



## ESTABLISH A BAF FLOOR

## PENNSYLVANIA'S SENIORS DESERVE A PREDICTABLE AND SUSTAINABLE NURSING HOME FUNDING SYSTEM

Mission-driven nursing home providers take the responsibility of caring for some of our state's most vulnerable citizens very seriously – in fact, they consider it an honor and a privilege. Many entered the sector feeling called by their faith to serve and care for seniors in their communities.

But instead of being able to fulfill that mission, nursing home operators are having to make incredibly difficult decisions that put our elders' access to high-quality care and services at risk.



### WHY?

**Because the funding system is broken.** Nursing homes are expected to do more with less. Costs are rising, the amount of qualified workers is falling, regulatory barriers are mounting, and

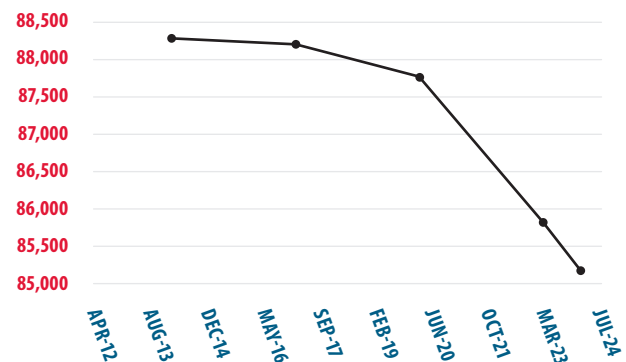
Medicaid continues to reimburse significantly below the actual costs of caring for the growing number of older adults in our state.

### WHAT NEEDS TO BE DONE?

**Stabilize the system by restoring some predictability for providers, and help ensure that older Pennsylvanians can count on having access to high-quality nursing home care when and where they need it.**



### NUMBER OF FEDERALLY CERTIFIED NURSING BEDS IN PENNSYLVANIA<sup>1</sup>



**Note:** This graph does not account for beds that remain certified but are currently not able to be used due to workforce and funding challenges. Over 50% of providers in a recent industry survey reported having additional licensed beds offline.

“About 50% of our patients rely on Medicaid; at the same time, we continue to suffer from poor Medicaid reimbursements, unrealistic state staffing mandates and opportunistic staffing agencies that are leveraging a worker shortage that hasn't rebounded since the pandemic...Pennsylvania has to create a fairer system. Without change, things will only get worse. In the end, that only hurts our residents.”

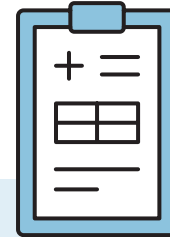
- Amber Hurley, Area Director, Presbyterian Senior Living

<sup>1</sup>Data ("Provider Info" files) for relevant years pulled from <https://data.cms.gov/provider-data/topics/nursing-homes>

**HOW?**

Require a 0.90 floor for the Budget Adjustment Factor (BAF), a mechanism that reduces the share of allocated Medicaid funding that gets reimbursed to each nursing home. According to current cost report and case-mix data, this would equate to an approximate investment of \$139 million in the FY 2025-2026 state budget.

Pennsylvania has a responsibility to care for the most vulnerable of its citizens.  
**Support establishing a floor to the BAF and adequately reimbursing nursing home providers for the care they are providing to our seniors.**



## 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 and was intended to be a **temporary** tool to help curb rising nursing home costs.

**There are three numbers to be aware of when looking at nursing home provider reimbursement:**

- **ACTUAL COST:** *What a provider pays in daily expenses to provide care for each resident*
- **CASE-MIX RATE AT 100%:** *A daily rate calculated by DHS based on cost reports and resident acuity data*
- **BAF-ADJUSTED RATE:** *The actual minimum payment rate the nursing home receives after BAF is applied*

Instead of requesting a supplemental to obtain additional funding to pay the full case-mix rates, the BAF is applied to reduce provider rates by whatever percentage is necessary to keep spending within the existing budget allocation. In October 2024, this resulted in rates 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 still resulted in rates being paid at just shy of 84% of calculated rates.

### EXAMPLE\*

#### ACTUAL COST



#### CASE-MIX RATE AT 100%



#### BAF-ADJUSTED RATE



- The provider is losing an additional \$51/day just as a result of the BAF, for a total loss of \$319/day
- In total, **they are reimbursed only 45% what it costs to provide care**

\*Data for Quarter 1 2025 rates from a 5-star provider in Lancaster County