SENIOR CARE POLICY BRIEF

March 31, 2025

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This issue of the *Policy Brief* focuses on the <u>Medicare Payment Advisory Commission's (MedPAC) latest *Report to* <u>Congress</u>. Medicare covers short-term nursing home care for eligible beneficiaries needing rehabilitation after a hospital stay. Even though Medicare payment rates for skilled nursing facilities (SNFs) are quite high, concerns remain about spending efficiency and <u>quality of care</u>.</u>

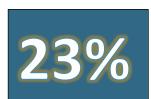
KEY FINDINGS

- Access to Care: MedPAC found that, overall, Medicare beneficiaries continue to have sufficient access to SNF services, with no significant barriers to care reported.
 - ⇒ As of 2023, 88% of Medicare beneficiaries lived in counties with three or more SNFs or swing-bed facilities, a trend that has remained consistent since 2018.
- The U.S. House Ways and Means Health Subcommittee held a hearing on March 11, 2025 on Medicare beneficiaries' access to essential post-acute care services and the financial stability of providers. <u>LTCCC submitted a written</u> <u>statement</u> emphasizing the need to protect and strengthen Medicaid funding and the importance of sufficient nursing home staffing.
- ⇒ Why is this important? This finding contradicts the nursing home industry's claim that access to nursing home care is decreasing.
- **Quality of Care**: Quality indicators, such as rates of hospital readmissions and improvements in patient mobility, have shown modest improvements, but vary across facilities.
 - \Rightarrow MedPAC cited concerns about the accuracy of provider-reported "quality measures."
 - ⇒ Why is this of concern? A 2014 federal report found that an astounding 33% of Medicare beneficiaries suffered harm during their SNF stay and 59% of this harm was "clearly or likely preventable." There are no indications that the nursing home industry has taken steps to address this serious problem.
- **Providers' Access to Capital**: The SNF sector remains attractive to investors, with 144 mergers and acquisition transactions in early 2024. Companies like the Ensign Group and CareTrust REIT are expanding, banking on an aging population and Medicaid rate increases.
- **Provider Margins**: In 2023, the fee-for-service Medicare margin for freestanding nursing homes was 22%, down slightly from 23% in 2022. Medicare margins are expected to reach 23% again in 2025. The industry has enjoyed double-digit Medicare margins for over 20 years.

RECOMMENDATIONS

- Payment Rate Reduction: To better align Medicare payments with the actual costs of care, MedPAC recommends that Congress reduce the 2025 Medicare base payment rates for SNFs by 3% for fiscal year 2026. This adjustment aims to improve payment accuracy without compromising beneficiaries' access to necessary services. MedPAC made the same recommendation last year.
- Address Financial Transparency: MedPAC's report notes that SNF margins may be understated due to complex financial arrangements with third parties. MedPAC emphasizes the need for greater transparency in nursing home finances, particularly regarding ownership structures and related-party transactions.

 \Rightarrow A growing body of <u>studies</u> have found significant <u>hidden profits</u> in the nursing home industry.



Expected profit margins on fee for service nursing home Medicare services in 2025.



