



Paying For U.S. Nursing Home Care Cost of Care Not Covered by Medicaid and Medicare

Most nursing homes in the U.S. provide two types of care: long-term residential care, and short-stay services for rehabilitation or post-acute care.

Revenue comes from three sources: 1) Medicaid, 2) Medicare, and 3) private pay.

- Medicaid is the joint federal and state government payor for “long-stay” residents, who use over **80% of skilled nursing facilities (SNFs) beds**.
 - Medicaid reimbursement rates are determined by states, within federal parameters, and are generally based on overall state budgets rather than on nursing homes’ actual costs of care.
 - **Virtually no state pays nursing homes enough under Medicaid to cover current costs, and on average most nursing homes lose money caring for Medicaid residents.**
- Medicare largely reimburses skilled nursing facilities for rehab, short-term care of patients, who use **about 13% of a SNF’s beds**.
 - Medicare reimbursements are devised [using federally determined formulas based on type of care](#) and, research shows, generally pay providers at a rate somewhat greater than the costs of providing care.
- Private pay drives only a small percent of revenue, as most families’ ability to pay privately is limited.

“To stay afloat, nursing homes must take enough high-revenue short-stay Medicare patients to offset the low-revenue Medicaid residents. Otherwise,” [write Harvard’s Michael Barnett and David Grabowski](#), “they will go out of business.”

The Impact of COVID: [Two-thirds of nursing homes say they won’t make it another year](#) given their current operating pace due to increased COVID costs.

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