

# LONG TERM CARE COMMUNITY COALITION

*Advancing Quality, Dignity & Justice*

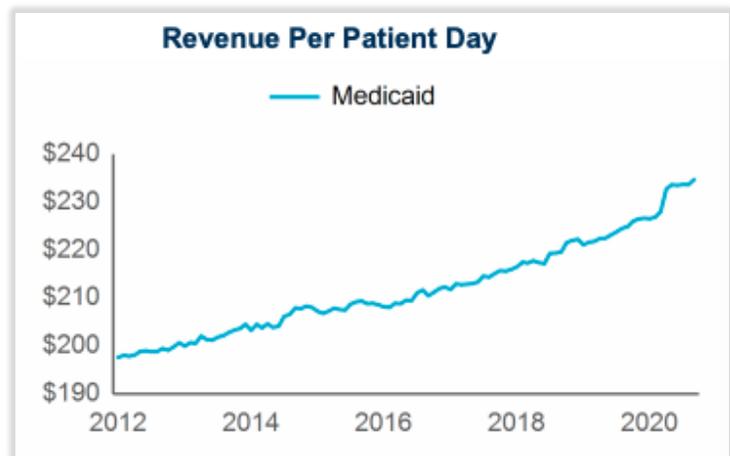
## **LTCCC POLICY BRIEF**

### **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](#). 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. This does not include profits that are hidden in related-party transactions, which 75% of nursing homes report, or bloated administrative costs. Numerous studies and reports have shown that 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 money.”

## Nursing Home Medicaid Funding: Separating Fact From Fiction

**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.

**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).

**"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*

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](http://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/>.