

LONG TERM CARE COMMUNITY COALITION

Advancing Quality, Dignity & Justice

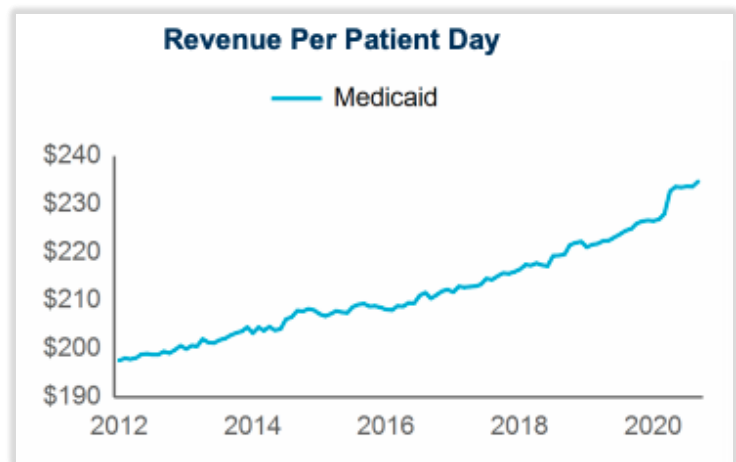
LTCCC POLICY BRIEF

NURSING HOME MEDICAID FUNDING: SEPARATING FACT FROM FICTION

Background. [Medicaid](#) is the primary funding source for the majority of nursing home services in the US. Managed by states using a mix of state and federal funding, Medicaid covers more than [60% of residents nationwide](#). Each state has broad flexibility to determine eligibility standards and payment methods and design reimbursement rates.

Industry Claims vs. Facts. Nursing home providers and trade associations claim that Medicaid rates are inadequate and [less than the cost of actual care](#), which then leads providers to [leverage other payor sources](#), such as Medicare and private pay. The industry also blames low Medicaid rates for substandard care. However, recent studies suggest that [for-profit facilities have maximized profits](#) for owners and investors while skimping on resident care.

- Medicaid rates have [steadily increased in the past decade](#), rising 12.6% since 2012, according to the [National Investment Center for Seniors Housing & Care \(NIC\)](#)
- Nursing homes received an average of [\\$214 per resident per day](#) in Medicaid funding in 2019, a 2.2% increase from 2018



Source: NIC MAP Data Service

- An NIC report with data through September 2020 shows a [national average reimbursement rate of \\$235](#), though this \$21 increase from 2019 is likely a [COVID-related boost](#)
- Although industry leaders claim that nursing homes are [losing money](#) on Medicaid residents and blame [closures and financial struggles on low reimbursement rates](#), typical [nursing home profits are in the 3 to 4 percent range](#), according to Bill Ulrich, a nursing home financial consultant
- In fact, [most nursing homes “outsource a wide variety of goods and services](#) to companies in which they have a financial interest or that they control.” This practice, called related-party transactions, can be used to “siphon off higher profits, which are not recorded on the nursing home’s accounts,” giving the false impression that a nursing home has low profits or is losing

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money. The money doled out in these related-party transactions is effectively hidden, since state Medicaid cost reports generally only account for the nursing home operating company of record, and do not include profits going to the management, property, parent, staffing, and other companies that have the same owners or investors.

Lack of Accountability. Bolstered by government funding, providers are raking in profits while [facing limited accountability](#) for how they utilize Medicaid funds. Though not illegal, operators too often [utilize Medicare and Medicaid](#) funds by using public reimbursement to cover salaries, administrative costs, and other non-direct care services. Without transparency and accountability, determining the extent to which Medicaid rates cover the costs of care for Medicaid nursing home residents is simply not possible. Providers must be held [accountable for their finances](#) in order to safeguard residents from owners and operators who prioritize profits while providing grossly substandard care.

"Just enough is spent on Medicaid residents to keep state inspectors satisfied, while, at the same time, Medicare patients are not given the full value of their insurance coverage."

– Will Englund and Joel Jacobs, *The Washington Post*

Medicaid & COVID. As a result of the COVID-19 pandemic, nursing homes have received [additional Medicaid reimbursement](#) to assist with PPE, testing, staffing, and other expenses. For example, in [Washington state](#), home to the first major nursing home outbreak, the Medicaid rate increased \$29 per resident per day in May, retroactive to February 1, 2020. Although the steep increase was temporary and dropped in July, the rate remains a \$5 increase from the pre-COVID rate. These additional Medicaid reimbursement rates are on top of the [hundreds of thousands of dollars](#) and more that nursing homes have received in federal government funding throughout the pandemic. It is in the public interest to know how facilities have used the [increased Medicaid funding](#) through the COVID pandemic. This funding should be used for providing resident care and not for profits and administrative costs.

- On March 18, President Trump signed into law the [Families First Coronavirus Response Act](#) that boosted the federal government's Medicaid match by 6.2 percentage points and thus increased reimbursements for long-term care
- On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (CARES) was passed and provided a total of [\\$175 billion](#) in Provider Relief Funds to prevent, prepare for, and respond to coronavirus
- In August, HHS announced a [\\$5 billion distribution](#) to nursing facilities
- As of September, nursing homes have received over [\\$21 billion](#) in emergency assistance including direct relief and fully forgivable loans

Over \$21 billion – more than \$1.5 million each on average – in emergency assistance was distributed to America's nursing homes so far during the COVID-19 pandemic

– CMS

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- In September, HHS issued guidance that prohibited providers “from using PRF payments to become more profitable than they were pre-pandemic”
- In October, [HHS issued guidance](#) explicitly reversing the September policy thus allowing nursing homes to compensate for lost revenues
- HHS announced [\\$333 million](#) and [\\$523 million performance-based distributions](#) in October and December, respectively, to nursing homes that “have shown results in their tireless work to keep their residents safe from the virus”

Conclusion. Nursing homes do, in fact, receive frequent increases in funding, including Medicaid reimbursement. Though Medicaid pays for the majority of nursing home services, there is virtually no transparency or accountability in respect to how facilities actually use these funds. In the absence of federal limits on diverting public funds to hide profits in contracts with related parties or in inflated administrative costs, the industry’s argument that it does not receive enough money to provide sufficient staffing and good care is inaccurate (if not fraudulent).

The growth of for-profit ownership in nursing homes over the years, including significant investment by private equity firms and real estate investment trusts (REITs), make it clear that nursing homes are profitable businesses which, in the absence of government quality assurance, too often sacrifice resident safety in order to maximize profits. More financial accountability for facilities would decrease the likelihood of facilities funneling cash to owners and investors at the expense of better resident care.

The Long Term Care Community Coalition is a non-profit, non-partisan organization dedicated to improving care and dignity for individuals in nursing homes and other residential care settings. Visit our homepage, www.NursingHome411.org, for resources and information on nursing home policy issues.

This policy brief is part of a new series on reimagining nursing home care in the wake of the devastation wrought by the coronavirus pandemic. To sign up for future alerts, visit <https://nursinghome411.org/join/>.

To read more about the importance of improved oversight and increased enforcement, please read LTCCC’s [Joint Consumer Statement on Nursing Home Payment and Accountability](#). For more on the importance of Medicaid, see LTCCC’s Medicaid fact sheet, [Medicaid: A Lifeline for Middle Class Families](#).