



August 14, 2020

The Honorable Jay Inslee
Governor of the State of Washington
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Inslee:

On July 1, 2020, the state of Washington cut skilled nursing facility funding by removing a \$29 per patient per day (PPD) COVID-19 add-on that had helped facilities bear the cost of fighting the most deadly public health crisis in a century. The state's failure to provide the COVID-19 add-on has already demonstrably hindered the skilled nursing sector's ability to combat the virus. If we cannot effectively fight the virus with adequate staffing and sufficient personal protective equipment (PPE), our facilities will be overrun and more residents and staff will die. We urge you to immediately reinstate the COVID funding to skilled nursing facilities to at least the \$29 PPD amount which, even then, only covers approximately one-half of the daily costs incurred in fighting this virus.

Nursing Facilities Were Already Struggling

Prior to the start of the 2020 legislative session, the state of Washington had determined that the annual cost of care for Medicaid residents exceeded the Medicaid reimbursement rate by \$116 million in 2018. Years of underfunding had devastated the state's nursing homes. Between 2017 and the start of the 2020 legislative session, 20 nursing homes around the state had ceased operating. By the end of the 2020 legislative session, another four facilities had announced their closure.

The closures were due to Washington State having one of the lowest Medicaid reimbursement rates in the country when comparing the reimbursement rate to the cost of care. Going into the 2020 legislative session, the Medicaid reimbursement rate was woefully inadequate. The early 2020 reimbursement rate was based upon 2016 costs without any adjustment for inflation. The rate needed fixing. In the closing weeks of the 2020 legislative session, the Legislature approved a one-time rebase with a modest inflation adjustment. At the time it was estimated by the state that the rebase would lower the Medicaid reimbursement shortfall to approximately \$80 million annually. The rebase and modest adjustment for inflation occurred on July 1, 2020.

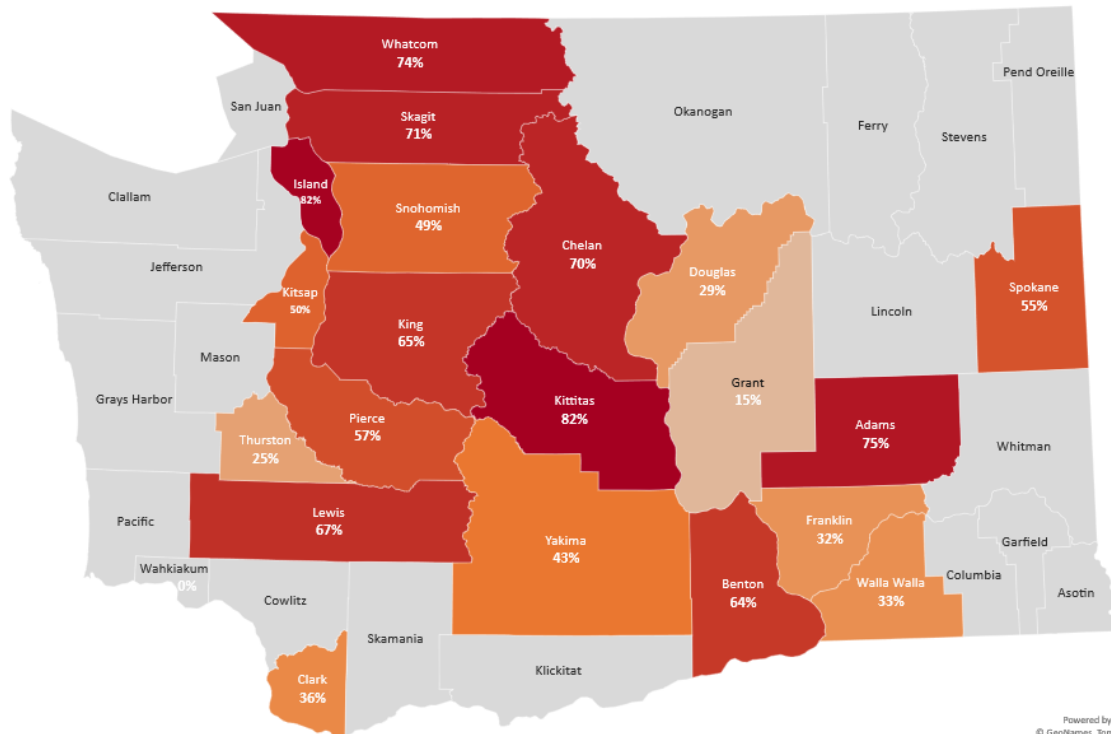
As the Legislature prepared to leave town, COVID-19 began to rage through western Washington nursing homes. Within weeks, several nursing homes were overwhelmed. On its way out of town, the Legislature passed EHB 2964 which provided \$200 million to help in the fight against COVID-19. To date Washington's skilled nursing facilities have received zero funding from this emergency allocation.

COVID Funding Relief Provided by Congress

Recognizing that states were already struggling with addressing the cost of COVID-19, the federal government tried throwing states a lifeline. In mid-March the federal government announced that it was increasing the federal match (FMAP) for all Medicaid expenses by 6.2% nationwide. The Department of Social and Health Services (Department) recognized the nursing home sector's tremendous need. At the time, the cost of Personal Protective Equipment (PPE) was skyrocketing, if any could be found at all. In addition, keeping and attracting workers compounded the challenge and financial strain. In recognition of the dire situation, the Department determined that the nursing home sector's portion of the 6.2% FMAP could support a COVID-19 add-on of \$29 PPD. The \$29 PPD COVID-19 add-on helped to immediately stabilize the nursing home sector and enabled them to retain and hire staffing and purchase needed PPE. Without the add-on, many nursing homes would not have survived March and April; residents and staff would have quickly been outmatched and overtaken by the virus, forcing nursing homes to close.

The \$29 PPD COVID-19 add-on was provided from March through June. During this time, COVID-19 severely impacted skilled nursing facilities and other long term care facilities. Within a month of the initial outbreak, it became obvious that COVID-19 targeted the elderly and those with chronic medical conditions, and it took its toll. As the chart below shows, 56% of COVID-19 deaths in Washington State were associated with long term care.

Statewide, 56% of COVID-19 Deaths are Associated with LTC.
The Map below Shows the LTC Share Of COVID-19 Deaths Within Each County
(Adult Family Homes, Assisted Living, Nursing Homes)



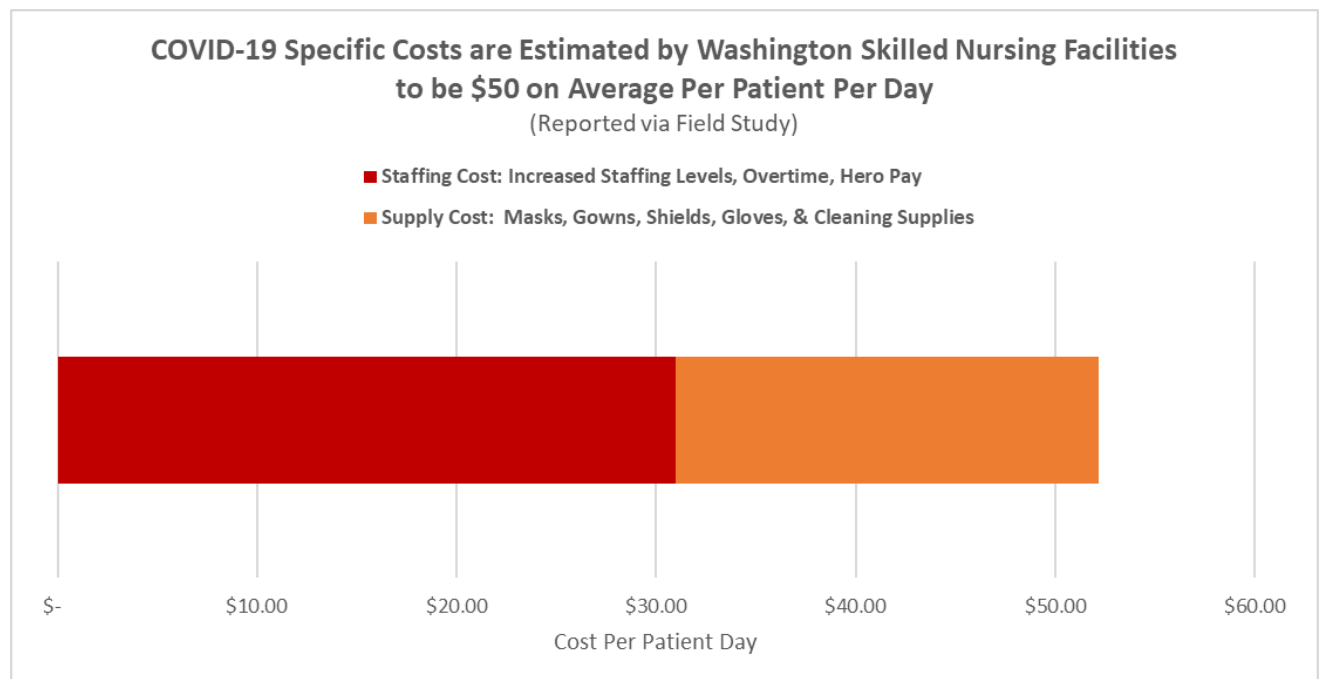
The State Stops COVID Funding

In mid-June, the nursing home sector was told that the \$29 PPD COVID-19 add-on was going to be discontinued effective July 1, 2020. The nursing home sector never received an explanation as to why this critically important funding was being discontinued. It is presumed, but never confirmed, that someone in state government assumed that the July 1, 2020, rebase funding would cover the cost of care associated with COVID-19 and could be substituted for the \$29 PPD COVID add-on. If this was the state’s justification for discontinuing the \$29 PPD COVID-19 add-on, it is grossly mistaken and terribly short sighted.

The July 1, 2020, rebase was intended to offset a portion of the estimated 2018 \$116 million annual shortfall in Medicaid reimbursement. The July 1 rebase was never intended for, nor could it possibly begin to address, COVID-19 related expenses. The July 1 rebased rates rely on reported costs from 2018, long before the virus appeared in Washington State. Indeed, the rebase had been approved by the Legislature before COVID-19 even emerged as a threat to nursing homes and was never intended to cover COVID-19 related costs.

Rising Cost of PPE

Early into the COVID-19 crisis, WHCA and LeadingAge Washington recognized that fighting COVID-19 was taking an extraordinary fiscal toll due to increased labor expenses and the fierce competition for needed PPE that could only be purchased at an extraordinarily inflated cost. Therefore, the Associations sponsored a field study that attempted to quantify the impact of COVID-19 upon skilled nursing facilities. The results of that field study are shown in the chart below.



The field study results are supported by pre- and post-COVID-19 pricing of PPE obtained from a national healthcare supply distributor. The state's decision to all but eliminate the COVID-19 add-on makes the purchase of PPE unaffordable and unobtainable for many facilities. The chart below explains the PPE shortage in terms anyone can understand.

Costs for some PPE items have increased by as much as 386%.

Additional volatility in the supply chain is expected due to the unknown patterns of COVID-19 (potential 2nd and 3rd waves of outbreak) in addition to planned volatility related to the annual flu-season.



Demand is Up: Skilled

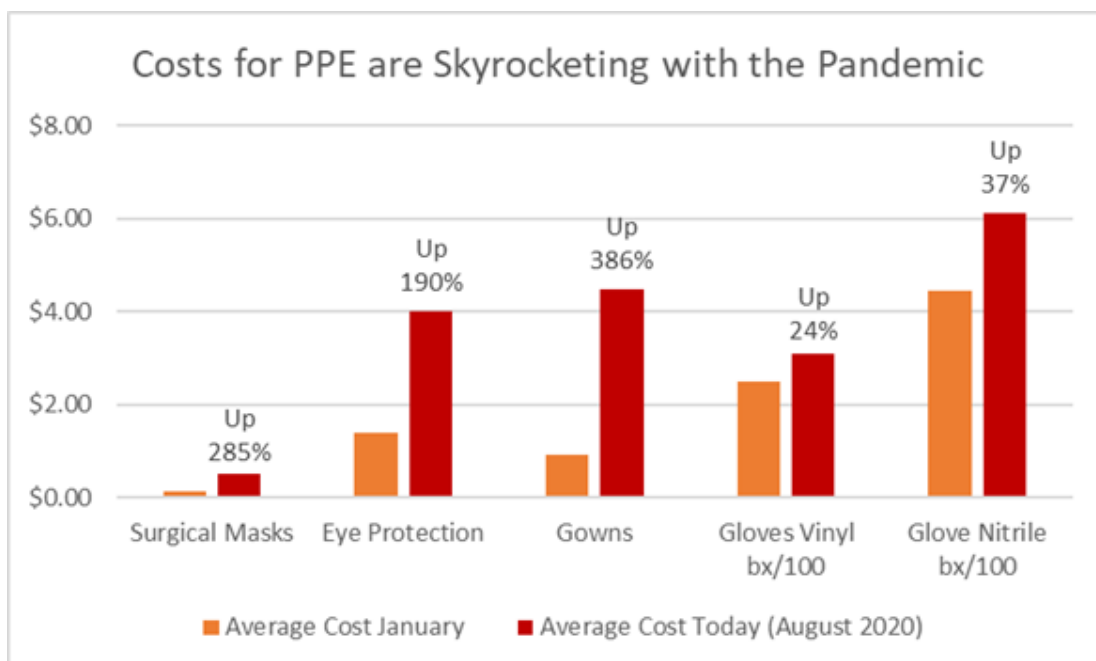
Nursing Facilities need more PPE than ever to protect staff and residents.

The burn rate at facilities is up as well as demand by the general public for things like gloves, masks, and hand sanitizer.

Supply is Down or Limited:

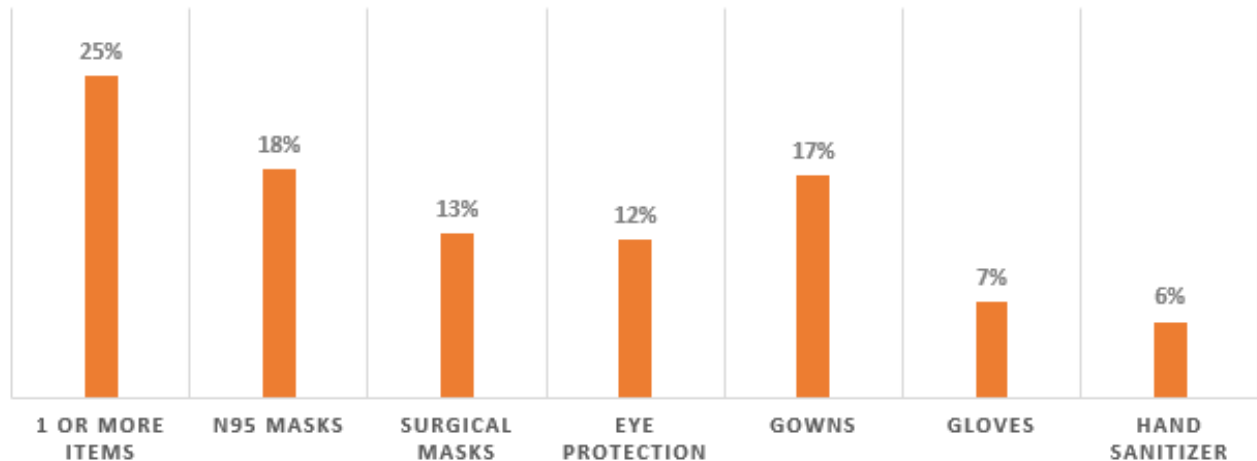
Manufacturing shortages are due to raw supply shortages, the inability to produce product fast enough, challenges with the distribution chain, and reduced production related to COVID-19 outbreaks.

The resulting shortage has caused the cost of PPE to skyrocket:



According to CDC's NHSN data, during the week of July 26, 2020, one-quarter of Washington's nursing homes had less than a one-week supply of PPE on hand. The CDC's NHSN data shows that our skilled nursing facilities are struggling to obtain enough PPE. This is reflected in the chart below.

PERCENT OF 205 FACILITIES REPORTING LESS THAN ONE WEEK OF SUPPLIES ON HAND (WEEK OF JULY 26)



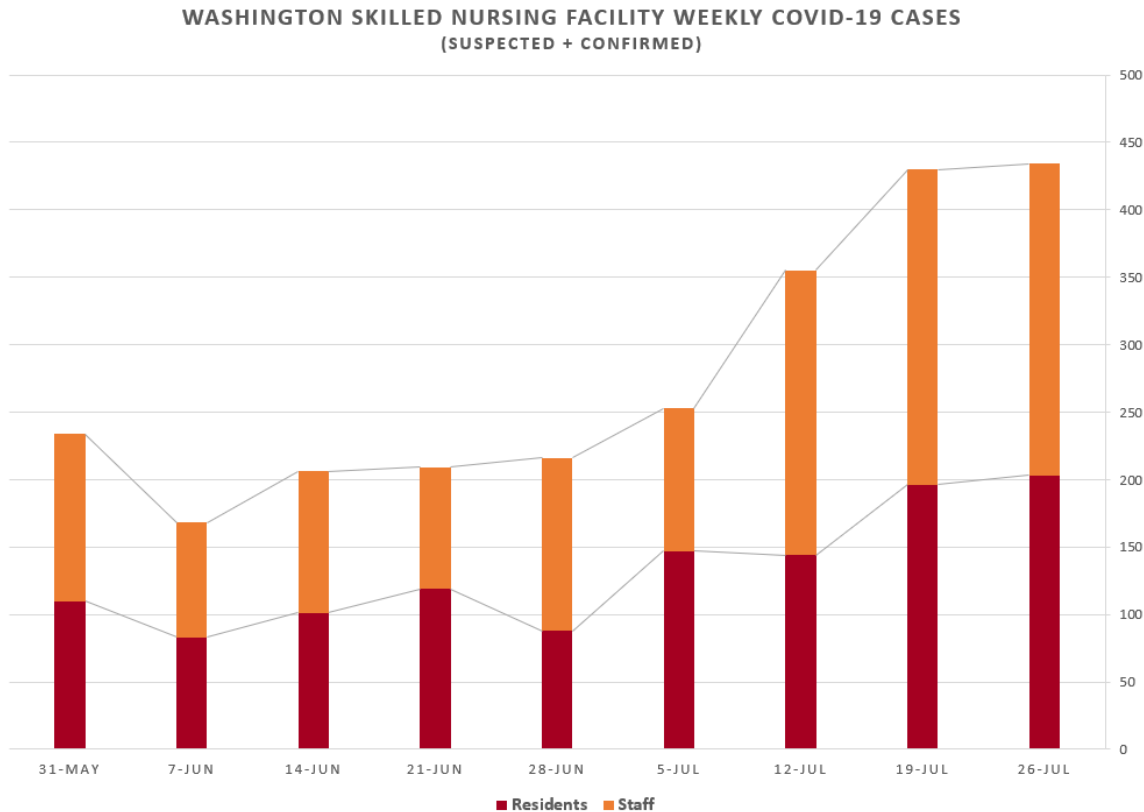
With the loss of the \$29 PPD COVID-19 add-on, the nursing home sector's access to the enhanced FMAP funding disappeared, although it should be noted that the FMAP funding continued and still continues to flow from the federal government into the state's general fund. Instead of the \$29 PPD COVID add-on that had sustained the skilled nursing sector for months, a one time one-month add-on of \$13 PPD, using CARES Act funding, was provided to skilled nursing providers for the month of July. This represented a significant reduction in COVID funding for skilled nursing providers. To add insult to injury, on August 1, 2020, the \$13 PPD was reduced to \$5 PPD. By these actions, Washington State has cut COVID funding to skilled nursing providers by over 80% in the past two months. Withholding public health funding to skilled nursing providers during the middle of a pandemic, with rising COVID cases and continuing staffing and PPE shortages, is unconscionable. The clear and unrefuted message this sends is that our state's seniors and their caregivers and nursing staff are expendable. They are not! They need and deserve our protection.

COVID-19 Cases are Rising

Beginning May 8, 2020, nursing homes were required to electronically report COVID-19 related information weekly to CDC's NHSN. The information is posted publicly by CMS. The charts and data that follow are taken directly from this government-sourced information. Looking at the data tells a darkening story for Washington State's nursing homes.

Referring to the chart below, it is evident that in June, just as Washington State was preparing to cut funding to nursing homes, Washington's skilled nursing facilities had COVID-19 under some measure of control. On a weekly basis, the number of suspected and confirmed cases among residents

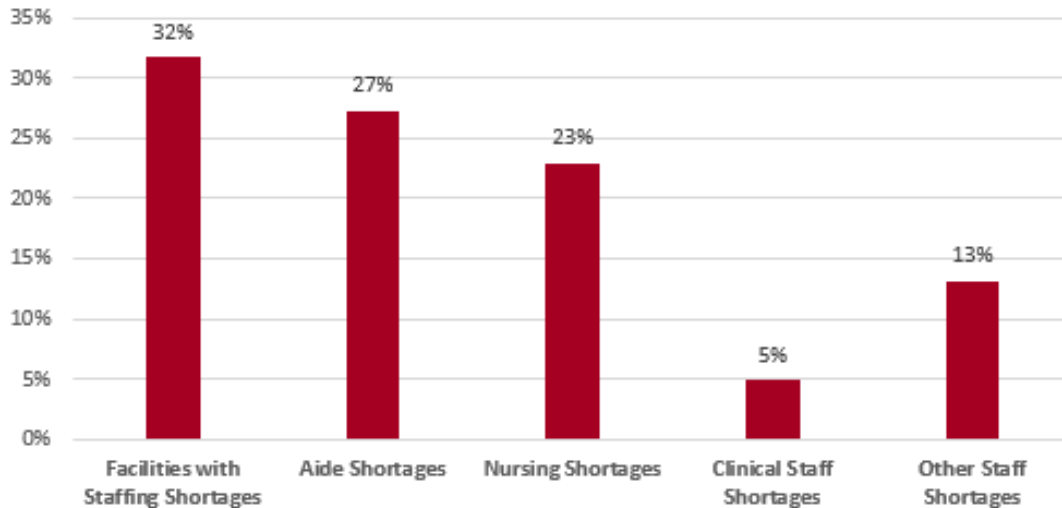
and staff had plateaued at about 220 cases a week. Notably, by the end of July, the weekly number had more than doubled.



The increase of confirmed and suspected cases among residents and staff has had a profound impact upon facilities and those they serve, including staff. The CDC’s NHSN data also shows that the confirmed positivity rate for staff is increasing as well. This rise in staff infection is likely related to the state’s Safe Start plan allowing businesses to reopen, with staff increasingly moving about their communities to engage in activities and receive services. As we reopen, we create risk particularly for those who live in congregate settings and are elderly or have multiple chronic medical conditions. In addition, under the reopening guidance for long term care, we are now allowing outdoor visits and, for some, indoor visits, under prescribed circumstances. This, too, presents risks to those living and working in skilled nursing and other long term care settings. The risks attendant with reopening and allowing long overdue visitation of families and residents grows in immeasurable ways when facilities aren’t financially supported to make necessary purchases of PPE, to conduct surveillance testing, and to ensure appropriate staffing when call outs occur due to exposure or illness.

As the chart below shows, information provided to CDC’s NHSN shows a steady increase in staffing shortages in Washington among frontline staff though July. By the end of July, NHSN data shows a significant number of facilities were experiencing staffing shortages, as is reflected in the chart below.

Over 30% of Facilities Report COVID-19 Staffing Shortages
(Week ending July 26, 2020)



Thus, as the COVID-19 cases increase in Washington’s 200 skilled nursing centers, providers were finding it more difficult to find staff. By July 26 over 30% of nursing facilities were reporting a staffing shortage. When confronted with the need to fill staffing vacancies, skilled nursing home providers have few options. All involve expending more money. A skilled nursing provider can try to attract workers by offering higher wages, offering signing bonuses, and offering hero pay. In addition, they can decide to offer overtime to current employees to cover these shortages. Finally, if all else fails, the skilled nursing home provider could be forced to use agency staffing, which costs two to three times more than in-house workers.

Conclusion

The state’s decision to nearly eliminate all COVID funding during a pandemic is fraught with danger. Through this funding cut, the state has already placed residents and their caregivers and nurses at risk. As we move into the fall, facing a second COVID surge, combined with cold and flu season, the risk to residents and their caregivers and nurses will increase. Similarly, as staff return home to their families, they place them at higher risk of illness as well. Now is the time the state must invest in public health and support skilled nursing and all of long term care. Now is the time providers should be building their inventories of PPE and disinfection supplies. Now is the time we must act to ensure a robust and healthy workforce is protected and prepared to defeat this virus today and in the months ahead.

The Honorable Jay Inslee
August 14, 2020
Page 8

The state must fully restore COVID funding to all skilled nursing and long term care providers. If we wait to act, we will fail. Competition for ongoing and limited PPE and cleaning supplies will surge across this nation and across the globe as the virus resurges and flu season hits. Seniors and their caregivers and nurses are at the greatest risk; they are not expendable.

Sincerely,



Deb Murphy, MPA, JD
Chief Executive Officer
LeadingAge Washington



Robin Dale, JD
Chief Executive Officer
Washington Health Care Association