



November 3, 2023

The Honorable Kathy Hochul
Governor
State of New York
NYS State Capitol
Albany, NY 12224

Re: Reform Nursing Home Medicaid Reimbursement in 2024-25 Executive Budget Proposal

Dear Governor Hochul,

We, the undersigned associations representing New York's nursing homes from all regions of the state, write to urge you to include comprehensive reform of New York State's nursing home reimbursement methodology in your State Fiscal Year (SFY) 2024-25 budget proposal. New York's Medicaid program pays for the overwhelming majority of our nursing home days, but the State's Medicaid rate for nursing homes covers only 75% of the daily cost of care for each resident, resulting in an \$810 million annual state share gap between Medicaid rates and costs. This shortfall impacts all New Yorkers, not only those covered by Medicaid and not only nursing home residents. The shortfall must be addressed in the 2024-25 Executive Budget Proposal with comprehensive reform of the State's reimbursement methodology by 2025. This reform must include a downpayment of \$510 million to preserve access to high-quality care pending a more comprehensive update to the methodology to align rates with costs and accommodate federal changes. While our members appreciate the promised 7.5% increase approved in the 2023-24 budget, it will not cover even the 2023 cost increases.

The State's Medicaid funding shortfall of \$810 million has accumulated over 15 years as a result of underfunding and rising costs. Today's rates are based on 2007 costs, discounted by 9%. The impact of the promised 7.5% rate increase (only 6.5% has been paid to date) is marginal due to an 8% inflation rate for the 12-month period ending April 2022, and an additional 5% inflation rate for the year ending April 2023 (see [CPI Inflation Calculator \(bls.gov\)](https://www.bls.gov/calculators/cpi-inflation-calculator)), as well as wage increases in reopened collective bargaining agreements with 1199 and NYSNA. A federal MACPAC¹ report released in January of this year confirmed that New York's Medicaid reimbursement is among the worst in the nation. It is clear that New York's approach to nursing home Medicaid reimbursement needs reconsideration and comprehensive reform.

The gap between Medicaid rates and costs has led to wide-ranging ripple effects throughout our health care delivery system impacting consumers statewide. Inadequate rates have impaired the ability of nursing homes to recruit and retain staff, driving them to limit admissions and reduce the number of

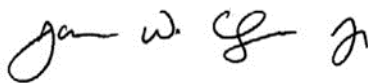
¹ "Estimates of Medicaid Nursing Facility Payments Relative to Costs." Medicaid and CHIP Payment and Access Commission. Jan. 2023, available at <https://www.macpac.gov/publication/estimates-of-medicaid-nursing-facility-payments-relative-to-costs/>. See also Hansen Hunter & Company, "Report on Shortfalls in Medicaid Funding for Nursing Center Care – 2018 Update."

beds in operation. Ten nursing homes have closed since 2020. Today, there are 5,600 fewer nursing home beds in operation than there were in 2019. Many homes have wait lists for long-term beds and are forced to turn down short-stay admissions. The reduction in available nursing home beds is creating bottlenecks in hospitals-- delays in hospital discharges lead to a lack of available hospital beds for new admissions, which in turn creates overflowing emergency departments. Nursing home bed closures and the associated back-ups in hospitals are creating access challenges for New Yorkers of all ages who seek appropriate care to meet their needs.

Older adults and individuals with disabilities who need nursing home care deserve access to high-quality care in their home communities. However, staffing shortages and related nursing home bed closures are forcing many older adults to choose nursing homes far from loved ones, in order to obtain short-term rehabilitation services or long-term skilled nursing care. Others are on wait lists for a bed in their preferred facility.

As the principal payer for nursing home services in New York, the State's Medicaid program bears a critical responsibility to ensure that its reimbursement supports access to high-quality care. For too many years, it has shirked this responsibility, and the system is buckling under the growing funding gap. To ensure access to high-quality care for our most vulnerable residents, we urge you to address these challenges in the 2024-25 Executive Budget Proposal by investing \$510 million (state-share) into nursing home Medicaid rates and announcing a commitment to fully fund and reform the nursing home Medicaid reimbursement methodology by 2025.

Sincerely,



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