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Statement of
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My wife and I are both residents of Mary's Woods, a CCRC in Lake Oswego. Let me preface my remarks by saying that I have a very personal interest in HB2056.

My wife occupies one of Mary's Woods skilled nursing beds and will be there for the rest of her abbreviated life.
Today is her 74th birthday. I am asking if you could make it a happy birthday for her.

I have just two points regarding the proposal to eliminate the CCRC exemption from the skilled nursing tax.

DO NO HARM, and
FOLLOW THE MONEY!

DO NO HARM is the first rule of medicine and health care. This bill does harm, big harm, to Mary's Woods, about $373,000 worth of harm during this biennium plus continuing harm in the years that follow.

This nursing bed tax was designed to leverage federal funds for Medicaid. This tax was, in essence, an advance or loan from Oregon's nursing facilities, with the loan to be repaid through enhanced Medicaid revenues and reimbursements.

This is strictly a Medicaid-only issue. CCRCs were not in the Medicaid business and were exempted from the tax since there was no they could be reimbursed for the any taxes they paid. Nothing has changed since 2001 when the bill was first enacted. There is still no way to reimburse Mary's Woods for Medicaid tax payments.

In fact, at the state's request, Mary's Woods skilled nursing license specifically states that Mary's Woods is ineligible for Medicaid.
As far as Medicaid is concerned Mary's Woods beds are no different than those of Motel 6.

Removing this exemption would tax each of our beds about $8,300 per year at 95% occupancy rate, which was our actual rate for all of 2012. For our little 31-bed shop this works out to $373,000 for the remainder of this biennium and $260,000 per year thereafter, with absolutely no return or benefit.

A tax is built around the concept that the taxpayer gets something in return for his money. For us, removing the exemption is not a tax. It is more like a penalty or a fine. **Any way you look at it, this bill does harm, big harm, to Mary's Woods.**

FOLLOW THE MONEY!

If you preserve our exemption and we keep our money, the question arises as to where do you get the money for the Governor's budget. I propose an alternative that can get you more money, quicker and more easily than getting it from us.

FOLLOW THE MONEY!

There is another section in HB2056 that would reduce by 1,500 the 12,000 skilled nursing beds in Oregon. The purpose is to correct distortions in the Medicaid reimbursement formula caused by too many empty beds.

The bill would give cash incentives for skilled nursing firms to buy and retire the bed licenses of other nursing firms. The bill even grants immunity to the participants from anti-trust laws, a feature which in itself has great value.

The bill may eliminate 1,500 beds, but it will not eliminate the patients in those beds. They will continue to be sick and will transfer to other facilities, which means they will go to the surviving firms that purchased the bed licenses.

And here's where the money is. For the surviving firms, this is like winning the lottery.

A skilled nursing bed will generate about $90,000 per year at 100% occupancy. Oregon's average occupancy rate is about 65%. But let's assume that the 1,500 retired beds had only a 33% occupancy rate. That's good enough to generate revenues of $45 million per year.

That's what the big guys are looking at – the $45 million in annual revenues which they bought from the small guys with the state's blessing. That's where the real money is.

And that's where you are going to get your money for the Governor's budget.

Currently these big guys are nominally paying the Medicaid bed tax. But after enhanced reimbursements their effective rate is close to zero, just as the original tax bill intended it to be.

Your next question is "How are we going to tax them?" The answer to that is right in HB2056 Section 7 (6)(b) that provides for a sliding schedule of reimbursements based on how many of the 1,500 beds have been retired. HB2056 as drafted shows this schedule going into effect July 1, 2016.

But why wait three years? Oregon needs to revise its Medicare payments system now, not three years from now.

This will give you the ability to charge 10,000 beds a tax of $500 per bed and get more money quicker than charging each of our beds $8,500 per year. And ultimately the funds generated by this tax will all be returned to the firms making the acquisitions in the form of incentive payments. This approach combines the carrot and the stick into one, and they work simultaneously and immediately.

These two points, DO NO HARM and FOLLOW THE MONEY, result in a win-win-win situation.

The big guys in the industry benefit by adding $45 million in revenue to their income statements. The state wins by quickly reducing the number of beds while getting the tax money it needs for the Governor's budget. And the CCRCs win by being able to offer continuing care at the best price to their senior residents.

And my wife wins by having a Happy Birthday.

Thank you for your time and attention.