

Quality Nursing Homes Are Essential to New York's Health Care System

Nursing homes play a critical role in the state's health care system, providing long-term and post-acute care for more than 300,000 vulnerable individuals annually. They offer not only long-term care for the most vulnerable New Yorkers, but also an appropriate discharge destination for stable hospital patients who need post-acute or rehab care. Without sufficient nursing home capacity, hospitals face gridlock—unable to admit new patients, perform scheduled procedures, or manage emergency room overflow.

Today, nursing homes are in crisis. Non-profit facilities, in particular, are struggling under the weight of rising costs, chronic staffing shortages, and inadequate funding. Many have been forced to reduce admissions, shut down units, or close entirely. This leaves families with fewer options for high-quality nursing home care close to home.

Despite these challenges, mission-driven providers continue to innovate and uphold high standards of care. But the strain is growing. More and more facilities are reaching a breaking point—facing not just operational hurdles, but an existential threat to their ability to serve.

The Breaking Point: Funding Shortfalls Impede Access to Quality Care for Older New Yorkers

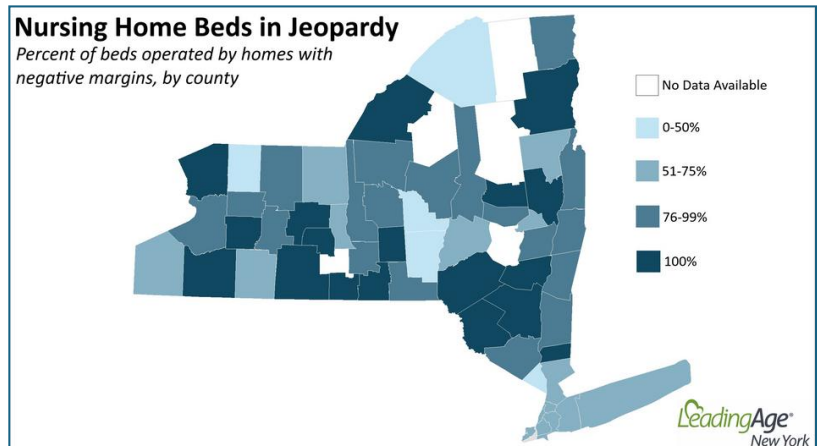
Outdated and inadequate nursing home Medicaid rates are creating a race to the bottom in which only those nursing homes that are willing to deliver care on a shoestring will be able to survive, while quality providers are forced to close or sell.

- Medicaid rates are still based on 2007 costs, meaning that nearly 20 years of cost increases combined with mostly stagnant reimbursement results in Medicaid rates that under-pay by **\$90/day per resident**.
- Nursing home residents rely on Medicaid: Over 70% of care days are Medicaid days (23% are Medicare) -- providers have nowhere to turn to cross-subsidize inadequate government payments.
- Nurse and aide compensation represents the largest single cost for homes; yet Medicaid rates fail to consider staffing levels. This results in greater financial stress for homes that seek to staff well.
- 60% of the state's nursing homes overall, and 80% of non-profit homes, are losing money.
- Capital reimbursement has been cut by 15%; homes with lower occupancy have experienced additional cuts.
- Rate adjustments to reflect resident acuity have been frozen for 2 years despite rising medical needs.
- Modest increases enacted this year are at risk due to federal cuts.

Underfunding is reducing capacity and endangering access to services:

- New York State is experiencing ongoing reductions in nursing home capacity due to inadequate Medicaid reimbursement and lack of available staff.
- Mission-driven providers are limiting admissions or closing units in order to staff appropriately.

- **41 nursing homes** have closed since 2014 — nearly all not-for-profit — resulting in the loss of **4,000** beds.
- **5 of these 41 closures occurred within the last 12 months.**
- **12 not-for-profit/public homes** have been sold to for-profit operators since 2020, with over a dozen additional applications pending.
- **7,200 nursing home beds** are offline due to lack of staffing.
- **Over 70,000 beds** are operated by nursing homes in financial jeopardy (i.e., with negative operating margins).



A Strong Health Care System is One that Prioritizes Older Adults: Protect and Invest in Nursing Home Medicaid Rates!

Modest Medicaid increases made in recent years fail to address the funding gap created by 15 years of stagnant rates that are based on 2007 costs. By eliminating inflation adjustments annually for more than a decade, the State has effectively cut payments to nursing homes by a cumulative amount exceeding **\$15 billion since 2012 alone**. Notably, recent funding increases have been reduced or offset by concurrent cuts: i.e., a case mix freeze that reduces funding by **\$100M annually**, a 15% cut to capital reimbursement, reallocated staffing funding, and reductions in distressed facility funding.

Providers are already struggling to stay afloat, and now, a modest increase promised to providers after a decade of neglect is also at risk. The SFY 2025-26 Budget pledged \$445M (all funds) to help address the crisis by providing \$160M in new funding and continuing \$285M in existing funding. However, not only are these dollars contingent on federal approval, they are also predicated on the availability of Managed Care Organization (MCO) tax revenue.

The recent federal budget bill, H.R. 1, includes provisions that put the continuation of the state's MCO tax at risk. While there may be an opportunity to advocate with the U.S. Department of Health and Human Services Secretary to grant up to a three-year transition period, New York is expected to lose much of the revenue that was meant to support this critical nursing home funding.

Long-term care providers and the older adults they serve simply cannot afford any additional loss of funding.

Please protect recent investments in nursing homes and continue to prioritize the needs of older adults in state policy decisions.

Contact for Questions: Sarah Daly, sdaly@leadingageny.org