

# Keep Your Promise to Nursing Home Residents: Medicaid Capital Cuts Affect Quality Care



## What is the nursing home Medicaid capital rate?

The capital rate funds essential repairs and maintenance, such as roofs, HVAC systems, elevators, and renovations that make facilities more homelike for residents. It also funds capital loan payments and reimburses for leases of major equipment, like resident lifts and ventilators. Major capital costs are in the rate are pre-approved by DOH and incurred by the facility.

## How does the capital rate interact with the operating rate?

The capital and operating rates are combined to comprise the daily Medicaid rate. When capital funding is cut, homes must use operating dollars to back-fill capital debt obligations.



## For example...

Nursing home capital costs are like a household's rent or mortgage. Not paying rent or mortgage payments will lead to eviction or default on debt. If a family's budget has insufficient funds to pay the mortgage, it must cut back on other spending, such as food. The same is true for nursing homes.



## How does this impact residents?

If a home must use its operating funds to back-fill Medicaid capital cuts in order to meet loan payments or make necessary repairs, it has **fewer dollars for staffing, food, therapy, activities, housekeeping and other services provided to their residents. These are the elements of care that can significantly impact quality of life.**

With an inadequate Medicaid operating rate that covers less than 75% of operating costs, most homes cannot back-fill capital cuts without negatively impacting staffing and resident services.



Lately, capital cuts have made lenders more reluctant to provide loans to nursing homes for needed renovations and other essential projects that would enhance the safety, comfort, and overall quality of life of nursing home residents going forward.

Most major capital expenditures have been pre-approved by the state, making the **15% capital cut** not only a broken promise, but placing homes in danger of violating loan covenants.