June 23, 2025

Honorable Mark Warner
United States Senate
Washington, DC 20510

Honorable Ron Wyden
United States Senate
Washington, DC 20510

Honorable Chuck Schumer
United States Senate
Washington, DC 20510

Honorable Jeff Merkley
United States Senate
Washington, DC 20510

Dear Minority Leader Schumer and Senators Merkley, Warner, and Wyden:

We are writing in response to your June 20th letter requesting information on the potential impacts of the budget reconciliation package on nursing homes and the residents who depend on these facilities for their long-term care.

Per your request, a team of researchers at Brown University School of Public Health[1] has identified the nursing homes in the United States that treat the highest share of Medicaid patients, how many nursing homes are at risk of closure, and the potential impact on nursing homes that treat the highest share of Medicaid patients.

The three questions outlined in the letter are listed below with our responses.

Overview

We developed a model to identify the key determinants of Skilled Nursing Facility (SNF) closures using the most recently available 10 years of national data (2011–2023). Our model finds that closures are most strongly predicted by three facility-level factors: 1) A **high proportion of Medicaid residents** (>85%). Medicaid reimbursement rates are substantially lower than those of Medicare or private payers, making financial sustainability difficult. 2) **Low occupancy rates**, which result in reduced overall revenue regardless of payer mix. For our analysis, we flagged facilities with **occupancy below 80%** as at risk. 3) **Poor quality ratings**, specifically those with a 1- or 2-star rating on the CMS Five-Star Quality Rating System. These ratings are widely understood as indicators of management and care delivery problems.

Because these three indicators are measurable and updated regularly, they provide a **practical framework for identifying facilities at elevated risk of closure**, particularly those likely to face ongoing financial instability.

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Using this model and 2023 data, we identified **579 nursing homes across the U.S.** that meet **all three risk criteria**. Below, we provide preliminary answers to your question.

Question 1: Which nursing homes in the United States treat the highest share of Medicaid patients? Please identify these nursing homes by name, geographic location (i.e. urban or rural),and state.

- We identified **1,749 SNFs** nationwide with a **Medicaid payer share greater than 85%** in 2023.
- These facilities are disproportionately located in **urban areas** and are **concentrated in states like Illinois, Texas, California, and Georgia**.
- A full listing of these facilities, including name, state, and geographic location (urban/rural), is available upon request.

Question 2: How many nursing homes are at risk of closure? Please identify the number of nursing homes by the metrics that drive their risk of closure, geographic location, and state.

- Based on our model, 579 **facilities are considered high-risk** for closure because they meet **all three criteria**:
  - 85% Medicaid share
  - <80% occupancy rate
  - 1- or 2-star quality rating
- These facilities are located in 45 **states**, with the highest numbers found in:
  - **Illinois** (93 high-risk facilities)
  - Texas (66)
  - Ohio (41)
  - Missouri (39)
Georgia (37)
- Approximately 98% **of high-risk facilities** are in **urban areas**, while 2**%** are in **rural settings**.

We can also provide maps and state-by-state breakdowns of these high-risk facilities to support ongoing policy discussions. [See attached table.]

Question 3: If the House-passed and Senate committee-drafted bills, which will cut Medicaid by more than $800 billion, were to become law, what would be the impact on nursing homes that treat the highest share of Medicaid patients or at risk of closure? What would be the impact on other nursing homes?

Significant cuts in Medicaid will force states to make decisions about which "optional" Medicaid services they will continue to fund and how stringent Medicaid eligibility standards are to be set. Nursing home care is a mandatory benefit under Medicaid; therefore, all states would be required to continue offering it. Other services, like home and community-based service waiver programs, are not mandatory, so some states may eliminate or reduce them, while most will further restrict their availability. If this happens, there is likely to be an increase in demand for nursing home care from those who otherwise would have preferred staying at home. Years of research suggest that areas with a greater supply of home and community-based services have lower age-adjusted rates of nursing home use.

Because nursing homes are a mandatory service, states must continue to fund them under the Medicaid program for people who are medically and financially eligible. States may make Medicaid eligibility more financially stringent, but since few people have sufficient monthly income to pay the cost of a nursing home, this will not affect the majority of nursing home users. It is more likely that states will freeze Medicaid payment rates. States that will no longer be able to use provider taxes to increase Medicaid transfers will be harder hit, perhaps prompting absolute reductions in payment rates. Whether states freeze payment rates or reduce them, given likely labor cost inflation, providers will have more difficulty hiring staff, who are already becoming increasingly difficult to find and recruit. Payment rate freezes or reductions mean less money to operate facilities in the context of rising wages and medical care inflation. Facilities with high proportions of Medicaid residents will be differentially adversely affected since they have very little non-Medicaid revenue to offset real rate reductions. Those facilities with a preponderance of Medicaid residents, low occupancy, and poor quality performance will only be able to attract more Medicaid patients, making them increasingly dependent upon Medicaid, putting them further in a fiscal hole.

In the pre-pandemic period, around 1% of nursing homes closed per year, and new openings replaced only about 1/5th of those closed facilities. It is difficult to say for sure, but a payment freeze lasting more than a year could nearly double the closure rate. People tend to enter nursing homes that are close to their homes or near where their families live, so closures often result in greater travel for residents and their families. In many communities, nursing homes are a major employer of low-skilled workers, particularly in rural and exurban areas. When they close, those in the community have to look further afield for employment, and in rural areas, discharged workers may need to relocate.

In summary, significant Medicaid cuts will force states to reduce Medicaid expenditures by restricting both eligibility and services, but since nursing homes are a mandatory service, given their high costs, states will likely freeze payment rates. Facilities with very high Medicaid populations,

low occupancy, and poor quality (accounting for almost 4% of all US nursing homes) will be at high risk of closure, as their operating margins are already very low. In many communities, such closures not only reduce access to needed services but also impoverish the community.

We appreciate the opportunity to provide feedback on this critical issue. We welcome the opportunity to engage further or provide additional data as needed. Should you have any questions about our comments, please contact us at vincent_mor@brown.edu or fangli_geng@brown.edu.

Sincerely,

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