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Chair John Hoffman
95 University Avenue W.
Minnesota Senate Bldg., Room 2111

Dear Chair Hoffman:

Thank you for hearing SF1725, we welcome the opportunity to comment on funding for the industry wide minimum wage standard set by the Nursing Home Workforce Standards Board. SEIU Healthcare MN & IA represents over 50,000 healthcare workers in Minnesota who work in hospitals, clinics, nursing homes, and self-directed home care. Our members strongly supported the creation of the Board and our local union President, Jamie Gulley, serves as Board Chair.

We assume SF1725 is offered to support the goals of the Nursing Home Workforce Standards Board (NHWSB) and to best implement the minimum wage rule. In addition, we believe you can support some version of  SF1725 without also believing the funding proposal in the Governor's budget is insufficient. The Governor's funding proposal meets the requirements of the law and we believe it provides sufficient funding for the industry to meet the NHWSB standard. But it is an open policy question whether the legislature wants to do more than the legal minimum and it may determine that 'sufficient' is not the best policy. We have told legislators that as long as the legislature meets the minimum necessary for the law, we think the legislature can discuss whether additional funding is prudent and we want to be part of that discussion.

No one has an interest in seeing nursing homes close because they cannot meet the standard for genuine financial challenges. The law allowed the Board to create a waiver process for homes that cannot meet the standard. The Board has used that authority to create a waiver process and will recognize cases of genuine hardship.

We would dispute the principle that SF1725 seems to embody. It is not necessary for the legislature to fund every nursing home pay raise upfront under the known cost factor and outside of the regular Value Based Reimbursement system. Under VBR, nursing homes give raises, sometimes large raises, all of the time without requiring this additional up-front funding mechanism. They frequently negotiate contracts with unions that provide raises for large numbers of workers without requiring this additional upfront funding mechanism. The wage increases mandated by the NHWSB are, perhaps, wider in scope, but they are not different in kind from wage increases that industry regularly provides under VBR, without the known cost factor funding.

We are concerned that the additional funding under SF1725 is not well-targeted to workers. Under the status quo, according to DHS, nursing homes will, on average, receive enough of an increase to cover the extra costs associated with the minimum wage rule. The SF1725 funding will also satisfy those extra costs. That might mean the existing VBR funding could be used to fund additional wage and benefit increases, but that is not guaranteed. It is possible that if you provide the new money through the known cost mechanism to cover the minimum wage costs, then nursing homes will use the existing VBR funds for other non-labor costs. There is some reason to fear this. We advocated for the NHWSB because wage increases did not seem to be keeping up with rate increases. In fact, an industry representative recently stated in committee that in the nine years since VBR was implemented “caregiver wages have risen nearly 70%”. We have not been able to confirm this figure and it may be an overestimate. Nevertheless, in that same period, reimbursement rates have gone up nearly 100%, a much higher figure. This may explain why so many of our members felt that your tremendous investment in their industry was not going proportionately toward their paycheck. We encourage the legislature to look at ways to make sure any funds freed up by additional funding for the NHWSB minimum wage rule revert back to additional employee wages and benefits.

There is also the question of targeting homes that most deserve help. This bill fully funds the difference between what homes pay now and what they will pay under the minimum wage rule. You do not have to believe DHS when they say current VBR funding is sufficient. In their comments before the Board, industry representatives said that they expected a large majority of homes to meet the minimum wage rule, while some of the remainder would struggle. The remaining minority probably divides into two classes. The first are homes that are trying to do the right thing but are struggling with objective financial challenges. But the second group includes homes that have chosen to underinvest in wages. They may be overpaying on management salaries, rent, service contracts, or other financial arrangements. This bill will do the most to help homes that have done the least to raise wages and it won’t matter if they did so for legitimate or other reasons. It does the least to help those homes that have tried to do the right thing by investing in workers. We encourage the legislature to look at ways to make sure that homes that have done the right thing and moved closest to the minimum wage rule do not suffer a competitive disadvantage against homes that have chosen to underinvest in their workforce.

Minnesota has taken a tremendous step to give all nursing home workers a voice in helping to set this industry wide minimum wage. The funding in the Governor’s budget is sufficient for that goal, but the legislature may, even in these challenging fiscal times, want to go further. To get the best value for taxpayer dollars we encourage the legislature to consider ways to better target such additional funds.

Sincerely yours,

Rick Varco

Political Director