

MEMORANDUM

A.11062 (McDonald)/S.10177 (Ashby)

AN ACT to amend the public health law, in relation to capital upgrades to certain residential health care facilities.

LeadingAge New York supports this legislation, which amends the Public Health Law to ensure that certain nursing homes are not subject to prohibitive equity requirements or outdated project cost limits when applying for reimbursement of capital upgrades. Specifically, the bill would limit minimum equity requirements to 10%, which is consistent with the limit applied to other Article 28 facility capital projects, and would eliminate per-bed limitations on total project costs. These provisions would apply only to county-operated nursing homes and homes that have received grants under the Statewide Health Care Facility Transformation Program, phases III, IV or V. Capital projects impacted by this provision would continue to be subject to the Certificate of Need process along with the currently required reviews and approvals.

This legislation would provide fair financial support to county-run nursing homes, which customarily serve as safety net facilities, looking to expand and improve their facilities to meet community needs. The provisions of this bill also align with the 2025 New York State Master Plan for Aging (MPA), which recommends lowering the nursing home equity contribution requirements to 10% and urges the Department of Health to update the construction costs reimbursement caps (MPA recommendation #6, Nursing Home Capital Assistance).

Both New York State's nursing home per bed project cost limitations ("Bed Caps"), and the construction cost data on which they are based, are out of date. Nursing Home Bed Caps are based on outdated policies established in 1983, and current building expense data have not been updated since 2010, ignoring sixteen years of significant inflation in the construction industry. According to data from the Producer Price Index for New Health Care Building Construction, building costs have increased by 62% since 2012 alone. This discrepancy suppresses the funding available to nursing homes looking to make critical capital investments.

Further, current policies require nursing homes to contribute between 15 and 25% of the equity needed for a construction project. With Medicaid and Medicare being the fundamental revenue source for nursing homes, many nonprofit and county nursing homes are unable to meet this minimum equity threshold, making capital investment projects prohibitively expensive. By contrast, the equity requirement for hospitals and clinics is only 10%. This legislation would rightfully align equity requirements for certain nursing homes with that of other Article 28 facilities.

Fair and equitable capital reimbursement structures are critical to ensuring New York's nursing homes can provide safe, modern, and comfortable homes for people in need of long-term residential healthcare. This legislation would modernize aspects of nursing home capital reimbursement policy and provide much-needed support to certain nursing homes that receive state transformation grant funding, allowing those investments to go further and fulfill their goal.

For the above reasons, we urge prompt passage of A.11062 (McDonald)/S.10177 (Ashby).

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