



January 23, 2026

The Honorable June Robinson
Chair, Senate Ways and Means Committee

The Honorable Tim Ormsby
Chair, House Appropriations Committee

Via email: june.robinson@leg.wa.gov
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Dear Budget Leaders,

Last week, our organizations testified in opposition to Governor Ferguson's supplemental budget proposal, which would eliminate \$147 million in planned Medicaid rate updates for skilled nursing facilities and assisted living communities. Rolling back funding which was authorized just last session sends a troubling message to the tens of thousands of low-income Washingtonians who rely on these services, and to the frontline caregivers who support them: that their care and stability are not a priority.

As the *Everett Herald* Editorial Board wrote just a few weeks ago in its opposition to Governor Ferguson's proposed cuts to skilled nursing and assisted living communities, "the budget work of state lawmakers is never simple; even less so when facing a budget hole. But there remain needs and responsibilities in the state that cannot get by on short shrift." Renee Hayes, a skilled nursing resident in Royal Park Health and Rehabilitation in Spokane, recently authored a guest column in the *Spokesman*, sharing that, "I urge our state lawmakers to take note of the incredible value that long-term care provides to people like me across our state. I'm so grateful to be here and not in an expensive hospital bed or isolated at home." We know how difficult the work of balancing our state's budget is during this Session, and we urge you to look past line items to see the day-to-day needs of people across our state who rely on Medicaid for their care.

Each year, hospitals discharge more than 46,000 patients to skilled nursing facilities. Hospitals rely on these settings to ensure safe transitions of care and prevent avoidable re-admissions, and to support recovery after illness or injury. Assisted living communities provide stable housing and daily care to approximately 8,000 Medicaid-supported residents. They help older adults and people with disabilities avoid homelessness while meeting essential needs such as meals, medication management, and personal care. Washington's population aged 85 and older is projected to quadruple in the coming years, and demand for these long-term care services—and the workforce that delivers them—will only continue to grow.

The single minute allotted for public testimony allowed us to register our opposition to the proposed cuts, but it did not allow time to explain the widening gap between current Medicaid reimbursement rates and the actual cost of delivering safe, high-quality care. We write today to provide additional context to that opposition, focusing on what these funding decisions mean for residents and workers.

Assisted Living Care in Washington

Assisted living provides a cost-effective, community-based care model that allows residents to receive support in a stable, home-like setting while efficiently using limited workforce resources. Labor accounts for 70 percent of assisted living costs, and congregate care enables staff to support multiple residents safely and effectively, maximizing productive care time without travel or fragmentation. Nursing staff can simultaneously oversee and manage care for several residents, and labor hours are fully productive.

Beyond operational efficiencies, assisted living communities offer residents meaningful opportunities for social connection, family engagement, and daily routines that support health, dignity, and improved quality of life.

The Medicaid rate methodology for assisted living, established in statute, is based on a blended wage intended to cover both care and services. But current funding is set at 82% of 2022 costs, and with the rise in wages over the past few years it covers less than 82% of actual labor expenses. Medicaid reimburses home care aide wages in assisted living at just \$16.01 per hour. Conversely, adult family homes receive reimbursement at 95 percent of 2023 inflated costs - up to \$5.00 an hour more than assisted living for the same work. Starting July 1, 2026, wages for in-home care workers will be reimbursed at \$23.54 per hour. This is \$4.35 above the blended wage for assisted living, which includes all professional and support staff.

This structural gap directly affects the ability to recruit and retain caregivers, leading to increased turnover and disrupted continuity of care for residents. The scheduled July 1, 2026, update to 2024 costs is therefore critical to maintaining access and stability for our state's low-income seniors. See Appendix A for an analysis of worker wages in assisted living.

Skilled Nursing Facility Care in Washington

Washington's skilled nursing residents have some of the highest acuity needs in the health care continuum, including post-surgical rehabilitation, complex wound care, and chronic conditions such as cancer, kidney failure, and congestive heart failure. These residents depend on hands-on care delivered by registered nurses, licensed practical nurses, and certified nursing assistants. Combined, these direct caregivers make up 61 percent of the skilled nursing workforce.

Washington has some of the strongest staffing standards in the nation, including requirements for 24/7 RN coverage, a minimum of 3.4 direct-care hours per resident per day, admission restrictions when staffing minimums cannot be met, and payment penalties for failing to meet the standards. These safeguards are essential to resident safety, but they require adequate and timely Medicaid funding to sustain and be successful.

Skilled nursing facilities submit annual cost reports for audit by the Department of Social and Health Services (DSHS) which are used to set future Medicaid rates. Current rates are still based on 2022 cost data, even though the most recent 2024 cost reports are available. As a result, Medicaid payments significantly understate the actual cost of delivering care in 2026.

In 2024, statewide spending on direct resident care averaged almost \$294 per day, compared to a Medicaid direct care rate of \$272 per day. Indirect care costs averaged close to \$100 per day, while the Medicaid indirect care rate is just \$76 per day. See Appendix B for further analysis.

These gaps reflect the real pressures on staffing, compliance, and daily operations that directly impact residents' experience and the well-being of the workforce. Stable, adequate funding for both direct and indirect care reduces burnout, supports retention, and ensures that residents receive consistent, high-quality care from familiar caregivers.

Taken together, these realities underscore a clear message for policymakers: assumptions that resources already exist within the system—when they do not—risk accelerating instability rather than improving outcomes for workers or residents. The most durable and responsible solutions are those that align labor expectations with adequate Medicaid funding and rely on incentives that truly support workforce stability. Without this alignment, our state is not prepared for the demographic pressures ahead, and the risk of destabilizing a critical part of the health care continuum will only grow.

Your work to protect Medicaid investments makes a meaningful difference for residents, families, and the frontline workforce they depend on, and we deeply appreciate your continued commitment to sustaining access, quality, and stability across the care continuum.

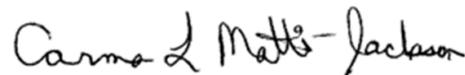
We respectfully urge you to reject the proposed supplemental budget cuts and maintain the long-planned funding in the operating budget so that Washington's long-term care system can continue to meet the needs of its most vulnerable residents.

What we need now is a clear, forward-looking vision from state leaders, one that strengthens wages, stabilizes the workforce, and protects access to skilled nursing and assisted living care for Washington's rapidly aging population.

Sincerely,



Glen Melin
President & CEO
LeadingAge Washington



Carma Matti-Jackson
President & CEO
Washington Health Care Association

CC: Members of the Washington State Senate Ways and Means Committee
(via email) Members of the Washington State House Appropriations Committee

Enclosures: Appendix A: Comparing Medicaid Reimbursement Rates and Assisted Living Wages
Appendix B: Current Direct and Indirect Care Expenditures (SNF)

APPENDIX A: Comparing Medicaid Reimbursement Rates and Assisted Living Wages

Under state law, DSHS calculates Medicaid payment rates for assisted living using Washington-specific wage data reported to the Bureau of Labor Statistics through the Employment Security Department. These data are used to establish a single blended wage intended to reflect the cost of care delivered by frontline workers.

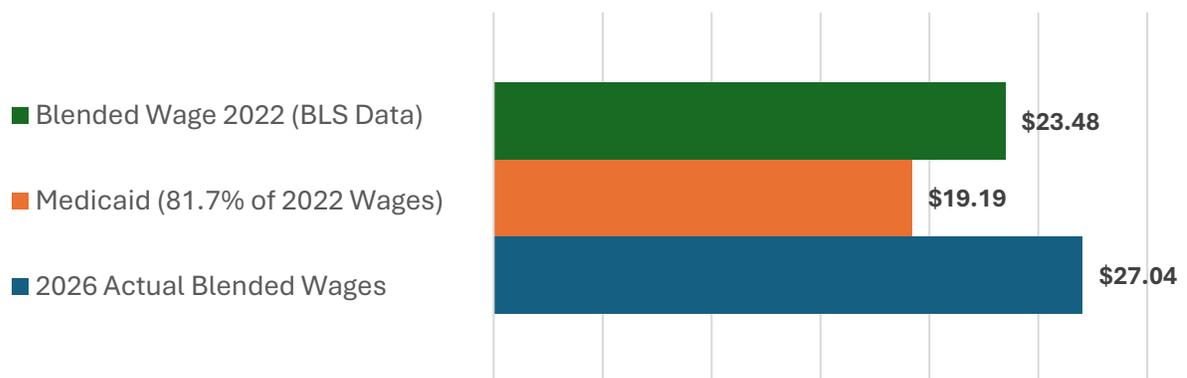
However, the Legislature currently funds only **81.7 percent of that blended wage**, based on **2022 cost data**.

In practice, this means:

- Medicaid reimburses approximately **\$19.19 per hour** for the care provided to residents in assisted living. This is less than Seattle’s minimum wage of \$21.30 an hour.
- The assisted living workforce is earning an average of **\$27.04 per hour** for that same care.
- This results in an average **\$7.85 per hour gap** between what Medicaid pays and what workers earn for the care they provide to roughly **7,300 Medicaid-supported residents**.

This gap has direct implications for residents and workers alike. When Medicaid payments lag far behind prevailing wages, it becomes increasingly difficult to sustain a stable caregiving workforce—leading to higher turnover, staffing shortages, and disrupted continuity of care for residents who depend on consistent, daily support.

Assisted Living Workforce Wages Compared to Medicaid Payment



Medicaid Payment Rates vs. Assisted Living Worker Wages (Hourly)

Worker	Medicaid Pays	2026 Actual Wages	Reimbursement Gap
Licensed Practical Nurse (LPN)	\$26.85	\$39.31	-\$12.46
Activities	\$14.51	\$23.85	-\$9.34
Grounds & Building Maintenance	\$19.35	\$27.99	-\$8.64
Registered Nurse (RN)	\$39.76	\$48.12	-\$8.35
Personal Care	\$16.01	\$23.82	-\$7.80
Food Servers	\$14.65	\$21.68	-\$7.03
Cooks	\$16.80	\$23.34	-\$6.55
Receptionist	\$14.88	\$21.42	-\$6.55
Housekeeping	\$13.81	\$20.15	-\$6.34
Social Worker	\$28.86	\$34.83	-\$5.96
Building Repair/Installation	\$32.34	\$37.67	-\$5.34
Administrator	\$32.07	\$37.24	-\$5.18

How does the Medicaid reimbursement for wages compare across service settings?

Medicaid Hourly Wage Reimbursement for Personal Care Wages					
	Assisted Living 82% of \$19.60 ¹	Adult Family Home 95% of \$20.70 ²		In-Home ³ 100%	
	FY26	FY26	FY27	FY26	FY27
Benchmark	\$16.01	\$19.67	\$19.67	\$22.63 - 24.81	\$23.54 - 25.81
High Cost Area	\$16.89	\$21.18	\$19.35		
Standard Cost Area	\$14.66	\$18.56	\$18.84		

¹ Assisted Living is based on 2022 BLS wage data. It does not include any inflationary factor.

² Adult Family Home is based on 2023 BLS wage data, inflated by 1.5% each year.

³ In-home has a bargained wage scale based on seniority and is fully funded by Medicaid.

APPENDIX B: Current Direct and Indirect Care Expenditures– Skilled Nursing Facilities

Direct Care: Supports nursing care, dining services, and therapies. *Medicaid direct care funds are reviewed and settled, and unspent funds must be returned to the state.*

- The current Direct Care rate is \$272 per day.
- In 2024, providers spent nearly \$294 per day on direct care.

2024 Daily Direct Care Expenditures per Medicaid Resident		
Wages	\$ 196.69	72%
Benefits / Taxes	\$ 48.34	18%
Contract labor	\$ 23.30	9%
Food	\$ 10.00	4%
Supplies	\$ 12.94	5%
Other Costs	\$ 2.67	1%
Total	\$ 293.93	108%

Indirect Care: Supports labor for building maintenance, housekeeping/janitorial, laundry, and administration.

- The current Indirect Care rate is \$76 per day.
- In 2024, providers spent nearly \$100 per day on indirect care.

2024 Daily Indirect Care Expenditures per Medicaid Resident		
Wages	\$ 28.22	37%
Benefits / Taxes	\$ 8.72	11%
Real / Property / B&O Taxes	\$ 8.19	11%
Utilities / Insurance	\$ 14.96	20%
Supplies / Other	\$ 5.58	7%
License Fees	\$ 1.61	2%
Purchased Services	\$ 9.75	13%
Management Fees	\$ 17.66	23%
Other Indirect	\$ 4.98	7%
Total	\$ 99.68	131%