

**TESTIMONY OF  
FRED BENJAMIN, CHIEF OPERATING OFFICER  
OF  
MEDICALODGES, INC.**

**BEFORE THE  
HOUSE COMMITTEE IN EDUCATION AND THE WORKFORCE  
SUBCOMMITTEE ON WORKFORCE PROTECTIONS**

**MARCH 14, 2013**

Good Morning Chairman Walberg, Ranking Member Courtney, and distinguished members of the Subcommittee. I'd like to thank you for holding this hearing to explore the labor shortages facing our Country, and I especially appreciate the opportunity to appear before you here today. My name is Fred Benjamin, and I am the Chief Operating Officer of Medicalodges, Inc., a company that offers a continuum of health care options which include independent living, skilled nursing home care, rehabilitation, assisted living, specialized care, outpatient therapies, adult day care, in-home services, as well as services and living assistance to those with developmental disabilities. Medicalodges is a member of the American Health Care Association (AHCA) which is a member of the Essential Worker Immigration Coalition (EWIC) -- a broad-based national coalition of businesses and trade associations concerned about the shortage of semi-skilled and unskilled labor.

Medicalodges was launched in 1961 when its first nursing home, Golden Age Lodge, was opened in Coffeyville, Kansas by founding owners Mr. and Mrs. S.A. Hann. The company grew through the 1960's with the addition of eight nursing facilities. In 1969, Golden Age Lodges was renamed Medicalodges, Inc. As new care centers were built or purchased, the company expanded its products and services to include a continuum of health care. In February, 1998 the employees of Medicalodges acquired the company from its previous owners in a 100% Employee Stock Ownership Trust transaction. Today, the company owns and operates over 30 facilities with operations in Kansas, Missouri and Oklahoma and employs over 2200 people in the communities it serves.

I have served as the Company's Chief Operating Officer since May, 2009. I am honored to have served 30-years in this industry that includes senior management roles in skilled and sub-acute care, hospitals and other for-profit and not-for-profit ventures. I am also currently serving as Chairman of the Board of the Kansas Health Care Association, the leading provider advocacy group for seniors in Kansas.

## **Worker Needs are Critical and The Impact is More Profound in Skilled Nursing Facilities**

We have critical staffing needs. There are chronic shortages throughout the nursing home industry. If you are in the business of caring for our nations' elderly, whether you are for-profit, non-profit, or government managed, it is a daily struggle to find enough dedicated caregivers to care for the people in your charge. Let me tell you a little about the state of nursing homes today.

We are different from other employers in many ways. We are responsible for the lives of 1.5 million frail and elderly citizens nationwide. And this is the fastest-growing segment of our population.

The general causes of the shortage have been explored. In addition to the causes that affect employers of all types, the nursing home industry is confronted with the following:

- Chronic underfunding through Medicare and Medicaid which prevents higher wages from being paid to our workers;
- A newly altered regulatory system that focuses on fines and penalties (often for failing to provide adequate personnel) instead of the previous system where government employees were encouraged to help centers meet the challenges they face;
- Dramatically increased competition for caregivers from assisted living centers, independent housing for the elderly, home care centers and hospital based nursing homes – all of which seek the workers we traditionally employed;
- Annualized turnover rates of nearly 100% in our industry among staff personnel, and now excessively high turnover rates among our managers who are increasingly frustrated with overwhelming paperwork, regulation, and underfunding;
- Challenge of caring for infirm and often difficult residents;
- Mandated training and certification of most employees;
- Need for dedicated and caring personalities;

- Increasing age of workforce – with fewer young workers entering long term care; this means that these young workers are increasingly *not* choosing long term care as a profession of choice, which is alarming as baby boomers age in greater numbers.

## **Government Dependence**

We are almost completely dependent on the government for payment of our services, and do not have the ability to raise our prices. Nearly 80% of the residents in our facilities are beneficiaries of the Medicaid or Medicare Program. Of the remaining 20%, 17% are spending their life savings until they are poor enough to qualify for Medicaid, and only 3% have private insurance.

While we do not have the ability to raise our prices, we also have little ability to reduce our expenditures. The government inspects every nursing home every year to look for errors in compliance with several hundred regulations. These measures by the government are intended to root out providers of poor care – but as designed and implemented, only focuses on fines and paperwork, and not on patient care or quality measurement. If we are found lacking in any small way, we can be subject to fines up to \$10,000 per day or closure. Furthermore, I would never reduce expenditures in a way that would have a negative impact on quality of care. This puts me, and every other nursing home operator, in a squeeze, and we are asking you for understanding of our challenges and relief.

## **The Role of Caregiver**

Dedicated caregiving staff that work in our facilities every day and every night are the unsung heroes of the American workforce. The job of caring for the elderly and disabled is one of the most demanding jobs on many levels.

It is difficult physically to lift, turn, transport, position, and keep up with our residents' care day and night. It is psychologically demanding to work with our Alzheimer's residents who are often confused, angry, scared, or lonely, and to make their days rewarding and productive. It is emotionally draining to care for those in the twilight of their lives, share their frustration and fears, and still assure that they are getting the very best medical care we can provide. Their needs must come first, and staff must learn to put their own needs second to their residents. These are the residents that hospitals cannot care for, whose families cannot care for them, and who are dealing with multiple chronic illnesses.

Our dedicated staff do a very hard job for a wage that is as much as we can pay, but never enough, in my opinion, for the service they provide. Without these caregivers, our seniors will suffer.

The shortage of labor and difficulty in finding adequate levels of staff on a daily basis, 24-hours each and every day of the year, is cited as the number one reason prompting many of our existing workers to leave our company and seek alternative employment. We lose some of our best managers during this period of time when their skills and compassion are crucially needed.

Because of the difficulty of the job, and our inability to increase wages or prices, long term care has always been a high turnover industry. My company's turnover rate in lower skilled

categories is approximately 60% annually - - significantly lower than most companies in the industry. We do focus on retention initiatives and employee recognition and involvement. We have implemented dozens of programs, and empowered our facilities to implement their own initiatives. We are active in implementing total quality management techniques successfully used by the best companies in America. Indeed, four of our facilities were recently identified by US News and World Report as among the “Best in America”.

## **How to Retain Workers**

For many, the first reaction is “You aren’t paying enough.” Let’s address that perception first. Most people think of nursing homes as a minimum wage employer. This is simply not true. At Medicalodges, certified nurse aides presently receive an average of \$11.50 per hour, plus benefits, which include health insurance, participation in the company Employee Stock Ownership Program, 401k programs, vision, and dental care. We regularly review wage rates to ensure that they are competitive.

We are limited in our ability to compete with other employers because of our inability to set the prices for the vast majority of our services. Congress and our nation’s Governors do that when establishing Medicare and Medicaid rates. In this regard, the State of Kansas, like many others has recently implemented a Managed Care approach to Medicaid. What many Americans fail to realize is that Medicaid pays for the long term care services received by 2 out of every 3 skilled nursing patients.

In fact, national data underscores the tight margins within which skilled nursing facilities operate. Recent data show that out of every health care dollar earned, only 1.5 cents is profit. For

Medicalodges, after we pay property and real estate taxes, whatever is left goes to only two places; our ESOP (employee pension fund) or back into our facilities.

Secondly, our nursing centers are not factories. We cannot stop the assembly line or reduce the services we provide to accommodate budget cuts. The elderly we care for depend on us 24-hours, everyday, weekends and holidays. If we have a staff vacancy, we must fill that vacancy. Ms. Johnson will still need help getting dressed and eating in the morning. Mr. Smith will need therapy to help him swallow and learn to walk after a stroke. **These services are not optional.** We need certified nurse aides (CNAs), licensed practical nurses (LPNs) and registered nurses (RNs) to provide skilled services around the clock in every facility. We provide services in both rural and urban locations. Vacancy rates for CNA's can approach 20% for LPN's 10% and RN's 10%.

## **Addressing the Recruitment Problem**

What has Medicalodges done to address the vacancies and shortages?

Historically, I have hired extensively from the welfare rolls. The nursing home industry in general has hired over 50,000 welfare recipients in the last three years. Most of them are single mothers whom we train to become certified nurse aides, and put on a career path in health care. This is the only career path that I know of that can help take people from economically disadvantaged situations to the middle class. Unfortunately, all too often they will complete their training with us, and then be hired away by hospitals or other providers who do not have to deal with our heavy reliance on government-set payment rates.

- Several states, including Wisconsin and Florida, have taken steps to use federal funds to help support training programs specifically targeted on meeting the labor needs of the long term care industry.
- In our profession, the residents' welfare must be top priority. Hence, we perform criminal background checks on each potential employee. This process significantly adds to costs, but eliminates an estimated 10% of applicants from eligibility for hire, and appropriately so.
- We have offered signing bonuses of \$1,500 for certified nursing assistants – and even higher for licensed personnel.
- We have set up tables in grocery stores to recruit new employees, sent direct mail, posted job openings in communities, schools, and even laundromats.
- We offer multiple incentives for recruitment. We have flexible scheduling, good benefits, recruitment bonuses, shift differentials, float incentives, pay in-lieu of benefits, and many other programs to attract the dedicated caregivers we need.
- Every one of my facilities has a substantial recruitment and retention function. We make great efforts to reduce turnover and maintain a stable workforce through flexible scheduling, employee appreciation efforts, mentoring programs, and much more. We even involve our residents in interviewing candidates. **Yet it is still not enough.**

## Conclusion

Our labor shortage is our most pressing operating problem. The labor shortage deprives us of the most valuable resource we have, our caregivers. If we are to meet the expectations set for us, policymakers must act now to expand access to new pools of staff and take steps to encourage employment in long term care.

I would like to present solutions to you that will address our staffing crisis:

- Of course, I would like to increase staffing, and increase wages. As I mentioned earlier, I am not able to do so, because Medicaid and Medicare reimbursement levels do not allow me to. It is truly a national shame that we invest so little in the care of our elder population. These programs pay for more than 3 of 4 of all my residents. And that ratio is fairly consistent throughout the field. Please urge your colleagues in Congress to invest more in our nation's elderly and fix these broken and underfunded programs. Enacting a wage pass-through for Medicaid will assist providers to increase wages.
- We need to increase staff supply, and there are many talented immigrants who are anxious to enter the caregiving field, yet are faced with insurmountable roadblocks. These talented caregivers should be given the opportunity to make a living and make a difference in their own lives and the lives of others. To increase the supply of labor, please give special consideration to permitting new entry for immigrants with nursing skills as well as increasing the pool of unskilled labor. We need a new immigration system that serves the economic needs of the U.S. economy. If an American employer is offering a job that American citizens are not willing to take, we ought to welcome into our country a person who will fill that job – especially a job that

has the capacity to improve the health and well being of a vulnerable senior, or person with disabilities.

We struggle every day to ensure that the labor shortage does not negatively affect the quality of care delivered in our facilities. This is a difficult and highly complex balancing act that is currently taking place in nursing centers across the country. I urge you to take a broader look at this staffing crisis and think about the frail and elderly population we serve – our parents, our grandparents, our aunts, our uncles, our neighbors and yours-- those special people who have given so much to us and our country. We owe it to them to provide the best possible care, don't we? I am here to ask you who will care for them if this critical situation is not addressed immediately. Thank You. I am happy to answer any questions that you may have.