FACILITY EMPLOYER RESPONSIBILITY PENALTY

Section 301. Reporting requirements.

Each nursing facility shall annually provide information required by the Department of Human Services to administer and enforce the provisions of this chapter, including, but not limited to, the following:

(1) The Social Security number of each employee of the nursing facility.

(2) The number of hours that the employee worked at the nursing facility during the fiscal year.

(3) The number of days that the employee was employed at the nursing facility during the fiscal year.

Section 302. Determination.

The Department of Human Services shall match Social Security numbers of recipients of public assistance with the information

provided under section 301, to determine if the nursing facility is subject to an employer responsibility penalty under this chapter.

Section 303. Employer responsibility penalty.

(a) When penalty applicable.--A nursing facility shall be subject to an employer responsibility penalty if it employs a covered employee.

(b) Amount of penalty.--

(1) The amount of the employer responsibility penalty shall be based on the actual cost of providing public assistance to each covered employee for the most recent fiscal year.

(2) The employer responsibility penalty for each covered employee shall be determined by multiplying the actual cost of providing public assistance to the covered employee by a fraction, the numerator of which is the amount of annualized hours worked by the covered employee per year and the denominator of which is 1,820 hours per year.

(3) An employer responsibility penalty may not exceed 100% of the actual cost of providing public assistance to the covered employee.

(c) Notice of penalty.--The Department of Human Services shall annually send a notice of the following to each nursing facility that is subject to an employer responsibility penalty under this chapter:

(1) The amount of the employer responsibility penalty imposed.

(2) The date on which payment is due.

(d) Payment.--A nursing facility shall pay any employer responsibility penalty imposed under this chapter to the

Department of Human Services for deposit into the fund established under section 308.

(e) Interest.--

(1) Interest shall be assessed at 10% per annum on an employer responsibility penalty that is not paid on or before the due date of the payment.

(2) Interest under this subsection shall begin to accrue the day after the due date of the employer responsibility penalty.

(3) Interest under this subsection shall be deposited into the fund established under section 308.

(f) Additional interest penalty.--

(1) If an employer responsibility penalty is not paid within 60 days after the due date of the payment, an interest penalty equal to the interest charged under subsection (e) shall be assessed and due for each month, or part thereof, that the employer responsibility penalty payment is not received.

(2) The additional interest penalty under this subsection shall be deposited in the fund under section 308.

(g) Deduction from medical assistance program payment.--

(1) If a nursing facility is a medical assistance provider or is related through common ownership or control, as defined in 42 CFR 413.17(b) (relating to cost to related organizations), to a medical assistance provider and the nursing facility fails to pay all or part of an employer responsibility penalty within 60 days after the due date of the payment, the Department of Human Services may deduct the unpaid penalty and any interest owed on the penalty from any medical assistance program payment due to the nursing

facility until the full amount due under this section is recovered.

(2) A deduction under paragraph (1) may be made:

(i) Only after written notice to the nursing facility under paragraph (1).

(ii) In amounts over a period of time, taking into account the financial condition of the nursing facility.

(h) Effect on licensing.--

(1) Within 60 days after the end of each calendar quarter, the Department of Human Services shall notify the Department of Health of each nursing facility with penalty or interest amounts that have remained unpaid for 90 days or more.

(2) The Department of Health may not renew the license of a nursing facility unless:

(i) the Department of Human Services notifies the Department of Health that the nursing facility has paid any outstanding amount due under this section in its entirety; or

(ii) the Department of Human Services agrees to permit the nursing facility to repay the outstanding amount due under this section in installments and that, to date, the nursing facility has paid the installments in the amount and by the date required by the Department of Human Services.

(i) Change of ownership or control.--After a nursing facility changes ownership or control, the successor of the nursing facility shall be liable for the outstanding amount due under this section from the nursing facility before the change of ownership or control.

Section 304. Information regarding medical assistance.

(a) Duty to share information.--Each nursing facility shall provide information to each newly hired and existing employee regarding the availability of medical assistance coverage for a low-income employee.

(b) Written notice.--The Department of Human Services shall develop a simple, uniform written notice containing the information required under this section.

Section 305. Prohibited practices.

A nursing facility may not:

(1) Designate an employee as an independent contractor, reduce an employee's hours of work or terminate an employee if the purpose of the action is to avoid the obligations under this chapter.

(2) Request or otherwise seek to obtain information on the income, family income or other eligibility requirements for public assistance regarding an employee, other than the information about the employee's employment status otherwise known to the nursing facility and consistent with Federal and State law.

(3) Require as a condition of employment that an employee not enroll or withdraw from enrollment in public assistance.

(4) Encourage or discourage an employee to enroll in public assistance for which the employee is eligible, but the nursing facility may provide information on public assistance as otherwise provided by Federal or State law.

(5) Discharge or in any manner discriminate or retaliate against an employee who enrolls in public assistance.

Section 306. Employee remedies.

An employee of a nursing facility who is discharged, threatened with discharge, demoted, suspended or in any other manner discriminated or retaliated against in the terms and conditions of employment by the nursing facility because the employee has enrolled in public assistance shall be entitled to reinstatement and reimbursement for lost wages and work benefits caused by the acts of the nursing facility.

Section 307. Administrative appeal.

(a) Request for review.--Except as otherwise provided in subsection (b), a nursing facility that is aggrieved by a determination of the Department of Human Services under this chapter may file a request for review of the decision of the Department of Human Services by the Bureau of Hearings and Appeals, which shall have exclusive jurisdiction in the matters.

(b) Procedures.--The procedures and requirements of 67 Pa.C.S. Ch. 11 (relating to medical assistance hearings and appeals) shall apply to requests for review filed under this section, except that in the request for review, the nursing facility may not challenge the penalty rate determined by the Department of Human Services but only whether the Department of Human Services correctly determined the number of covered employees that are the subject of the penalty.

Section 308. Employer Responsibility for Public Assistance Fund.

(a) Establishment.--The Employer Responsibility for Public Assistance Fund is established in the State Treasury.

(b) Receipt of money.--The fund under this section shall receive money regarding the employer responsibility penalty, interest and other penalties under section 303.

(c) Use of money in fund.--The Department of Human Services

may use money in the fund under this section to pay:

(1) The Commonwealth's share of public assistance costs for covered employees.

(2) The costs to implement and administer this chapter.

Section 309. Confidentiality.

Each document and record that contains personal or identifying information and results from the operation of sections 301 and 302 shall be subject to the confidentiality requirements and privacy standards under the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191, 110 Stat. 1936).

Section 310. Administration by Department of Human Services.

The Department of Human Services shall promulgate regulations, rules or orders necessary to administer the provisions of this chapter.

CHAPTER 4

MISCELLANEOUS PROVISIONS

Section 401. Severability.

The provisions of this act are severable. If any provision of this act or its application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act that can be given effect without the invalid provision or application.

Section 402. Effective date.

This act shall take effect in 90 days.

Testimony of Christine Filipovich, Deputy Secretary for Quality Assurance, PA DOH
11/16/15 House Democratic Policy Committee Hearing

Good morning, Chairman Sturla and members of the House Democratic Policy Committee.

I am Christine Filipovich, Deputy Secretary for Quality Assurance for the Pennsylvania Department of Health. I am joined today by Larry Clark, Director of Policy for the department. I would like to thank the committee for the opportunity to discuss House Bill 1449, Representative Gainey's legislation which addresses improving quality of life for nursing home care providers.

In my role of Deputy Secretary for Quality Assurance, I oversee the bureaus that license and inspect health care facilities including hospitals and nursing care facilities in Pennsylvania. My programs also include the nurse aide registry.

As you are aware, the department and Governor Wolf have placed emphasis on a Pennsylvania that has schools that teach, government that works, and, most pertinent to today's discussion, jobs that pay.

While the department is supportive of the underlying intent of this legislation to create a higher standard of living for those who help care for some of society's most vulnerable, we feel that the breadth of the matter is outside of the department's purview, and better suited elsewhere in state government.

As proposed, the bill creates additional responsibilities for the department's facility licensure/survey/ certification program.

The department is very aware of concerns related to the quality of care rendered in some Pennsylvania nursing care facilities. Secretary Murphy recently convened a panel of national experts who are working now to develop recommendations reflecting best practices in the care of nursing home residents. We expect that the recommendations of this nursing home quality improvement task force will guide the department as we consider how to further our role in ensuring quality of life and quality of care for this elderly and often vulnerable population.

Our regulatory functions are aimed at ensuring that healthcare facilities meet minimum state and federal standards to promote delivery of safe, quality care and services for clients. In the case of nursing care facilities, the majority of clients are long term residents.

There are 703 licensed nursing care facilities in the Commonwealth. All but 3 participate in Medicare and/or Medicaid.

We license facilities that demonstrate compliance with state regulations under PA Code 28 Chapter 201. In addition, as the agent for the federal Centers for Medicare and Medicaid Services (CMS), we evaluate facilities to recommend CMS certification for those that demonstrate compliance with CMS standards known as "conditions of participation". The state regulations and federal conditions of participation address the safety and quality of care and services provided to residents in nursing care facilities ("nursing homes"). They do not, in any way, address wages, benefits, or working hours of the employees in those facilities, nor employment practices of the owners/operators of nursing homes.

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The department conducts an annual inspection of each licensed nursing home. The inspections, called "surveys" are conducted by certified health facility quality examiners (HFQEs) who are registered nurses, social workers, and nutritionist/dieticians. Every HFQE must successfully complete training required by CMS and become certified by CMS to perform health surveys.

The training prepares the HFQE for the professional activities required of a surveyor, including data gathering through observation, interviews, and record review; analysis, critical thinking and decision making; and oral and written communications to ensure thorough, accurate and legally defensible documentation of a facility's compliance (or lack of compliance) with state laws, state regulations and federal standards pertaining to health services. The training and job duties do not include auditing or analysis of financial records.

House Bill 1449 proposes to add a new area of focus and new duties for the department that fall outside the scope of the department's quality assurance functions implemented through healthcare facility licensure and certification.

The bill requires the department to inspect nursing care facility payroll records including:

- The minimum base hourly wage paid for each job classification
- The number of employees in each job classification; and
- The number of employees who receive a base hourly wage at, above or below the living wage certification standard

The department would also be required to analyze facility payroll records and other data to determine consistency with the living wage certification standards. For facilities whose employees' payroll data indicate that all employees' wages meet the living wage standards, the department would be required to issue a certification document and post this information on the department's website. The department would be required to impose a civil penalty on any facility that fails to meet the requirements of this law. The department would also be responsible for developing and promulgating regulations to administer these statutory requirements. Many of these issues fall outside of the scope of the department.

The department clearly understands that consistent, competent nurse aide staffing significantly impacts the quality of a nursing home resident's care. In addition, the department understands that working conditions, including employee wages and benefits, are a major determinant of a facility's ability to retain nurse aides.

Staff turnover can be a reflection of heavy workloads, low wages and benefits, and poor working conditions. Turnover over in nursing personnel, especially nurse aides, reduces continuity of the direct care provided to nursing home residents. A positive work environment more times than not, leads to a productive workforce. We applaud Representative Gainey in his effort to achieve this goal.

The department of health looks forward to working with the sponsors of House Bill 1449, members of this committee and the regulated community to solve problems that initiated the introduction of this proposal. The department of health will continue to be responsible for regulating the quality and safety of resident care and services.

I will be pleased to answer any questions that members of the committee may have.

Testimony on Nursing Home Wage Practices and House Bill 1449

Jennifer Burnett

Deputy Secretary, Office of Long-Term Living

House Democratic Policy Committee

November 16, 2015

pennsylvania
DEPARTMENT OF HUMAN SERVICES

Good morning Chairman Sturla, Representative Gainey, and members and staff of the House Democratic Policy Committee (HDPC). I am Jen Burnett, and I serve as the Deputy Secretary of the Office of Long-Term Living at the Department of Human Services (DHS). On behalf of Secretary Dallas, I would like to thank you for the opportunity to testify today regarding nursing home wage practices in Pennsylvania.

DHS is currently reviewing Representative Gainey's House Bill 1449 and assessing the bill's impacts on DHS programs. However, Governor Wolf and DHS are committed to protecting those individuals that provide high-quality, direct care services to Pennsylvania's most vulnerable populations.

While HB 1449 focuses on workers in nursing facilities, there are many other workers providing high-quality direct care services to our most vulnerable populations that may or may not be paid at the minimum wage. An example is the direct care workers that provide vital home care services to Pennsylvania's seniors and people with disabilities who require assistance. Without assistance from direct care workers, these residents otherwise would require institutional care, such as that provided in a nursing home. As many of you know, the average cost of providing in-home personal care services is typically much less than the cost of care provided in nursing homes or similar institutional settings, and the quality of life for Pennsylvania's seniors and people with disabilities is significantly improved by the option of receiving self-directed in-home care services.

These are among the reasons Governor Wolf's proposed fiscal year 2015-2016 budget includes a raise in Pennsylvania's minimum wage from $7.25 to $10.10 per hour for all workers throughout the Commonwealth. The proposed increase ties to inflation in order to maintain purchasing power over time. Current federal and state law set a minimum wage, but not a living wage. In Pennsylvania, the minimum wage is currently set at $7.25 per hour and has not changed since 2009. Governor Wolf's proposed raise in the minimum wage would benefit nearly 1.3 million Pennsylvanians. Six hundred economists, seven of them Noble Prize winners in economics, signed a letter of support for raising the minimum wage to $10.10 by 2016.

DHS is one of the largest payers of nursing facility services in the Commonwealth, second only to Medicare and private payers. According to a recent report from the Keystone Research Center, private-sector nursing facilities in Pennsylvania continue to generate profit. In fiscal year 2014, the industry generated 65 percent of its revenue from publicly-funded Medicaid and Medicare programs.[1] Specifically, Medicaid paid over $3.1 billion in payments for nursing facility services and $680 million in supplemental payments to nursing facilities in fiscal year 2014-2015. It is important to note that these are total funds with close to half consisting of state funds.

[1] Herzenberg, S. *Nursing home jobs that pay*. Keystone Research Center, November 2015. http://keystoneresearch.org/sites/default/files/201511_NHFollowUp_FINAL.pdf.

The Department of Health's regulations[2] and federal Nursing Home Reform Act of 1987[3] require certain staffing levels in order to ensure nursing facility residents receive appropriate, quality care, but do not dictate specific wages for nursing facility workers. An increase in the minimum wage helps to support a strong workforce through recruitment and retention. This can also improve quality care in nursing facilities. DHS is committed to strengthening the workforce and ensuring high-quality services for vulnerable Pennsylvanians.

I would like to thank the House Democratic Policy Committee for providing me the opportunity to discuss DHS' ongoing commitment to supporting those who work with Pennsylvanians receiving care in nursing facilities, through wage increases. DHS shares Governor Wolf's commitment to raising the minimum wage for all Pennsylvanians and looks forward to working with the General Assembly on this important issue.

[2] 28 Pa. Code § 211.12 (relating to nursing services).
http://www.pacode.com/secure/data/028/chapter211/s211.12.html

[3] The Nursing Home Reform Act of 1987. http://theconsumervoice.org/uploads/files/issues/Federal-Law-Regulations-Final.pdf

Pennsylvania

SEIU Healthcare
United for Quality Care

1500 North 2nd Street
Harrisburg, PA 17102
717.238.3030
www.seiuhealthcarepa.org

Testimony of Matt Yarnell, Executive Vice President SEIU Healthcare PA
11/16/15 House Democratic Policy Committee Hearing

My name is Matthew Yarnell and I am the Executive VP for SEIU Healthcare Pennsylvania. I appreciate the opportunity to speak before the House Democratic Policy Committee with regards to House Bill 1449.

Our union represents over 25,000 health care workers across the commonwealth working in hospitals, nursing homes, and caring for seniors and people with disabilities in their home.

Our nursing home membership is over 10,000 of our 25,000 members and they work in large national for-profit chains, not-for-profits, county-owned facilities and stand-alone facilities. I should also note that I worked as a nurse aide for 5 years at a facility in State College as a Certified Nursing Assistant.

I appreciate the opportunity to testify today about HB 1449. I would especially like to thank Rep. Gainey for his leadership on this issue.

From my understanding of the bill, there are two parts.

(1) Create a Living Wage Certification program for nursing facilities that provide base hourly wages of $15 per hour for all of their directly employed and subcontracted employees. Encourage the provision of living wages to nursing facility employees by providing information to the nursing facility residents and the public on the minimum wage rates that are being paid to employees.

(2) Ensure that nursing facilities pay a "Nursing Facility Employer Responsibility Penalty" for health coverage received by their employees through the Medical Assistance program and other public assistance programs that are fully or partially funded with state funds, and to base that penalty on the costs incurred by the state for providing these benefits to the nursing facilities' employees.

I would like to address why we think each of these components of the bill is critical to improving care for residents and the lives of employees.

On creating a living wage certification, this is important to residents, family members, and public officials because we know that turnover is one of the most important measures of quality in nursing homes because continuity of care – having the same caregiver – is critical for resident care.

We know that wages are a big reason workers leave the job – nursing home work is very stressful and physically difficult and when the wages are low, many people

Come in the door, see what the work is like and what their paycheck is, and leave. This is a story we hear over and over again in facilities that cannot keep staff. We need to a system that values our seniors and persons with disabilities.
I know that if Nursing Home workers are distracted about how they are going to pay their rent, put food on the table, or how they are going to get to work. It means that the workers no matter how good their intentions are, will be distracted at work when 100% of their focus needs to be on the best care to the Nursing Home Consumer.

We also know that if workers can support their families with decent wages, they will make a career of this work despite the challenges. In facilities with decent wages, it is not uncommon to find employees who have been there for 15, 20, or even 30 years. We often hear that it takes a special person to care for our most vulnerable. While I agree with that sentiment, I also know these special people will not stick with the job if it keeps them in poverty.

Publicizing wage rates allows the public access to this critical information and, hopefully, encourages providers to increase wages. At a minimum, the public can make a more informed choice about where to send their family members. And, quite frankly, employees can make choices about where to work.

With regards to nursing homes reimbursing the state for the cost of state-funded public assistance.

Earlier this year, our union surveyed our membership and found that 14% of nurse aides say that they or someone in their household receives public assistance. Twenty-eight percent of dietary workers say they, or someone in their household, receives public assistance.

In April, Keystone Research estimated that 5,000 nursing home workers depend on some form of Medicaid-funded public assistance based on a limited set of data. After Rep. Gainey introduced HB 1449, Rep. Gainey requested more definitive data about the number of nursing home workers receiving state-funded public assistance.

We were surprised by the extent of the data received from DHS - nearly 15,000 nursing home workers receive public assistance for low-income families through the Supplemental Nutritional Assistance Program (SNAP), Medicaid, or both, that's 15,000 thousand WORKING people taking care of our loved ones. This is nearly one in six nursing home workers, and nearly one in three workers in occupations paid less than $15 per hour on average. The estimated taxpayer cost of this assistance is $118 million per year.

As legislators, you know that the vast majority of nursing home care is taxpayer-funded through Medicaid and Medicare. Our members are upset about the amount of workers who depend on public assistance to get by and we consider this cost as an additional payment to nursing home providers – providers are able to pay workers low wages because they know their workforce can access state-funded services.

This issue of a tax-payer subsidy to corporations has been in the news around companies like Walmart or fast food restaurants. The difference is nursing home worker jobs are taxpayer funded and the legislature and, quite frankly, taxpayers have a right to determine how that money is spent-like requiring the industry to spend set amounts of money at the bedside on care delivery.

And it should be spent on good jobs and care and not poverty jobs and profits. Otherwise, reimburse the state for the cost of you employee's dependence on public assistance. It's that simple.

Ultimately, it comes down to priorities. Do we want our taxpayer dollars to go to good jobs and care or to profits for institutional investors, stockholders, and CEOs.

Back in 2007, a private equity firm called Caryle wanted to buy ManorCare – the largest nursing home provider in PA and the country at that time. There was a lot of controversy about this transaction and the House Aging and Older Adult Services Committee held a hearing. During the hearing, officials from Manorcare and Carlyle were going on and on about how great the deal would be, how much money Carlyle was going to invest, how great it would be for residents etc.

At some point, the Committee Chair Phylis Mundy interrupted them and said how strange this testimony was because every year the industry came before them and said they needed more money to take care of residents and they were losing money on Medicaid residents. Now the story was only about how much money they would be investing, how great the deal was, etc. When the Manor care deal closed the CEO took 1--, million dollars, that could have raised wages to xxx or hired xxxx Certified Nursing Assistants.

This story sums up much of the frustration our members have about the industry – they struggle to get up every day to provide care and struggle every day wondering how they will make ends meet. Often they are asked to do their jobs with a lack of supplies or staff to do their jobs fully.

At the same time, they see the profits generated and watch as institutional investors continue to buy nursing homes in Pennsylvania because they realize they can make money.

Right now, private equity investors own three of the largest chains in Pennsylvania and a fourth recently went public after being owned by private equity. Each year, we see small chains or stand-alone facilities being bought up by privately held companies. And our members who work in not-for-profit facilities struggle the same way and see how much the CEOs of these organizations make.

Just to give you a sense – in Fiscal Year 2014, according to the Medicaid cost reports of nursing homes not including county-owned, hospital based, or special rehab facilities – the net income was over $400 million dollars and the profit margin was over 5%.

Just one chain – Manorcare – had profits of over $93 million and a margin of 14.5%. So, I guess they were right back in 2007, it was a good investment for Carlyle and Manorcare.

Now we know that there are facilities that struggle and the industry is coping with changes to funding and pressure on rates. But at some point, it really has to be about priorities and, I believe, the legislature has a responsibility to make our good jobs and good care the number 1 priority.

In closing, I would like to say that the members of our union fully support HB 1449. We know it will not solve all the problems our members face, but it is a good first step. We know that if facilities were paying a living wage it would impact turnover and the overall staffing levels and quality.

At the same time, we are ready to work with the legislature, DHS, and the industry to look at ways we can change the reimbursement system to incentivize good jobs and good care. We have very good relations with many providers and they have expressed their willingness to do the same. They often argue they are forced to operate under the current rules and would be open to changing the rules to prioritize good jobs and care.

While we support this, at the same time we should not wait.

As legislators I encourage you to pass HB 1449 and every time a provider comes to you asking for more money, I'd ask them about how much they pay their workers and what their profit was last year.

Thank you.

Testimony of Tisheia Frazier, Nursing Home Worker Philadelphia, PA
11/16/15 House Democratic Policy Committee Hearing

My name is Tisheia Frazier. I'm a nurse aide from Philadelphia. I work in a facility in the suburbs.

I've worked as a nurse aide for over 10 years and every day is a struggle with the wages we make. I'm a single mom raising two daughters and everything I do is to give them the best shot at having a good future.

I make sure they have what they need first, and there's not much left after that. I pay the bills and that's it.

After 10 years I only make $11.95 and I depend on public assistance to get by. I get $200 per month in food stamps. I have heating assistance in the winter and our apartment is part of a low-income housing program. It's heartbreaking to work full time and barely be above the poverty line.

I've not tried to add up what all this public assistance costs, but I know it's a lot.

I would say that 60 to 70 percent of my co-workers are on some form of public assistance and we all look to work as much overtime to earn some extra.

An additional challenge is the time it takes me and my co-workers to get to work. Most of us live in Philadelphia and have to spend an hour or even two hours travelling by bus to get to the facility. We do this because the wages can be a little higher outside the city, but sometimes I wonder if it's even worth it for all the time it takes to get there.

This is rough on our bodies and our families because we are away from home so much.

It's a shame, because we know our employer can afford to pay us more.

If we moved the start rate to $15 an hour, that would make a huge difference in my life. It would probably allow me to get off food stamps and not have to work so much over time.

And I might even be able to work closer to home and have more time for my kids.

$15 would make a huge difference for lots of us.

I think this legislation would help us earn $15 an hour. If we knew what the wage rates were in all the facilities across the city and suburbs, we could apply to those facilities with the highest wages. It might also force other facilities to raise theirs to keep us.

I hope the legislators will push the industry to increase wages. It would really mean a huge difference in our lives and in the lives of our residents.

Thank you.

Testimony of Brittney Perri, Nursing Home Worker Plymouth, PA
11/16/15 House Democratic Policy Committee Hearing

Good afternoon. My name is Brittney Perri.

I'm a nurse aide from the Wilkes-Barre area.

I'm glad to be here today to talk about the need for our employers to raise wages for nursing home workers so we don't have to rely on public assistance.

Because for me and my fellow nursing home workers, wages can't be any lower.

I'm now working as a CNA in a nursing home making $11.43, but just a couple weeks ago I was doing the same work at another facility making only $8.25 an hour.

I'm sure there are many people here who can't believe it's still possible to work in a nursing home and make so little. But it is.

Or maybe you think because I'm young and started out the wages were so low.

But that is also not the case. There are employees who have been there for over 15 years and only make $8.75.

So what does it mean to work in a nursing home where the wages are so low.

It means nobody stays. It means girls walk in the door and immediately start looking for a new job.

It's what happened to me. I basically started looking for a new job a week or two after I started at my previous job. I just couldn't afford to do the work.

It also means the residents don't get the care they deserve. And I love my residents and it breaks my heart knowing that I had to leave. There were days when I would go into the facility on my day off just to give some extra attention to the residents.

But I couldn't afford to stay.

It means withdrawing money from my bank that I don't have to pay bills and falling further in debt when I'm overdrawn.

It also means I depend on food stamps and Medicaid to take care of my daughter.

And I'm not alone. Most of us are not open about being on public assistance. It's embarrassing.

But it's common to hear other workers say they are waiting for food stamps to pay for food for their kids.

[MORE ON BACK]

It's not right.

I work hard to provide the best care I can to my residents and I do my best to support my family. But at the end of the day, there's just something wrong when you do everything right and still end up short.

This work is just too hard and too important to finish every day wondering how I'm going to pay some bill or if I can do a double shift to cover a car payment.

We shouldn't have to rely on public assistance. Or more like it – our employers shouldn't rely on public assistance to keep our wages low and boost their bottom line.

If our employers won't raise our wages, then they should at least pay the state back for the cost of my food stamps and Medicaid.

Thank you.

Testimony of Dharnell Bridges, Nursing Home Worker Easton, PA
11/16/15 House Democratic Policy Committee Hearing

Good morning

My name is Dharnell Bridges. I'm a laundry and housekeeping employee at a nursing home in the Lehigh Valley area.

I've worked there for over 5 years and earn $13.20 an hour working full time.

I'm also raising a family with 4 young children.

I like my job and enjoy what I do. It's important work – making sure residents have clean rooms and clean laundry is a big part of their quality of life.

But doing this work is hard.

With the wages I make there is no way I can make ends meet. It's not even close.

Once I pay my rent and utilities, there's nothing left.

We live paycheck to paycheck, and more often than not we come up short.

Every month we have to decide what bill won't get paid.

We don't have a car and can't afford to go anywhere.

If it wasn't for the public assistance we receive, I couldn't support my family.

I receive $368 worth of food stamps each month.

My children receive their health insurance through Medicaid. I'm not sure how much that costs, but I assume quite a bit.

If we didn't' have this assistance, I have no idea how we would survive.

We would all be living in a two room apartment and I couldn't even pay my utilities.

I'm not even sure I could afford to go to work.

It's not easy having to rely on public assistance.

When I was growing up we were told over and over that if you work hard you will succeed and get ahead.

[MORE ON BACK]

They never told you that you will work hard but if you end up working in a nursing home you won't be able to support your family and will be on welfare.

My employer knows this as well. They know that if I or my co-workers couldn't get assistance then we would be in huge trouble. They would probably have to raise wages just so we could get to work.

If we raised the start rate to $15 an hour, it would mean an extra $3,500 in my paycheck.

It wouldn't cover the cost of my food stamps, but it might mean I could actually pay my bills on time and maybe have a little left over to do something with the kids.

I want to stay working at the nursing home – it's important work. I want this to be the job that I can be proud of and tell my kids that if you do work hard you can raise a family too.

Right now, I can't say that. At least not if you work in a nursing home.

Thank you.

Written Testimony of

Pennsylvania Health Care Association (PHCA)

Delivered by
W. Russell McDaid
President

For A

Public Hearing with Rep. Ed Gainey on House Bill 1449
(Nursing Facility Accountability Act)

Democratic Caucus Room, 418 Main Capitol Building, Harrisburg

Before the
House Democratic Policy Committee

November 16, 2015

Good morning and thank you Chairman Sturla, distinguished members of the Committee and Representative Gainey for the opportunity to come before the House Democratic Policy Committee to testify on House Bill 1449, the Nursing Facility Accountability Act.

I am Russ McDaid, the President of the Pennsylvania Health Care Association, better known as PHCA.

I plan to keep my testimony this morning short and simple. I'd like to talk to you about the high quality care being delivered by Pennsylvania's compassionate caregivers, the dire state of Pennsylvania's Medicaid reimbursement to nursing homes, the operating margins of nursing homes in the Commonwealth and the devastating impact Medicare cuts have had on those margins, which have sunk to all-time lows, as they relate directly to the feasibility of the measures included in House Bill 1449.

But first, some background: PHCA advocates for compassionate, quality long-term care for Pennsylvania's elderly and disabled residents. Our 500 members comprise of for-profit, non-profit and government long-term care providers who provide around-the-clock care, including nursing homes, personal care homes and assisted living residences, retirement communities and other multi-level care campuses. Their top priority is to provide quality health care and quality of life for those entrusted to their care.

Each and every day, the hardworking men and women in Pennsylvania's skilled nursing facilities provide the highest level of care to ensure our more than 50,000 sickest, frailest elderly and disabled residents live a healthy, safe life and age with dignity and respect.

Pennsylvania has 2.2 million residents age 65 and older. By 2030, Pennsylvania's 60 and older population is expected to be 29% of the total population -- approximately 4 million people. The number of Pennsylvanians age 85 or older is expected to exceed 400,000 residents in 2030—that's a segment of the population that is the most intensive users of nursing home and other long-term care services. It is important to know that, with the total number of senior citizens on the rise, many nursing facilities are struggling to survive right now.

The 'average' nursing resident in one of our member facilities is an 88 year old woman who requires assistance with four (4) or more activities of daily living, or as they are called in the industry, ADLs. These include eating, bathing, dressing, toileting, ambulating/transferring and continence. Nationally, 62% of all residents in nursing facilities have four or more ADL needs. Here in Pennsylvania its 71%. Our average resident is also likely to be experiencing moderate to severe cognitive impairment—64% of all residents in Pennsylvania and nationally have these challenges.

The bottom line is that PA's population is older and sicker, and there are very few people residing in our long-term care facilities on a daily basis who do not need the 24/7 skilled care the nursing facility provides. And, ALL need some type of care and services on a 24/7 basis, even if it is at a lower level of care such as an Assisted Living Residence or Personal Care Home.

Over the years, the acuity, or sickness, level of these residents has increased. As the level of care needed by residents has risen, so has the cost to provide this care. Unfortunately, funding has not kept pace with costs, especially for those supported by Medicaid, the state's medical assistance program, putting Pennsylvania's nursing facilities on a financially unsustainable path –even as the need for high-quality long-term care continues to grow.

Attached to the back of my testimony is a series of four slides showing the fiscal challenges facing our nursing homes.

(*First slide-Medicaid shortfall*)

The first shows the gap between what Medicaid pays for care and the true cost of care, which continues to widen. This gap is called the "Medicaid shortfall." As you can see in the chart, a recent national study demonstrated that Pennsylvania's shortfall was $23 per resident per day in 2014. With 65 percent of all nursing home residents relying on Medicaid to pay for their care, nursing homes now sustain an average loss of $8,500 a year on two-thirds of the residents in their care. The shortfall for 2014 alone was estimated at $471 million.

(*Second slide-Margins*)

The next slide shows what we have long known—that Pennsylvania's nursing homes have among the lowest margins in the country. Several recent national reports from Avalere Health, a respected Washington D.C. research company, and MedPAC, the Medicare Payment Advisory Commission, show nursing home margins at roughly 2%. An Avalere study from last year pegged the margin for Pennsylvania's nursing homes at 1.2%, with the highest Medicaid facilities at 0.3%, barely above breakeven.

(*Third slide-Medicare cuts*)

The third slide shows us how Medicaid under-funding is one piece of the financial stress for nursing homes, but Medicare funding is also a challenge. Historically, generous Medicare revenue has allowed nursing homes to care for Medicaid residents whose care was provided at payment rates substantially below cost. This is no longer the case.

Hundreds of millions of dollars in Medicare payments to nursing homes have been cut. These cuts are in addition to the $760 billion in Medicare cuts to pay for the Affordable Care Act. Pennsylvania's nursing homes' share of the Affordable Care Act is about $1 billion over 10 years, and the other cuts are more than $300 million annually.

(*Fourth slide-Margins compared to other sectors*)

Our Skilled nursing facilities historically have the lowest operating margins among any health care companies. According to 2012 numbers, you can see the average net margins of the other companies in the slide displayed:

- Pharmaceutical companies, 25.8%

- Medical device companies, 19.6%
- Managed care plans, 5%
- Hospitals, 4.5%

Given these problems, our members can't invest in advanced medical technology that could aid in patient care. They can't invest in capital improvements to upgrade aged buildings. And they cannot invest in staff by offering the wages and or benefits they would like to offer, but simply cannot afford.

Despite this chronic underfunding, from the first quarter of 2014 to the first quarter of 2015, Pennsylvania nursing homes improved on 10 of 11 quality measures, according to the U.S. Centers for Medicare & Medicaid Services' five-star rating system, and now rank better than the national average on 8 of the 11 measures. Pennsylvania's nursing homes receive fewer deficiencies than the national average. In fact, our nursing homes rank the lowest in serious deficiencies, meaning the state's facilities rank better than 49 other states.

PHCA is seeking an increase of 2.4 percent in Medicaid payments to nursing homes to cover the ever increasing cost of care and make a dialogue around additional investments in direct care workers possible. The 2.4 percent is the three year average increase in the nursing homes market basket used by the Centers for Medicare and Medicaid Services (CMS) to set Medicare rates. This increase equates to $36 million in state funds, which will bring in an additional $40 million in federal funds. The market basket represents how much more it would cost a nursing home each year to purchase the same mix of goods and services.

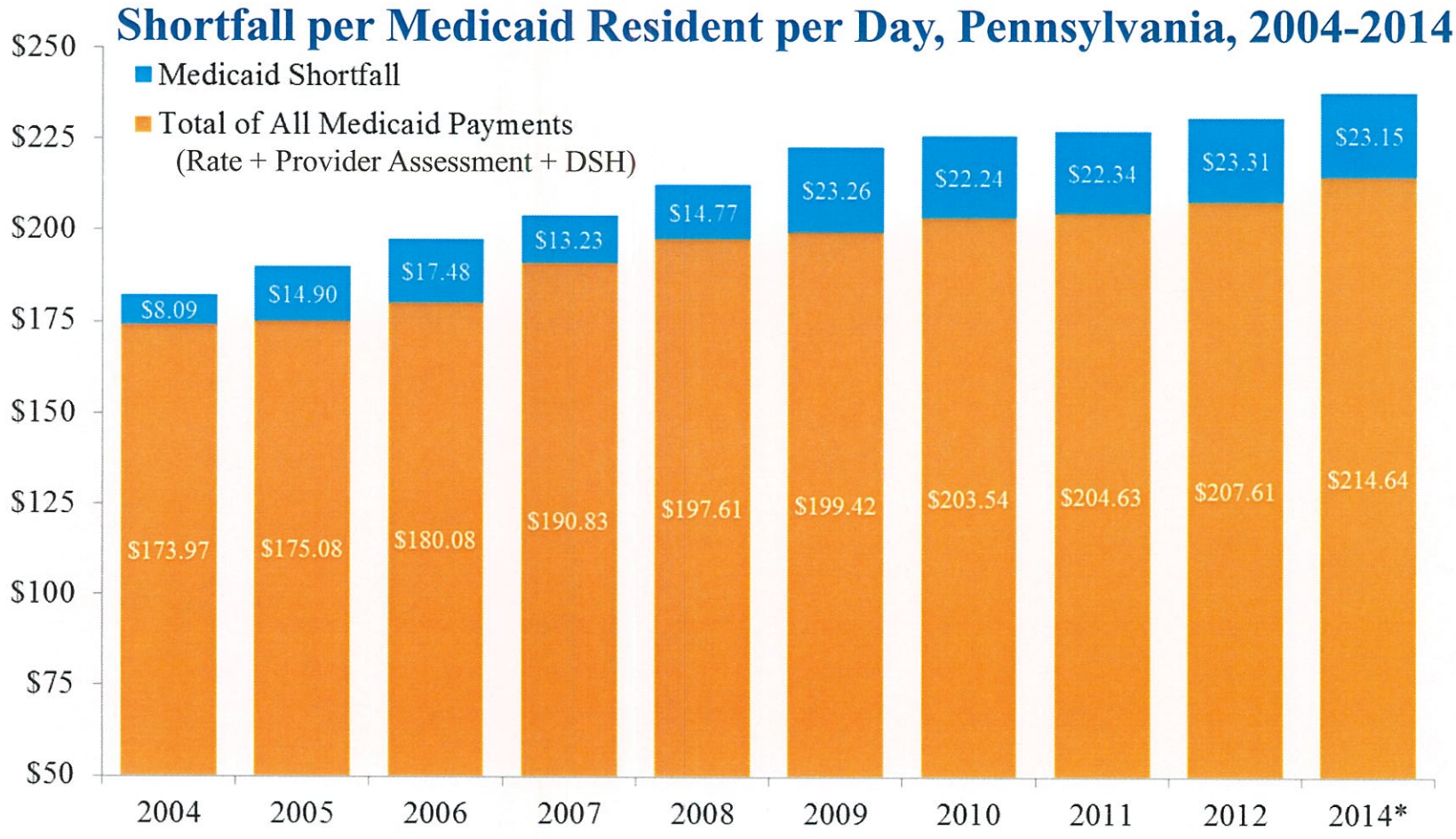
To help preserve access to care for our most vulnerable populations, PHCA is also seeking continued funding for the Medicaid Access Program that the legislature created two years ago. This program provides incentive payments to centers that serve high Medicaid populations. We are asking for $16 million in state funds, which will bring in an additional $17 million in federal funds.

In short, until Medicaid is able to meet the true cost of care, until the operating margins for high Medicaid nursing homes rise above 0.3% and approach other health care companies, and until Medicare cuts are restored at the national level, the state should not mandate nursing facilities in Pennsylvania to pay their employees more than their current reimbursement rates allow.

Thank you again for the opportunity to testify today. I look forward to working with you towards a long-term care system that invests in our caregivers and quality, and I am happy to answer any questions at this time.

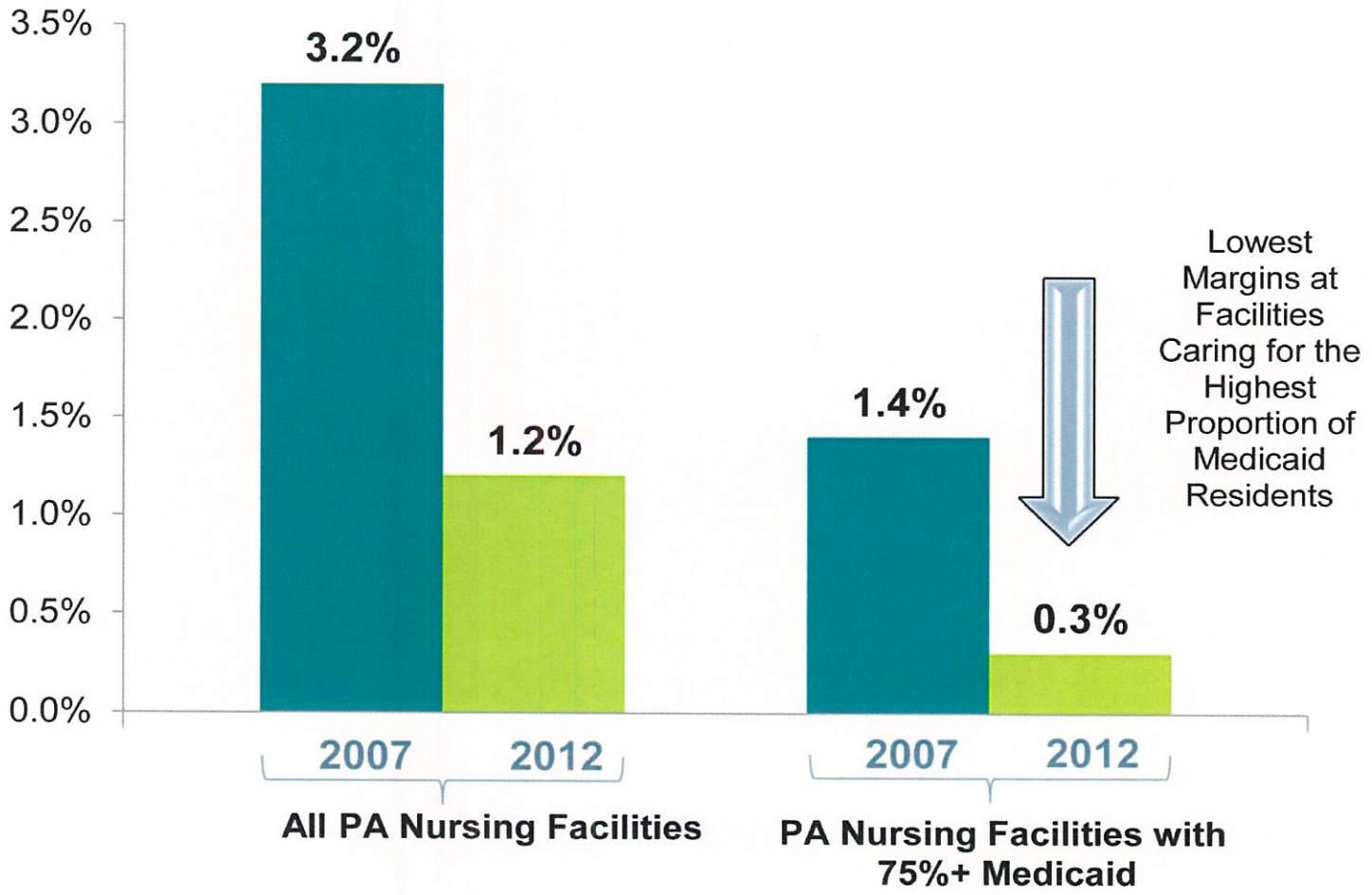
Fragile Nursing Home Economics

Nursing Home's Medicaid Payment Not Keeping up with Actual Costs



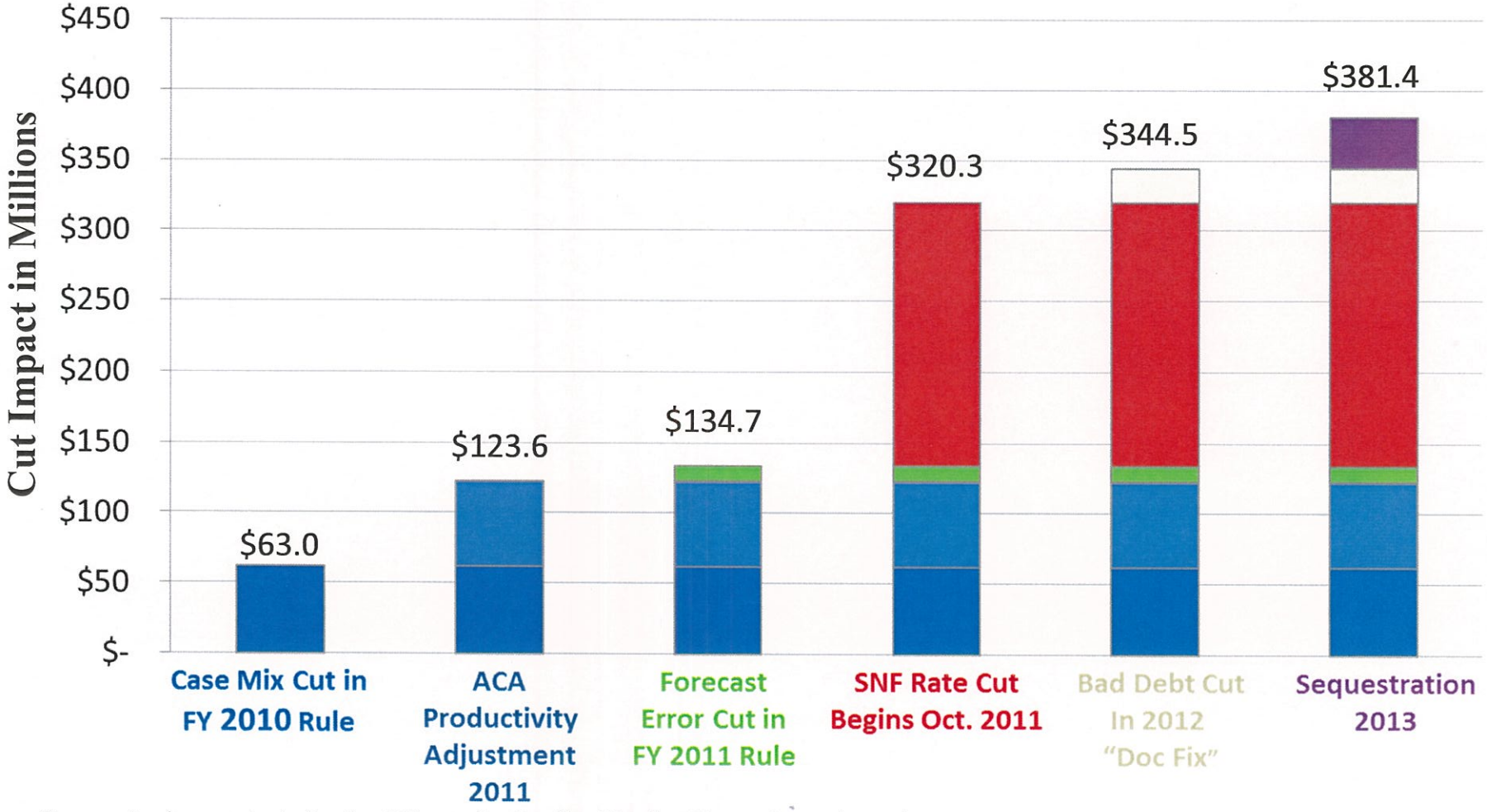
Source: Eljay, LLC. A Report on Shortfalls in Medicaid Funding for Nursing Home Care. AHCA. 2004 -2014.
These data show the shortfall between Medicaid reimbursement & allowable Medicaid costs.
Notes: * 2014 data projected based on 2012 experience.

Pennsylvania SNF Total Profit Margins, 2007-2012



Cumulative Impact of Recent Medicare Cuts on PA Nursing Homes in 2014

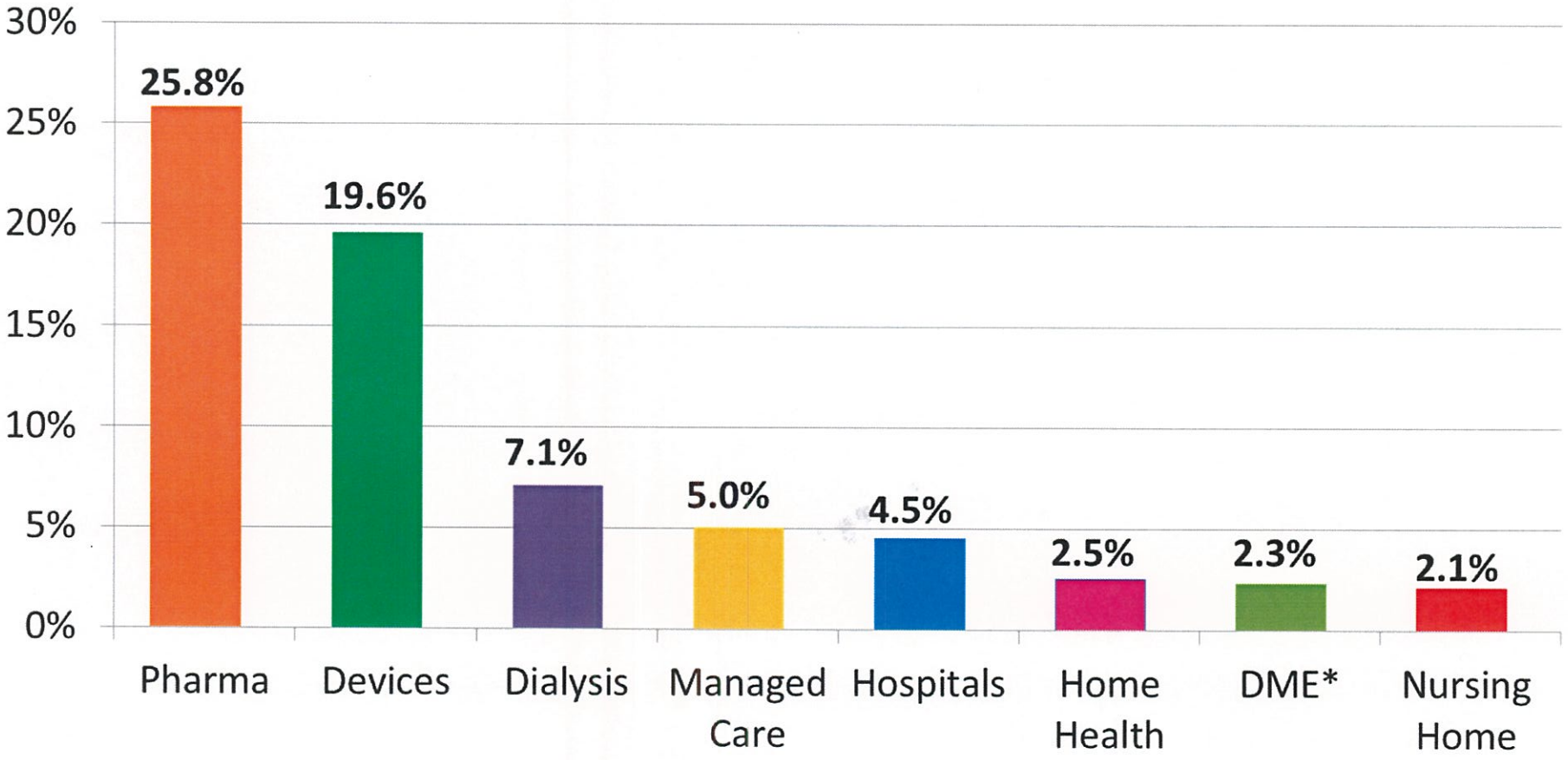
Total Annual Impact is $381.4 Million



Source: Avalere analysis for the Alliance for Quality Nursing Home Care released January 2013, and American Health Care Association.

Margins for National Publicly Traded Healthcare Companies

Net Margin, Nine Months Ended September 30, 2012



**The results for the DME sector are based on the first 6 months of 2012.*

SOURCE: Avalere Health used financial data from publicly traded companies. These publicly reported data are subject to audit, and there are penalties for making false statement on the financial reports. Results are normalized to exclude: 1) discontinued operations; 2) one-time items; and 3) integration costs due to mergers and acquisitions.

A $15 Per Hour Nursing Home Entry Wage: A Moral and Practical Step

Mark Price, Keystone Research Center, House Democratic Policy Hearing on HB 1449

November 16, 2015

Chairman Sturla and other members of the committee, thank you for the opportunity to testify before you today on this important topic and legislation. My name is Mark Price. I am a labor economist at the Keystone Research Center (KRC), a nonpartisan Pennsylvania research organization that is a leading source of independent analysis of the Pennsylvania economy and public policy. I hold a Ph.D. in economics from the University of Utah.

Since KRC's founding nearly 20 years ago, one focus of our research has been studies of specific industries and the potential of public policy to improve jobs and the quality of service in those industries. The second-ever report issued by the Keystone Research Center, in April 1997, was entitled *Pennsylvania's Nursing Homes: Promoting Quality Care and Quality Jobs* (online at http://keystoneresearch.org/sites/default/files/krc_qcare_qjobs.pdf).[1] Since that time, KRC has written a dozen reports on caregiving fields, including MH-MR, early childhood education, and long-term care. This year, we released two reports on the nursing home industry and these reports are the basis for my remarks here today.[2] Before beginning my substantive remarks, my colleague Stephen Herzenberg, who is in New Hampshire – on a KRC project not running for the Republican nomination for President – asked that I pass on his regards and also that I thank Rep. Gainey for his leadership on the issue of nursing home wages.

[1] This landmark report systematically profiled the variations that exist within the nursing home industry in philosophy of care, work organization and human resource practices, and job quality at three different ideal types of nursing homes ("low quality," "high quality," and a third category that has come to be known as "person-centered care.") The central arguments of the KRC 1997 study were later incorporated into a report on nursing home staffing to the United States Congress. See Susan C. Eaton, "What a Difference Management Makes! Nursing Staff Turnover Variation Within a Single Labor Market," chapter 5 in *Appropriateness of Minimum Nurse Staffing Ratios in Nursing Homes, Phase II Final Report*, December 2001, pp. 153-208; online at http://phinational.org/sites/phinational.org/files/clearinghouse/PhaseIIVolumeIofIII.pdf

[2] See *Double Trouble: Taxpayer Subsidized Low-Wage Jobs in Pennsylvania Nursing Homes*, April 2015, online at http://keystoneresearch.org/sites/default/files/KRC_DoubleTrouble.pdf; and, most recently, *Nursing Home Jobs That Pay*, November 2015, online at http://keystoneresearch.org/sites/default/files/201511_NHFollowUp_FINAL.pdf

The Low Wages of Nursing Home Workers

Pennsylvania nursing homes are a major employer in the state, employing 86,840 workers across the Commonwealth.[3] Despite the critical importance of the work they do for seniors, other consumers and the families of consumers, many nursing home workers earn low wages. In particular, 20 occupations accounting for 62% of workers in the industry had average wages below $15 per hour in May 2014 and an overall average wage of $12.27.[4]

Our April report, *Double Trouble*, documented using a survey of nursing home workers and examples of individual workers that low-wage nursing home workers do not make enough to support their family. Another way to see this is by comparing typical nursing home worker wages with estimates of the "Self-Sufficiency Standard," which estimates for every county the income a family needs to adequately meet its basic needs without relying on public assistance.[5] For a single parent with only a single child, the median wage for nursing assistants (the largest low-wage occupation in the industry) falls below the self-sufficiency wage in most parts of Pennsylvania (including in the counties shown in Figure 1).

[3] Quarterly Census of Employment and Wages, second quarter of 2014.
[4] This statement is based on a different data base than the QCEW citied in the previous footnote, Occupational Employment Statistics (OES). In May 2014, the OES estimated that 75,310 people were employed in all occupations within "skilled nursing facilities," a slightly lower total employment number than based on the QCEW.
[5] Pathways PA. *Overlooked and Undercounted: How the Great Recession Impacted Household Self-Sufficiency in Pennsylvania*, 2012.

Figure 1 bases its hourly estimate of the self-sufficiency standard on the assumption that workers are employed full-time, full-year. When employers reduce work hours – either cutting the regular work week to 37.5 hours, as has happened in some facilities, or with less predictable hours reductions – it can be even more difficult for families to support themselves

The Reliance of Pennsylvania Nursing Home Workers on Public Assistance

Given the low wages of many nursing home workers, it is no surprise that many of them qualify for public assistance available to families with low incomes. When we wrote our April report, we had information (from the Department of Human Services in 2011) on the number of employees at two nursing home employers who qualified for Medicaid and the Supplemental Nutrition Assistance Program (SNAP). We used this information to project, conservatively, that the number of employees industrywide who qualified for at least one of these programs was 5,000. In April, we also recommended that, to get a better handle on the scope of nursing home worker dependence on public assistance, DHS provide public information on the employees industrywide who qualify for Medicaid and SNAP.

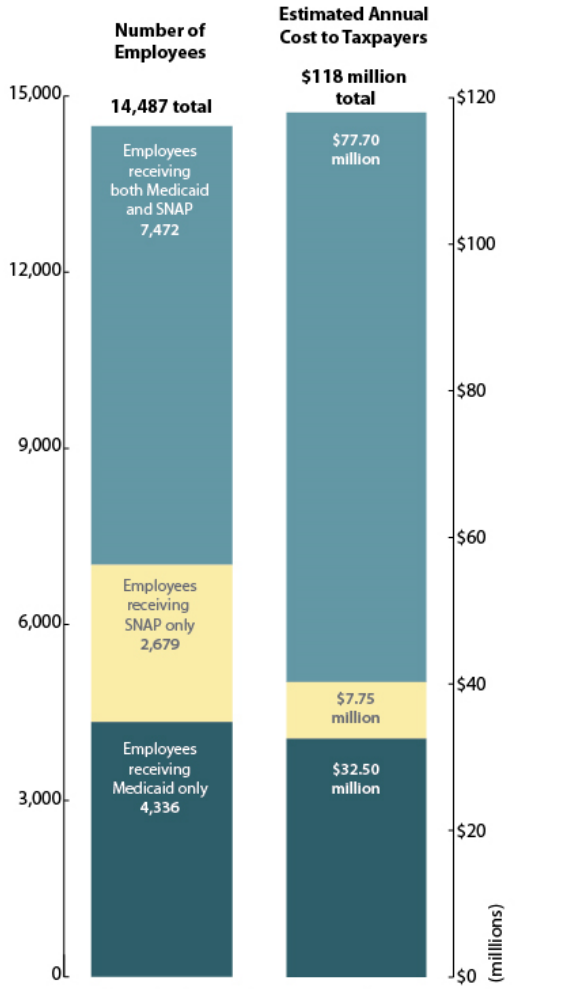
Thanks to Representative Gainey's formal request to DHS we now have that better handle on the scope of the taxpayers' double subsidy of nursing homes through the provision of public assistance

to low-wage nursing home workers. We learned from better industry data that the depending of Pennsylvania nursing home workers on public assistance is significantly larger than our original conservative estimate – three times as large. (Even this may be conservative because not all employers of those receiving benefits are identified in the data; and some nursing homes are likely identified as other types of employers.) As shown in the chart below:

- 14,487 Pennsylvania nursing home workers receiving Medicaid, SNAP, or both during the months of January through March 2015. This represents nearly one in six nursing home workers and one in three workers who earn less than $15 an hour.
- Based on DHS estimates of the cost of Medicaid and SNAP, we calculated the yearly cost to taxpayers of just these public benefits at $118 million per year.

The full cost of nursing homes' double subsidy would be higher if you include other forms of public assistance such as subsidized childcare, heating assistance, housing assistance, and others.

Estimated Cost of Medicaid and SNAP Public Assistance for Pennsylvania Nursing Home Employees



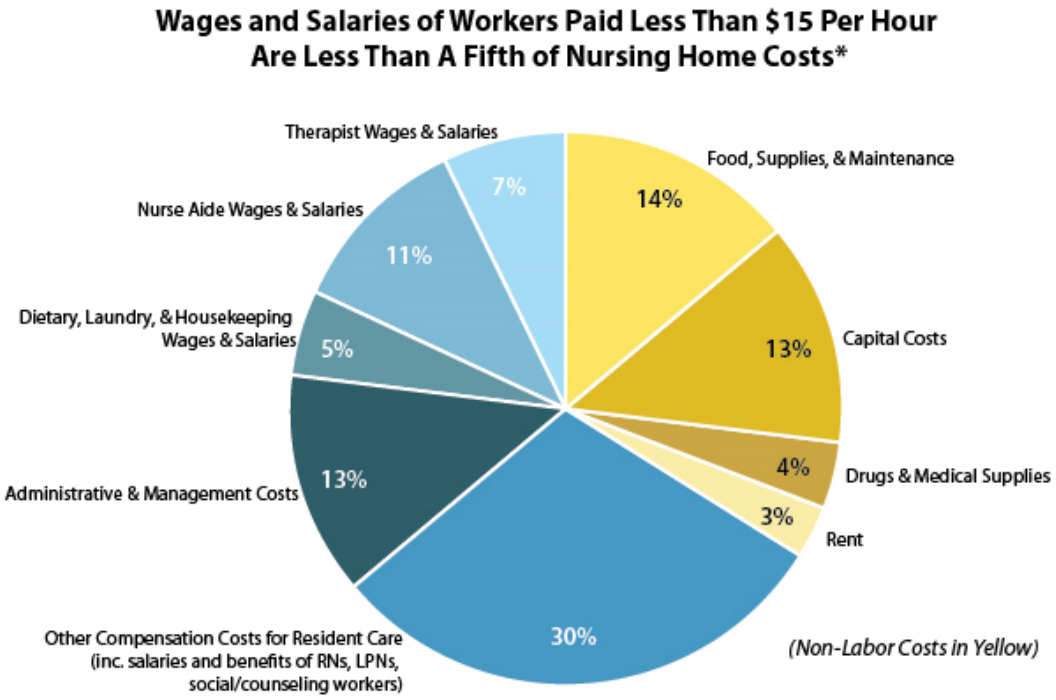
Source. Keystone Research Center based on Pennsylvania Department of Human Services and Department of Labor and Industry data.

The Nursing Home Industry Can Afford to Comply With HB 1449 and Pay a $15 Per Hour Living Wage

Our most recent report estimated self-reported profits in the nursing home industry in 2014 at $407 million. Based on this, the industry can afford to reimburse the state for its share of the estimated $118 million per year, which would likely be on the order of a quarter of the $118 million or less.[6]

[6] As the chart shows, Medicaid accounts for the lion's share of Medicaid plus SNAP costs. The Pennsylvania share of Medicaid costs for those eligible that have incomes below the pre-Medicaid expansion threshold for Medicaid eligibility is 52.01% (http://kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/). The federal government will pay all of costs for Medicaid expansion (i.e., providing Medicaid to those above the old income threshold but below the new threshold) through the end of 2016 and at least 90 percent through the end of 2022 (http://www.cbpp.org/research/how-health-reforms-medicaid-expansion-will-impact-state-budgets?fa=view&id=3801). Thus, if half of those eligible for Medicaid are Medicaid expansion recipients and half are below the Medicaid expansion threshold – and taking into account that SNAP is paid for by the federal

In our earlier report, we also estimated that the cost of lifting all workers' wages in the nursing home industry to at least $15 per hour would be $311 million. Based on Medicaid cost reports, we also estimated that this would be only 4% of total costs for nursing facilities – less than a nickel on the dollar for potentially dramatic improvements in the lives of nursing home workers and improvements to care. The reason is that this is low is because the wages of low-wage workers are not the primary cost in nursing homes – the costs of higher-paid workers and non-labor costs are bigger pieces of the nursing home cost pie (as shown below).



Source. Keystone Research Center based on Pennsylvania DPW Medicaid Cost Reports FY 2013 http://www.pama11.com/home.aspx

A $15 per hour entry level wage in nursing homes is even more affordable for the industry because – as we argued back in 1997 – quality in the nursing home industry saves. The most obvious way higher wages saves money for nursing homes is by reducing turnover. In our April report, we estimated using industry data on turnover and the an estimated $3,500 cost of turnover for each nurse aide that turnover reductions with a $15 per hour minimum wage could by themselves pay for a 60

government – employers could end up paying for about a quarter of the $118 million, or $30 million, or less than 8 percent of industry profit in 2014. For employers that pay all of their workers at or near $15 per hour, the costs would likely be much lower.

cents per hour increase in the pay of nurse aides. Smart implementation of a $15 minimum wage through a comprehensive state "nursing home jobs that pay" policy – including technical assistance and peer learning for managers, training for employees at all levels, and regulations aimed at using a higher wage to spread high-quality care models[7] – would save money in lots of other ways. For example, broadening the jobs of front-line caregivers can make it possible to use fewer higher-level activity and nursing staff.

A $15 Per Hour Minimum Wage Should Be Used to Kick-Off a Comprehensive Move to Quality Care

The nation and Pennsylvania are in the process of changing how we pay for health care with more focus on paying for quality instead of quantity. As the state moves toward a more managed care system to pay for nursing home care, there is an opportunity to fundamentally look at how we pay for this care and to make sure that living wages are part of the equation when flesh out what it means to reimburse for quality. As the end of our November report notes, some other states already have dedicated funds for increasing wages, so called wage pass-through arrangements. Following the examples of California and Connecticut, Pennsylvania should explore this model as a complement to HB 1449 and another step towards achieving nursing homes across Pennsylvania that provide dignity to consumers and to all their workers.

[7] Many of the recommendations in the KRC 1997 nursing home report on *Pennsylvania Nursing Homes* remain relevant today and could help flesh out a comprehensive nursing home jobs that pay policy.

Nursing Home Jobs That Pay

By Stephen Herzenberg

November 2015

KEYSTONE RESEARCH CENTER

About The Keystone Research Center

The Keystone Research Center (KRC) was created to broaden public discussion on strategies to achieve a more prosperous and equitable Pennsylvania economy.

KRC conducts original research, utilizes strategic communications, and promotes public policies to solve important economic and social problems.

Established in 1996, KRC operates through the collaborative efforts of Pennsylvania citizens drawn from academia, and labor, religious, and business organizations.

Since its founding the Keystone Research Center has become a leading source of independent analysis of Pennsylvania's economy and public policy.

Acknowledgments

We thank Dennis Short of SEIU Healthcare Pennsylvania for the analysis of Medicaid cost reports and the SEIU Healthcare Pennsylvania nursing home survey. KRC Graphic Artist and Office Manager Stephanie Frank produced the figures and tables and laid out the report.

About the Author

Stephen Herzenberg holds a Ph.D. in economics from MIT and has been Executive Director of the Keystone Research Center since 1996. At KRC, he helped found the Pennsylvania Culture Change Coalition in 2000. He also helped design and implement Pennsylvania's national model "sector-based" workforce development strategy. Before KRC, Steve worked at the U.S. Congressional Office of Technology Assessment and the U.S. Department of Labor (USDOL). Steve's KRC publications are online at www.keystoneresearch.org. His other writings include *Losing Ground in Early Childhood Education*, Economic Policy Institute, 2005; *New Rules for a New Economy: Employment and Opportunity in Postindustrial America*, Cornell/ILR press, 1998; and *U.S.-Mexico Trade: Pulling Together or Pulling Apart?* Office of Technology Assessment, September 1992.

Executive Summary

Nursing home work is largely publicly financed through Medicaid and Medicare, and the industry is profitable in Pennsylvania. Nursing home staff members in Pennsylvania, however, continue to struggle to make ends meet. They have joined the growing national movement demanding a minimum wage of $15 per hour and an end to state-funded corporate welfare.

Raising the starting rate to $15 per hour would improve the livelihoods of nursing home workers, results in higher quality care, and help rebuild communities throughout Pennsylvania.

Building on a report released in April, *Nursing Home Jobs That Pay* updates and deepens our understanding of the nursing home industry and the public subsidy nursing homes receive when employees must depend upon state-funded public assistance because of low wages.

- In 2014, the Pennsylvania nusing home industry generated $407 million in self-reported profit, up from $370 million in 2013.
- Based upon new data provided by the Department of Human Services (DHS), nearly 15,000 nursing home workers receive public assistance for low-income families through the Supplemental Nutritional Assistance Program (SNAP), Medicaid, or both. This is nearly one in six nursing home workers, and nearly one in three workers in occupations paid less than $15 per hour on average. The estimated taxpayer cost of this assistance is $118 million per year.
- Raising the nursing home starting wage to $15 per hour would put more than $300 million in the family budgets of low-wage workers. This report estimates how much of this increase would go to each county in Pennsylvania, as well as the boost to state and local tax revenue by county.

Nursing homes can afford to raise wages and it is time for public officials to demand an end to the corporate welfare provided to the industry. Public funds for nursing home care should be spent on good jobs and high quality care – not on poverty-wage jobs that require workers to rely on public assistance and create high staff turnover that compromises the quality of care.

The Nursing Home Industry's Double Subsidy

In April 2015, the Keystone Research Center released a report – *Double Trouble: Taxpayer-Subsidized Low-Wage Jobs in Pennsylvania Nursing Homes* - highlighting the challenges faced by nursing home workers to provide quality care while struggling to make ends meet because of inadequate wages (http://keystoneresearch.org/doubletrouble) (see Box 1).

Box 1. Findings from *Double Trouble: Taxpayer-Subsidized Low-Wage Jobs in Pennsylvania Nursing Homes*

Our earlier report found that:

- Nursing home care is largely publicly financed through Medicaid and Medicare. Roughly 66 percent of nursing home funding comes from these sources. In 2013, taxpayers directly subsidized Pennsylvania nursing homes to the tune of $5.9 billion -- $4.08 billion from Medicaid and $1.7 billion from Medicare. These public payments helped Pennsylvania nursing homes generate $370 million in profits (including net income at nonprofits) in 2013.
- The median wage for nursing assistants in Pennsylvania was $13.01 per hour, or just over $27,000 per year for a full-time worker. Dietary and housekeeping workers earned $10 to $11 per hour, or roughly $21,000 to $23,000 per year for a full time worker. For a single-parent family with even just one child, these wages are below a "living" or "self-sufficiency" wage (high enough for workers to support themselves without public assistance) in virtually every county in Pennsylvania.
- More than half (52 percent) of Pennsylvania nursing home workers surveyed say they cannot support their families on the wages they earn. Sixteen percent say they work more than one job.
- Fourteen percent of nurse aides and 28 percent of dietary workers say they, or someone in their family, receive public assistance.

Our April report recommended that public dollars be spent on living-wage jobs for nursing home workers and rebuilding the middle class

Raising wages for nursing home workers will allow more families to support themselves without relying on public assistance. A minimum start rate of $15 per hour at nursing homes would benefit nearly 50,000 workers. It would put more than $300 million into their pockets, generating about 1,500 jobs and $30 million in new tax revenue for the state and local municipalities.

Living-wage jobs can improve care by reducing staff turnover that disrupts the caregiver-resident relationship at the heart of high-quality care. Based on industry estimates of turnover costs, cutting turnover in half from the industry standard of 66 percent for nursing assistants could pay for a 60-cent per hour increase in caregiver wages.

Nursing Home Jobs That Pay updates our earlier analysis and provides more detailed data on the taxpayer subsidy required because of the industry's low wages.

I've worked as a nurse aide for over 10 years and every day is a struggle with the wages we make. I'm a single mom raising two daughters and everything I do is to give them the best shot at a good future.

I make sure they have what they need first, and there's not much left after that. I pay the bills and that's it.

After 10 years I only make $11.45 and I depend on public assistance to get by. I get $200 per month in food stamps. I have heating assistance in the winter and our apartment is part of a low-income housing program. It's heartbreaking to work full time and barely be above the poverty line.

Many of my co-workers are on some form of public assistance and we all look to work as much overtime to earn some extra. It's a shame, because we know our employer can afford to pay us more and instead they do all they can to keep wages low. It's not the way we should be caring for our seniors and raising our families.

Tisheia Frazier CNA Philadelphia

The Nursing Home Industry Continues to be Profitable in Pennsylvania

The following information is based on fiscal year 2014 Medicaid cost reports for 580 private-sector nursing homes and does not include data for county-based facilities, hospital-based facilities, or special rehabilitation facilities.[1]

Despite industry complaints of inadequate funding, Pennsylvania nursing homes overall continue to generate healthy profits.[2] In fiscal year 2014, the industry generated more than $407 million in self-reported profit (including net income at nonprofits) from more than $8 billion in revenue for a profit margin of 5.07 percent. Sixty-five percent of the revenue was generated from taxpayer-funded Medicaid and Medicare.

While some facilities struggle financially, the industry as a whole can afford to pay living wages. In *Double Trouble*, we estimated that raising wages for nursing assistants and dietary, laundry, and housekeeping workers would increase costs by only about 4 percent. This is affordable, especially when you recognize that it would be offset by savings from lower turnover and potentially other savings (e.g., lower prescription drug use and costs because a more stable workforce improves resident quality of life).

The "double subsidy" of nursing homes because workers depend on public assistance is bigger than estimated

In *Double Trouble*, we argued that the nursing home industry is collecting a "double subsidy" from taxpayers through social supports to caregiving staff struggling to survive on inadequate wages. Based upon limited data, we estimated, conservatively, that at least 5,000 nursing home workers depend on Medicaid.

The report called for a careful study by state government to develop a more precise estimate of the public cost of this subsidy to the industry. Since our report was published, the Pennsylvania Department of Human Services (DHS) has provided a detailed account of the number of nursing home workers receiving public assistance and an estimated cost to taxpayers for this subsidy.[3]

Now, for the first time in this new report, taxpayers and legislators can begin to fully grasp the actual cost of public subsidies to nursing home operators because of low-wage jobs in Pennsylvania nursing homes.

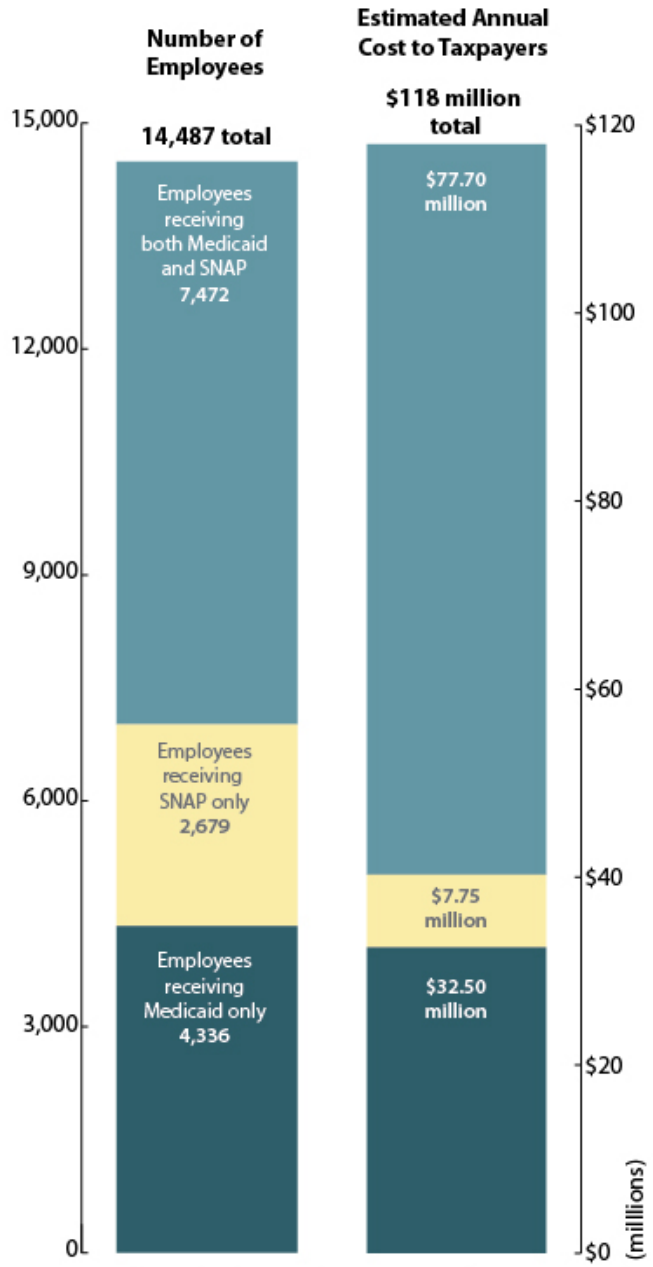
Working with the Department of Labor and Industry, DHS was able to estimate the number of nursing home employees receiving Medicaid, in the Supplemental Nutrition Assistance Program (SNAP) or using both from January 2015 through March 2015. Medicaid is jointly funded by state and federal taxes, while SNAP is funded by federal taxes with administrative costs paid for by both state and federal funds.

DHS found that **14,487** nursing home employees receive public assistance. This represents **16.7** percent of Pennsylvania's nursing home employees, including higher-wage employees such as registered nurses, licensed practical nurses, and administrative staff; and nearly one third of workers in occupations with average wages below $15 per hour. (These figures, moreover, may still underestimate the number of nursing home workers who rely on public benefit programs: not all employers of those receiving benefits are identified in the data; in addition, some nursing homes are likely identified as other types of employers.)

DHS estimates that for a non-disabled adult recipient between the ages of 21 and 64, the average yearly cost to taxpayers of Medicaid is $7,500 and the average yearly household cost of SNAP benefits is $2,892. Based on these averages, we estimate that the total cost to taxpayers for this public subsidy to the nursing home industry is $118 million.

This $118 million does not include the cost of all the other sources of public assistance nursing home workers depend on, such

Estimated Cost of Medicaid and SNAP Public Assistance for Pennsylvania Nursing Home Employees



Source. Keystone Research Center based on Pennsylvania Department of Human Services and Department of Labor and Industry data.

as subsidized child care, heating assistance, and food banks.[4] The total amount of taxpayer-funded corporate welfare that helps low-wage nursing home employees make ends meet is thus likely much higher than $118 million. For example, in *Double Trouble*, we calculated the cost to taxpayers for one employee's subsidized child care alone to be over $13,000 per year.

Raising Wages Improves Workers' Lives and Resident Care

In 2015, the Service Employees International Union conducted a survey of nursing home workers, and 47 percent said their facility was rarely or ever adequately staffed.[5]

Studies show that high staff turnover is associated with lower quality care,[6] and low wages contribute to challenges with recruiting and retaining nursing home workers.[7]

High turnover disrupts the relationship that develops between caregivers and residents that is critical to caregivers' sense of job satisfaction and residents' sense of security. Frontline nursing home workers play an important role in monitoring the day-to-day physical and mental health of residents and in providing individualized and efficient care. High turnover causes the loss of a valuable source of information about resident well-being.[8]

In addition, call-offs (absenteeism), which may be tied to low wages, plague the nursing home industry and contribute to poor quality care.[9] Absenteeism in nursing homes is higher than in other industries and is associated with lower quality care because it also disrupts the caregiver-resident relationship.[10]

One of the most frequently cited causes for leaving a frontline nursing home job is low wages.[11] A study in Iowa found that nearly 33 percent of nurse aides reported that low wages and poor benefits were reasons for considering terminating their employment.[12]

If the industry and the commonwealth are serious about addressing issues around staff turnover and resident care, improving wages should be part of the solution.

I'm a nurse aide and make $12.25 per hour. Because of the low wages we have a very hard time keeping staff or recruiting new ones – the work is just too hard for such low pay. Staff have nothing to look forward to, and many are either ready to walk away from the work or are thinking hard about doing so. I myself am very close to leaving the job.

Raising my wage to $15 would put about $5,000 in my pocket and would really change the way I think about my job. I could go from worrying every day how I'm going to keep doing the work and instead think of it as a career.

Donna Heimbach

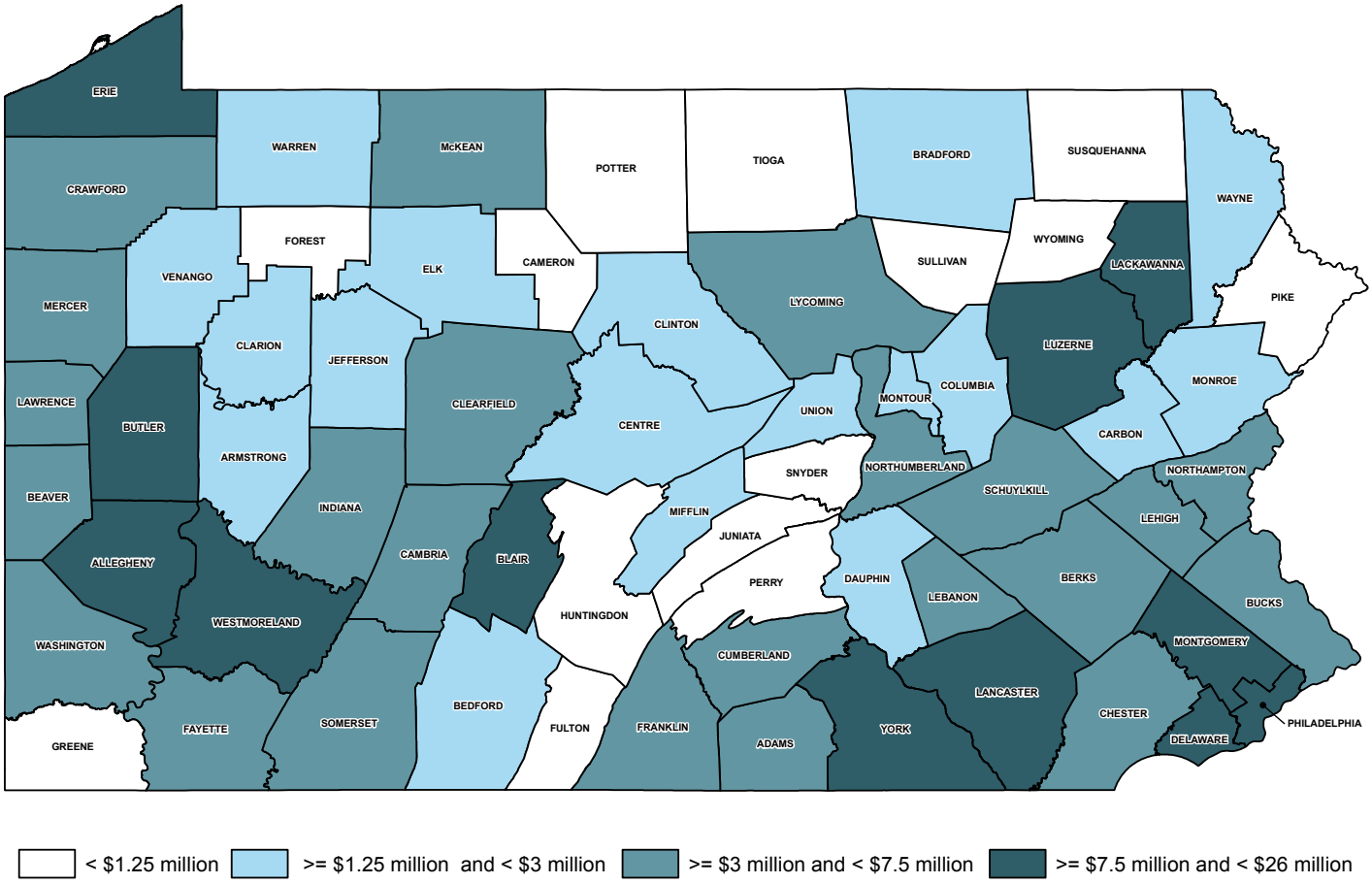
Raising wages could end the double subsidy of profitable nursing homes and rebuild middle-class communities

In *Double Trouble*, we estimated that raising wages for nearly 50,000 nursing home workers would inject $311 million into the Pennsylvania economy in the form of higher wages for workers

and an additional $31 million to $34 million in state and local tax revenues. Every county in the commonwealth would feel a positive impact on revenue – from Erie (more than $12.5 million) and Philadelphia (more than $25 million) to Lackawanna ($8 million). Raising nursing home wages would most profoundly affect the commonwealth's economy in rural communities in which low-wage service jobs that bring revenue from outside the region are a bigger part of the economy.[13]

Map 1 below shows how the economic benefits of raising wages would impact counties across Pennsylvania and help rebuild the middle class. (Table 1 at the back includes the estimated total dollar impact of a $15 per hour minimum nursing home wage in each county.)

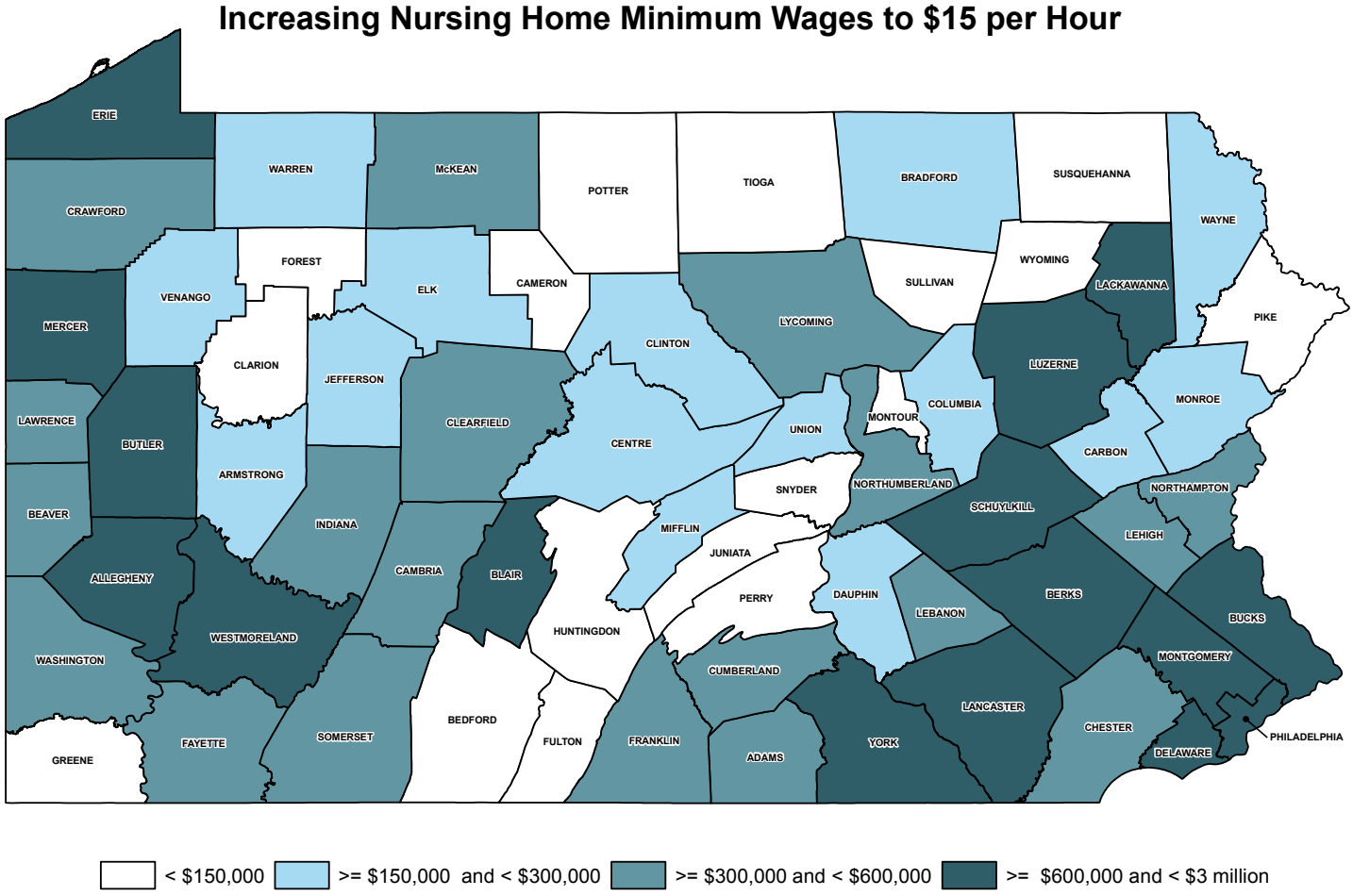
Map 1: Estimated Total Increase in Nursing Home Worker Wages from a $15 Per Hour Nursing Home Minimum Wage



Source. Keystone Research Center estimates based on data from the Pennsylvania Department of Health.

Map 2 shows the estimated increase in state and local tax revenue by county as a result of a $15 per hour minimum nursing home wage. (Table 1 at the back includes the estimated dollar increase by county in state and local taxes.)

Map 2: Estimated State and Local Tax Revenue Generated by Increasing Nursing Home Minimum Wages to $15 per Hour



Source. Keystone Research Center estimates based on data from the Pennsylvania Department of Health.

The Time to Act is Now

In April, when we released *Double Trouble*, we said that it was time for a nursing home minimum wage of $15 per hour. Since then, New York has agreed to increase its minimum wage for fast food workers to $15 per hour,[14] and New York's governor is pushing for a statewide minimum wage of $15.[15]

It is now past time to do the same for nursing home workers in Pennsylvania, because cities like Rochester, Syracuse, and Buffalo look a lot like Erie, Reading, and Allentown.

Recommendations

Raising starting wages for nursing home workers to $15 per hour is the best solution to end the taxpayer subsidy of nursing home operators, lift caregiving staff out of poverty, help rebuild the middle class, and improve care for residents.

In August, state Rep. Ed Gainey, D-Pittsburgh, introduced House Bill 1449 which calls for two actions that would begin to address the issue of nursing home workers' low wages. Senator Daylin Leach has introduced a companion bill (SB 1057) in the Senate. These bills would:

- Create a *Living Wage Certification* program for nursing facilities that provide base hourly wages of $15 per hour for all of their directly employed and subcontracted employees and further encourage the provision of living wages to nursing facility employees by providing public information - accessible to potential hires, family members and nursing facility residents - on the minimum wage rates being paid to employees.
- Ensure that nursing facilities pay a *Nursing Facility Employer Responsibility Penalty* for income-based public assistance, including for Medical Assistance, which is fully or partially funded with state dollars and received by their employees. The penalty will be based on the costs incurred by the state for providing these benefits to the employees.

Building on Rep. Gainey's proposals, Pennsylvania should develop a more comprehensive approach to lifting wages of nursing home workers and maximizing the payoff for this in the form of improvements in quality. The Pennsylvania Department of Human Services, which oversees Medicaid payments to nursing facilities, should make changes to the reimbursement system to reward higher wages.

My fiancé and I both work in a nursing home and are raising our two small children. But it's a struggle because of our low wages. We both make a little over $12 an hour. We work as much overtime as we can to try to keep afloat. But it means we are always tired, and the kids spend most of their time with their grandmom or with the sitter.

Each month, we juggle which bills will get paid and which ones we can put off. If we both earned $15 an hour, it would mean nearly $10,000 in our family budget. It would mean we wouldn't have to work so much overtime and could instead spend time with our children and not just crawl into bed to catch up on sleep. It would mean we could go to work not totally stressed about how we will make it to the next paycheck or how our kids will get all they need and deserve.

Kayle Westfall

For example, DHS could implement a Medicaid supplemental payment program to raise wages for low-wage workers and direct care staff. Facilities would apply for the pool of funds dedicated to raising wages. The program should have accountability mechanisms, such as legally binding written agreements, that guarantee the wage increase, and a clawback for inappropriately spent funds. The funds can be found by redistributing existing Medicaid resources. Funds dedicated to raising wages already exist in California and other states, including most recently in Connecticut.[16]

Since state government influences nursing homes in multiple ways – i.e., funding, consumer regulations including inspections, enforcement of labor law, and provision of training dollars – the nursing home industry would be a logical starting point for an even more comprehensive approach to improving jobs in Pennsylvania: an industry-by-industry drill-down on one of the Wolf Administration's top priorities, growing more "Jobs that Pay."[17]

End Notes

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3. Department of Human Services. Letter to Rep. Ed Gainey. August 15, 2015.
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13. As the share of manufacturing jobs has declined, rural counties have become more dependent on low-wage service jobs. See Mark Price and Stephen Herzenberg, *The State of Rural Pennsylvania,* Harrisburg, Keystone Research Center, May 2008; https://keystoneresearch.org/sites/default/files/srpa508_2.pdf
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16. Andrew D. Foster and Yong Suk Lee, *Staffing Subsidies and the Quality of Care in Nursing Homes*, June 2013; and, http://ctmirror.org/2015/06/29/health-labor-environment-bills-revived-in-special-session/
17. Mark Price and Stephen Herzenberg, *The State of Working Pennsylvania 2015*, Harrisburg, Keystone Research Center, September 2015, p. 16; http://keystoneresearch.org/publications/research/SWP_2015

Appendix

Table 1. The Economic Impact of a $15 per Hour Nursing Home Minimum Wage.

County	Increased Nursing Home Worker Buying Power	Increased Tax Revenue
Adams	$3,073,277	$335,985
Allegheny	$25,974,797	$2,839,688
Armstrong	$1,986,803	$217,207
Beaver	$3,584,614	$391,887
Bedford	$1,340,969	$146,601
Berks	$7,459,586	$815,517
Blair	$7,912,157	$864,995
Bradford	$2,374,314	$259,571
Bucks	$5,742,598	$627,808
Butler	$8,338,275	$911,580
Cambria	$4,142,068	$452,831
Cameron	$475,927	$52,031
Carbon	$1,658,597	$181,326
Centre	$2,144,453	$234,442
Chester	$3,994,197	$436,665
Clarion	$1,256,227	$137,337
Clearfield	$3,396,615	$371,334
Clinton	$2,089,483	$228,432
Columbia	$2,159,177	$236,052
Crawford	$4,149,582	$453,652
Cumberland	$3,806,591	$416,155
Dauphin	$2,133,359	$233,229
Delaware	$8,988,860	$982,705
Elk	$1,560,269	$170,576
Erie	$12,701,238	$1,388,560
Fayette	$3,145,018	$343,828
Forest	$744,095	$81,348
Franklin	$5,016,180	$548,393
Fulton	$311,479	$34,052
Greene	$860,592	$94,084
Huntingdon	$1,196,792	$130,839
Indiana	$3,866,823	$422,739
Jefferson	$2,289,854	$250,338
Juniata	$1,226,867	$134,127
Lackawanna	$7,931,287	$867,086

County	Increased Nursing Home Worker Buying Power	Increased Tax Revenue
Lancaster	$16,750,087	$1,831,199
Lawrence	$3,351,919	$366,448
Lebanon	$5,464,112	$597,363
Lehigh	$5,452,665	$596,111
Luzerne	$9,829,230	$1,074,578
Lycoming	$4,167,887	$455,653
McKean	$3,205,009	$350,387
Mercer	$6,817,636	$745,336
Mifflin	$2,198,540	$240,355
Monroe	$1,423,376	$155,610
Montgomery	$15,866,740	$1,734,628
Montour	$1,255,484	$137,255
Northampton	$4,147,704	$453,447
Northumberland	$4,931,773	$539,165
Philadelphia	$25,444,576	$2,781,722
Perry	$477,832	$52,239
Pike	$412,235	$45,068
Potter	$886,570	$96,924
Schuylkill	$6,142,396	$671,516
Snyder	$855,384	$93,515
Somerset	$3,737,534	$408,605
Sullivan	$1,045,024	$114,247
Susquehanna	$1,147,257	$125,424
Tioga	$1,215,387	$132,872
Union	$1,388,351	$151,781
Venango	$2,131,308	$233,005
Warren	$2,516,181	$275,081
Washington	$5,459,878	$596,900
Wayne	$1,491,805	$163,091
Westmoreland	$11,428,628	$1,249,432
Wyoming	$430,710	$47,087
York	$10,893,764	$1,190,958
TOTAL	**$311,000,000**	**$34,000,000**

Note. Stephen Herzenberg, *Double Trouble: Taxpayer-Subsidized Low-Wage Jobs in Pennsylvania Nursing Homes*, Keystone Research Center, April 2015, Table A1 estimates that a $15 per hour minimum wage in nursing homes would lift average wages in occupations currently paying less than $15 to $15.50 and cost $311 million. The table above allocates this $311 wage increase across Pennsylvania's 67 counties based on the share of nursing home employment in each Pennsylvania county (according to Medicaid cost reports) and based on how far below $15.50 current nursing home wages are in each county in occupations paying less than $15 per hour statewide.
Source. Keystone Research Center calculations based on Pennsylvania Department of Health and Department of Labor and Industry data and Institute on Taxation and Economic Policy estimates.

SUBMITTED FOR 11/16/15 HEARING'S RECORD

PACAH
Pennsylvania Coalition of Affiliated Healthcare & Living Communities

TO: Members, House Democratic Policy Committee

FROM: Kelly Andrisano, Executive Director

DATE: 11/16/2015

RE: **PACAH Opposes HB 1449**

On behalf of the Pennsylvania Coalition of Affiliated Healthcare & Living Communities (PACAH), I am writing to share our concerns with House Bill 1449, providing for living wage certification for nursing facilities and establishing the Employer Responsibility for Public Assistance Fund.

PACAH represents more than 80 facility members, of which 22 are county-owned (public) nursing facilities. PACAH is also an affiliate of the County Commissioners Association of Pennsylvania (CCAP). The implications of HB 1449 on all nursing facilities, in particular county nursing facilities, would be devastating without a corresponding increase in the Medicaid Rates paid to nursing facilities.

County nursing facilities have historically been the safety net facilities for the Commonwealth's most vulnerable citizens. A requirement to serve Medicaid patients on day one, coupled with a separate payment system, has resulted in county nursing homes' average Medicaid population exceeding 80 percent, while the average Medicaid population of all nursing homes in Pennsylvania is only 60 percent. Despite the important role county nursing facilities serve, in the past five years we have seen the privatization of more than ten county nursing facilities. While many of these counties would have liked to keep their county nursing facilities, Medicaid rate reimbursements that fall far below the cost of providing care have made it fiscally impossible to do so.

With rates having been set almost ten years ago, and after several years of flat funding in the state budget, county homes have continued to serve Medicaid clients through rates that have fallen significantly below the rising cost of providing care. Inadequate nursing facility rates are not only an issue for county facilities, but also for non-profit and private facilities as well. Over the past five years there were several years where nursing home rates were flat funded, despite rising costs of providing health care. This, together with a growing aging population, has made it more difficult for all nursing facilities to provide care the Medicaid consumers.

HB 1449 mandates a "living wage," yet it is apparent nursing homes could not absorb required wage increases and continue to adequately serve the state's medical assistance consumers. County nursing homes have been privatizing at an increase rate, because they already cannot

afford to continue to provide care. This mandated increase in the living wage would certainly force many more out of business, and have a negative impact on all nursing facilities serving our Medicaid consumers. This legislation also assumes that Medicaid rates are adequate, which is simply not true. It is apparent county nursing homes are struggling with the current reimbursement system and Medicaid rates that have been set by the state. In addition, the result of this legislation is an unfunded mandate. Without a corresponding Medicaid rate increase, the state is imposing additional financial requirements upon our counties that they are unable to fund.

We certainly agree that nursing home employees should receive adequate wages. However, we feel that a mandated wage increase without a corresponding rate increase is not the answer. It will only serve to further impede those facilities who are providing care to our most vulnerable citizens.

We appreciate your consideration of these comments, and we would be happy to discuss this legislation further with you. Please contact us if you have questions or need additional information.