

Nursing Home Talking Points

Trend Factor:

The trend factor is an adjustment made to Medicaid rates to reflect inflation and is based on data calculated by the federal Bureau of Labor Statistics. In each of the last 10 years, the final state budget has eliminated the adjustment.

Current nursing homes operating rates are based on 2007 statewide average costs, reduced by 9.5 percent, with no inflation adjustment since 2008. While capital reimbursement is updated, the base operating rate has not changed.

Wages, salaries and other staffing costs represent between 60 and 70 percent of nursing home spending. To retain staff, especially the clinical staff that comprises the majority of nursing home workers, the typical home increases wages by 2-3 percent annually.

The elimination of the inflation adjustment in each of the last 10 years means that the average nursing home Medicaid rate is nearly \$50 per resident day lower than it should be.

New York State has the second largest gap between cost and reimbursement of the 33 states with sufficient data to be included in an [annual analysis](#) done for the American Health Care Association and was estimated at \$52.90 per resident day in 2016.

While the State has provided some reimbursement related to the additional cost of direct minimum wage increases, homes have had to increase wages for workers whose wage was already above the minimum to maintain appropriate wage ladders. In this way, the minimum wage has further increased financial pressure on nursing homes.

Transformation Grants:

Long-term/post-acute care (LTPAC) makes up 30 percent of Medicaid global spending, yet has received only a small fraction of State financial support for the critical infrastructure needed to survive in today's changing health care environment. The Legislature should therefore dedicate \$150 million of the Governor's \$425 million Statewide Health Care Transformation Program funding for LTPAC infrastructure.

Nursing homes have limited access to the capital needed for renovations and updates as well as for investments in operational transformation initiatives. While DSRIP has provided some needed funding for some sectors, nursing homes and other LTPAC services have benefitted very little.

The structural changes to the State's health care system require nursing homes to explore additional services, partnerships, shared operational efficiencies and other initiatives to better serve their communities in the most efficient and effective way. Inadequate Medicaid rates make it very difficult to make the needed investment, making these grants essential.

Nursing home applicants have been underrepresented in prior award cycles. An appropriate share of the grant funding should be dedicated to these projects and the final budget should reflect the Senate proposal to reserve \$60 million for nursing home awards.

Case Mix:

The case mix index measures the average acuity of a nursing home's resident population. It is used to adjust a portion of the Medicaid rate to better reflect the costs associated with resident needs.

The transformation of the State's health care system is reducing hospital use, causing patients to be discharged earlier and with greater medical needs than before. This trend results in an increase in the average medical complexity of nursing home residents, which increases the case mix.

Medicaid redesign has increased the availability of community based care options, helping individuals with lower care needs to remain in, or return to, the community. This trend reduces the number of lower acuity residents in nursing homes, which increases the case mix.

Both of these trends are desirable outcomes that drive case mix increases. In fact, an increasing case mix is an indicator that the desired system changes are occurring. Facilities that serve residents with greater needs require more, not less, funding to support the added costs.

Case mix is established using clinical data collected on resident assessment forms called the Minimum Data Set (MDS) that homes file with the federal government. The Office of the Medicaid Inspector General (OMIG) is tasked with auditing the assessments used to calculate case mix, and if there are negative findings, the Medicaid rate is adjusted accordingly.