



**Pennsylvania Senate Democratic Policy Committee
Public Hearing on Rising Costs for Seniors**

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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 Austin Cawley, Director of Legislative Affairs for LeadingAge PA. Thank you for the opportunity to address rising costs for seniors and the interconnected challenges facing Pennsylvania's aging services system.

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.

This discussion comes at a time when Pennsylvania's long-term care capacity is rapidly eroding. Since 2020, the Commonwealth has lost at least 37 nursing homes and more than 4,300 certified beds, with many more beds offline because of financial or staffing constraints. The population aged 85 and older is expected to nearly triple by 2050. Without action now, the Commonwealth will not have enough nursing home capacity to meet future demand from both Medicaid-eligible individuals and seniors who do not qualify for Medicaid.

That is why today's topic is so important. As providers, we see costs rising across the board, including food, insurance, utilities, wages, construction, and renovations. As these expenses increase, so do the costs seniors face every day, from groceries and fuel to property taxes and, most importantly, health care. Over the past several years, these increases have been significant.

Supporting a BAF Floor and the Middle Market

Earlier this year, the committee heard from aging services providers about the sustainability of nursing homes in Pennsylvania. At that hearing, you heard how the Budget Adjustment Factor (BAF) creates significant financial and operational challenges. The BAF continues to suppress providers' Medicaid reimbursement below the PA Department of Human Services' calculated rates and well below the actual cost of providing care. In Q2 2026, the BAF is 0.80, meaning providers receive only 80% of their calculated rate. The BAF also changes quarterly as the population served grows or resident acuity shifts, making planning and budgeting challenging for providers. This level of chronic underfunding forces providers to make difficult decisions simply to remain operational, ultimately restricting access and raising rates for residents who pay privately to try and make up some of the difference. Furthermore, LeadingAge PA members remain mission-driven, and the use of donation-funded benevolent care has increased year over year. That charitable support is a blessing, but it is not a sustainable way to offset growing losses. In Lancaster County alone, life plan communities serving thousands of seniors reported nearly \$43 million in uncompensated care costs and more than \$21 million in benevolent care and charitable support in 2025.

There are three primary payer sources for skilled nursing care: Medicare, Medicaid, and private pay. Medicare, despite common misconceptions, covers nursing home care only for a limited period, generally about 20 to 35 days. Medicaid is the dominant payer for long-term nursing home stays, covering roughly 70% of Pennsylvania residents in nursing homes. When providers lose 20% of reimbursement for each Medicaid resident, the question becomes: what happens to private-pay rates?

Private-pay residents have increasingly become the stopgap preventing broader instability in the aging services system. Industry financial surveys conducted by CareScout, who specialize in senior care assessments and connecting seniors to quality providers, annually show that the cost of nursing care has risen by an average of 21% over the past five years. A semi-private room that cost \$95,000 in 2021 now costs nearly \$115,000. This creates a damaging cycle: as costs rise, the gap created by the BAF widens, provider losses grow, and private-pay rates increase. As those rates climb, more Pennsylvanians exhaust their resources, and this creates a damaging cycle: as costs rise, the gap created by the BAF widens, provider losses grow, and private-pay rates increase. As those rates climb, more Pennsylvanians exhaust their resources and turn to Medicaid sooner for support.

Middle-market seniors are especially vulnerable to this trend. These are individuals with roughly \$25,000 to \$101,000 in annual income and assets—too much to qualify easily for assistance, but often not enough to afford extended care. According to Ziegler, a senior living/healthcare

focused, investment firm, reports that by 2033, this population is expected to grow significantly. Without selling their homes, nearly three-quarters of middle-income seniors, about 11.5 million people, will not have the resources to pay for care. Even when home equity is included, about 6 million, or 39%, will still not be able to afford it. In addition, 40% of middle-income seniors do not have children living nearby, which increases demand for paid support. This is why supporting Medicaid-funded care and establishing a BAF floor are so important. The impact extends beyond Medicaid residents; private-pay residents and their families also face rising costs, reduced access, and fewer available options.

Alternatives within the Aging Services Ecosystem

While facility-based care will always remain an integral part of the aging services ecosystem, community-based alternatives can also provide high-quality services while easing broader Medicaid funding pressures.

One example is the Living Independence for the Elderly (LIFE) program, which helps older adults remain in their homes and communities while receiving comprehensive, coordinated care. LIFE, known nationally as the Program of All-Inclusive Care for the Elderly (PACE), is an alternative to Community HealthChoices (CHC) for older adults who are clinically eligible for nursing facility care. It allows participants to remain at home while their physical, medical, social, and behavioral health needs are met.

Participants experience lower hospitalization rates, reduced caregiver burden, and a higher quality of life compared with similar populations served through other managed care models. A fully staffed day center provides medical care, therapies, nutritious meals, personal care assistance, laundry services, and recreational and social activities. Transportation to and from the center and other medical appointments is also provided at no cost. Prescription drug coverage, durable medical equipment, and caregiver supports are included as well.

For every individual who receives care through LIFE instead of CHC, the state Medicaid program saves more than \$39,000 each year. For the approximately 7,500 dual-eligible individuals currently enrolled in LIFE, that amounts to nearly \$300 million in annual savings. Investments in these alternative services generate state savings while also reducing time, stress, and care coordination burdens for seniors and their families.

Despite these benefits, Pennsylvania's methodology for setting LIFE Medicaid payment rates has not kept up with the actual cost of care. Currently, LIFE rates are based on the previous year's payment levels and are disconnected from the Amount that Would Otherwise be Paid (AWOP) for similarly situated individuals under Community HealthChoices. Current LIFE rates are representative of only 56.4 percent of the current AWOP value. Although the General Assembly's \$15 million increase in the FY 2024-25 budget helped prevent rates from dropping to what would have been around 52 percent of AWOP, one-time investments are insufficient for long-term

stability.

LeadingAge PA requests that the Commonwealth establish a minimum LIFE payment rate floor set at 60 percent of AWOP. A predictable funding mechanism will ensure older adults have access to a proven program that improves outcomes, enhances quality of life, and delivers savings to Pennsylvania taxpayers.

Affordable Housing and Its Role in the Aging Services Ecosystem

Housing is one of the biggest cost pressures facing seniors. Stable, affordable housing is closely tied to better health outcomes, yet Pennsylvania faces a severe shortage of rental homes that are both available and affordable for extremely low-income households. As the state's older adult population grows, we must ensure seniors can age in place by expanding access to affordable, accessible housing and the support that makes it possible. That means prioritizing senior housing development, encouraging innovative housing models, strengthening service coordination, and expanding gap funding to keep projects financially viable.

LeadingAge PA members are already exploring innovative housing models that are more cost-effective, scalable, and faster to deliver while maintaining quality. NewCourtland, a LeadingAge PA member, offers a strong example of how providers can expand affordable housing options for older adults and underserved communities.

One of NewCourtland's recent projects, Tower on Henry Avenue, demonstrates this approach. The development includes 173 housing units, including 40 subsidized senior units and 133 market-rate units. The senior units were built for approximately \$274,000 per unit, about 47% less than comparable projects financed through conventional Low-Income Housing Tax Credit models. NewCourtland also brought these units online more quickly by avoiding the lengthy PHFA funding queue, which can delay viable projects for multiple application cycles.

If Pennsylvania is serious about meeting the growing demand for senior affordable housing, it must support innovative and financially sustainable models like this one. The Pennsylvania Housing Action Plan can help by promoting mixed-income, inclusive housing strategies, funding models that pair market-rate and affordable units, and sharing best practices so providers can replicate successful approaches. With that support, Pennsylvania can bring senior housing online faster and at a lower cost while preserving strong community-based outcomes.

Affordable housing alone is not enough to help older adults age in place successfully. Service coordination is a critical part of senior affordable housing because it connects residents with health care, transportation, in-home support, and community resources that help them remain independent and delay nursing home placement. Service coordinators also reduce social isolation, help residents navigate available benefits and services, and advocate for their needs. According to

the American Association of Service Coordinators, 95% of residents with access to a service coordinator continued living independently in 2021.

Despite their proven value, access to service coordinators remains limited because funding is inconsistent and inadequate. Senior affordable housing communities supported through HUD may attempt to include new service coordinator costs in their regular operating budget or apply for grants to launch new service coordination programs, but after nearly a decade without funding opportunities for new positions, HUD's most recent Notice of Funding Opportunity provided only \$40 million nationwide, enough to support about 160 programs. That level of funding falls far short of the need, and only half of HUD senior communities have a service coordinator. At the same time, communities financed through the Low-Income Housing Tax Credit program generally have no comparable grant opportunity to support a service coordinator on site. If Pennsylvania wants more seniors to remain safely housed in the community, service coordination must be treated as an essential part of senior housing policy, not an optional add-on.

Thank you again for prioritizing these critical issues and finding innovative ways to ensure access to care and affordable senior housing, which ultimately helps to reduce costs for older adults. LeadingAge PA stands ready to partner with your caucus and the Pennsylvania General Assembly to advance solutions that stabilize our aging services infrastructure, expand affordable housing and supportive services, and ensure older Pennsylvanians can access the care they need when and where they need it.