

## MedPAC Recommends Medicare Payment Cut for Nursing Homes

### Data show Medicare margins exceed 18%

The Medicare Payment Advisory Commission (MedPAC), an independent congressional agency established to advise Congress on issues affecting the Medicare program, recommended last week that the Centers for Medicare & Medicaid Services (CMS) cut Medicare payments by three percent for nursing homes.

Explaining the recommended cut, MedPAC provided data showing that nursing homes have relatively high margins, 18.4% for traditional Medicare. LeadingAge, however, has pointed out that the Medicare margin is 1.1% for nonprofit nursing homes while the for-profit nursing home margin is 22% reflecting, among other things, that for-profit nursing homes tend to be larger and have lower average staffing. The [DHS Long-Term Care Market Study 2023](#) ("DHS LTC study") indicates that the Medicare margin for Wisconsin nursing homes is about 25%. In Wisconsin, almost 60% of nursing homes are for-profit.

Some have argued that the sizeable Medicare margins are justified to account for the lower rates typically paid by state Medicaid programs. But even with for-profit nursing home margins exceeding 20%, according to the DHS LTC study, Wisconsin's Medicaid-dependent nursing home population declined from 15,389 residents in 2015 to 11,875 residents in 2020, a 23% decrease. In 2024, the Medicaid nursing home population is projected to be about 10,000 residents, or a 30% decline since 2015, despite large increases in Medicaid reimbursement and a Medicare margin also, in part, aimed at supporting the Medicaid population.

Although federal and state policymakers have invested significant Medicare and Medicaid resources in the nursing home industry to protect access to care for Medicaid and other hard-to-place patients, hospitals continue to struggle to find nursing homes that will accept those patients. In Wisconsin, around 500 patients a day are in hospitals waiting for a post-acute care placement. CMS published a [final rule](#) in November 2023 that will require Medicare and Medicaid nursing homes to disclose certain ownership, managerial, and other information to CMS and the state Medicaid agency. Patient advocacy groups have been concerned that factors, like private equity interests, might be impacting access to crucial skilled nursing care.

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