

MEMORANDUM

A.5905-B (Woerner)/S.6914-A (Rivera)

AN ACT to amend the public health law, in relation to residential health care facility rates

LeadingAge New York strongly supports this legislation, which would require New York State’s Department of Health (DOH) to update nursing home Medicaid rates at least every five years, in consultation with a workgroup that includes technical experts in nursing home rate setting. The costs, which are the basis of the Medicaid daily operating rate, or “base rate”, represent what nursing homes spent in 2007 to provide care. Although the cost of that care has increased significantly, New York’s “base rate” has not been updated since 2007. This bill requires more frequent and consistent updates of nursing home Medicaid reimbursement to ensure that it is better aligned with current costs and that providers have the resources necessary to sustainably recruit and retain quality direct care staff.

In New York State, a nursing home is paid a single rate per day for each Medicaid resident that it serves. Nearly 75% of nursing home “resident days” are paid for by Medicaid, making it the main payer for nursing home care delivered in New York, and the main revenue stream for providers that serve our most vulnerable. While the operating base rate is adjusted for regional wage differences (using outdated wage data from 2009) and resident acuity, the starting point is the average statewide daily cost from 2007, further reduced by 9 percent.

Unlike the majority of other states that annually adjust their Medicaid rates for inflation and/or periodically update the cost year on which reimbursement rates are based, New York has done neither since 2007. As a result, costs have increased annually, while the foundation of reimbursement has remained flat. Although Public Health Law requires Medicaid rates to be adjusted for inflation annually, those adjustments have been eliminated each year since 2008. If inflation adjustments had not been eliminated, rates today would be 40% higher than they are. While the State Fiscal Year 2023-24 Budget provided a 6.5 percent increase to operating rates, and the 2024-25 Budget provides a modest increase for inflation, these increases cover only a small fraction of the cost growth providers have experienced since 2007.

An outdated methodology combined with the lack of inflation updates for 15 years has resulted in a \$1.6 billion *annual* Medicaid funding gap for nursing home care in New York State. The impacts of chronic underfunding are apparent in our health care workforce crisis and access to care challenges being felt through-out the health care continuum. Lack of adequate Medicaid reimbursement impacts providers’ ability to recruit and retain more staff, and lack of staff directly impacts older adults’ access to quality care, close to home. Today, there are 5,600 fewer nursing home beds available for admissions than there were in 2019, and eleven nursing homes have closed since 2020 alone.

This legislation and an updated nursing home reimbursement methodology would **promote quality** by linking payment more closely to direct care expenditures and preserving endangered high-quality providers; **ensure access** by preventing bed closures especially by providers that are striving to adhere to staffing requirements; and, **increase efficiency** by providing the opportunity to better link payments to quality and outcomes, such as reducing avoidable hospital use and managing residents’ chronic conditions. **For these reasons, LeadingAge New York supports A.5905-B (Woerner)/S.6914-A (Rivera).**

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