

**What is “rebasinɡ”?**

“Rebasinɡ” refers to updating the nursing home Medicaid rate so that it is calculated using costs from a more current year. New York nursing home rates are calculated using 2007 costs, or a “2007 base year”. Updating the base year will create a more accurate and efficient nursing home reimbursement system.

**How are NY Nursing Homes reimbursed?**

In New York State, a nursing home is paid a single rate per day for each Medicaid resident that it serves. While this rate may vary from one nursing home to another depending on several adjustments (e.g., regional wages) the starting point for all is 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.

**Why is an outdated cost base a problem?**

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 reimbursement has remained flat with, the exception of modest increases enacted in recent years. For example, nursing staff compensation is the largest nursing home expense, and providers must increase nursing wages every year to maintain quality staff. This cost growth is not reflected in the Medicaid rate.

In fact, the State’s annual elimination of the inflation factor has resulted in rates that are 40 percent lower than they otherwise would be. An outdated methodology combined with the lack of inflation updates for 15 years has resulted in an average *daily* gap of \$74 per resident between cost and reimbursement. The impacts of chronic underfunding and added financial pressures were laid bare and exacerbated by the COVID pandemic – since 2014, approximately 80 public and not-for-profit homes have closed or been sold to for-profit operators.

**Haven’t there been rate adjustments since 2007?**

Capital reimbursement represents about 10% of the total rate and is updated annually. However, a 5% cut to capital reimbursement has been in place since 2020, and an additional 10% cut to capital was enacted in the SFY 2025 budget. Homes must receive State approval for projects to be eligible for capital reimbursement, and that reimbursement is exclusively used for the approved capital costs. Rates are also adjusted for resident acuity twice per year on a facility-specific basis. Acuity along with resident needs have been increasing as more options are available to serve individuals in the community. As facility-wide acuity increases, the rate is adjusted to reflect the added costs of care, however the base rate on which those adjustments are made remains the same. It is important to note that acuity adjustments have been frozen at July 2023 levels while the state implements a new acuity adjustment methodology. Reported acuity data is subject to regular OMIG audits.

**How will rebasinɡ address the problem?**

Besides updating the base to ensure that reimbursement is better aligned with current costs, rebasinɡ would provide an opportunity to update the methodology to reflect changes since 2007 in nursing home cost structure, address regional wage differences, and update adjustments for resident acuity. An updated 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 linking payments to quality and outcomes, reducing avoidable hospital use, and focusing on managing residents’ chronic conditions and effective treatments.

**Rebasinɡ Medicaid rates and revitalizinɡ the system with a more meaningful investment of dollars is the true answer to enhancinɡ nursing home staffinɡ & access to quality care for older adults.**

