ArchCare
State Fiscal Year 2025-26
Testimony for the Joint Legislative Budget Hearing on Health

ArchCare, the Continuing Care Community of the Archdiocese of New York, is one of the nation's largest and most dynamic not-for-profit Catholic healthcare systems. We provide services to thousands of individuals every day that includes home, community-based, and residential care programs, a Program of All-Inclusive Care for the Elderly (PACE), long-term skilled nursing care, short-term rehabilitation, home care, adult daycare, assisted living, hospice, and an acute care specialty hospital as well as other services for people with dementia, Huntington's disease, HIV/AIDS, developmental disabilities, and other specialized care needs.

I. Testimony of Scott LaRue

I am Scott LaRue, President and CEO of ArchCare.

I would like to commend the Governor for recognizing the need for increased financial aid to support nursing homes that care for individuals who must rely on Medicaid. Many of the State's most needed nursing homes are experiencing or nearing financial distress due to an existing Medicaid reimbursement formula that fails to adequately support the escalating costs of labor that have been exacerbated by shortages of qualified staff and well-intended, but costly, State mandated wage and staffing increases.

However, the type of across-the-board Medicaid rate increase that the Governor has recommended is not the best way to improve the quality of life for New York's most vulnerable nursing home residents. The core problem with this type of approach is that it rests on the false assumption, as do numerous other nursing home financing and regulatory decisions, that all nursing homes are the same.

Not all nursing homes are the same. The roles and responsibilities of nursing homes have evolved and today, nursing homes provide a diverse array of services for individuals who have much more complex and challenging clinical and behavioral needs. Nursing homes differ greatly in size, architecture and type of location. They also offer varying clinical services and therapeutic capabilities, serve different types of residents, and have differing payer mixes.

Since Medicaid was implemented more than sixty years ago, it has paid less than the cost of nursing home services, while Medicare frequently generates revenues that exceed the cost of care. This has led Medicare to grow dramatically as a revenue source for nursing home subacute and rehabilitative services, while also in an effort to shorten hospital stays. Nursing homes rely on Medicare's positive margins to offset Medicaid losses, and others depend on Medicare revenues to deliver the returns on investment that owners and investors expect. Although there are well-documented cases of a few nursing home owners compromising service quality to profit from Medicaid, private

investors seeking returns in nursing home operations are incentivized to design, locate, and manage their facilities in ways that maximize Medicare revenue.

The interplay of Medicaid and Medicare and its implications for New York's nursing home oversight and funding has been largely ignored by the Department of Health. There is, for example, no readily available data set that informs the public of how many of the State's available nursing home beds are dedicated to Medicare funding versus those that are available to individuals receiving Medicaid funded services. The same can be said for information that associates nursing home financial performance with payer mix. However, it is common knowledge that nursing homes with a higher ratio of Medicare to Medicaid bed days perform better financially than those more heavily reliant on Medicaid funding.

Typically, the nursing homes that serve the State's poorest, when measured by income, communities are those having a higher proportion of their revenues derived from Medicaid. Often, their combination of location and perceived aesthetic is unattractive to prospective residents seeking short stay, Medicare funded services. They have little choice but to depend on the State to establish Medicaid payment rates that will enable them to provide high quality services, including meeting mandated staffing levels. Given the State's interest in assuring that these nursing homes will continue to be available to its most vulnerable residents, it would make sense for the State to prioritize any additional Medicaid funding for nursing homes in favor of these safety net facilities. An across-the-board Medicaid funding increase for all nursing homes doesn't do that. Instead, it reinforces a payment system in which the nursing homes that are most reliant on Medicaid, especially those operated by mission-driven, nonprofit organizations, have the greatest chance of financial failure.

To best support nursing homes for New York's most vulnerable populations, the Legislature should direct a higher proportion of any Medicaid funding increase to those nursing homes having the highest percentages of Medicaid bed days. This should not be difficult procedurally. It will not adversely affect any nursing homes. It requires no added expenditure beyond that which the Governor has requested.

Of course, nursing homes should be viewed as a provider of last resort for individuals with complex chronic conditions, and there is ample reason to believe that our State could do a much better job in supporting nursing home alternatives.

New York has more nursing home beds than any other state except California, which has double our population. This is despite the tremendous recent growth in State Medicaid spending for home and community-based services, primarily for personal care and consumer-directed ("CDPAS") care authorized by the partially capitated managed long-care programs. The minimal reduction in demand for nursing home beds despite this rapid growth clearly indicates that most of the newly enrolled individuals were not in immediate or near-term need or even interested in nursing home care.

Given the recent growth trajectory of State Medicaid spending, it is understandable that the Governor and Legislature are seeking ways to better control the expansion of Medicaid funded home and community-based services. However, such initiatives must be carefully crafted to ensure that they support, not limit, timely access to home and community-based care for those individuals with the greatest needs and who are most likely to require nursing home admission if such services are not readily available.

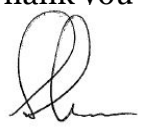
PACE is widely recognized as offering the most cost-effective, community-based alternative to nursing homes and is the only State program specifically designed to serve this population. Yet, although the partial capitation managed long-term care programs have grown rapidly, PACE has not in New York, even while many other states have committed to its growth. New York continues to burden PACE with unnecessary regulatory restrictions that act as barriers to its efficient operation and development.

In conclusion:

- **Increasing State funding for safety net nursing homes is essential, but it should be focused on nursing homes with the highest percentage of Medicaid bed stays.** Nursing home budget actions need to be implemented in a targeted approach that prioritizes financial support to those facilities serving the most vulnerable populations and are subsequently most dependent on Medicaid revenues.
- **A broader long-term care strategy beyond nursing home support is needed to reduce both the growth of Medicaid and the need for nursing home admissions for individuals who could be better served in their homes and communities.** PACE expansion should be recognized as the best available option to reduce overall reliance on nursing home care and control Medicaid spending while ensuring high-quality care for individuals with complex needs.

I would strongly urge your Committees and the Legislature to focus its Medicaid support for nursing homes and explore opportunities to promote the growth of PACE in order to reduce Medicaid expenditures and better care for people who would otherwise require nursing home care.

Thank you for the opportunity to offer my perspective.



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