

November 14, 2024

(ENSG, PACS, OHI, CTRE, SBRA) Nursing Home Relief from Minimum Staffing Rule Still Likely But as Part of FY25 Spending Bill

Key Takeaways: We still expect **nursing homes** and their **post-acute care REIT landlords** to secure a reprieve from the Biden CMS rule imposing minimum nurse staffing requirements on these long-term facilities. However, we see that relief being added to the final FY25 spending bills, which we believe aren't likely to pass until Q1, given the Republicans sweep. We believe that the decision to punt the government funding measure is largely President-elect Donald Trump's.

If so, preventing CMS from implementing this minimum nurse staffing rule, which would generate legislative savings to pay for health extenders, slightly alleviates – but does not eliminate – the pressure on Congress to tap other healthcare offsets (**hospital site neutrality, PBMs**) in the near term. However, these legislative proposals are still under consideration and if not used in the upcoming spending bill, we expect legislative debate and development of them next year.

Should Congress fail to act, a Trump CMS is still likely to withdraw the regulation, but that takes time and that does not provide the needed legislative savings that Congress could use for offsetting spending. Either effort alleviates some of the pressure for nursing homes, but they are still contending with labor shortages, higher costs and continuation of stingy Medicare reimbursement rate outlook.

Compared with the current Congress, we think a GOP-controlled one is *way* more inclined to stop and reverse last year's regulation to require nursing homes to meet minimum staffing requirements for registered nurses, nurse aides, and overall nursing levels, which would be phased in over the next 3-5 years depending on the locality of the facility.

Incoming Senate Majority Leader John Thune (R-SD) and nearly all of the expected Senate and House GOP chairmen of the relative committees have cosponsored legislation to block CMS from implementing this policy. Many of the rank-and-file Republicans, along with nursing homes, hospitals, and some states, oppose this minimum staffing rule.

To date, the main obstacles towards enactment of this bill blocking CMS from implementing this minimum nurse staffing policy have been the Democrats and the Biden administration, who believe these standards are long overdue and will improve care at these facilities.

Additionally, repeal or a postponement of the regulation by Congress would save as much as \$20+ billion over ten-years, without upending the operational status quo for nursing homes. Congress could then deploy those savings to help pay for the bevy of must-pass, near-annual healthcare extenders (Medicare doc fix to the 2.93% cut, delay of the reductions to Medicaid disproportionate share hospital

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The Ensign Group Inc (ENSG)

Price:	\$146.08
52-Week High:	\$158.45
52-Week Low:	\$104.09

PACS Group, Inc. (PACS)

Price:	\$18.72
52-Week High:	\$43.92
52-Week Low:	\$16.74

Omega Healthcare Investors Inc (OHI)

Price:	\$39.89
52-Week High:	\$44.42
52-Week Low:	\$27.53

CareTrust REIT Inc. (CTRE)

Price:	\$30.12
52-Week High:	\$33.15
52-Week Low:	\$20.10

Sabra Healthcare REIT Inc (SBRA)

Price:	\$18.21
52-Week High:	\$20.03
52-Week Low:	\$12.83

LTC Properties Inc (LTC)

Price:	\$38.11
52-Week High:	\$39.89
52-Week Low:	\$30.30

Ventas Inc (VTR)

Price:	\$63.65
52-Week High:	\$67.61
52-Week Low:	\$41.45

Providence Group

bonuses, telehealth, ambulance and community health center extenders, PAYGO waiver, etc.). In the past, spending for these items has been offset through a variety of healthcare policies that generate federal savings like Medicare sequestration extension, delayed implementation of clinical lab cuts, additional year of a different inflationary index for hospice, and raiding of the Medicare and Medicaid slush funds, among others.

However, repealing the nursing home rule would go a long way to pay for the needed spending and potentially take some pressure off the other offsets like **Medicare site neutrality for hospitals** and **PBMs**, at least in the near term. However, we still think both of those targets are still in the mix for legislative payfors of healthcare extenders or longer-term initiatives like tax cut extensions, Medicare physician payment reform, and/or temporary extension of enhanced Obamacare subsidies.

While decisions have yet to be firmly made about whether Trump and the GOP will support finalizing the FY25 before the current Dec. 20 expiration, we continue to suspect that these spending decisions will be punted to when Q1 when Republicans and Trump have full control over the spending. This is the most likely vehicle for attaching healthcare extenders, as opposed to other alternatives like National Defense Authorization Act, continuing resolution, emergency spending bill, or a stand-alone measure.

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