



Testimony of the:

**NEW YORK STATE
HEALTH FACILITIES ASSOCIATION**

on the

**FY 2026-27 New York State Executive Budget Proposal
Health & Mental Hygiene
Article VII Bill**

Tuesday, February 10, 2026

Albany, New York

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Executive Summary

To ensure the sustainability of our state's skilled nursing facilities, the New York State Health Facilities Association ("NYSHFA"), a statewide association of providers of long term care services, caring for individuals of all ages in proprietary, not-for-profit, and government-sponsored skilled nursing facilities across New York, respectfully requests the final FY 2026-27 State Budget include the following:

Dedicate \$750 Million of the \$1.5 Billion in New Medicaid Funding to Nursing Homes

- The FY 2026-27 Executive Budget includes \$1.5 billion (all funds) in new funding for nursing homes and hospitals.
- NYSHFA requests that at least \$750 million (all funds) of this investment should be allocated specifically to nursing homes, reflecting the sector's high Medicaid reliance and ongoing financial distress.
- This allocation is critical to sustaining operations, supporting workforce recruitment and retention, and maintaining access to long-term and post-acute care.

Ensure the Allocation of Previously Approved Nursing Home MCO Tax Allocations

- NYSHFA supports \$386 million (all funds) for nursing homes funded through Managed Care Organization (MCO) tax revenue in FY27.
- The Centers for Medicare & Medicaid Services (CMS) announced a 9-month extension of the MCO tax through December 31, 2026.
- New revenue generated from this additional 9-month extension, totaling approximately \$1 billion in new money, should be proportionally allocated to nursing homes, consistent with prior distributions.
- A proportional distribution would total \$289 million (all funds) for nursing homes.

Fully Restore the 15 Percent Nursing Home Medicaid Capital Cut

- The proposed FY 2026-27 Executive Budget restores 10 percent of the previous 15 percent Medicaid capital cut.
- NYSHFA requests that the final enacted budget should restore the full 15 percent cut, ensuring facilities can continue to invest in and upgrade safety, infrastructure, and modernization needed to meet resident care needs and regulatory standards.

Introduction

Thank you for the opportunity to provide testimony on behalf of the New York State Health Facilities Association (“NYSHFA”). My name is Tarrah Quinlan, and I serve as Director of Education Program Development and Member Operations for NYSHFA.

NYSHFA represents skilled nursing providers and their employees who are dedicated to delivering high-quality compassionate care to over 60,000 New Yorkers, including older adults and individuals with complex medical needs, at over 350 not-for-profit, proprietary, and government-sponsored facilities throughout the State.

Background

Federal law and regulations require that nursing homes participating in the Medicare and Medicaid programs must ensure that their residents receive services that enable them to reach their highest practicable mental, physical and psychosocial well-being.¹ State regulations have the same requirement.² These are not aspirational goals; they are mandates.

It is, therefore, imperative that if skilled nursing facilities are going to meet those mandates, they must have the resources to do so. That, of course, includes adequate funding from the State’s Medicaid program. Why? Because in New York, over 75 percent of nursing home revenue comes from the Medicaid program, and in rural areas that number is higher. Indeed, for the largest part of their customer base – Medicare and/or Medicaid patients and those covered by third-party health insurance – rates are set for the nursing homes, not by them.

The law theoretically recognizes that reality by requiring that Medicaid rates be sufficient to ensure that they cover the costs necessary for nursing homes to comply with federal, state and local laws and regulations.³ But unfortunately, and until very recently, the State has only given lip service to that requirement.

Rates have failed to keep pace with inflation and the additional costs resulting from new legislative mandates establishing minimum spending⁴ and staffing⁵ standards. Indeed, the Legislature and the Department of Health have gone in the opposite direction – freezing case-mix adjustments,⁶ eliminating reimbursement for capital improvements for

¹ 42 U.S.C. 1396a(b)(2).

² 10 N.Y.C.R.R. 415.12.

³ Public Health Law § 2807(3).

⁴ Public Health Law § 2821.

⁵ Public Health Law § 2895-b.

⁶ Public Health law § 2808(2-b)(b)(ii).

proprietary nursing homes over 40 years old,⁷ cutting capital reimbursement for all skilled nursing facilities – both profit, not-for-profit – first in 2020 by 5% and then in 2024 by another 10%, while eliminating trend factors to account for inflation. They have also repeatedly imposed a moratorium on the monetary amount of rate appeals the Department of Health can process in any year.⁸ This is not a formula for enhancing quality of care.

The reality is that, despite the aforementioned statutory and regulatory requirements respecting the adequacy of rates, study after study has confirmed and reaffirmed the Medicaid reimbursement rates are well below the costs nursing homes must incur.

It is against this historical backdrop that I appear before you today.

New York's nursing homes serve some of the state's most medically fragile residents, including seniors, children, individuals with disabilities, and patients requiring post-acute and long-term care. Over 75 percent of nursing home residents in our state rely on Medicaid, yet Medicaid reimbursement rates have failed for years to keep pace with rising operational costs.

Unfortunately, New York's nursing homes are at a breaking point. Medicaid reimbursement falls \$1.6 billion short of the actual cost of providing care, leaving a majority of facilities struggling to sustain operations. In 2022, 70 percent of nursing homes reported financial losses, a sharp increase from 45 percent in 2021, underscoring the rapid deterioration of the sector's financial stability.

The underfunding of Medicaid and a shrinking pool of workers in the labor market, coupled with the lingering effects of COVID have combined to create an unprecedented workforce crisis in long-term care. Skilled nursing providers are doing everything in their power to recruit and retain staff. Yet, throughout the State many are unable to fill open positions, especially in direct care.

Moreover, long-term care providers are unable to compete with other employers that have the luxury of raising prices or passing through increased costs. Nursing homes are implementing extraordinary efforts to maintain high quality with inadequate reimbursement; however, New York is now at a crossroads.

Since 2020, more than fourteen nursing homes have closed statewide, permanently reducing access to care in communities across New York. These closures, combined with ongoing workforce shortages, have significantly constrained capacity. Based on state

⁷ *Aaron Manor Rehabilitation v. Zucker*, 42 N.Y.3d 46 (2024).

⁸ Public Health Law § 2808(17)(b).

figures, providers are currently unable to staff approximately 7,200 certified nursing home beds.

The reduction in nursing home capacity is creating bottlenecks across the health care continuum. Our hospitals are struggling to find nursing home beds for patients ready for discharge. As a result, patients who are medically ready for discharge are experiencing prolonged hospital stays because they cannot find nursing home placement close to home. This bottleneck is contributing directly to hospital bed shortages and emergency department overcrowding, limiting hospitals' ability to admit new patients and respond to emergencies.

Without a meaningful and sustained Medicaid investment, nursing homes will continue to lose capacity, worsening access challenges across the entire health care system.

Allocate \$750 Million of the \$1.5 Billion in New Medicaid Funding to Nursing Homes

The Governor recognizes the crisis facing New York's long-term care providers, and as such, invests \$1.5 billion (all funds) in new funding for nursing homes and hospitals in her FY 2026-27 Executive Budget.

NYSHFA urges the Legislature to strengthen New York's nursing homes by ensuring that at least \$750 million (all funds) of this \$1.5 billion investment is dedicated to nursing homes, reflecting the fact that over 75 percent of all nursing home residents rely on Medicaid for their long-term care needs and the ongoing financial distress of providers throughout the State. These funds are critical to sustain operations, supporting workforce recruitment and retention, and maintain access to long-term and post-acute care.

Inadequate nursing home reimbursement negatively affects nursing home residents and their families, staff and all New Yorkers who need access to long-term care at any point in the healthcare continuum.

Presently, the statewide average Medicaid reimbursement rate (to cover operating and capital costs) is \$277⁹ per day resulting in a Medicaid reimbursement rate of \$11.54 per hour for 24-hour skilled nursing care. This rate of reimbursement is well below the State's minimum wage and has only exacerbated the inability of providers to compete in the labor market for essential direct care workers.

⁹ New York State Department of Health. [Nursing Home Rates](#).

What New York's aging population needs now is a commitment by the Legislature to ensure that at least \$750 million (all funds) of this \$1.5 billion investment is dedicated to nursing homes. This investment will bolster quality, safeguard residents, strengthen our workforce, and help to further recruit and retain workers in long-term care.

Ensure the Allocation of the FY 2025-26 Budget Nursing Home MCO Tax Allocations

The 2025-26 enacted State Budget included two lump sum payments for nursing homes: \$445 million (all funds) for FY 2025-26 and \$386 million for FY 2026-27. The Centers for Medicare & Medicaid Services (CMS) announced a 9-month extension of the MCO tax through December 31, 2026. As such, New York will have collected the funds necessary to invest the full FY 2025-26 allocation to nursing homes, and 9 months of the FY 2026-27 allocation to nursing homes (4/1/26 – 12/31/26) for a proportional payment of the \$386 million of \$289 million.

It is critical that these allocations to nursing homes, as approved in last year's budget and authorized by CMS, be secured and allocated to the State's nursing homes in a timely and proportionate manner.

Fully Restore the Capital Cut to Support Aging Nursing Home Infrastructure

Over the past five years, New York has cut the capital component of the nursing home Medicaid rate by 15%. The capital component is essential to support investment in the physical infrastructure of the facility. It is shortsighted policymaking at best to think that providers can provide essential care in an environment that cuts reimbursement that is critical to the maintenance and upgrade of New York's aging nursing homes.

New York's nursing home infrastructure is aging, and facilities require significant upgrades to ensure quality care and resident safety. The capital component of the nursing home Medicaid rate is critical to ensuring ongoing maintenance and continued upgrades in a post-pandemic environment. As such, the capital rate is invested toward the replacement of major fixed equipment such as elevators, HVAC systems, refrigeration, and freezing units; upkeep to all facility components including roofs, windows, doors, and wiring; refurbishment of rooms and all private and public spaces within a nursing home; replacement and refurbishment of all external elements and surfaces of a facility; and the payment of real estate taxes and sales taxes.

The Governor's FY 2026-27 Executive Budget recognizes the need to reverse New York's cuts to the capital component of the nursing home Medicaid rate and restores 10 percent of the 15 percent cut.

NYSHFA|NYSCAL urges the Legislature to build upon the Governor's proposal and restore the full 15% capital reimbursement rate cut from 2020 and 2024.

Allow Certified Medication Aides in Nursing Homes

The availability of a trained and competent long-term care workforce is critical as it directly impacts access to care and the ability to provide quality healthcare services. New York State entered the pandemic experiencing a long-term care workforce shortage and the situation has only worsened. Nursing homes would welcome the ability to hire more RNs and CNAs.

The shortage of CNAs, LPNs and RNs in nursing homes is directly impacting access to care as facilities close units and limit admissions, resulting in significant backups in hospitals and the inability of those in the community to receive necessary care. According to a September 2024 SUNY Center for Health Workforce Studies report on healthcare worker recruitment and retention issues, pervasive shortages continue for a variety of professions across all health care settings, including in nursing homes and assisted living facilities. RNs and licensed practical nurses (LPNs) were reported as the most challenging professionals to recruit and retain in nursing homes, alongside entry-level aides such as nursing aides, certified nurse aides, home health aides, personal care aides, and medical assistants.¹⁰

This data is sobering – and with a decline in the number of working age adults and an ever-increasing population of older adults requiring skilled nursing care, workforce shortages in long-term care will continue to be a problem unless the Legislature takes the necessary steps to address both long-term care financing and workforce investment issues. A strong workforce is essential for improving the quality of care in New York's nursing homes and assisted living facilities.

Allowing certified medication aides (CMAs) to work in nursing homes in New York State would improve efficiency in healthcare delivery while maintaining patient safety. CMAs are trained professionals with specialized education in medication administration and authorizing them to work in nursing homes would help alleviate the burden on registered

¹⁰ State University of New York at Albany, Center for Health Workforce Studies. [“Health Care Worker Recruitment and Retention in New York State: What Are the Issues?”](#) September 2024.

nurses (RNs) and licensed practical nurses (LPNs). With nursing shortages becoming a growing concern, CMAs can step in to manage routine medication distribution, allowing RNs and LPNs to focus on more complex patient care tasks, such as assessments, care planning, and medical interventions. This shift would enhance workflow efficiency, reduce medication delays, and ensure that residents receive timely and accurate dosages under supervised conditions.

Furthermore, integrating CMAs into nursing home care teams can lead to improved patient outcomes and a higher quality of care. Studies from other states where CMAs are permitted to administer medications have shown positive results, including reduced medication errors and increased resident satisfaction. CMAs undergo rigorous training and certification to ensure their competency in handling medications safely. Additionally, they operate under the supervision of licensed nurses, maintaining a high standard of accountability. By implementing clear regulations and oversight, New York can safely expand the role of CMAs while ensuring compliance. This would not only address staffing shortages but also contribute to a more efficient and patient-centered nursing home environment.

NYSHFA|NYSCAL supports the Governor's proposal to authorize certified medication aides to administer routine and prefilled medications in nursing homes once trained and able to demonstrate competency. Thirty-eight other states currently authorize CMAs in nursing homes and New York presently authorizes them in assisted living settings.

Conclusion

New York's seniors and those in need of nursing home care deserve stability, dignity, access to quality care, and, in many instances, a place they are proud to call home. Fair funding today means a stronger, more compassionate future for all. As such, fair funding requires:

- 1. A commitment by the Legislature to ensure that at least \$750 million (all funds) of this \$1.5 billion investment is dedicated to nursing homes; and**
- 2. A commitment by the Legislature to ensure that the MCO tax allocations to nursing homes, as approved in last year's budget and authorized by CMS, be allocated to the State's nursing homes in a timely and proportionate manner.**
- 3. A commitment by the Legislature to build upon the Governor's 10% proposal and restore the full 15% capital reimbursement rate cut to nursing homes.**

NYSHFA|NYSCAL urges the Legislature to make these solutions that will strengthen the long-term care sector for years to come.

As always, NYSHFA will continue to work in partnership with the Governor, the Legislature, labor, and all affected constituencies to ensure the continued delivery of high-quality, cost-effective long-term care services throughout New York State.

Respectfully Submitted,

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