



**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 Mary Kay McMahon, and I am the President and CEO of Fellowship Community. Fellowship Community is a nonprofit, single-site continuing care retirement community serving approximately 500 seniors. Our campus includes 151 independent living apartments and townhomes, with an expansion currently underway that will add 72 additional apartments. We are licensed for and operate 165 personal care beds and 121 skilled nursing beds, and we also provide memory support and short-term rehabilitation services. In addition to serving those who live on our campus, we provide care and services to older adults throughout the surrounding community.

Thank you to Chairman Miller, his staff, and the members of this committee for holding this important hearing. I appreciate the opportunity to speak with you today about the state of long-term care in Pennsylvania and the policy solutions needed to ensure that skilled nursing and aging services remain accessible and sustainable for our growing older adult population.

Today, I would like to focus on three closely related issues that significantly affect providers across the Commonwealth:

1. The instability and underfunding of Medicaid reimbursement, particularly the impact of the Budget Adjustment Factor, or BAF;
2. The reality of workforce shortages and the need for flexibility in how care is delivered; and
3. Administrative delays in the Medicaid eligibility and “MA Pending” process that create financial risk for providers and uncertainty for families.

Unsustainable Medicaid Funding and the Budget Adjustment Factor

Pennsylvania is facing a growing long-term care crisis. Our population age 85 and older continues to grow, while the availability of nursing home beds continues to decline. Although Fellowship Community has not yet been forced to cap admissions or close beds, the challenges we face are real and increasingly difficult to manage. The root cause of this crisis is the persistent underfunding and unpredictability of Medicaid reimbursement.

Each quarter, Fellowship Community receives a daily Medicaid rate calculated based on resident acuity and allowable costs, as documented in our MA-11 cost report. That calculated rate represents what the Commonwealth determines is the appropriate reimbursable cost of care. On average, 45 to 50 percent of our skilled nursing residents rely on Medicaid. Despite this, our reimbursement does not consistently keep pace with actual costs. The result is a significant per-resident, per-day funding shortfall of \$125.62.

One of the biggest contributors to that shortfall is the Budget Adjustment Factor (BAF). When the General Assembly does not appropriate sufficient funds to cover annual cost increases, the Budget Adjustment Factor is applied, reducing payments across the board by whatever percentage is necessary to keep state spending within budget. This means that for the first quarter of 2026, instead of getting paid 100% of the minimum allowable payment rate calculated by DHS, we are receiving only 80% of that rate. This creates uncertainty and undermines the integrity of a rate-setting system that is otherwise designed to be data-driven and transparent.

As a result, our skilled nursing operations incur losses year after year. We continue to operate this service because of our mission and our commitment to the community, but doing so is becoming increasingly difficult. Rising labor costs, workforce recruitment challenges, increased resident acuity, and the need to maintain aging infrastructure all compound the impact of unstable Medicaid funding.

At a minimum, the Commonwealth should fully fund Medicaid rates as calculated and avoid the use of across-the-board reductions that make long-term planning nearly impossible for providers.

Workforce Challenges and the Need for Flexibility

Even with stable funding, high-quality care cannot be delivered without a stable workforce. Pennsylvania is currently experiencing a significant healthcare workforce shortage. Between 2020 and 2023, the state's active Nurse Aide Registry declined by approximately 15 percent, representing a loss of roughly 15,000 workers.

Providers like Fellowship Community share the Commonwealth's goal of ensuring high-quality care for residents. We invest heavily in recruitment, retention, training, and supportive workplace practices. However, workforce shortages are forcing providers across Pennsylvania to make difficult decisions that directly affect access to care, particularly in light of arbitrary, per-shift ratio requirements implemented by the PA Department of Health. According to LeadingAge PA, 1 in 5 members surveyed are having to limit or deny admissions specifically as a result of state staffing ratio requirements.

We compete for workers not only with other long-term care providers, but also with large acute-care health systems in the Lehigh Valley and with employers in other industries entirely. Wages, benefits, and recruitment incentives have increased dramatically since the pandemic. Despite these efforts, we continue to face open positions and rising recruitment costs each year. We currently have 25 open positions and spent approximately \$18,000 on recruitment last year.

In this environment, staffing standards that lack flexibility risk producing unintended consequences. While minimum standards are important, one-size-fits-all requirements do not reflect differences in resident acuity, staffing mix, or care delivery models. In some cases, providers are forced to reassign staff or rely on temporary agency personnel to meet specific compliance metrics, even when care needs are already being met through appropriate clinical judgment and experience.

If our collective goal is quality care, policies should focus on strengthening the workforce pipeline, ensuring sustainable funding, and allowing providers reasonable flexibility to adjust staffing based on resident needs rather than rigid formulas alone.

Medicaid Pending and Administrative Delays

The final issue I would like to highlight is the Medicaid eligibility, or "MA Pending," process. Federal guidelines require that Medicaid applications be processed within 45 days. In practice, however, approvals can take several months or even years.

Providers and families face inconsistent submission requirements across counties or even caseworkers, limited communication from County Assistance Offices, and repeated requests for

documentation that has already been provided. At Fellowship Community, we employ a full-time Financial Counselor dedicated to helping residents and families navigate this process. Currently, we have multiple residents awaiting eligibility determinations, with average decision times far exceeding the federal standard. Our average wait time for a decision is 3+ months.

During this pending period, providers continue delivering care without assurance of guaranteed or timely payment. Outstanding balances accumulate, and providers assume significant financial risk. In one particularly prolonged case, unresolved now over 180 days, we were forced to involve our local legislative office simply to try to receive a determination.

Improving transparency, consistency, and timeliness in the Medicaid eligibility process would benefit not only providers, but also residents and their families during what is often a stressful and uncertain time.

In addition, current asset disclosure rules allow some individuals with substantial financial means to qualify for Medicaid benefits by sheltering assets in trusts. Closing these loopholes would help preserve limited public resources for those who truly need assistance and would promote greater fairness in the system.

Closing

I am grateful to have spent my career in an industry that cares for some of the most vulnerable individuals in our society. At Fellowship Community, I see dedicated, compassionate professionals working every day to improve the lives of older adults, often with little recognition and under increasingly difficult circumstances.

We are committed to providing charitable care to residents who outlive their resources, but we cannot sustain this commitment without appropriate support from the Commonwealth. I urge the General Assembly to fully fund Medicaid rates, support long-term care workforce stability, and streamline Medicaid eligibility processes so providers can continue serving those who depend on us.

Thank you again for your attention to these critical issues and for your willingness to engage with providers on meaningful solutions. We look forward to working with this caucus and the full General Assembly to stabilize and strengthen Pennsylvania's long-term care system.