



To Members of the Rhode Island General Assembly:

Re: Opposition to Legislation Limiting Distributable Profits for Nursing Homes

Dear Members of the General Assembly,

I am writing to respectfully express our opposition against Bill H5426. The proposed legislation that would limit the distribution of nursing home profits to ownership above 3%. As a provider operating in Rhode Island, I fully understand the desire to promote transparency and responsible use of public funds. However, I believe this particular approach may have significant unintended consequences that could undermine access to high-quality long-term care across the state.

Our facilities receive the majority of its funding from the Rhode Island Medicaid program. However, the current reimbursement rate — approximately \$325 per day — aligns closely with the actual cost of care. **There is no meaningful profit margin in Medicaid-funded care under this structure.** The limited profit we do generate comes from a smaller subset of our resident population — short-term skilled rehabilitation stays and private-pay residents — whose payments exceed the cost of care.

The proposed 3% cap on profit distributions would not reduce the costs of care or improve Medicaid efficiency. Instead, it would require providers to spend down all profit — often in grossly inefficient ways — simply to avoid exceeding the distribution limit. While we strongly support fair and competitive compensation for our staff, this policy would eliminate the financial flexibility we need to plan, reinvest, or respond to future challenges.

The broader consequence of this policy is its chilling effect on investment and financing. Banks may be hesitant to lend to facilities where ownership cannot retain fair and sustainable returns. Potential buyers — including those willing to take on struggling or at-risk nursing homes — will likely walk away from opportunities that carry no possibility of return. This could leave facilities with no viable transition options, leading to closures and loss of access to care for our most vulnerable residents.

Rather than strengthening Rhode Island's long-term care system, this bill may discourage responsible operators from staying in the market — and deter new ones from entering. I respectfully urge the General Assembly to consider alternative approaches that promote both accountability and financial sustainability. Solutions could include performance-based incentives, enhanced transparency in spending, or targeted oversight of Medicaid-funded operations — without undermining private capital or operational flexibility.

Thank you for your thoughtful consideration of this issue and for your continued dedication to supporting Rhode Island's long-term care system. I would welcome the opportunity to discuss this further and contribute to the development of effective, balanced policies that truly serve the best interests of our residents and caregivers.

Sincerely,

Ari Stern, CEO

Simon Stern, President

Sharon Fusco, Regional Director of Operations