I/we respectfully urge the Senate and Assembly Budget Committees to approve the California Association for Health Services at Home proposal to appropriate $54,526,306 to provide a 40% Medi-Cal rate increase to help attract and retain nurses who provide home health care to pediatric patients. This appropriation would also generate $69,397,118 in matching federal funds. The proposal was also heard recently by the Senate Budget Subcommittee on Health.

Private duty nursing (PDN) is continuous skilled nursing care provided in the home for medically complex and vulnerable pediatric and adult patient populations under Medi-Cal, many of whom require assistive technology such as ventilators and tracheostomies to sustain life.

***An acute nursing shortage.***The country and the state of California are experiencing a nursing shortage, while at the same time, demand is higher than ever and expected to rise. The Employment Development Department shows median wages for nurses have increased across the state by 17% between 2018 and 2022; increases have been even more dramatic in urban areas (27% in Los Angeles and 30% in the East Bay).

Some segments of the health care delivery system as well as other states have taken aggressive action to recruit nurses, including higher salaries and signing bonuses of up to $10,000. As home health agencies have been unable to compete for nurses, more children are receiving fewer nursing hours than Medi-Cal has authorized and remain in institutional settings longer.

***Substantial Medi-Cal cost savings.***Just as important as providing medical care in the child’s home is the fact that by doing so, the state will save hundreds of millions of dollars that would otherwise be spent in institutions.

Two analyses issued by respected health care researchers concluded that the combination of PDN wage limitations under the current Medi-Cal rate and California’s overall nursing shortage have resulted in more PDN eligible children remaining in and returning to hospital care.

According to the analysis by David Maxwell Jolly of California Health Policy Strategies, due to lagging Medi-Cal reimbursement rates, there are not enough nurses to care for the medically fragile children who are able to leave the hospital. Lack of in-home nursing drives up costs through:

* Discharge delays,
* Longer overall hospital stays while waiting for adequate in-home nursing coverage,
* Increased chances of readmission within 90 days, and
* Overall increased chances of hospital admissions for children who are being cared for at home but not receiving enough treatment due to lack of adequate nursing coverage.

Maxwell Jolly concludes that current inadequate spending levels for PDN care resulted in 25% fewer hours of in-home health care and a 5-fold (460%) increase in delayed hospital discharges and hospital readmissions. If Medi-Cal reimbursement rates were increased to levels that prevailed in 2020 (as reflected in the 40% request), the increased PDN cost would be $310 million but would save $843 million in unnecessary hospital costs.

Based on claims data, Berkeley Research Group similarly concluded that 25% of hospital days for PDN eligible children occurred after the children were medically ready for discharge but were unable to be returned home because of inadequate availability of home health nursing. BRG found that the daily cost of hospital care for this population is $6992 as opposed to $662 for PDN care. If the Medi-Cal rate was increased by 40%, allowing the 25% of inpatient hospital days to be shifted to the home, Medi-Cal would save $303 million.

***PDN nurses.*** Nurses in this specialty care serve the most medically fragile individuals in the state, including children with special healthcare needs (CSHCN) and children with complex chronic conditions (CCC) along with adult patients who require similar services. These individuals require skilled nursing services performed in the home by a Registered Nurse (RN) or Licensed Vocational Nurse (LVN) under the supervision of an RN on average 12 hours per day every day in order to manage their chronic condition and keep them safe in their homes and communities. The goal is to keep these individuals in their homes, the setting that promotes their highest quality of life and allows them the opportunity to be with their families and engage in their communities.

***Finally.*** Improving the Medi-Cal rates for PDN will allow home health agencies to attract and retain more nurses, contain costs and promote better quality of life for California patients and their families. Through reductions in avoidable hospital utilization, home care providers keep people in their homes and communities (where they overwhelmingly prefer to be) and with appropriate skilled care support. This provides cost savings by rebalancing the state’s long-term care financing toward home and community-based services rather than more costly facilities or institutional settings.

Provided that this rate increase is made available swiftly after the start of the new fiscal year, we believe that the state will begin to realize substantial cost savings in the budget year.

We urge the Legislature and the Administration to give favorable consideration to this important budget request.