Submitter: Mauro Hernandez

On Behalf Of: Hearth and Truss

Committee: House Committee On Labor and Workplace Standards

Measure, Appointment or Topic: HB3838

Chair Grayber, Vice Chair Elmer, and members of the committee, my name is Mauro Hernandez and I am testifying on behalf of Hearth & Truss in opposition to HB 3838. Our firm manages 9 licensed assisted living and memory care communities for both non-profit and privately-owned projects located in St. Helens, Portland, Corvallis, Sutherlin and Ashland. Medicaid residents represent at least half and up to 90% of the population we serve.

As we have heard, this bill would drive up operating costs without considering how long-term care costs are actually financed — primarily by older adults who are on fixed incomes or relying on Medicaid subsidies. Reading through the proposed bill, it's unclear how the state's Medicaid program is supposed to finance the costs associated with Medicaid rate recommendations. There really is no guarantee that Medicaid funding will adequately cover increased costs. As you may have heard, the Oregon Department of Human Services just completed a Rate and Wage study that showed it will take an investment of $800 million in new General Funds in the next biennium alone to get caregivers' average wage to $23 per hour.

I also wondered how the majority of residents who don't qualify for Medicaid are supposed to afford the increased cost of long-term care services themselves. We can expect they are likely to spend down the savings they're using to supplement their income and cover monthly costs at a much faster rate, thereby qualifying for Medicaid much sooner than anticipated. We already know how rising costs create access barriers for older adults who don't financially qualify for Medicaid. How many more consumers will be unable to access assisted living and memory care due to increased costs?

It's important to keep in mind that almost half of our assisted living residents statewide are Medicaid recipients. Recent wage studies have shown how the program pays less than it costs to provide care. A 2023 PSU study concluded that Medicaid only covers 75-88% of the cost to provide care in assisted living/residential care. As a result, we are seeing communities with a higher proportion of Medicaid residents being unable to meet their loan commitments, generate enough income to adequately cover their operating costs or go out of business.

The unintended consequences of this well-intentioned but structurally unsound bill are likely to adversely impact providers and Medicaid recipients, particularly in rural areas, where facilities tend to have a higher proportion of Medicaid residents and may be at a higher risk of closure.

In summary, we have a shared interest in offering more sustainable wages and benefits to our caregivers. We also know that older and disabled adults typically have fixed incomes and limited financial resources to afford long-term care. Unfortunately, this bill does nothing to ensure that the communities we manage are better able to offer more competitive wages while continuing to serve lower income residents and operate in a financially sustainable way.