



Rhode Island Health Care Association

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Testimony in Opposition to the Reduction in the Rate Change for Nursing Facilities on October 1, 2026

Article 8 – 40-8-19 Rates of Payment to Nursing Facilities (Page 10)

Date: March 4, 2026

Dear Chairman Abney and Members of the House Committee on Finance,

I am writing on behalf of the Rhode Island Health Care Association (RIHCA) and its 61 member facilities, which represent approximately 82% of Rhode Island's 74 nursing facilities. RIHCA strongly opposes the proposed reduction of the annual rate increase for nursing facilities to 2.5% on October 1, 2026. This proposed increase falls short of the statutorily required 3.2% adjustment based on the CMS National Nursing Home Inflation Index, which accurately reflects the real inflationary pressures faced by nursing homes. **This adjustment is critical to ensuring that Medicaid reimbursement rates are aligned with the actual costs of care. Moreover, this proposed reduction would mark the second consecutive year of such a cut.**

Concerns with the Shift in Inflation Methodology

Last session, the FY 26 budget included a reduced inflation index, using the “new” methodology that resulted in an increase of just 2.3%, based on state revenue growth projections. This was a significant departure from the statutorily mandated use of the CMS Market SNF Basket Inflation Index, which required a 4.2% increase. The CMS Index reflects actual inflationary pressures faced by nursing homes—such as the cost of labor, healthcare supplies, and operational expenses—while the state revenue growth-based methodology is an arbitrary figure, not grounded in the real economic conditions affecting nursing facilities. **This change resulted in a cut in the inflation increase of 1.9% or \$7.7 million (all funds) for FY 26.**

The shift to a forecasted state revenue growth-based index not only deviates from the statutory requirement but also undermines the stability and predictability of Medicaid reimbursement for nursing facilities. Basing rate adjustments on projected state revenue growth rather than actual inflation leaves facilities vulnerable to arbitrary funding cuts, as the 2.5% proposed increase does not reflect the true cost increases of 3.2% being faced.

Impact on Nursing Facilities and Front-Line Workers

Nursing homes in Rhode Island are already grappling with significant and ongoing financial constraints due to insufficient historical reimbursements, compounded by the lingering impact of the Covid-19 pandemic. The proposed 2.5% increase will fail to cover rising costs of 3.2%,

Setting the Pace in Nursing Home Care

A non-profit organization of proprietary and non-proprietary long term health care facilities dedicated to improving health care of the convalescent and chronically ill of all ages. An equal opportunity employer.

especially in staffing, which is the largest operational expense. **Furthermore, by existing statute, 80% of any inflationary increase must be spent on labor-related expenses. This means that cutting the inflation index directly impacts the ability to compensate front-line workers appropriately.**

Reducing the rate increase and changing the inflation methodology further compounds the challenges faced by facilities, particularly those that care for a disproportionate number of Medicaid beneficiaries. The direct result of this reduction is a harmful effect on the wages and retention of staff who provide critical care to our most vulnerable populations. This shift risks reducing the quality of care provided and will make it even more difficult to retain skilled staff. As a result, facilities will be forced to stretch already insufficient resources, further undermining the quality of care.

Statutory Requirement and Fairness

The underlying statute mandates that the rate increase be based on the CMS National Nursing Home Inflation Index to ensure predictable, adequate funding for nursing homes. The proposed 2.5% increase, driven by state revenue projections, does not meet this requirement and undermines the statute's intent. The shift away from an actual inflation index to an arbitrary percentage based on forecasts for state revenue growth is not only unfair but will destabilize the financial health of nursing facilities, jeopardizing the care of Rhode Island's most vulnerable populations. **As projected, this change in FY 27 using the same "new" methodology would result in an additional reduction of 0.7% or \$5 million (all funds) reduction in nursing facility reimbursement.**

Request for Legislative Action

We respectfully urge you to adhere to the statutorily required (estimated) 3.2% rate increase, as per the CMS Market Basket Inflation Index. The 2.5% increase proposed, based on the arbitrary forecast of state revenue growth, is insufficient and places undue strain on nursing facilities already facing substantial financial pressures. **When combined with the same cut as enacted for FY 26, the net reduction in reimbursement to nursing facilities for FY 26 and FY 27 combined would equate to a total cut of some \$12.7 million. This would directly affect the ability of facilities to compensate their staff and provide the level of care that our most vulnerable citizens deserve.**

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'John E. Gage', with a long horizontal line extending to the right.

John E. Gage, MBA, NHA
President & CEO
Rhode Island Health Care Association (RIHCA)

Proposed FY 2027 Budget

Align Certain Annual Medicaid Inflationary Adjustments to Revenue Growth. The Governor recommends aligning the annual inflationary adjustment to the nursing facilities, hospital inpatient/outpatient, and federally qualified health center Medicaid rates with state revenue growth in FY 2027, projected to be 2.5 percent. This proposal generates \$3.7 million general revenue, \$9.9 million all funds, in Medicaid program savings compared to the November Caseload Estimating Conference, while still providing a \$27.1 million increase from all funds compared to the FY 2026 revised recommendation.

Article 8 Fiscal Impact Change Relative to November 2025 CEC

	General Revenue	All Funds
Medicaid Rate Reduction for Nursing Facility	(\$2.1)	\$5.0
Medicaid Rate Reduction for Hospitals	(0.5)	(1.1)
DSH payments	4.2	10.0
Net Impact	\$1.7	\$14.0

\$ in millions. Total may not add due to rounding

Enacted FY 2026 Budget

Align Certain Annual Medicaid Inflationary Adjustments to Revenue Growth. The Governor recommends aligning the annual inflationary adjustment to the nursing facilities and hospital inpatient/outpatient Medicaid rates with state revenue growth in FY 2026, projected to be 2.3 percent. This proposal generates \$4.9 million general revenue, \$13.0 million from all sources of funds, in Medicaid program savings compared to the November Caseload Estimating Conference, while still providing a \$67.8 million increase from all sources of funds compared to the FY 2025 revised recommendation.

Article 8 Fiscal Impact

	Revenues	Expenditures	
	General Revenue	General Revenue	All Funds
Increased HLF revenue	\$16.8	\$0.0	\$0.0
Eliminate Upper Payment Limit (UPL)	-	(6.7)	(18.3)
Eliminate Inflationary increase in HCBS	-	(4.3)	(10.1)
DSH payments	-	(3.6)	(7.8)
Medicaid Rate Reduction for Nursing Facility	-	(3.2)	(7.7)
Medicaid Rate Reduction for Hospitals	-	(1.7)	(5.3)
e-Consults Program	-	(0.1)	(0.5)
Net Impact	\$16.8	(\$19.6)	(\$49.8)

\$ in millions. Total may not add due to rounding