

**Senate Aging & Youth and Health & Human Services
Committees Virtual Hearing**

Testimony on Long-Term Care and COVID-19

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Good Morning Chairwoman Ward, Chairwoman Brooks, Chairwoman Collette, Chairman Haywood, members of the Senate Aging & Youth and Health & Human Services Committees. Thank you for the opportunity to speak to you today and to share important information regarding the health and well-being of care for our state's older adults. I also want to take a moment to publicly acknowledge the heroic work of our healthcare workers and the bravery of the residents living in our nursing homes, assisted living facilities and retirement communities during these difficult times.

My name is Lisa McCracken. I am here today in my role as "Director of Senior Living Research" with a company named Ziegler, a 118-year old investment banking firm based in Chicago, Illinois. Our firm specializes in financial services and capital needs for healthcare and senior living organizations, among others. It is also important to share that I am a lifelong resident of Pennsylvania and I reside in Lancaster County. I hope to bring to you today a statewide look at the nursing home and senior living industry, but also with the background of the national and regional landscape.

I would like to start with a brief overview of the statewide landscape for nursing homes, assisted living, personal care and retirement community settings. It is estimated that there are roughly 2,300 nursing homes, personal care homes, assisted living facilities and retirement communities in Pennsylvania. These communities provide housing and care for an estimated 220,000 older adults. What you may not know is that Pennsylvania is the #1 state in the country for retirement communities, with nearly 200 communities (90% of them not-for-profit entities).

These are the multi-level communities that offer skilled nursing services up through the continuum to independent living housing for seniors. All of these numbers are also exclusive of the affordable housing communities for low-income seniors as well as the thousands of individuals employed by these entities. Suffice it to say that Pennsylvania residents, families, health systems and economies are heavily dependent on the overall health and stability of these institutions.

Coming into the COVID-19 crisis, the overall economy was quite healthy as you know. Our 401K portfolios were as strong as ever, our personal investments were showing great returns, our unemployment figures were at record lows. Having said that, it is important to note that the state of our country's, and Pennsylvania's, nursing homes was a slightly different story. I share this because it is important to note that the nursing home sector, in general, was not on the same level of solid footing as others coming into the COVID-19 outbreak. The number of nursing home closures in this country, and in Pennsylvania, has been staggering across the past decade. LeadingAge, the national partner to LeadingAge Pennsylvania, released a report earlier this year that shared that during a five-year period between 2014 and 2019 that roughly 550 nursing homes in the U.S. have closed. About 2% of the Pennsylvania nursing homes closed during this time, with most of them occurring in the past two years. One of the drivers to these closures is reimbursement levels that do not sufficiently cover costs and result in financial shortfalls for providers. We also have an aging population, with people living longer, and many without the financial resources to pay for care and housing. The seniors on Medicaid are hit particularly hard when these nursing homes close. Staffing shortages have also been a

contributing factor to these nursing home pressures. Low unemployment rates, coupled with limited resources to increase salaries of these workers, have resulted in significant challenges. Again, this description is pre- COVID-19.

Now, here we sit in our 9th/10th week battling COVID-19 in our senior settings. What is a day in the life of a nursing home, personal care home, assisted living facility or retirement community? I can tell you that they are fighting like heck every day to keep this virus from infecting their residents and staff. Unfortunately, in addition to worry about virus mitigation and infection control, providers are increasingly concerned about their financial stability. One reason is that expenses have increased dramatically. Ziegler conducted a survey in early April of CFOs in the senior living and long-term care sector. The results showed that a significant number of senior living and care providers were offering bonus pay, additional PTO and paid sick leave, free meals for staff (and families), expanded overtime pay, childcare services, and “hazard pay” for frontline staff. Additionally, we all know the difficulties with obtaining personal protective equipment (PPE). For those who have been able to obtain adequate supplies, it has often been at a premium. The procurement of PPE has significantly impacted liquidity. While it is great to see people coming together, I must admit that it is hard to go to provider websites and see the providers asking for donations from the greater community for masks, gowns, hand sanitizer, etc. It shouldn’t be that way. It is also anticipated that these expenses will be for a prolonged period of time. Until a vaccine or treatment is in place, nursing homes, personal care facilities and retirement communities will have to take additional precautions, beyond what others will need to take when the state lifts restrictions.

In addition to increased expenses, revenue is down significantly due to COVID-19. Admissions have halted in some cases and short-stay/rehab patient admissions, a source of revenue for most nursing homes, have dropped off because of the elimination of elective surgeries.

One of the respected national accounting firms in the sector, CliftonLarsonAllen, estimates that 70% of nursing homes in the country will be in a negative cash position by mid-May. While some providers have been able to access PPP loans and additional Medicare lump-sum payments through the CARES Act to offset some expenses and revenue losses, this is not enough to hold up a struggling sector. I know that there have been a number of other states that have bumped up reimbursement rates during this COVID-19 crisis period and some have even put forth additional funding for bonuses or temporary increases for frontline workers. A number of these states have not been hit as hard as Pennsylvania and do not have the exposure that Pennsylvania does in terms of numbers of facilities and communities.

Our nursing homes are not a sector that can park its fleet, close its doors to customers, shift to take-out services, or lay off its entire employee base. I do not mean to diminish the pain and suffering of others, but to emphasize that nursing care for our seniors is not an optional component of our economy or healthcare marketplace. It is a necessity.

Before I close, I also feel compelled to call attention to the disparity in public perception and overall support for our aging citizens and the homes where they reside. There are of course

unfortunate stories of loss and pain caused by COVID-19. The problem is that too often, that is the only story being told. Remember the 220,000 count I referenced earlier? As of this Monday, May 4th, there were 9,345 cases of COVID-19 in Pennsylvania nursing homes and other long-term care settings. That translates into 4.3% of residents with a positive case. We do not hear headlines about the miraculous 95.7%. That has not come about because of luck, but rather because of the blood, sweat and tears of many providers. If their financial distress is escalated in the weeks and months ahead, we may not be able to maintain these levels. We know that our seniors are the most susceptible to this virus. More often than not, however, the reports of facilities with cases, or even unfortunate deaths, translate into fines, increased regulation and public scolding. My hope is that we can come together to battle this virus together and give nursing homes and other providers the tools and resources they need to have a fighting chance. Our seniors deserve it.

Thank you for the opportunity to share my thoughts this morning. I look forward to any questions you might have for me.