

# PRE-COVID: MEDICAID'S CHRONIC UNDERFUNDING HAD ALREADY FORCED HUNDREDS OF NURSING HOMES TO CLOSE



*With Increased Costs Of Fighting COVID-19 & Medicaid Funding Shortfall, Long Term Care Industry Badly In Need Of Support From Both Federal & State Government*

“When it comes to nursing home care, as the old saying goes, we get what we pay for. Due in part to the exclusion of long-stay nursing home services from the Medicare benefit, Medicaid is the dominant payer of nursing home services ... Medicaid payment rates are typically 70-80% of private pay prices.”

- **David Grabowski, PhD Professor, Harvard Medical School** ([Testimony](#) To U.S. Senate Finance Committee, 3/16/19)

## PRE-COVID: AVERAGE NURSING HOME WAS OPERATING AT A NET LOSS OR SHOESTRING BUDGET DUE TO MEDICAID'S FUNDING SHORTFALL

- “In 2018, the average total margin – reflecting all payers (including managed care, Medicaid, Medicare, and private insurers) and all lines of business (such as skilled and long-term care, hospice, ancillary services, home health care, and investment income) – was –0.3 percent, down from 2017 (0.6 percent).” ([MedPAC Report](#) To Congress: Medicare Payment Policy, 3/1/20)
- “Average non-Medicare margin (which includes all payers and all lines of business except Medicare) was –3.0 percent, down from –2.4 percent in 2017.” ([MedPAC Report](#) To Congress: Medicare Payment Policy, 3/1/20)

### NURSING HOMES: TOTAL MARGINS CONTINUED TO DECLINE & WERE SLIGHTLY NEGATIVE IN 2018

Type of margin	2013	2014	2015	2016	2017	2018
Total margin	1.9%	1.9%	1.6%	0.7%	0.6%	-0.3%
Non-Medicare margin	-1.8%	-1.5%	-2.1%	-2.4%	-2.4%	-3.0%

*Note: Nursing Homes. “Total margin” includes the revenues and costs associated with all payers and all lines of business. “Non-Medicare margin” includes the revenues and costs associated with Medicaid and private payers for all lines of business.*

*Source: MedPAC analysis of Medicare freestanding nursing home cost reports for 2013 to 2018*

## MEDICAID FUNDING SHORTFALL HAS FORCED HUNDREDS OF NURSING HOMES TO CLOSE THEIR DOORS

### 550 Nursing Homes Closed From 2015-2019 – With Trend Accelerating Toward End Of Decade ([Skilled Nursing News](#), 2/25/20)

“American Health Care Association CEO Mark Parkinson and American Hospital Association CEO Rick Pollack said that if the [Medicaid Fiscal Accountability Regulation] MFAR proposal becomes final, it would take ‘up to \$50 billion nationally from the Medicaid program annually, further crippling Medicaid financing in many states and jeopardizing access to care for the 75 million Americans who rely on the program as their primary source of health coverage,’ the trade-group CEOs argued last month.”

### Why Are So Many Nursing Homes Shutting Down? ([Forbes](#), 3/2/20)

“For years, the financial model of nursing facilities has been built on a system of government cross-subsidies. The facilities lost money on their Medicaid long-stay beds but made a healthy profit on their Medicare post-acute business ... But as Medicaid payments fall further behind costs and Medicare managed care continues to squeeze margins, that business model is at risk.”

### Nursing Homes Are Closing Across Rural America, Scattering Residents ([The New York Times](#), 3/14/19)

“More than 440 rural nursing homes have closed or merged over the last decade, according to the Cowles Research Group, which tracks long-term care, and each closure scattered patients like seeds in the wind.”

### Wisconsin Nursing Homes Are Closing At An Unprecedented Rate, Forcing Residents To Move. How Did We Get Here? ([Manitowoc Herald Times Reporter](#), 6/8/20)

“State and federal funding for nursing homes lags the actual cost of care and services. A nursing home loses an average of between \$71 and \$79 a day for every resident it serves on Medicaid.”

### Rash Of Nursing Home Closures In Washington Prompts Proposals To Raise Medicaid Rates ([KUOW/NPR](#), 11/12/19)

“Currently, Washington’s average daily Medicaid reimbursement rate to nursing homes is \$216 – the fourth lowest in the nation, according to an industry analysis. By contrast, Oregon pays \$326 per day on average. Recent increases in the minimum wage, which is as high as \$16 an hour in Seattle, have exacerbated the shortfall between what the state pays for Medicaid clients and the cost to care for them.”

### Report Says Medicaid Funding Shortfalls Causing Illinois Nursing Homes To Close ([Belleville News-Democrat](#), 4/18/19)

“In 2016 alone, nursing homes where more than half the patients are covered by Medicaid each lost, on average, \$765,000 the report stated. ‘This shows that even contribution margins from private, Medicare, and other payers cannot fully subsidize Medicaid losses,’ the report said.”