

Getting Long Term Care Funding to the Bedside

Accountability for Public Money

Pennsylvania's Medicaid program spends over \$3 billion a year on nursing home care for its residents, and in 2020 it provided another \$457 million in Covid-19-related bailouts to the industry. This money is intended to provide care for our state's most vulnerable residents, but in too many cases, it is siphoned away from the bedside and flows instead to inflated rents, profits and administrative overhead. Given the sums involved, taxpayers have a right to ensure that this money is being spent on patient care.

That's why SEIU Healthcare Pennsylvania is advocating that our state follow the lead of New Jersey, New York and Massachusetts and implement a Direct Care Spending Ratio requiring that nursing facilities spend at least 75% of their revenue at the bedside--not on administrative bureaucracy, rent, or corporate profits.

The Problem: Money Funneled Away from the Bedside

The nursing home industry is unique in that, while the vast majority of its funding comes from the government through Medicare and Medicaid, most nursing homes are for-profit enterprises. This creates the potential for misuse of public funds to benefit private investors rather than resident care. This problem has become increasingly acute in recent years with the entry of profit-driven private equity firms into nursing homes, leading to [low staffing](#), poor quality and [thousands of resident deaths](#).

Irresponsible nursing home owners can remove money from resident care through several mechanisms:

- Profits appropriated by owners at the expense of patient care.
- High [administrative costs](#) due to related-party transactions.
- Inflated [rents](#) charged by Wall Street-backed real estate investment trusts.
- High [debt burdens](#) and interest payments due to repeated leveraged buyouts.

Responsible nursing home owners are entitled to a fair profit, but taxpayers shouldn't be funding profits for landlords, lenders and private-equity kingpins at the expense of patient care.

The Solution: Direct Care Spending Ratios Ensure that Public Money Goes to Patient Care

In the wake of the pandemic, states across the country are demanding more accountability from nursing home operators, and several states have enacted a simple yet transformative reform: requiring that nursing homes spend a certain percentage of their total revenue on patient care.

- **Massachusetts:** Now [requires](#) that nursing homes spend 75% of revenue on care.
- **New York:** Requires that nursing homes spend [70% of revenue on patient care](#), with a further requirement that 40% of revenue be spent on patient-facing direct care staff.
- **New Jersey:** Requires that nursing homes spend [90% of revenue](#) on patient care.

We believe that Pennsylvania should join these states and require **75% of nursing home revenues to be spent on patient care**. This threshold--which many well-run facilities already meet--would ensure that facilities have ample resources to care for residents while still leaving room for owners to cover overhead and make a fair profit. By limiting cost-cutting, it would help facilities achieve higher quality while discouraging predatory private equity ownership of our state's nursing homes.