

## **A Message from the President & CEO Mark Parkinson**

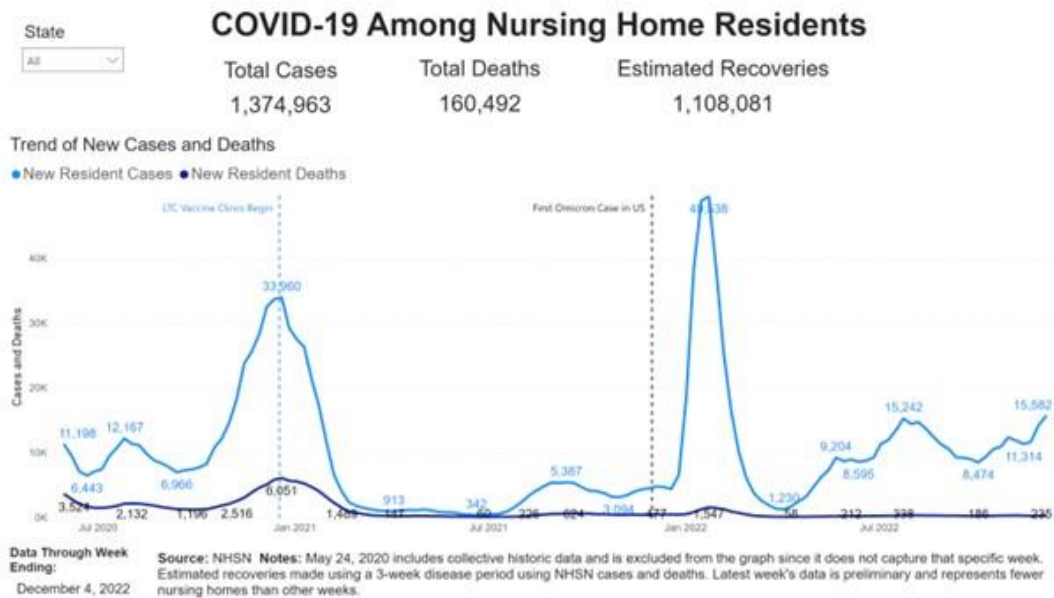
### **A Slow Recovery in 2022; Providers and State Associations Shine**

When I think of 2022, two things come to mind. First, COVID recovery is taking longer than I ever expected. Second, our members and state associations really stepped up in 2022. This memo will reflect on both and points to what I believe will be a better 2023 and beyond. The [2022 AHCA/NCAL Annual Report](#) is also now available and highlights several areas discussed below.

#### **THE CLINICAL RECOVERY HAS BEEN SPECTACULAR**

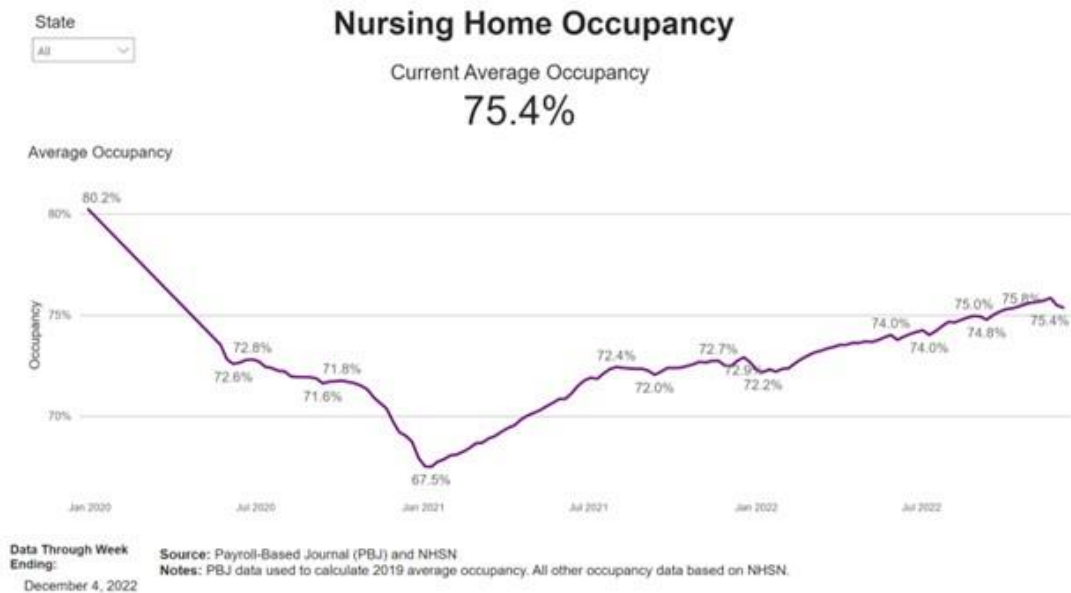
In 2022, providers continued the already impressive performance in combatting COVID in our buildings. While case counts soared in the general population and increased somewhat in our buildings, far fewer residents got seriously ill, were hospitalized, or died. Thankfully, the mortality numbers from COVID are close to all-time lows.

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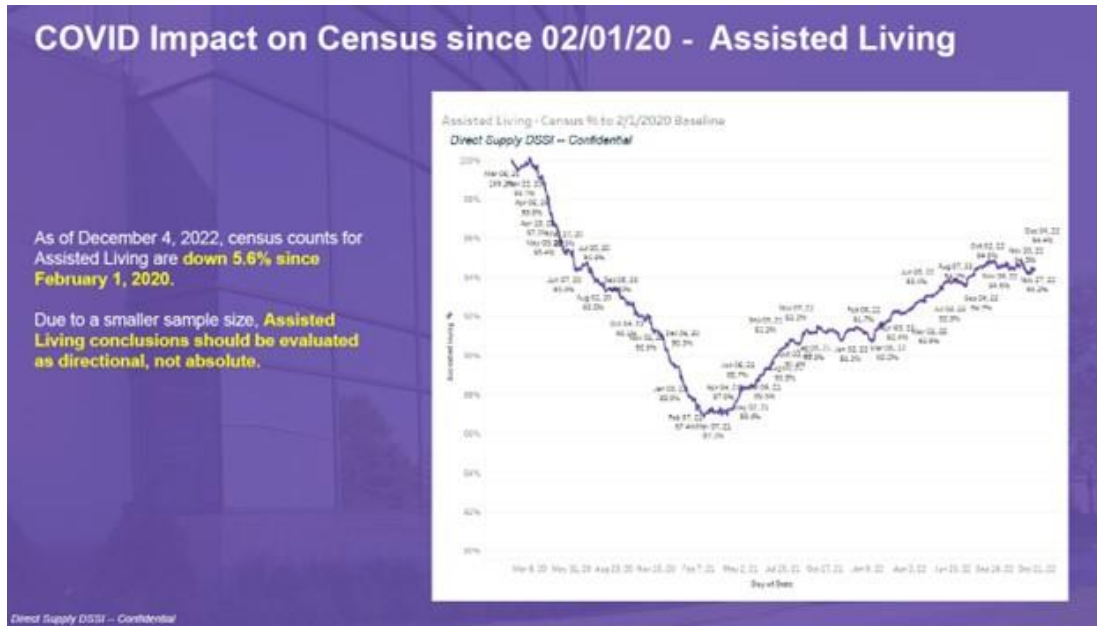


## THE BUSINESS NIGHTMARE CONTINUES

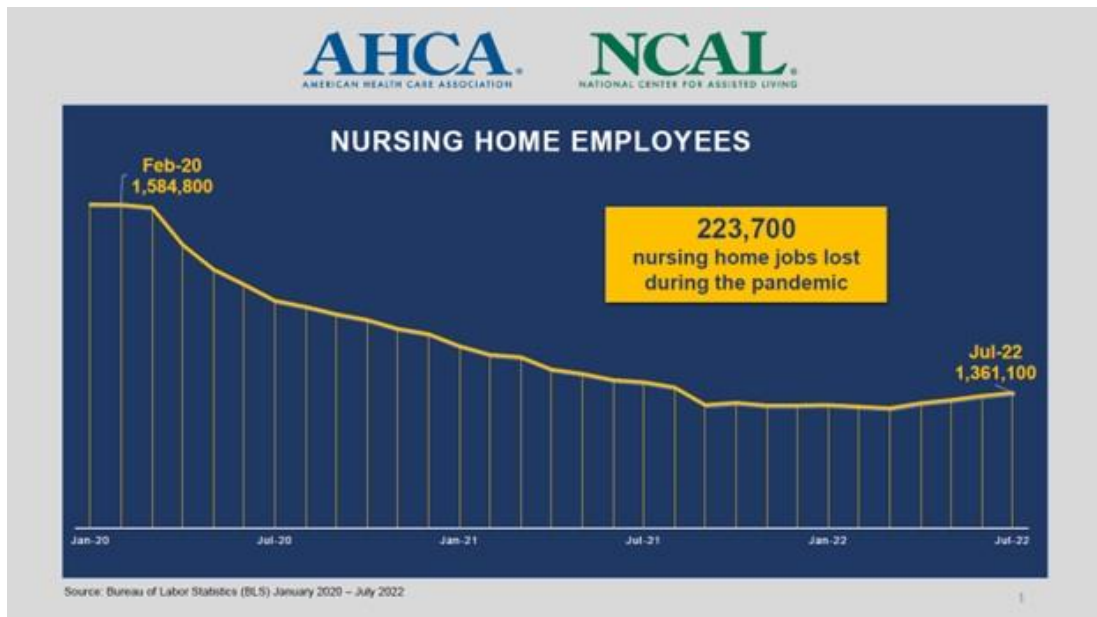
Unfortunately, the recovery on the business side has been excruciatingly slow. The double whammy of low census and a historic workforce shortage made 2022 the toughest business year in the history of the sector. We had hoped for a full census recovery by the end of the year. That did not happen.



For the entire year, we achieved a 3.5% increase in our census. At this rate, it will take all of 2023 and then some to get back to pre-pandemic census. This is true not just on the skilled nursing side, but also with assisted living.



As challenging as census has been, the workforce shortage has been more daunting. We have lost hundreds of thousands of workers during the pandemic, and it's not clear if they are coming back.



While the loss in skilled nursing jobs is the most profound, assisted living has lost over 6,000 workers as well.

### HOW DID WE SURVIVE?

Given these immense challenges, a legitimate question is how did we survive 2022? It's a fair question, and the answer is a combination of factors. First and foremost, providers persevered. You refused to give up. You cobbled together whatever resources you had left from federal and state payments, and you survived. Providers are the true superstars in 2022, just as they have been throughout the pandemic.

Second, many states stepped up. The federal government sent hundreds of billions of dollars to states starting in 2020, and most states have spent some of it on providers. Our state leaders and our state associations have done an incredible job at asking state governments for help. Most, but not all states, provided significant help in 2022. This has been a year where our state executives are among the true superstars, and it's a year where I am thankful for our federation model.

Finally, there was modest help from the federal government. We pulled together and were able to get a proposed Medicare cut turned into an increase. We encouraged HHS to extend the Public Health Emergency, and it

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did so four times. And we finally convinced CDC to relax its burdensome PPE requirements on our staff.

## **THERE ARE STILL CHALLENGES**

The low point of the year was the President's State of the Union address. His words and subsequent White House press releases implied that providers were responsible for the COVID deaths in our buildings. There are no words that can describe my anger and frustration over those comments. My anger stems from heroes being treated as villains. My frustration stems from the complete lack of understanding demonstrated by the comments and the proposed policies connected with them.

To be fair, some of the President's policies make sense. It's well past time for us to admit that poor providers have been a plague to the sector. They cause all of us to get cast as bad guys, and they result in policies that punish even excellent providers. The AHCA Board quickly supported the President's policies that focus on the small minority that are poor providers.

But some of the Administration's proposals are simply impossible to implement. The headline for one of these is the upcoming minimum staffing rule. All of us agree that it would be great to have more staff in every health care setting, including nursing homes and assisted living. Unfortunately, a 4.1 hours per resident day (HPRD) minimum staffing requirement for SNFs that CMS is likely to impose is impossible to implement. The cost is prohibitive and even if funded, the workers don't exist.

We don't have to guess the cost or number of workers needed for a 4.1 HPRD mandate. Every nursing home in the country submits its staffing data to CMS. The accounting and consulting firm CLA (CliftonLarsonAllen LLP) looked at that data and calculated the number of workers needed to get each building to 4.1 and the cost of doing so. This is not a guess. It's based on the actual number of workers in buildings. The results show why this policy can never be operationalized.

The [CLA report](#) shows:

1. To comply with 4.1 HPRD, we need more than 191,000 more workers than we have right now. This includes 44,000 RNs, 3,800 LPNs, and 143,000 CNAs.
  2. Assuming we could somehow find these workers, it would cost an additional \$11.3 billion per year.
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3. In every state in the country, the vast majority of nursing homes will be out of compliance. Currently, 94% are below 4.1 HPRD. This will put hundreds of thousands of residents across every state at risk of displacement. Already, nursing homes are closing because of a lack of workers. This will accelerate closures.

Despite all of this, the White House is determined to issue a staffing rule. We are very focused on shaping this rule before it comes out, and we will need your help. In January, we hope to generate thousands of emails from our members to the White House that explain how impossible it would be to implement this policy. We will reach out to you next month and ask for your help with this project.

A great lesson from 2021 and 2022 has been that when we work together, we can make a huge difference in D.C. We have three great examples.

1. When the vaccine mandate came out in August of 2021, it was just for skilled nursing buildings and there were no exceptions. Within five days there were 4,000 emails from our members to the White House. One week after the President announced the mandate, the White House changed course and announced it would apply the mandate to all health care providers and would include exceptions.
2. After CMS announced a Medicare cut, we generated 6,920 comments from members. Two months later, CMS reversed itself, and we ended up with an increase.
3. Most recently, we generated over 5,000 comments to the CDC. It then revised our PPE requirements.

Our members are our most effective messengers, and together, we can continue to shape policy in D.C. You need to continue sharing your real world stories in your own words. That will make a big difference.

### **ASSISTED LIVING EFFORTS REMAIN STRONG**

The NCAL team has worked hard this year in a challenging environment to ensure assisted living communities remain regulated at the state level. They've worked closely with state affiliates facing regulatory challenges in their states, and advocacy efforts continue to focus on the point that a one size fits all regulatory approach will not allow our providers to meet the individualized needs of assisted living residents.

We have seen many states impose infection control guidelines on assisted living in 2022, as well. The NCAL team has proactively worked with the CDC to

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ensure developed guidance is appropriate for assisted living.

A continued focus will be placed on protecting Medicaid as a viable funding stream for Home and Community Based Services in 2023, as well as finding ways to ensure the senior care sector is evolving and continuing to grow. NCAL has put significant effort behind supporting affordable assisted living and will continue that into 2023.

## OTHER AHCA/NCAL EFFORTS

In addition to our traditional D.C. focus, the AHCA Board, led by Phil Fogg, has us focused on additional efforts to help the membership. Here are some of the highlights.

1. **State Work:** With the success of our state affiliates, the Board has set aside \$5 million to allow us to work directly with states on efforts to increase Medicaid reimbursement at the state level. We have now been directly involved in 10 efforts that have resulted in significant Medicaid increases. We will continue to focus on this in 2023.
  2. **Help with the Cost Side:** Large providers have long had access to group purchasing organizations to lower their cost of goods and services. We have now developed a way for middle size and smaller operators to participate in the very best [Group Purchasing Organization](#) (GPO) in our space. Hundreds of buildings are already now saving tens of thousands of dollars every year, and we will continue to share this information with all our members.
  3. **Workforce Assistance:** We know that attracting and retaining workers is our members' number one problem. We have just created a new initiative, Careers in Caring, with a [website](#) that has multiple resources for providers of all sizes to improve their hiring and retention efforts.
  4. **Assisted Living Regulatory Resource Center:** Fortunately, we have been able to hold off the regulation of assisted living at the federal level, but there continues to be intense activity at the state level. Until now, there has not been a one stop shop for assisted living providers to learn everything about regulation in all 50 states and D.C. Some information is [currently available](#), and our NCAL Board, led by Gerald Hamilton, will continue to lead this effort and develop additional content in 2023. You can contact [Jill Schewe](#) at NCAL with questions.
  5. **Population Health Management (PHM):** This may be one of the most important opportunities for our members. PHM models allow all providers to improve quality and develop approaches, which provide additional revenue to aid with improving care and offering more stability in their respective markets. Models include Provider-Owned Networks,
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Special Needs Plans, and LTC Accountable Care Organizations. We've been fortunate to have great member leaders in this area, as well as bringing on an in-house team to work with state affiliates and members. We will continue this essential work in 2023. You can contact [Jill Sumner](#) at AHCA with questions.

### THERE IS REASON FOR HOPE

While our business recovery has been slow, it is occurring. Over 30% of our membership is now at or above pre-pandemic census. Agency staff usage is dropping, and employee retention is increasing. There truly is light at the end of the tunnel.

Hopefully, 2023 will be the final year of recovery. We have a real chance for the clinical picture to remain bright and for census to recover. Together, but only if we are together, we can defeat negative policy proposals and continue our reimbursement wins. We have a real chance that we can start 2024 with the pandemic behind us and brighter days ahead.

At AHCA/NCAL, we will fight for that vision, and we know you will fight for the residents every single day. Thanks so much for the honor to represent you in D.C. Thanks for your support and encouragement in 2022, and let's make 2023 our final year of recovery.

Sincerely,



**Mark Parkinson**  
President & CEO, AHCA/NCAL

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