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Four States Implemented Different Nursing Home Minimum Spending Requirements Related to Resident Care, and Three of These States and Some Nursing Homes Experienced Challenges

REPORT HIGHLIGHTS



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Four States Implemented Different Nursing Home Minimum Spending Requirements Related to Resident Care, and Three of These States and Some Nursing Homes Experienced Challenges

Why OIG Did This Audit

- According to Medicaid payment transparency reporting requirements, beginning in 2028, States must report to CMS annually, by facility, the percentage of Medicaid payments that are spent on compensation for direct care workers and support staff for services provided by Medicaid-certified nursing facilities (nursing homes).
- Although there is currently no Federal minimum spending requirement, as of January 2026, four States (Massachusetts, New Jersey, New York, and Pennsylvania) had established minimum spending requirements related to resident care for nursing homes.
- This audit determined how the four States have implemented nursing home minimum spending requirements related to resident care and identified challenges that the four States and selected nursing homes in those States have experienced in implementing and complying with those requirements.

What OIG Found

- Each of the four States implemented its own nursing home minimum spending requirements related to resident care. Specifically, each State required nursing homes to spend at least a set percentage of revenues, expenses, or costs on resident care (i.e., minimum spending threshold) and calculated the spending percentage using different financial figures.
- Three of the four States identified challenges that they experienced in implementing minimum spending requirements, such as difficulties in collecting data from nursing homes and a lack of audited data to calculate the minimum spending percentages. In addition, there were some selected nursing homes in each of the four States that experienced challenges in complying with the requirements, such as staffing shortages and difficulties in gathering and reporting the required data to the State due to time constraints.

What OIG Recommends

We recommend that CMS consider the information in this report as it implements Federal Medicaid payment transparency reporting requirements for nursing homes, and in any future rulemaking, should it decide to implement a minimum spending requirement.

CMS concurred with our recommendation.

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INTRODUCTION

WHY WE DID THIS AUDIT

According to Federal regulations on Medicaid payment transparency reporting, beginning in 2028, States must report to CMS annually, by facility, the percentage of Medicaid payments that are spent on compensation for direct care workers and support staff by Medicaid-certified nursing facilities.^{1, 2} In its final rule, CMS stated that the intent of the regulations is to increase transparency and to better understand how nursing homes spend the Medicaid payments they receive.³ CMS also stated that it would evaluate public comments as it considers future rulemaking requiring that a minimum percentage of payments be spent on compensation for direct care workers and support staff (i.e., a minimum spending requirement).⁴

Although there is currently no Federal minimum spending requirement, as of January 2026, four States (Massachusetts, New Jersey, New York, and Pennsylvania) had established minimum spending requirements related to resident care for nursing homes. We conducted this audit to provide CMS and other stakeholders with information related to nursing home payment transparency and oversight of nursing home spending on resident care in the four States.

OBJECTIVE

Our objectives were to: (1) determine how four States have implemented nursing home minimum spending requirements related to resident care and (2) identify challenges that the four States and selected nursing homes in those States have experienced in implementing and complying with those requirements.

¹ 42 CFR § 442.43. Direct care workers are individuals who provide services to Medicaid-eligible individuals, such as registered nurses, certified nurse aides, and licensed physical therapists. Support staff are individuals who are not direct care workers and maintain the physical environment of the facility or support other services for residents, such as housekeepers and janitors. We refer to Medicaid-certified nursing facilities as nursing homes in this report.

² This requirement also applies to Intermediate Care Facilities for Individuals with Intellectual Disabilities; however, our audit did not include any of these facilities.

³ 89 Fed. Reg. 40876, 40914 (May 10, 2024).

⁴ 89 Fed. Reg. 40876, 40931 (May 10, 2024).

BACKGROUND

Medicaid Program

The Medicaid program provides medical assistance to certain low-income individuals and individuals with disabilities.⁵ The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, CMS administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although each State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. State plans must ensure that provider payments are consistent with efficiency, economy, and quality of care.⁶

According to Federal regulations, State Medicaid agencies must require nursing homes participating in the State's Medicaid program to file a uniform cost report and must provide for periodic audits of those reports.⁷ Cost reports are used, in part, to determine Medicaid reimbursement rates for nursing homes.

Federal Medicaid Payment Transparency Reporting Requirement

In its final rule, CMS established Federal Medicaid payment transparency reporting requirements under existing authority, including section 1902 of the Act.⁸ Specifically, the Act requires State Medicaid agencies to submit reports as the Secretary may require and to comply with such provisions as the Secretary may find necessary to assure the correctness and verification of those reports.⁹ According to CMS, these reporting requirements are meant to generate meaningful and comparable data, to support nationwide transparency, and to make available more comprehensive information on nursing homes for Medicaid recipients and other members of the public.¹⁰

⁵ Title XIX of the Social Security Act (the Act).

⁶ The Act § 1902(a)(30)(A).

⁷ 42 CFR § 447.253(f) and (g).

⁸ 89 Fed. Reg. 40876, 40914 (May 10, 2024). In addition to the Federal Medicaid payment transparency reporting requirements, the final rule included nursing home minimum staffing standards (e.g., requiring nursing homes to have a minimum amount of nursing staff hours per resident per day). Although a moratorium on the nursing home minimum staffing standards was passed into law on July 4, 2025 (P.L. No. 119-21, section 71111), Federal Medicaid payment transparency requirements remain in effect.

⁹ The Act § 1902(a)(6).

¹⁰ 89 Fed. Reg. 40876, 40914 and 40916 (May 10, 2024).

States must report to CMS annually, by nursing home, the percentage of Medicaid payments that is spent on compensation for direct care workers and support staff.¹¹ States must comply with the requirements beginning on June 21, 2028.¹²

Four States With Nursing Home Minimum Spending Requirements Related to Resident Care

As of January 2026, four States (Massachusetts, New Jersey, New York, and Pennsylvania) had established minimum spending requirements related to resident care for nursing homes. Generally, nursing homes that participate in the States' Medicaid programs are subject to the respective States' minimum spending requirements.¹³ Each of the four States has a State Medicaid agency (State agency) and an office or division within the agency that is responsible for the administration and oversight of the requirements (Table 1).

Table 1: State Medicaid Agencies and Their Office or Division Responsible for the Implementation of Minimum Spending Requirements

State	State Medicaid Agency	Office or Division Responsible for the Implementation of Minimum Spending Requirements
Massachusetts	Massachusetts Executive Office of Health and Human Services	Office of Long-Term Services and Supports, MassHealth
New Jersey	Department of Human Services	Division of Aging Services
New York	Department of Health	Office of Aging and Long-Term Care
Pennsylvania	Department of Human Services	Office of Long-Term Living, Bureau of Finance

HOW WE CONDUCTED THIS AUDIT

We interviewed State officials from each of the four State agencies and reviewed documentation related to the minimum spending requirements, including State guidance, reporting instructions for nursing homes, and cost reports, when applicable. We also reviewed State data related to the minimum spending requirements for each State's most recent available reporting period (Table 2 on the following page).¹⁴

¹¹ 42 CFR § 442.43(b). Certain payments are excluded, such as payments claimed by the State for Federal financial participation for which Medicaid is not the primary payer.

¹² 42 CFR § 442.43(f).

¹³ Nursing homes that participated in New York's Medicaid program were subject to the minimum spending requirements, except for those that provide specialty health care services, such as care for medically fragile children or young adults (10 New York Codes, Rules, and Regulations (NYCRR) § 415.34(c)).

¹⁴ To determine that the data was sufficiently reliable for the purposes of our audit, we performed data reliability steps, such as performing electronic testing and interviewing State officials about the data.

Table 2: Date Ranges of State Data That We Reviewed

State	Beginning of Period	End of Period
Massachusetts	July 1, 2023	June 30, 2024
New Jersey	January 1, 2023	December 31, 2023
New York	January 1, 2023	December 31, 2023
Pennsylvania	January 1, 2023	June 30, 2024

We used the data to select a sample of 20 nursing homes in each State.¹⁵ We interviewed officials from these nursing homes to identify challenges the nursing homes experienced in complying with the requirements.¹⁶

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A describes our audit scope and methodology.

FINDINGS

Each of the four States implemented its own nursing home minimum spending requirements related to resident care, and three of the four States experienced challenges in implementing the requirements (e.g., data collection). Also, some of the selected nursing homes in all four States experienced challenges in complying with these requirements (e.g., staffing shortages).¹⁷

Specifically, each State required nursing homes to spend at least a set percentage of revenues, expenses, or costs on resident care (i.e., minimum spending threshold) and calculated the spending percentage using different financial figures. For example, Massachusetts required nursing homes to spend at least 75 percent of total revenue on direct care expenses, whereas New Jersey required nursing homes to spend at least 90 percent of Medicaid revenue on

¹⁵ For Massachusetts, New Jersey, and New York, we randomly selected 10 nursing homes that met or exceeded the State's minimum spending thresholds and 10 that did not meet the thresholds. In New Jersey, only one nursing home did not meet the threshold, so we randomly selected 19 nursing homes that met the threshold and selected the one nursing home that did not meet the threshold.

¹⁶ In New Jersey, one nursing home declined to be interviewed, and another did not respond to our request for an interview. In New York and Pennsylvania, one nursing home in each State did not respond to our request for an interview.

¹⁷ Of the 76 nursing homes that we interviewed, 42 experienced challenges.

Medicaid patient care expenses.¹⁸ In addition, New York required nursing homes to limit the amount of excess revenue to no more than 5 percent of total expenses.¹⁹ Table 3 shows the minimum spending or excess revenue threshold requirements by state.

Table 3: Minimum Spending or Excess Revenue Percentage Calculations and Thresholds for Resident Care by State

State	Numerator		Denominator		Thresholds
Massachusetts	Total Direct Care Expenses	÷	Total Adjusted Nursing Revenue	≥	75%
New Jersey	Medicaid Share of Patient Care Expenses	÷	Medicaid Revenue	≥	90%
New York	Direct Resident Care Expenses	÷	Revenue	≥	70%
	Resident-Facing Staffing Expenses	÷	Revenue	≥	40%
	Total Excess Revenue	÷	Total Expenses	≤	5%
Pennsylvania	Resident Care and Other Resident-Related Costs	÷	Total Costs	≥	70%

Furthermore, three of the four States identified challenges that they experienced in implementing minimum spending requirements, such as difficulties collecting data from nursing homes and a lack of audited data to calculate the minimum spending percentages.²⁰ In addition, there were some selected nursing homes in each of the four States that experienced challenges in complying with the requirements, such as staffing shortages and difficulties in gathering and reporting the required data to the State due to time constraints.

FOUR STATES IMPLEMENTED DIFFERENT MINIMUM SPENDING REQUIREMENTS RELATED TO RESIDENT CARE FOR NURSING HOMES

Each of the four States had different minimum spending requirements, calculation methodologies, penalties for noncompliance, and practices for relying on and overseeing reported nursing home spending data. Appendix B describes the States' minimum spending calculations in detail.

¹⁸ 101 Code of Massachusetts Regulations (CMR) § 206.12 and New Jersey Administrative Code (N.J.A.C.) § 10:49A.

¹⁹ New York Public Health Law § 2828. Excess revenue refers to the portion of revenue that remains after all operating and non-operating expenses have been fully accounted for.

²⁰ New York State officials did not identify any challenges with the implementation of the minimum spending requirements.

Massachusetts Required Nursing Homes To Spend at Least 75 Percent of Total Revenue on Direct Care Expenses

Minimum Spending Requirement

Beginning October 1, 2020, Massachusetts required nursing homes to spend at least 75 percent of total revenue on direct care expenses.²¹ Massachusetts referred to the spending percentage as the Direct Care Cost Quotient (DCC-Q). According to the State agency, the DCC-Q was implemented as a regulatory requirement to hold nursing homes financially accountable for prioritizing spending on direct care expenses for residents.²²

Beginning October 1, 2022, nursing homes were subject to a downward adjustment of their Medicaid reimbursement rate if they fail to have a DCC-Q of at least 75 percent in the previous full State fiscal year (SFY) (July through June). The downward adjustment was half of 1 percent for every full percentage point under the spending threshold, up to a maximum downward adjustment of 5 percent. There was an exemption from the downward adjustment for nursing homes with less than 5,000 Massachusetts Medicaid days in the previous SFY.²³

Data Used To Calculate Spending Percentage

Massachusetts used expense and revenue data that nursing homes reported through a web portal to calculate each nursing home's DCC-Q and determine compliance with the State's minimum spending requirement.²⁴ Nursing homes were required to submit a final report through the web portal by July 31 for the previous SFY.²⁵

Calculation Methodology for Spending Percentage

Massachusetts calculated the DCC-Q by dividing the nursing home's total direct care expenses by its total adjusted nursing revenue. See Figure 1 on the following page.

²¹ 101 CMR § 206.12. The State issued Administrative Bulletin 21-02, effective Feb. 10, 2021, which included guidance on compliance criteria, reporting requirements, and penalties related to the nursing home spending percentage.

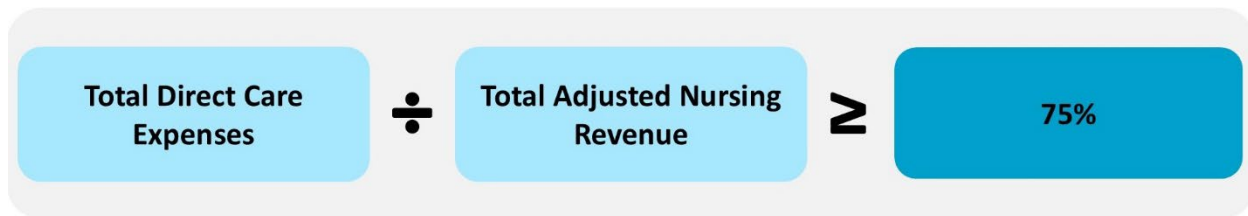
²² MassHealth, "[Direct Care Cost Quotient \(DCC-Q\) Reports.](#)" Accessed on Apr. 22, 2026.

²³ 101 CMR § 206.12. Massachusetts Medicaid days are reported on nursing homes' quarterly user fee assessment forms as a type of patient day. A patient day is a day of care provided to an individual by a facility regardless of whether the facility has been paid for the day (101 CMR § 512.02).

²⁴ According to State officials, Medicaid cost reports were not used when calculating each nursing home's DCC-Q because cost reports were on a calendar year basis and the DCC-Q was on a SFY basis. Officials stated that the cost report submission and review process was not timely enough to use.

²⁵ An interim report was due Mar. 1 and was used to monitor whether nursing homes are on track to meet the threshold for the reporting period, not for compliance with the minimum spending requirement. Effective Oct. 1, 2025, the final report was due by Mar. 1, and the interim report was due by July 31 each year.

Figure 1: Massachusetts' Nursing Home Minimum Spending Calculation (DCC-Q)



Total direct care expenses included workforce expenses (e.g., salaries and benefits for nurses) and additional direct care expenses related to resident care (e.g., housekeeping supplies). Total adjusted nursing revenue included nursing home revenue from all payers but excluded certain amounts, such as Medicare ancillary costs (e.g., laboratory and pharmacy costs).²⁶ The State also excluded certain revenues, such as capital grants, forgivable loans received, and Federal or State relief funds.

Number of Nursing Homes That Met the Required Threshold

Massachusetts' SFY 2024 data obtained from its State agency showed that 254 (or 77.4 percent) of 328 nursing homes had met or exceeded the minimum spending threshold of 75 percent. The remaining 74 nursing homes (or 22.6 percent) did not meet the threshold and would have been subject to a downward adjustment of Medicaid reimbursement rates.

State's Oversight Activities

Massachusetts selected a limited number of nursing homes each year to audit (e.g., 10 nursing homes for SFY 2024). The audits involved reviewing documentation provided by nursing homes to support the expenses and revenue data reported through the web portal. According to State officials, if the result of the audit caused a nursing home to fall below the 75-percent threshold, the nursing home would receive a notice and would be subject to a Medicaid reimbursement rate reduction retroactive to the beginning of the rate year and a recoupment of overpaid funds.²⁷

²⁶ According to State officials, revenue from all payers was included in the calculation instead of only Medicaid revenue because nursing homes have multiple sources of revenue, and it would be difficult for nursing homes to track costs for each revenue type or program.

²⁷ Rate year refers to the 12-month period from Oct. 1 through Sept. 30.

New Jersey Required Nursing Homes To Spend at Least 90 Percent of Medicaid Revenue on Medicaid Patient Care Expenses

Minimum Spending Requirement

Beginning January 1, 2022, New Jersey required nursing homes to spend at least 90 percent of Medicaid revenue on Medicaid patient care expenses.²⁸ New Jersey referred to the spending percentage as Patient Care Ratio (PCR).²⁹ According to State officials, the PCR was implemented in response to a recommendation made by a professional service firm that performed an assessment of the State's long-term care system.³⁰ The recommendation was for the State to establish a direct care ratio that would require nursing homes to limit the percentage of revenue used on administrative costs and profits.

Nursing homes that do not meet the threshold must provide a rebate to the State.³¹ Nursing homes that owe a rebate must pay the State no later than July 1 of the following year; however, they are not required to pay any rebate that is less than \$1,000.³²

Data Used To Calculate Spending Percentage

New Jersey used expense and revenue data that nursing homes reported through a web portal to calculate each nursing home's PCR and determine compliance with the State's minimum spending requirement. Nursing homes are required to report each year the data for the previous calendar year by June 1.³³ According to State officials, the deadline for reporting the data can be extended to align with other reporting requirements, such as the cost reports due by August each year.

Calculation Methodology for Spending Percentage

New Jersey calculated the PCR by dividing the nursing home's Medicaid share of patient care expenses by its Medicaid revenue. See Figure 2 on the following page.

²⁸ N.J.A.C. § 10:49A and Public Law 2020, Chapter 89 (Sep. 16, 2020).

²⁹ N.J.A.C. § 10:49A-1.2.

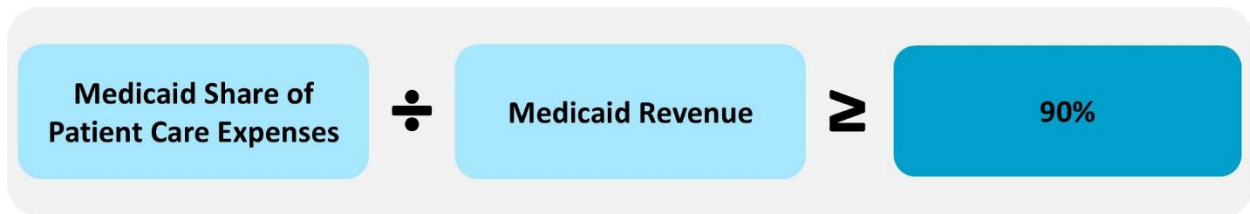
³⁰ New Jersey Department of Health, "[Recommendations to Strengthen the Resilience of New Jersey's Nursing Homes in the Wake of COVID-19](#)." Accessed on Sep. 28, 2026.

³¹ The rebate is calculated by multiplying the percentage that the nursing home is under the 90-percent threshold, rounded to the tenth of a percent, by the nursing home's Medicaid revenue (N.J.A.C. § 10:49A-3.1).

³² N.J.A.C. § 10:49A-3.1.

³³ According to State officials, nursing homes may submit supplemental information if the facility had related-party transactions, needed to offset operating losses across multiple facilities with common ownership, or needed to allocate facility expenses to multiple PCR cost categories (e.g., general and administrative).

Figure 2: New Jersey’s Nursing Home Minimum Spending Calculation



The Medicaid share of patient care expenses is calculated by multiplying the total patient care expenses (e.g., personnel costs) by the ratio of Medicaid bed days to total bed days.³⁴ Medicaid revenue is the amount of revenue from the Medicaid fee-for-service and managed care programs.

Number of Nursing Homes That Met the Required Threshold

New Jersey’s calendar year 2023 data obtained from its State agency showed that 321 (or 99.7 percent) of 322 nursing homes had met or exceeded the minimum spending threshold of 90 percent. The remaining nursing home did not meet the minimum spending threshold and was required to provide a rebate to the State.

State’s Oversight Activities

Although State regulations mention that the State can conduct audits of nursing homes to review the data reported by nursing homes for the PCR, according to State officials the data has not been audited due to limited resources and a focus on auditing cost reports.³⁵

New York Had Three Requirements, Including One in Which Nursing Homes Must Spend at Least 70 Percent of Revenue on Direct Resident Care

Minimum Spending Requirements

Beginning January 1, 2022, New York required residential health care facilities, including nursing homes, to spend at least 70 percent of revenue on direct resident care and at least 40 percent of revenue on resident-facing staffing.^{36, 37} Further, a nursing home must limit its excess

³⁴ Medicaid bed days are the number of bed days billed by the nursing home for Medicaid fee-for-service and managed care programs. Total bed days are the number of bed days billed to any individual or entity. (N.J.A.C. § 10:49A–2.2(b)).

³⁵ N.J.A.C. § 10:49A–3.2.

³⁶ Resident-facing staff include nursing, therapy, and pharmacy staff. All amounts spent on resident-facing staffing were included as a part of amounts spent on direct resident care.

³⁷ New York Public Health Law § 2828 and 10 NYCRR § 415.34(d).

revenue to no more than 5 percent of total operating and non-operating expenses.³⁸ According to State officials, the minimum spending requirements were part of its SFY 2022 (April through March) budget and implemented as part of comprehensive nursing home reform legislation.

Nursing homes that do not meet all three of the thresholds are required to remit funds to the State by November 1 of the year following the year in which the expenses were incurred. The amount of the remittance is the sum of the amount underspent on direct care and resident-facing staff and the revenue amount that exceeded 5 percent of total operating and non-operating expenses.^{39, 40}

Data Used To Calculate Spending and Excess Revenue Percentages

New York used information contained in annual cost reports submitted by nursing homes to calculate each nursing home's spending and excess revenue percentages and determine compliance with the minimum spending requirements.⁴¹ In New York, cost reports are based on calendar year. According to State officials, nursing homes can submit the cost reports to the State when the cost report template is released by the State agency.⁴²

Calculation Methodology for Spending and Excess Revenue Percentages

New York calculated three different percentages related to nursing home minimum spending requirements. The first calculation divides direct resident care expenses by revenue, the second calculation divides resident-facing staffing expenses by revenue, and the third calculation divides excess revenue (i.e., total operating revenue minus total operating and non-operating expenses) by total operating and non-operating expenses. See Figure 3 on the following page.

³⁸ New York Public Health Law § 2828.

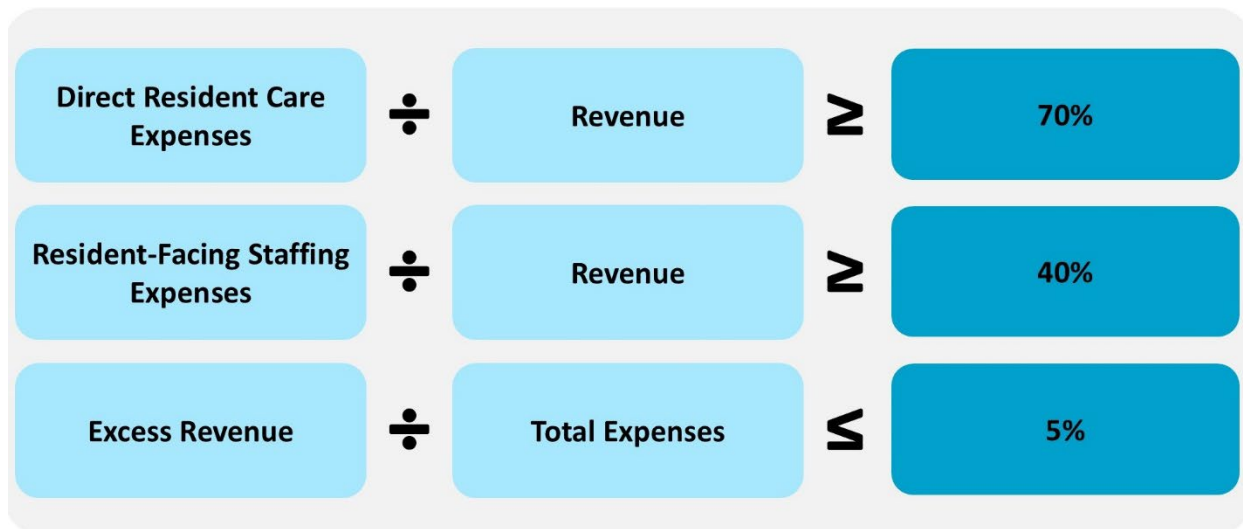
³⁹ See footnote 38.

⁴⁰ In 2023, the State amended New York Public Health Law § 2828 to establish a 4-year demonstration project for the minimum spending requirements from Jan. 1, 2023, through Dec. 31, 2026, to reduce the use of temporary staffing agencies (New York Assembly Bill A7328, 2023-2024 Reg. Sess. (N.Y. 2023)). Nursing homes could exclude all revenue, except for total Medicaid operating revenue, if the nursing home met thresholds for the percentage of resident-facing staff who were contracted out to a temporary staffing agency (e.g., 10 percent or less).

⁴¹ Hospital-based nursing homes were required to submit supplemental information to the State using a survey form that the State developed because the hospital cost report did not include all of the information that was required for the State to determine compliance with the minimum spending requirements.

⁴² Typically, the cost report template is released in May or June, and the cost report is due within 90 days unless an extension is granted.

Figure 3: New York’s Nursing Home Minimum Spending and Excess Revenue Calculations



Direct resident care expenses include housekeeping, transportation, and resident-facing staffing expenses. Resident-facing staffing expenses include salaries and wages for medical staff and physical therapists. Revenue includes total operating revenue (e.g., inpatient service revenue and cafeteria revenue) but excludes revenues from certain sources (e.g., COVID-19 grants). Total expenses include all expenses of the facility (e.g., depreciation and leases).

Number of Nursing Homes That Met the Required Thresholds

New York’s calendar year 2023 data obtained from its State agency showed that 465 of 540 nursing homes (86.1 percent) had met all three minimum spending thresholds. The remaining 75 nursing homes (13.9 percent) did not meet at least 1 of the 3 minimum spending thresholds and were required to remit funds to the State. However, according to State officials, the State had not recouped any funds from nursing homes that did not meet the minimum spending thresholds as of June 2026.

State’s Oversight Activities

New York officials stated that nursing homes must submit Medicaid cost reports based on financial statements audited by an independent certified public accounting firm. The accountant is required to electronically certify the submission of the cost report, or nursing homes can submit supporting documentation to the State, such as signed letters from the independent accountant.⁴³ New York relies on cost reports certified by independent accountants when determining whether nursing homes complied with the minimum spending requirements.

⁴³ 10 NYCRR § 86-2.5. According to one nursing home, the auditor certified that the financial information in the cost report matched the nursing home’s audited financial statements.

Pennsylvania Required Nursing Homes To Have Resident Care or Other Resident-Related Costs of at Least 70 Percent of Total Costs

Minimum Spending Requirement

Beginning in reporting periods on or after January 1, 2023, Pennsylvania required nursing homes to spend at least 70 percent of total costs as reported in their Medicaid cost reports on resident care or other related costs.⁴⁴ According to State officials, during its 2023 SFY (July through June), there was additional funding available for nursing homes, so the State agency implemented this requirement to ensure that an appropriate amount of nursing home costs was spent on providing resident care.

Nursing homes that do not meet the 70-percent threshold may have a monetary penalty assessed.⁴⁵ The penalty is calculated by first taking the difference between the 70-percent threshold and the nursing home's actual spending percentage. This percentage difference (up to a maximum of 5 percent) is multiplied by the nursing home's fee-for-service per diem rate as of June 30, 2022, and then multiplied by the total Medicaid resident days of care on the nursing home's cost report.

Data Used To Calculate Spending Percentage

Pennsylvania used Medicaid cost reports submitted by nursing homes through the State system called the Nursing Information System to calculate the spending percentage and determine compliance with the minimum spending requirement.⁴⁶ The nursing homes have 4 months from the end of their reporting period to submit the cost reports to the State. According to State officials, nursing homes can elect to have a cost reporting period of a calendar year or the SFY. Nursing homes must continue to use the same reporting period in subsequent periods unless there is a change in ownership.

Calculation Methodology for Spending Percentage

Pennsylvania calculated the spending percentage by dividing the nursing home's resident care costs and other resident-related costs by its total costs. See Figure 4 on the following page.

⁴⁴ Pennsylvania Public Law 540, Number 54, section 1603-T (Act No. 54 of 2022).

⁴⁵ See footnote 44.

⁴⁶ Nursing homes submit the Medicaid cost report form MA-11, "Financial and Statistical Report for Nursing Facilities and Services under the Medical Assistance Program of the Department of Human Services, Commonwealth of Pennsylvania."

Figure 4: Pennsylvania’s Nursing Home Minimum Spending Calculation



Resident care costs consist of salaries and benefits for certain employees (e.g., nurses) and other expenses (e.g., medical supplies). Other resident-related costs include food, laundry, and housekeeping expenses. Total costs consist of resident care costs, other resident-related costs, administrative costs, and certain capital costs (e.g., facility rent).

Number of Nursing Homes That Met the Required Threshold

Pennsylvania calendar year 2023 and SFY 2024 data obtained from its State agency showed that 435 (or 85.1 percent) of 511 nursing homes had met or exceeded the minimum spending threshold of 70 percent. The remaining 76 nursing homes (14.9 percent) did not meet the minimum spending threshold. According to State officials, the penalty was waived, and no penalties have been assessed as of October 2025.

State’s Oversight Activities

According to State officials, although all Medicaid cost reports are audited by the State, the State uses unaudited cost report data to determine whether nursing homes met the spending threshold because audits of cost reports would not be completed in time to use the audited data. State law does not specify that audited data must be used.

THREE STATES EXPERIENCED CHALLENGES WITH THE MINIMUM SPENDING REQUIREMENTS

Officials from three of the four States identified challenges they experienced in implementing their respective minimum spending requirements. The remaining State did not identify any challenges in implementing its minimum spending requirements.

Massachusetts Experienced Challenges With Implementation and Oversight

Massachusetts officials identified the following challenges while implementing the minimum spending requirements and performing oversight:

- Difficulties collecting the data, which were resolved by building a web portal that nursing homes could use to submit data to the State

- Addressing issues nursing homes had with reporting required data through the web portal (e.g., explaining how to report certain information), which was resolved by offering training sessions and frequently asked questions
- Having limited staffing resources to perform audits of reported data to ensure that nursing homes are submitting accurate data

New Jersey Experienced Challenges With Implementation

New Jersey officials identified a challenge with the allocation of total expenses to Medicaid using the percentage of Medicaid bed days to total bed days, which may overstate expenses allocated to Medicaid residents. According to the State officials, using a different methodology, such as one based on the acuity of patients, may be more accurate because it would account for the different levels of care and expenses associated with each resident regardless of their payer type.

New York Did Not Identify Any Challenges

New York officials did not identify any challenges regarding the minimum spending requirements.

Pennsylvania Experienced Challenges With Implementation

Pennsylvania officials identified the following challenges:

- Lack of audited data used to calculate the minimum spending percentages⁴⁷
- Inconsistent reporting of certain costs resulting in larger penalties for certain nursing homes⁴⁸

SELECTED NURSING HOMES IN FOUR STATES EXPERIENCED CHALLENGES WITH THE MINIMUM SPENDING REQUIREMENTS

Officials from nursing homes stated that they experienced challenges with complying with their State's minimum spending requirements.

⁴⁷ According to State officials, the State audits cost reports. However, because audits of cost reports would not be completed in time to use the audited data, the State used unaudited data to calculate spending percentages.

⁴⁸ For example, the State imposed on nursing homes surcharges, also known as the nursing facility assessment. The State identified that not all nursing homes were reporting the entire assessment amount as required. The nursing homes that did not report the entire amount may have had a smaller penalty.

Staffing Shortages Resulted in Lower Resident Care Expenses

Thirteen nursing homes in our samples experienced staffing shortages.⁴⁹ Specifically, they cited issues with recruiting and retaining adequate staff. This caused their direct care expenses to be lower, making it more difficult to meet the minimum spending requirement. According to officials at one nursing home in Massachusetts, the nursing home was not able to comply with the requirement because it had to compete with local hospitals for nurses.

Gathering and Reporting Information to the State Was Time Consuming and Burdensome

Eleven nursing homes in our samples from Massachusetts and New Jersey experienced challenges with gathering and reporting information to their respective state.⁵⁰ Nursing homes officials cited the following challenges:

- The reporting requirement was a burden for the facility due to the length of time it took to collect the information and put it into the format that the State required (nine nursing homes in New Jersey).
- Nursing homes experienced time constraints because the Medicare and Medicaid cost reports were due at the same time as the minimum spending requirement information was due or because the nursing home was selected for an audit of the prior year's minimum spending requirement at the same time the minimum spending requirement information was due (three nursing homes in New Jersey and one nursing home in Massachusetts).
- There was confusion with identifying and reporting expenses to the State because the naming convention of the nursing home's internal financial data fields did not match the data fields in the web portal (one nursing home in Massachusetts).

Minimum Spending Requirements Did Not Account for the Differences in Costs or Expenses Among Nursing Homes

Three nursing homes in our samples from Massachusetts and Pennsylvania experienced challenges with meeting their State's minimum spending requirement threshold because the percentage calculations did not account for different costs or expenses incurred among nursing homes. Specifically, officials from two nursing homes in Massachusetts stated that the calculation did not account for varying labor markets across the State or for the acuity of patients at each facility. Facilities in areas with lower wages for staff and residents requiring less

⁴⁹ The 13 nursing homes included 7 nursing homes in Massachusetts, 3 nursing homes in New York, 2 nursing homes in Pennsylvania, and 1 nursing home in New Jersey.

⁵⁰ The number of nursing homes that experienced the challenges is greater than 11 because 3 nursing homes in New Jersey identified more than 1 challenge.

care may naturally have lower spending percentages. In addition, officials from one nursing home in Pennsylvania stated that they experienced a challenge with meeting the threshold because of high capital expenditures and fixed costs, such as building leases. According to the officials, because its State's calculation was based on resident care costs over total costs that included capital costs, it was difficult to spend enough on resident care to meet the threshold.

Some Nursing Homes in New York Did Not Understand the State's Calculation Methodology

Six nursing homes in our sample from New York experienced challenges with understanding the components of the spending percentage calculations. The nursing homes' officials stated that they did not know exactly how the State calculated the percentages because the regulations were not always clear on what expenses should be included in the calculation.⁵¹ For example, officials from one nursing home stated that although therapy services are related to resident care, they did not know whether contracted therapy services were allowable expenses because the State's regulations did not include therapy services in the definition of contracted services. Nursing home officials stated that because of this lack of clarity in the regulations, they did not know whether their spending percentages complied with the minimum spending requirements.

Bed Taxes in Pennsylvania Lowered Nursing Homes' Spending Percentages

Eleven nursing homes in our sample from Pennsylvania experienced challenges with meeting the minimum spending requirements because the inclusion of bed taxes lowered their spending percentages.⁵² Officials at one nursing home stated that the bed tax is included in the calculation even though it is a required cost by the State. They stated that this inclusion increases the nursing home's total cost and lowers its spending percentage related to resident care, which makes it more difficult for the nursing home to meet the minimum spending requirements.

CONCLUSION

Each of the four States had different minimum spending requirements, calculation methodologies, penalties for noncompliance, and practices for relying on and overseeing reported nursing home spending data. For example, each State required nursing homes to report different financial figures related to their spending on resident care. Furthermore, three

⁵¹ Officials from one of these six nursing homes stated that because the State had not provided the exact calculations, nursing home associations and audit firms have had to create their own models of how they thought the State calculations were made.

⁵² Pennsylvania's nursing facility assessment program required nursing homes to pay a quarterly assessment to the State based on the number of resident days in the prior quarter (referred to as the "bed tax") (Pennsylvania P.L. 169, Number 25 (Act No. 25 of 2003)). Certain facilities were exempt from the bed tax, and there were two tax rates for nonexempt facilities based on factors such as the type of facility and number of licensed beds. The State used the revenue from this assessment to maintain Medicaid reimbursement rates and provide additional reimbursement to nursing homes in the Medicaid program.

States identified challenges with implementing the requirements, such as having to create a web portal to collect data from nursing homes and having to use unaudited data. Also, selected nursing homes in all four States identified challenges with obtaining and reporting information to the State, such as confusion on which expenses to report and the length of time it took to report the information.

The Federal Medicaid payment transparency reporting regulation, when implemented, will require States and nursing homes to report information that may differ from States' existing reporting requirements. As CMS develops its policies and procedures for the Federal requirement, ensuring consistent reporting requirements and procedures among States and nursing homes may improve the quality of the reported information and may help CMS to oversee nursing homes' compliance with the Federal Medicaid reporting requirements, when implemented.

RECOMMENDATION

We recommend that CMS consider the information in this report as it implements Federal Medicaid payment transparency reporting requirements for nursing homes, and in any future rulemaking, should it decide to implement a minimum spending requirement for nursing homes.

CMS COMMENTS

In written comments on our draft report, CMS concurred with our recommendation and will take into account the information in this report as it considers changes. CMS acknowledged that because State processes, timelines, and definitions vary, it may not be possible to align all details of the reporting process with existing practices in multiple States. CMS stated that it plans to provide technical assistance, as needed, to facilitate further alignment with States' current reporting practices.

CMS also provided technical comments on our draft report, which we addressed as appropriate. CMS's comments, excluding the technical comments, are included as Appendix C.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We interviewed State officials from each of the four States and reviewed documentation related to the minimum spending requirements, including State guidance, reporting instructions for nursing homes, and cost reports, when applicable. We also reviewed State data related to the minimum spending requirements for each State's most recently available reporting period.⁵³ We used the data to select a sample of 20 nursing homes in each State.⁵⁴ We interviewed these selected nursing homes to identify challenges they experienced related to the requirements.

We determined that assessing internal controls was not significant to our audit objectives.

We conducted our audit from May 2025 through August 2026.

METHODOLOGY

We took the following steps to accomplish our objective:

- Reviewed applicable State requirements
- Obtained written responses from CMS officials to gain an understanding of the Medicaid nursing home payment transparency reporting requirements
- Met with State officials to gain an understanding of the implementation of the States' nursing home minimum spending requirements, nursing home compliance, oversight processes, and challenges experienced with the requirements
- Obtained and reviewed States' documentation including written feedback received from external stakeholders (e.g., the nursing home industry) regarding the implementation of the requirements, State guidance and reporting instructions for nursing homes, and examples of nursing home cost reports and audit reports
- Obtained data related to the minimum spending requirements from each State agency for the most recent reporting period available

⁵³ For Massachusetts we reviewed data from its SFY 2024 (July 1, 2023, to June 30, 2024). For New Jersey and New York, we reviewed data from calendar year 2023. For Pennsylvania, we reviewed data that overlapped both calendar year 2023 and SFY 2024 (i.e., data from Jan. 1, 2023, to June 30, 2024). To determine that the data was sufficiently reliable for the purposes of our audit, we performed data reliability steps, such as performing electronic testing (e.g., checking for duplicates) and interviewing State officials about the data.

⁵⁴ See footnote 15.

- Performed data reliability procedures on the data in each State, filtered the data to identify the number of nursing homes that met or did not meet the minimum spending thresholds, and selected a sample of 20 nursing homes from each State to interview
- Interviewed selected nursing homes in each State to identify the challenges that the nursing homes experienced in complying with their respective State's minimum spending requirements
- Discussed the results of our audit with CMS officials

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

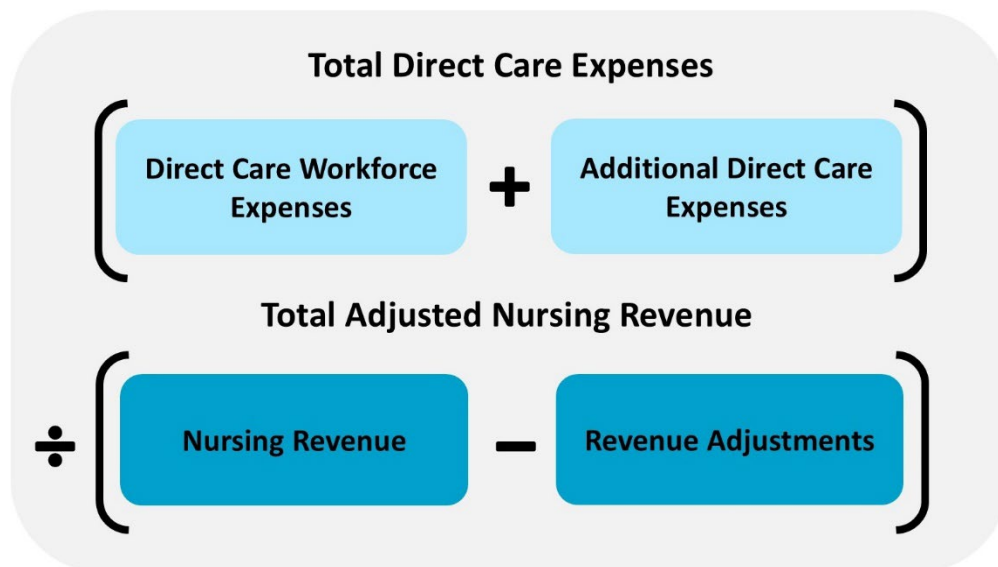
APPENDIX B: FOUR STATES' MINIMUM SPENDING REQUIREMENT CALCULATIONS

Each of the States' minimum spending requirement calculations for nursing homes included different types of revenues, expenses, or costs.

MASSACHUSETTS

Massachusetts calculated nursing homes' spending percentage by dividing total direct care expenses by total adjusted nursing revenue.⁵⁵ See Figure 5.

Figure 5: Massachusetts' Spending Percentage Calculation



Direct care workforce expenses include expenses for direct care staff (e.g., nurses and nurse aides), in-house clerical staff, dietary staff, social service workers, and housekeeping.⁵⁶ Additional direct care expenses related to resident care include expenses for food and dietary supplies, laundry, and housekeeping supplies.⁵⁷ Total adjusted nursing revenue includes nursing home revenue from all payers and certain revenue adjustments, such as deductions for user fee

⁵⁵ 101 CMR § 206.12.

⁵⁶ Administrative Bulletin 21-02. Expenses attributable to recreational therapy and social service workers are multiplied by 1.5. According to State officials, the multiplier was used to incentivize nursing homes to address certain worker shortages.

⁵⁷ The State issued Administrative Bulletin 25-12, effective June 13, 2025, which included updates to the DCC-Q calculation, such as allowing administrator expenses up to \$200,000 and medical supplies to be included in total direct care expenses.

assessments, Medicare ancillary costs, and Federal or State relief funds. Table 4 shows expenses and revenues included in the spending percentage calculation.⁵⁸

Table 4: Expenses and Revenues Included in the Spending Percentage Calculation

Direct Care Workforce Expenses⁵⁹	
Behavioral Health Staff	Physician Services
Certified Nursing Assistants	Plant Operations/Maintenance
Dietary	Quality Assurance Professional
Director of Nurses	Registered Nurses
Housekeeping/Laundry	Recreational Therapy/Activities
In-house Clerical Staff that regularly interact with residents and caregivers (e.g., receptionists, business office staff working onsite), excluding Administrator	Restorative Therapy
Interpreter Service	Security Staff
Licensed Practical Nurses	Social Service Workers
Management Minute Questionnaire Evaluation Nurse/Minimum Data Set Coordinator	Staff Development Coordinator
Non-certified or Resident Care Aides	Unit Clerks
Pharmacy Consultant	
Additional Direct Care Expenses	
Food and Dietary Supplies	Laundry and Housekeeping Supplies
Nursing Revenue	
Nursing Facility Payer Revenue	Residential Care Revenue
Other Revenue	
Revenue Adjustments	
Capital Grants	Medicare Ancillary Costs (Laboratory, Pharmacy, X-Ray, Ambulance, and Specialty Beds)
Federal or State Relief Funds provided to the facility during the reporting period	User Fee Assessments
Forgivable Loans Received	

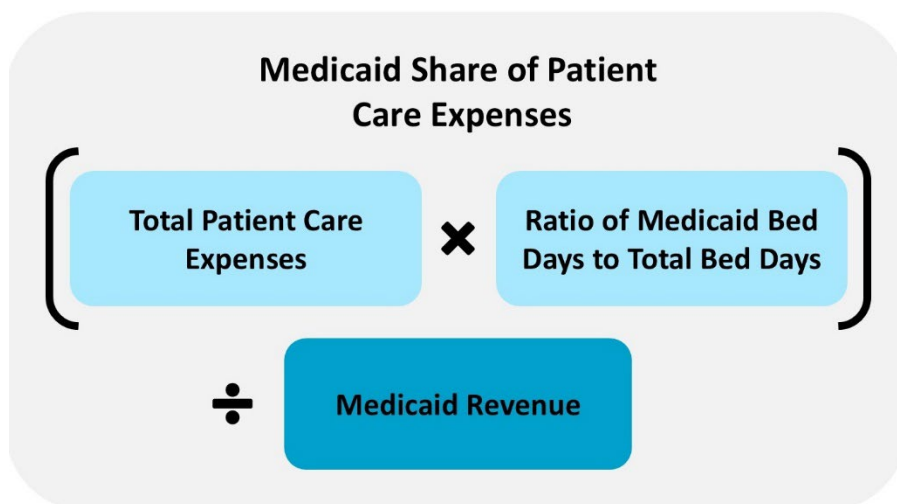
⁵⁸ The components in this table were listed in the State's DCC-Q final report template for State fiscal year 2024.

⁵⁹ Workforce expenses consist of total compensation (e.g., salaries, bonuses, and employee benefits) for the listed employee types.

NEW JERSEY

New Jersey calculated nursing homes' spending percentage by dividing the Medicaid share of patient care expenses by Medicaid revenue.⁶⁰ See Figure 6.

Figure 6: New Jersey's Spending Percentage Calculation



The Medicaid share of patient care expenses is calculated by multiplying the total patient care expenses by the ratio of Medicaid bed days to total bed days.⁶¹ Total patient care expenses consist of costs related to operating the facility and providing services to residents, securing facility space and maintaining it in habitable and licensable condition, and supporting the operations. Patient care expenses include personnel and facility management (e.g., compensation paid to nurses, food service staff, and housekeeping), materials and supplies (e.g., costs of medical supplies and maintenance), facility operating expenses (e.g., equipment and utility expenses used for resident living), and other operating expenses (e.g., staff training and property taxes). Medicaid revenue is the amount of revenue from the Medicaid fee-for-service and managed care programs. Table 5 on the following page shows expenses included in the spending percentage calculation.⁶²

⁶⁰ N.J.A.C. § 10:49A-3.1.

⁶¹ See footnote 34.

⁶² The components in this table are included in the PCR application used by nursing homes to submit information to the State. The PCR application does not contain any specific subcomponents for the "Medicaid Revenue" category.

Table 5: Expenses Included in the Spending Percentage Calculation

Personnel and Facility Management Expenses	
CNA Compensation	Non-CNA Direct Care Compensation
General and Administrative Compensation	Other Resident Care and Support Compensation
Management Fee	
Materials and Supplies Expenses	
Direct Care Materials and Supplies	Other Materials and Supplies (e.g., General and Administrative Items)
Facility Operating Expenses	
Resident Depreciation and Rent (For Property, Plant, and Equipment [PP&E])	Resident Operations (e.g., Equipment, Maintenance, Utilities)
Other Operating Expenses	
Expense Offset from Supporting Facilities, If Multiple Owned	Other Non-PP&E Interest Payments
Expense to Support Other Facilities, If Multiple Owned	Property Taxes and Similar Payments in Lieu of Taxes
Industry-Wide Assessments	Routine Licensing and Regulatory Fees
Insurance Policies	Sales and Similar Taxes, Not Otherwise Reported
Interest on Depreciable Resident PP&E	Staff Training

NEW YORK

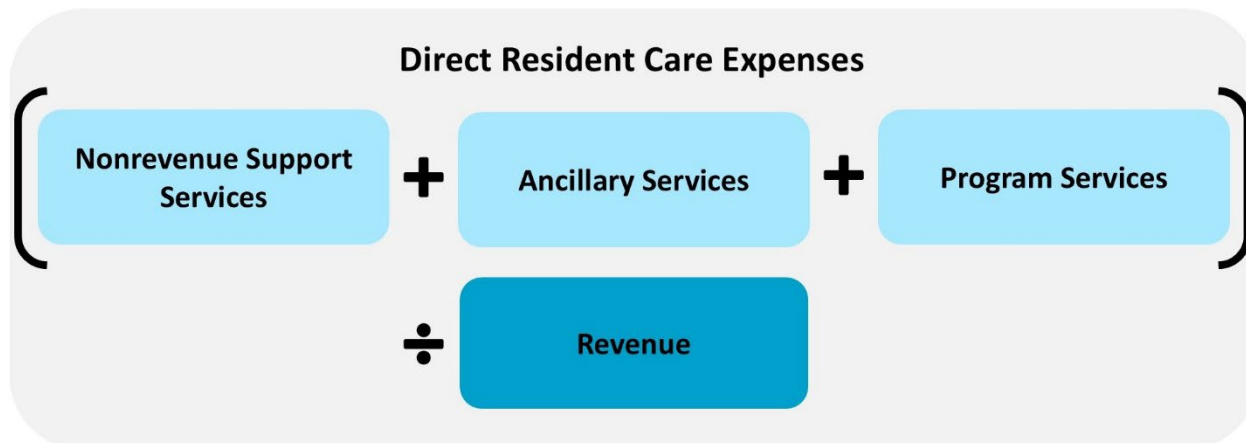
New York calculated three different percentages related to nursing home minimum spending requirements: the minimum spending percentage for direct resident care, the minimum spending percentage for resident-facing staffing, and the excess revenue percentage.⁶³

Minimum Spending Percentage for Direct Resident Care

New York calculated nursing homes' spending percentage for direct resident care by dividing direct resident care expenses by revenue. See Figure 7 on the following page.

⁶³ New York Public Health Law § 2828 and 10 NYCRR § 415.34(d) and (e).

Figure 7: New York’s Spending Percentage Calculation for Direct Resident Care

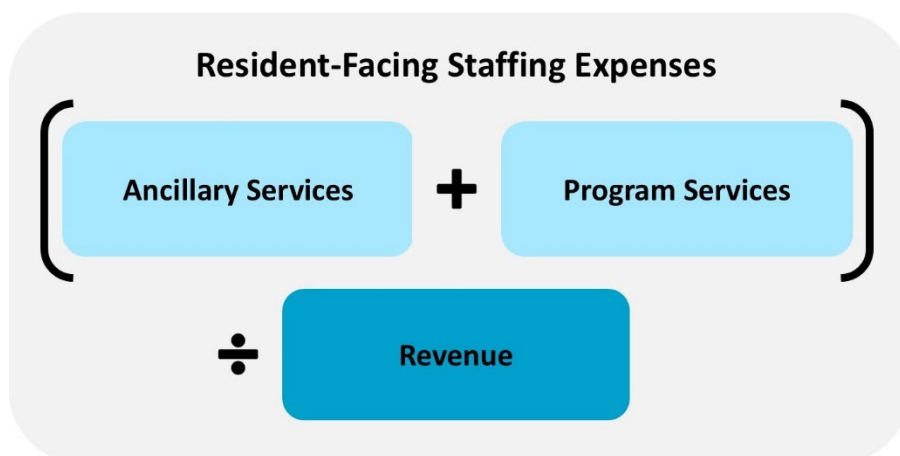


Direct resident care expenses include nonrevenue support services (e.g., plant operation and maintenance, housekeeping, and transportation), ancillary services (e.g., medical staff, laboratory, and physical therapy services), and program services (e.g., services that directly address the physical conditions of residents). Direct resident care expenses do not include certain expenses such as administrative costs other than nurse administration, capital costs, and rent. Revenue includes total operating revenue (e.g., inpatient service revenue and cafeteria revenue) but excludes certain sources (e.g., COVID-19 grants).⁶⁴

Minimum Spending Percentage for Resident-Facing Staffing

The spending percentage for resident-facing staffing is calculated by dividing resident-facing staffing expenses by revenue. See Figure 8.

Figure 8: New York’s Spending Percentage Calculation for Resident-Facing Staffing



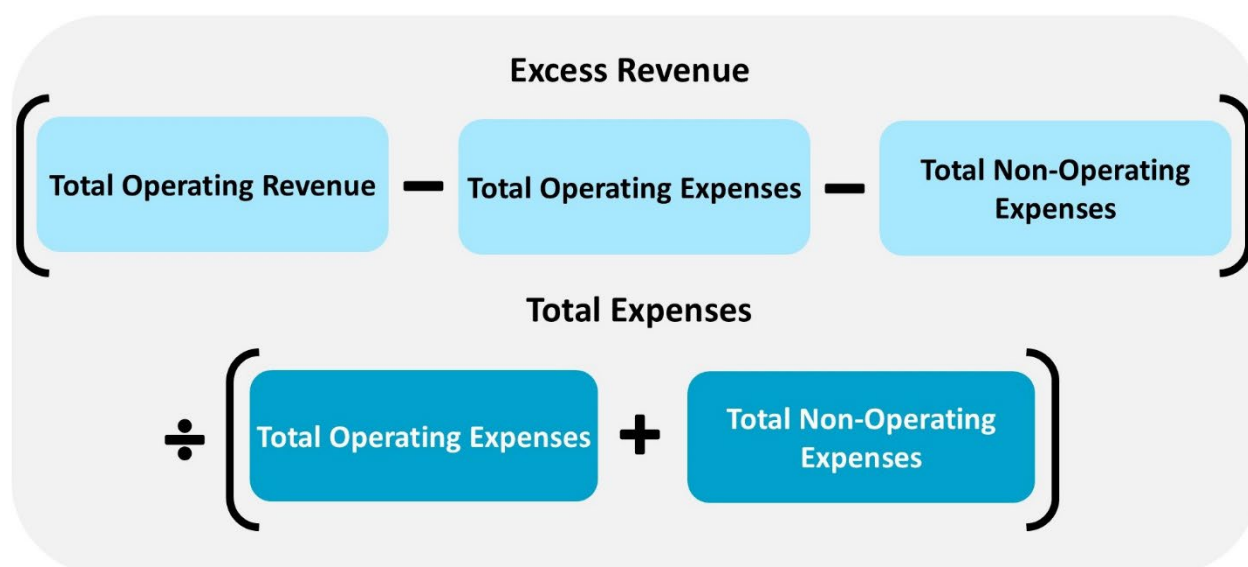
⁶⁴ 10 NYCRR § 415.34(b). New York’s nursing home cost report listed the components of total operating revenue, including inpatient service revenue and cafeteria revenue.

Resident-facing staffing expenses are part of direct resident care expenses and consist of expenses for ancillary and program services. Revenue is the same as the revenue in the spending percentage calculation for direct resident care.

Excess Revenue Percentage

The excess revenue percentage is calculated by dividing excess revenue by total expenses. See Figure 9.

Figure 9: New York’s Excess Revenue Percentage Calculation



Excess revenue includes total operating revenue and excludes total expenses (i.e., total operating expenses and total non-operating expenses). Total operating revenue includes patient service revenue and other operating revenue (e.g., cafeteria revenue). Total operating expenses include expenses such as for medical staff, and non-operating expenses include expenses such as Federal, State, and local taxes.

List of Expenses and Revenues Included in the Minimum Spending Requirements

Table 6 on the following page shows expenses and revenues included in the minimum spending percentages and excess revenue percentage calculations.⁶⁵

⁶⁵ The components in this table are included in 10 NYCRR § 415.34 and the New York’s nursing home cost report.

Table 6: Expenses and Revenues Included in the Percentage Calculations

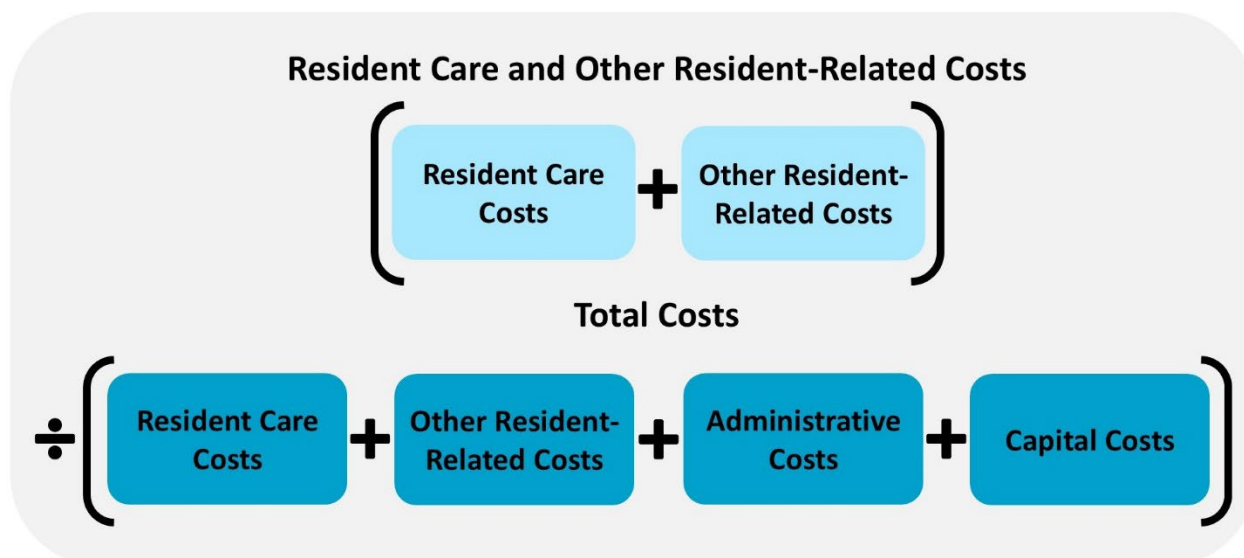
Nonrevenue Support Services	
Activities Program	Nonphysician Education
Housekeeping	Nursing Administration
Housing	Patient Food Services
Laundry & Linen	Plant Operation & Maintenance
Medical Director's Office	Social Service
Medical Education	Transportation
Ancillary Services	
Central Services Supply	Medical Staff Services
Certified Nursing Assistant	Occupational Therapy
Dental	Pharmacy
Electro-cardiology	Physical Therapy
Electro-encephalography	Podiatry
Inhalation Therapy	Psychiatric
Laboratory Services	Radiology
Licensed Practical Nurse	Speech/Hearing Therapy
Program Services	
AIDS	Meal on Wheels
Adult Care Facility	Neurodegenerative
Adult Day Care	Other Similar Program Services
Barber & Beauty Shop	Outpatient Clinics
Behavioral Intervention	Pediatric
Home Health Meal	Residential Health Care Facility
Independent Living	Respite
Intermediate Care Facilities	Traumatic Brain Injury
Long Term Ventilator	
Total Operating Revenue⁶⁶	
Government-Payer Revenue (i.e., Medicare and/or Medicaid)	Third-Party Payer Revenue
Resident Self-Pay Revenue	
Total Operating Expenses	
Ancillary Service Revenue Centers	Program Services Revenue Centers
Non-Revenue Support Services	
Total Non-Operating Expenses	
Federal, State, and Local Taxes	Other (Non-Specific)

⁶⁶ According to 10 NYCRR § 415.34, revenue is defined as total operating revenue minus exclusions to revenue (e.g., COVID-19 grant funding received from the Federal Government).

PENNSYLVANIA

Pennsylvania calculated nursing homes' minimum spending percentage by dividing resident care costs and other related costs by total costs.⁶⁷ See Figure 10.

Figure 10: Pennsylvania's Minimum Spending Percentage Calculation



Resident care costs consist of salaries and benefits for certain employees, such as nurses, physical therapists, and occupational therapists. Resident care costs also include other expenses, such as medical supplies and drugs. Other resident-related costs include food, laundry, and housekeeping expenses. Total costs are the sum of resident care costs; other resident-related costs; administrative costs; and certain capital costs, including real estate taxes, bed taxes, and rent. Table 7 on the following page shows expenses and revenues included in the spending percentage calculation.⁶⁸

⁶⁷ Pennsylvania P.L. 540, Number 54, section 1603-T (Act No. 54 of 2022).

⁶⁸ The components in this table were included in the instructions for Pennsylvania's nursing home cost report. The cost report does not contain any specific subcomponents for administrative costs.

Table 7: Expenses and Revenues Included in the Spending Percentage Calculation

Resident Care Costs	
Beauty and Barber Services	Pharmacy-Prescription Drugs
Director of Nursing/Registered Nurse Assessment Coordinator	Physical, Occupational & Speech Therapy
Laboratory and X-rays	Practitioners
Medical Director	Related Clerical Staff
Medical Supplies	Resident Activities
Nurse Aide Training	Resident Care - Minor Movable Property ⁶⁹
Nursing	Social Services
Oxygen	Volunteer Services
Over-The-Counter Drugs	
Other Related Costs	
Dietary and Food	Other Related Costs - Minor Movable Property ⁷⁰
Housekeeping	Plant Operation and Maintenance
Laundry and Linens	
Capital Costs	
Amortization - Capital Costs Real Estate Taxes	Nursing Facility Assessments (Bed Taxes)/Health Care-Associated Infections Assessments
Depreciation	Rent of Facility
Interest on Capital Indebtedness	

⁶⁹ Any movable property that has a unit acquisition cost of less than \$500 and is directly related to resident care, to include rented/leased items with an imputed purchase price of less than \$500 per unit. Examples include walkers and bed pans.

⁷⁰ Any movable property purchase that has a unit acquisition cost of less than \$500 and is related to other resident-related care, to include rented/leased items with an imputed price of less than \$500 per unit. Examples include resident care area furnishings and small electrical tools for maintenance and repair.

APPENDIX C: CMS COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

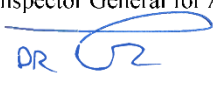
Centers for Medicare & Medicaid Services

Administrator

Washington, DC 20201

DATE: September 22, 2026

TO: Tamara Lilly
Acting Deputy Inspector General for Audit Services

FROM: Dr. Mehmet Oz 
Administrator

SUBJECT: Office of Inspector General Draft Report: *Four States Implemented Different Nursing Home Minimum Spending Requirements Related to Resident Care, and Three of These States and Some Nursing Homes Experienced Challenges* (OAS-25-09-086)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report.

CMS is charged with developing and enforcing federal standards across the nation's health care system, a responsibility we take seriously. This duty is especially important when it comes to the care provided for people covered by Medicaid who live in Medicaid-certified nursing facilities and intermediate care facilities.

CMS published a final rule in May 2024 that requires State Medicaid Agencies to report annually, at the facility level, the percent of Medicaid payments for nursing facility and intermediate care facility services for individuals with intellectual disabilities that are spent on compensation for direct care workers and support staff, beginning June 21, 2028.¹ CMS finalized the requirement to require only aggregated data reported at the facility level and by worker category, which aims to limit the burden on both providers and States.²

Additionally, in the 2024 final rule, CMS stated that we will make the reporting methodology and reporting template for the requirement available for public comment through the Paperwork Reduction Act notice and comment process, which will give the public the opportunity to provide specific feedback and assist CMS with aligning the methodology and reporting process with existing State practices to the greatest extent possible. However, CMS acknowledges that because State processes, timelines, and definitions vary, it may not be possible to align all details

¹ 42 C.F.R. § 442.43; *Medicare and Medicaid Programs; Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting; Correction*, 89 Fed. Reg. 52,392, 52,393 (June 24, 2024).

² *Medicare and Medicaid Programs; Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting*, 89 Fed. Reg. 40,876, 40,915 (May 10, 2024).

of the reporting process with existing practices in multiple States. CMS therefore plans to provide technical assistance, as needed, to facilitate further alignment with States' current reporting practices.³

CMS thanks OIG for its efforts on this issue and looks forward to working with OIG on this and other issues in the future.

OIG's recommendations and CMS's response are below.

OIG Recommendation

We recommend that CMS consider the information in this report as it implements Federal Medicaid payment transparency reporting requirements for nursing homes, and in any future rulemaking, should it decide to implement a minimum spending requirement for nursing homes.

CMS Response

CMS concurs with OIG's recommendation. CMS will take into account the information as we consider changes.

³ *Id.* at 40,915.

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