

Thank you Chairwoman Baker, and esteemed Members of both the Appropriations and Labor & Industry Committees.

Capital Healthcare Solutions operates a Home Care and Home Healthcare Agency in Southwestern Pennsylvania doing business as Harmony Home Healthcare. Our organization is also a member of the Pennsylvania Homecare Association or "PHA".

The FLSA's white collar exemption change will require our organization to convert 22 of 43, representing 51% of our internal staff, from salary employees to hourly employees. Several positions such as patient care coordinators (schedulers), recruiters and certain managers will be all impacted by the change. We pay our salary employees an average of 22% higher than the current regional Per Capita Income of nearly \$31,000. The Home Healthcare Business is a 7/24 business requiring the aforementioned team members to be flexible, responsive, and passionate about their responsibilities to our patients and consumers. Thus, in addition to the financial burden from increased wages, the administrative burden of tracking small increments of time for after hour and emergency situations will obviously have an additional cost.

The ACA act is well documented as to the burden it has had on small businesses. Mr. Collins mentioned the impact of the skyrocketing premiums

making it very challenging for employers to offer cost effective benefit packages. In many cases, the costs of our employer sponsored plans are not competitive with the exchange or individual plans offered in the open market. Accordingly, as an employer, we experience adverse selection with our participant population. This in turn, keeps our rates increasing each year making for spiraling cost structure with no end in sight.

The inability to obtain reimbursement increases in Medicare and Medicaid to cover these additional costs has hindered Home Healthcare Employers to keep pace with wages in a very competitive labor market. This is especially true for Home Healthcare Aides that can obtain more lucrative wages at many less taxing positions in other industries.

Our inability to provide employees competitive wages and benefits have resulted in a significant retention issue. We estimate that retention costs our organization between \$750,000 and \$1,000,000 annually. These costs do not include the opportunity costs of lost revenue as we constantly fall short of meeting the demand for our services due to the lack of employees. This year, for example, we intend to hire approximately 1,200 employees to employ a workforce of between 500 and 600 employees. We estimate that our current demand warrants employing a workforce of a 1,000 individuals.

In speaking with my colleagues throughout the industry, the number one challenge in our industry is hiring and retaining enough great employees.

It is important to note that many Home Care employers have opted to pursue only private pay clients as a result of all the aforementioned issues regarding soaring costs and stagnant Medicaid reimbursement. This is something our organization reviews quarterly as we too may be on the verge of changing our strategy to focus on only the private pay market.

The average cost to care for an elderly patient in the home is estimated at approximately \$2,500 per month compared to \$9,500 per month in a long-term care facility. Beyond the cost, the physical and emotional benefits from remaining in one's home are proven to be astounding. Multiplying this cost differential times the ever increasing elderly population; it quickly becomes evident that the economics demand that we support the need to sustain a strong Home Healthcare Industry.

In conclusion, it is of my opinion that Medicare and Medicaid spending in the Home Healthcare sector today is imperative to maintain a provider network capable of providing the most cost-effective care model tomorrow.

