

## MEMORANDUM

A.5905-A (Woerner)/S.6914 (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. This bill requires the more frequent and consistent updating of the nursing home Medicaid “base rate” to ensure that reimbursement 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 base rate may vary from one nursing home to another depending on several adjustments (e.g., regional wages & resident acuity) the starting point for all is the statewide average costs. To set the statewide base rate, the costs for all nursing homes in the state are summed and then divided by the total number of resident days. The Medicaid rates that nursing homes are currently being paid are based on 2007 costs reduced by 9.5 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 provides a 6.5 percent increase to operating rates, this increase covers 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An outdated methodology combined with the lack of inflation updates for 15 years has resulted in an average *daily* reimbursement gap of \$74 per resident. The impacts of chronic underfunding were apparent even before the COVID pandemic significantly exacerbated the financial pressures providers were facing – since 2014, 30 of New York’s nursing homes have closed and more than 50 non-profit and public homes have been sold to for-profit entities.

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-A (Woerner)/S.6914 (Rivera).**

*LeadingAge New York represents over 400 not-for-profit and public long-term care providers, including nursing homes, home care agencies, senior housing, retirement communities, assisted living, adult care facilities, adult day health care and managed long term care.*

Contact: Sarah Daly, [sdaly@leadingageny.org](mailto:sdaly@leadingageny.org)

LeadingAge New York

13 British American Blvd., Suite 2 | Latham, New York 12110-1431 | P 518.867.8383 | F 518.867.8384 | [www.leadingageny.org](http://www.leadingageny.org)

---