

A SUSTAINABLE AND PREDICTABLE MEDICAID SYSTEM IS CRITICAL TO PROTECT PENNSYLVANIA'S SENIORS

Reliable and predictable Medicaid reimbursement is essential for nursing homes to maintain operations and budget accordingly. Without it, providers are forced to make difficult decisions that put access to care for Pennsylvania's seniors at serious risk. We cannot expect aging services providers to solely bear the brunt of increased costs associated with caring for the aging population without offering them reasonable support and resources. **Both the state and providers need some degree of predictability to stabilize the system, and setting a floor on the Budget Adjustment Factor (BAF) will help achieve that.**

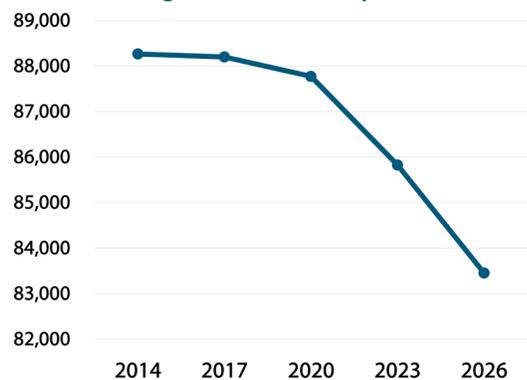
ACCESS TO CARE IN JEOPARDY

Pennsylvania's 85+ population is growing rapidly. Yet our capacity to care for them is rapidly declining. More than 4,800 nursing home beds have been lost since 2014, and 90% of them were de-certified just since 2020.

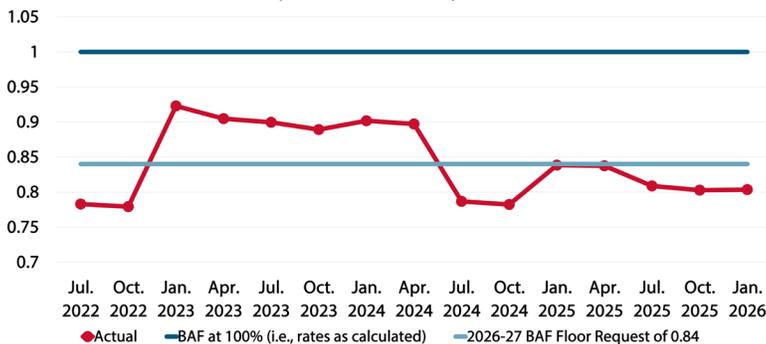
Loss of access will continue without urgent action. Nearly half (49%) of LeadingAge PA members declined hospital admissions within the last 90 days when surveyed in Jan. 2026.

Without immediate intervention, additional losses are likely and corresponding problems like hospital overcrowding and challenges finding quality Medicaid nursing home providers close to home will worsen.

Number of Federally Certified Nursing Beds in Pennsylvania¹



Quarterly Budget Adjustment Factor (BAF): July 2022 - January 2026²



WHY?

One of the primary drivers of this decline is persistent underfunding and unpredictability in Medicaid reimbursement. Sitting at 0.80 in the first quarter of 2026, the BAF is reducing Medicaid Reimbursement to 80 cents on the dollar less than the daily rate as calculated by the Department of Human Services (DHS).

Implementation of a BAF floor in this budget cycle is especially critical given that the BAF must be reauthorized by the legislature beyond its June 30, 2026 sunset.



It is nearly impossible to develop a revenue budget with any type of accuracy as rates/BAF constantly fluctuate.

- Nursing Home Operator in York County, Pa.

¹Source: <https://data.cms.gov/provider-data/topics/nursing-homes>

²Source: PA Department of Human Services, <https://www.pa.gov/agencies/dhs/resources/for-providers/budget-adjustment-factor>

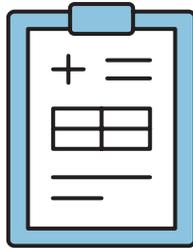
WHAT NEEDS TO BE DONE?

Establish a **0.84 BAF floor in FY 2026-27**, requiring an approximately **\$274 million (annualized)** investment in nursing homes.

This floor would improve **stability and predictability** for nursing homes, helping providers continue delivering high-quality care to Pennsylvania’s seniors and preventing further loss of beds and capacity.

PA VOTERS ON SENIOR CARE ACCESS

88% of registered voters in Pennsylvania agree the state should prioritize ensuring PA seniors have access to nursing home care when and where they need it.³



LEGISLATIVE ACTION NEEDED

After no funding increase in the 2025-26 state budget, LeadingAge PA members report negative impacts:⁴

- 46%** Unable to increase wages for staff
- 33%** Cut back ancillary/non-direct care services
- 25%** Budget for lower census

Reported impacts also include higher rates for private pay residents and fewer (or no) Medicaid residents accepted.

WHAT IS THE BUDGET ADJUSTMENT FACTOR (BAF)?

The BAF is an outdated funding mechanism that was implemented by the PA General Assembly 20 years ago. It was intended to be a temporary tool to help curb rising nursing home costs.

These are the numbers to be aware of when looking at nursing home Medicaid reimbursement:

CASE-MIX RATE AT 100%: A daily rate calculated by DHS based on approved cost reports and resident acuity data

BAF-ADJUSTED RATE: The actual minimum payment rate the nursing home receives after the BAF is applied

Instead of requesting a needed supplemental to obtain additional funding to pay the full case-mix rates, **the BAF is applied each quarter to reduce provider rates** by whatever percentage is necessary to keep spending within the existing budget allocation. In October 2024, the BAF dropped as low as 0.78, meaning rates were being paid at just 78% of calculated rates. In January 2025, after infusion of increased funding from the FY 2024-25 state budget, the BAF resulted in rates being paid at just shy of 84% of calculated rates. Over the past year, the BAF has further eroded to just 80% of calculated rates in January 2026.

For example:

CASE-MIX RATE AT 100%

BAF-ADJUSTED RATE



Providers are losing an additional \$63 per resident per day solely due to the BAF, based on the weighted quarterly average rate at 100% for Quarter 1 2026.



We cannot afford to take care of Medicaid patients [residents] and are considering shutting down our skilled nursing services despite the fact that we are one of the most highly sought after facilities.

- Nursing Home Operator in Montgomery County, Pa.



³Source: Susquehanna Polling & Research, September 2025

⁴Source: January 2026 LeadingAge PA Member Survey