



**Pennsylvania Senate Democratic Policy Committee
Public Hearing on Nursing Home Sustainability & Costs**

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Testimony by:

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Good afternoon, Chairman Miller, and members of the Senate Democratic Policy Committee. My name is Chuck Quinnan, Senior Vice President and Chief Government Affairs Officer at LeadingAge PA. Thank you for the opportunity to speak about the urgent need for predictable and sustainable Medicaid reimbursement for Pennsylvania's nursing homes.

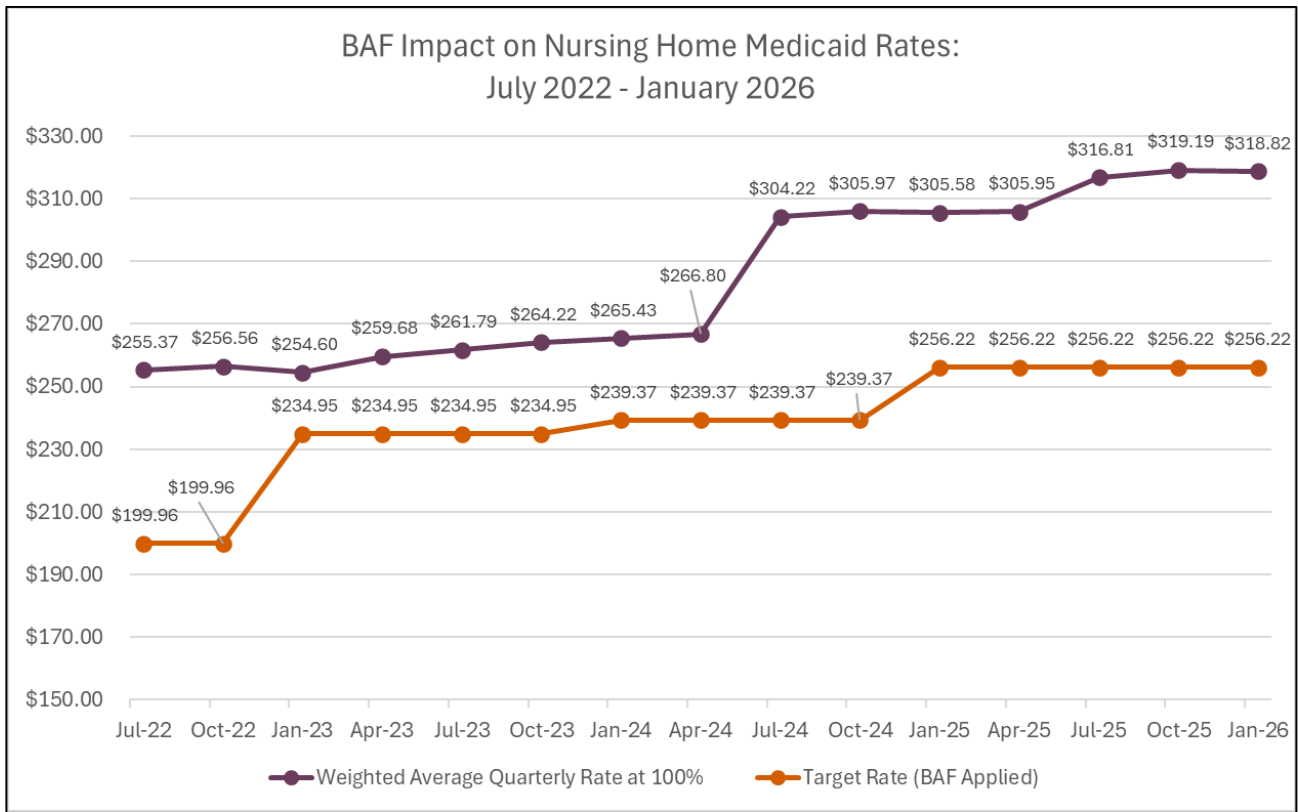
LeadingAge PA is comprised of more than 420 mission-driven providers of senior housing, health care, and community services across Pennsylvania. Our members include the full spectrum of aging services providers, including continuing care retirement communities, nursing homes, personal care homes, assisted living residences, Living Independence for the Elderly (LIFE) providers, affordable senior housing, and more.

Today, we are joined by Mary Kay McMahon, President and CEO of Fellowship Community in Whitehall. Fellowship, like many of our members, faces mounting operational pressures driven by inadequate and unpredictable Medicaid reimbursement and an ongoing workforce shortage.

BUDGET ADJUSTMENT FACTOR (BAF)

A key driver of this instability is the Budget Adjustment Factor (BAF), an outdated funding mechanism implemented by the Pennsylvania General Assembly 20 years ago, intended as a temporary tool to help curb rising nursing home costs. Fast forward to 2026, and the BAF is still reducing actual Medicaid reimbursement rates well below the Department of Human Services' own calculated costs of care. In **Q1 2026, the BAF is 0.80**, meaning providers receive **only 80%**

of their calculated case-mix rates. This results in an average **loss of \$63 per-resident-per-day,** an **unsustainable and unfair gap** that destabilizes operations:



Providers tell us they cannot responsibly plan ahead under this system. One York County operator shared that it is “nearly impossible to develop a revenue budget with any type of accuracy.” In addition to the challenges reported by Ms. McMahon for Fellowship Community, another of our nursing home provider members in the Lehigh Valley reported that in 2025 their Medicaid reimbursement rate covered only approximately 63% of actual costs (as even the DHS-calculated rate at 100% does not cover all expenses required to provide care). This contributed to an annual Medicaid shortfall of \$13.4 million for the organization.

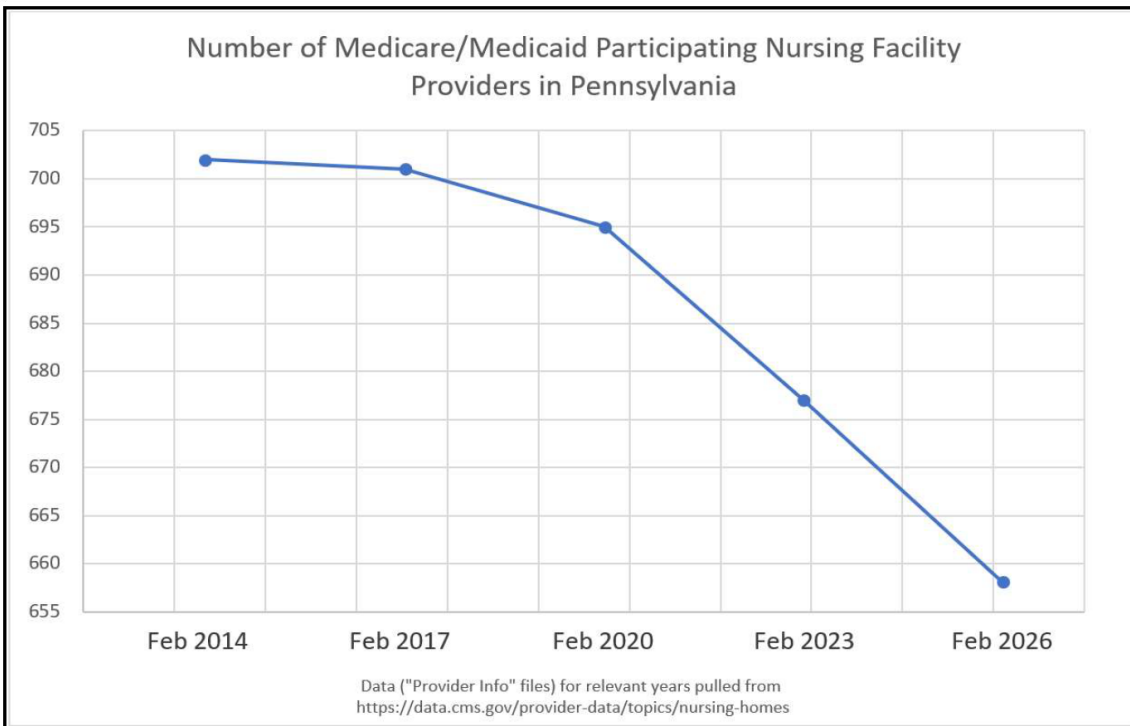
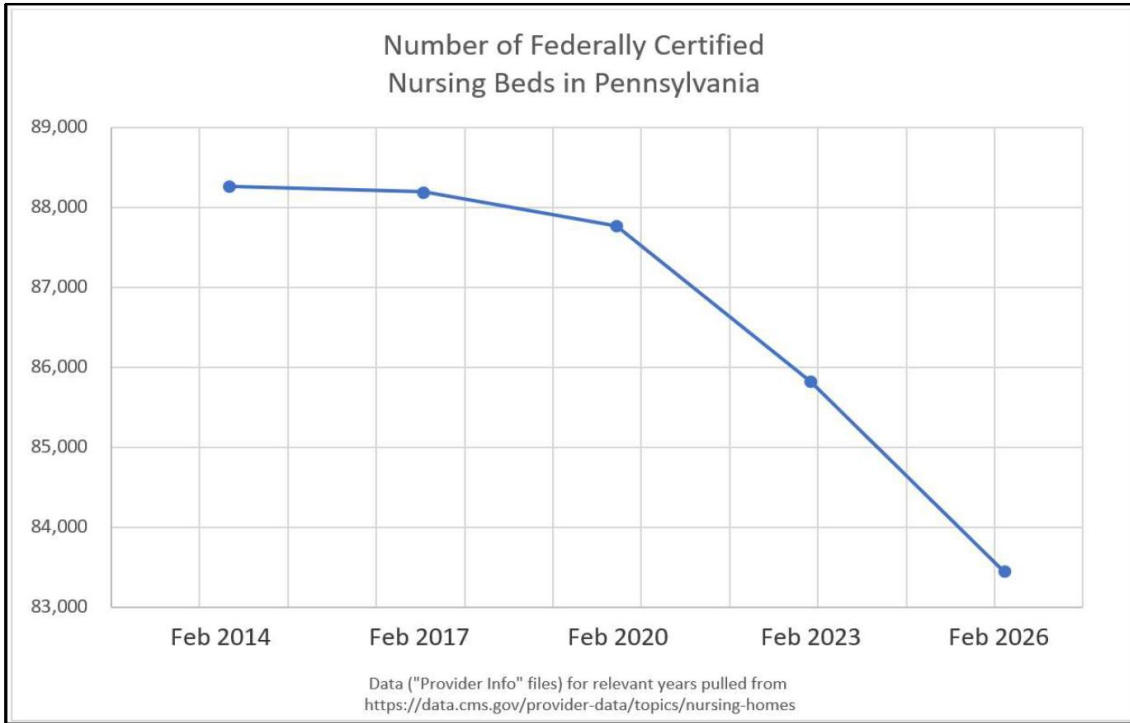
After there was no investment in the state’s FY 2025-2026 budget for nursing home Medicaid rates (contributing to BAF erosion), LeadingAge PA members reported in a recent survey that:

- *Nearly half* of providers will be **unable to increase wages for staff despite wanting to,**
- *One third* of providers will need to **cut back on ancillary/non-direct care services,** and
- *One in four* will **need to budget for a lower census.**

This is not sustainable. This uncertainty and chronic underfunding are forcing difficult decisions for providers that ultimately restrict access to care. Implementing a floor to the BAF to help prevent rates from fluctuating and dropping so low would help significantly in offsetting the gap between costs and reimbursement.

SHRINKING CAPACITY AND RISING DEMAND

Pennsylvania's long-term care capacity is rapidly eroding. Since 2020, the Commonwealth has **lost 37 nursing homes and 4,318 certified beds**, with many more beds offline due to financial or staffing constraints:



A nursing home operator in Montgomery County summarized the stakes clearly. “We cannot afford to take care of Medicaid patients and are considering shutting down our skilled nursing services despite being one of the most highly sought-after facilities.”

This erosion comes at the worst possible time. The **population aged 85 and older is expected to nearly triple by 2050**. Without action now, the Commonwealth will not have sufficient nursing home capacity to meet these future needs.

WORKFORCE REALITIES INTENSIFYING THE CRISIS

Beyond reimbursement, providers face an unrelenting workforce shortage. Uncovered in our recent survey, **nearly 50% of members reported having to turn away referrals from hospitals** due to workforce shortages, and many are **limiting admissions, closing units, capping census, deferring improvements, or scaling back services**. These actions are not choices; they are necessities driven by an inability to cover the true cost of care.

MEDICAID PENDING DELAYS

A rapidly worsening pressure point is the Medicaid (MA) Pending delay situation.

“MA Pending” is the term used when a person has applied for Medicaid, and their submitted application is under review. The increase in delays in the MA application process is a rapidly growing issue that not only impacts providers but also older adults in need.

According to reports from our members:

- More than **51% of providers are experiencing prolonged delays** in Medicaid eligibility processing.
- Required 45-day timelines are being **exceeded dramatically, with delays of 6 to 36 months** in some counties.
- In the **Lehigh Valley alone, LeadingAge PA members reported balances totaling over \$3.7 million in unpaid care** due to outstanding Medicaid applications. The longest single case reported was outstanding for **20 months from a provider in Allentown**.

As one administrator shared, “This process is taking anywhere from 9 to 18 months, and on occasion longer. During this time, the facility receives NO payments for care.” Another described multiple cases that sat untouched because no caseworker was assigned. These delays further compound workforce shortages, exacerbate cash-flow challenges, and restrict access for older Pennsylvanians who need immediate care.

REAL PEOPLE ARE BEING TURNED AWAY

Behind every statistic is a person, an older adult being denied access to medically necessary care, and a family left scrambling for alternatives that may not meet their loved one's needs. This is not sustainable. Most importantly, **this is not a future issue; it is a now issue**. The impact is here and needs to be addressed.

This is not aligned with Pennsylvania's commitment to its older citizens. And it is not the care environment that mission-driven providers are striving to deliver.

A MEANINGFUL SOLUTION

To stabilize the long-term care system, Pennsylvania needs to establish a meaningful floor to the Budget Adjustment Factor (BAF), which requires authorization by the legislature beyond its June 30, 2026, sunset, to help ensure that it better aligns with the true cost of care. This is crucial for responsible budgeting, investing in the workforce, and ensuring long-term sustainability. If not addressed, the devastating impact will continue to grow. Bipartisan legislation (Senate Bill 692 and House Bill 1310) has been introduced in the House and Senate this session to establish a floor to the BAF. We call on lawmakers to elevate this critical issue and fix this broken funding system by providing greater predictability and sustainability for those caring for our state's growing population of older adults.

In addition, **MA Pending processing should be timelier and more structured** so that providers can admit residents confidently and maintain census.

Ultimately, **the full aging services ecosystem needs to be supported**. Not every older adult needs nursing home care, but many do. Their needs cannot be overlooked, and the providers serving them cannot continue absorbing losses year after year.

Thank you again for prioritizing these critical issues. LeadingAge PA stands ready to partner with your caucus and with the Pennsylvania General Assembly to advance solutions that stabilize our aging services infrastructure and ensure that older Pennsylvanians receive the care they deserve when and where they need it.