March 24, 2020

Governor Andy Beshear
700 Capitol Avenue, Suite 100
Frankfort, KY 40601

Dear Governor Beshear:

The Kentucky Association of Health Care Facilities and Kentucky Center for Assisted Living (KAHCF/KCAL) is the primary Association that represents over 280 proprietary and nonproprietary Nursing Facility providers, Personal Care Homes and Assisted Living Communities across Kentucky. The KAHCF/KCAL provides a wide variety of services to member facilities including legislative, regulatory, professional development, research and advocacy initiatives.

The purpose of this letter is to request funding provided by the recent passage of the Families First Coronavirus Response Act. Our understanding is that with the passage of the Act, an enhanced Federal Medicaid Assistance Percentage (FMAP) of 6.2% is being directed to each state. We wanted to take this opportunity to request funding available to the state as well as outline additional costs currently being faced by nursing homes as a result of this crisis. **We are requesting that effective March 1, 2020, the enhanced federal match be used to increase funding to nursing facilities across the state to provide the resources needed to treat patients as a result of the novel coronavirus or COVID-19. This equates to a Medicaid rate add-on of approximately $55 per resident day.** The computation of the rate add-on is provided on Exhibit I attached while the justification for this increase and the types of additional costs that are, or will be, incurred are detailed in the following discussion.

**Increased Funding from FMAP**

The funding for nursing facility providers that do not have active COVID-19 patients would come solely from redirecting the FMAP General Fund savings to enhance nursing home rates. The higher FMAP will save the state general fund approximately $67 million annually in Nursing Home Medicaid payments. We are requesting this be repurposed for increased Medicaid rates effective March 1, 2020. This will bring immediate relief to nursing facility providers in order to cover the incremental cost of COVID-19. Based on preliminary calculations shown on Exhibit I, we are requesting nursing facility Medicaid rates be increased by $55 per patient day. It should be noted that state general funding would not change. We are requesting increased funding be effective March 1, 2020 due to:

- Sudden increases in labor or supply costs where the provider lacks the operating cash on hand or other financial resources to cover increased costs
- Medicaid payments that may be slowed due to issues with claims processing
- Initial Medicaid eligibility that may take longer than normal processing times
- Other unforeseen slowdowns in Medicaid payments
- Banks that may cut off or reduce credit lines

**Justification for Funding – Staffing Costs**
Direct care staff exposed to the COVID-19 virus will be restricted from working. Providers will need to have replacement workers. This will extend to workers whose family members will require additional support. Nursing homes will experience increases in staffing costs due to having to care for higher acuity residents and additional security costs and administration costs to enforce screening requirement for staff and visitors. The costs of additional staffing for controlling access to facilities and for screening all entrants will add to the costs of the nursing facility. Some additional staffing costs include:

- Additional overtime to cover sick staff members & increases in staffing
- Additional contract labor costs to cover increases in staffing staff members unable to report to work
- Costs for providing additional infection control practices and education
- Additional labor for cleaning facility, equipment and supplies due to heightened infection concerns
- Additional staff to for non-communal meals in resident rooms
- Increases in the cost of contract labor given the statewide staffing shortage
- Additional wages in the form of “hazard pay” to ensure proper staffing is maintained
- Payroll tax and benefit related costs
- Additional labor needed to secure facilities, limit access and assess employee health

**Justification for Funding - Non Labor Related Costs**
The primary non-labor cost driver for nursing facility providers during the COVID-19 crisis will be the increased costs for Personal Protective Equipment (PPE) supplies. PPE supplies such as masks, gowns and other supplies are in short supply and cost much higher than normal. In addition, all employees and essential personnel are subject to screening prior to entry to the nursing facility. Other non-labor costs providers will incur include:

- Child care for workers whose schools have shut down and have nowhere for the children to go during the day
- Meal costs for staff that are unable to leave the facility
- Communications costs to keep families aware of care updates
- Extended leave pay for workers who get sick or their family gets sick (under the FMLA)
- Additional over-the-counter medications. Most prescription medications should be covered
- Free inoculations for staff and residents, and staff’s immediate family members when a vaccine becomes available
- Cleaning supplies and additional costs for everyday supplies. Costs associated with paying suppliers to deliver if no payer source is available
### Justification for Funding – Surveys & Quality

- Higher re-hospitalizations will cost nursing facility providers 2% of Medicare revenue due to penalties
- Additional ER visits will lower quality scores for nursing facility providers and cause lower payment from Medicare Advantage payers

Last, we are requesting nursing facility providers be allowed a 60-day suspension for provider tax payments effective April 1, 2020. This will allow providers a chance to bill and collect increased Medicaid payments from the enhanced FMAP in order to have the funds to pay provider taxes owed.

Please contact me if I can be of assistance in answering any questions you may have regarding this important issue. I can be reached at (859) 321-0270.

Sincerely,

Elizabeth “Betsy” Johnson  
President

Attachment

cc: Eric Friedlander, Acting Secretary, Cabinet for Health & Family Services  
Carrie Banahan, Executive Policy Advisor  
Adam Mather, Inspector General  
Lisa Lee, Commissioner Department for Medicaid Services
### Exhibit I

<table>
<thead>
<tr>
<th>FMAP 6.2% Increase Estimate</th>
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<tbody>
<tr>
<td>Annual Medicaid Days</td>
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<tr>
<td>Avg Medicaid Rate/Day</td>
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<tr>
<td>Total Annual Medicaid Revenue</td>
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<td>Kentucky FMAP</td>
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<td>Annual State $ for LTC</td>
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<td>Medicaid Rate Add-on/Day</td>
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