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Ohio's Nursing Homes & Residential Care Facilities in the Economic Downturn: How have they adjusted?

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Background

The residential care and skilled nursing facility industry has been impacted by the economic downturn and other changes in the long-term care system. Ohio's shift to home- and community-based services (HCBS) has had a substantial impact on nursing homes; in 2007 sixty-two percent of older people receiving Medicaid long-term care services resided in nursing homes and by 2011, the proportion had dropped to 55%. In addition to the movement toward HCBS, in 2006 Ohio implemented an Assisted Living Medicaid Waiver Program and as a result, more than 4100 assisted living residents were served by this program in 2011. Cuts to Medicare and Medicaid reimbursement pose additional challenges for nursing homes. In order to remain economically viable, nursing homes and residential care facilities (RCFs) have adjusted both their expenses and sources of income. (Information about the characteristics of RCFs and nursing homes can be found in a recent Scripps report titled, *Maybe Elephants Can Dance, Two Decades of Progress in Delivering Long-Term Services and Supports in Ohio.*)

Economic Strategies

Data for this report come from the 2011 Biennial Survey of Long-Term Care Facilities—every Ohio nursing home and RCF was surveyed. The results of the survey provide data indicating that long-term care facilities implemented an array of strategies to enhance their economic prospects. Comparisons of approaches developed to increase revenues and reduce costs by nursing homes and RCFs are shown in Figures 1 and 2.

Most nursing homes made multiple adjustments to operations to improve their economic outlook, including efforts to increase revenues, decrease expenses, and other strategies to improve the quality or efficiency of services, such as implementing culture change activities. Implementing strategies to

82%

OF NURSING HOMES
REDUCED OVERTIME AND
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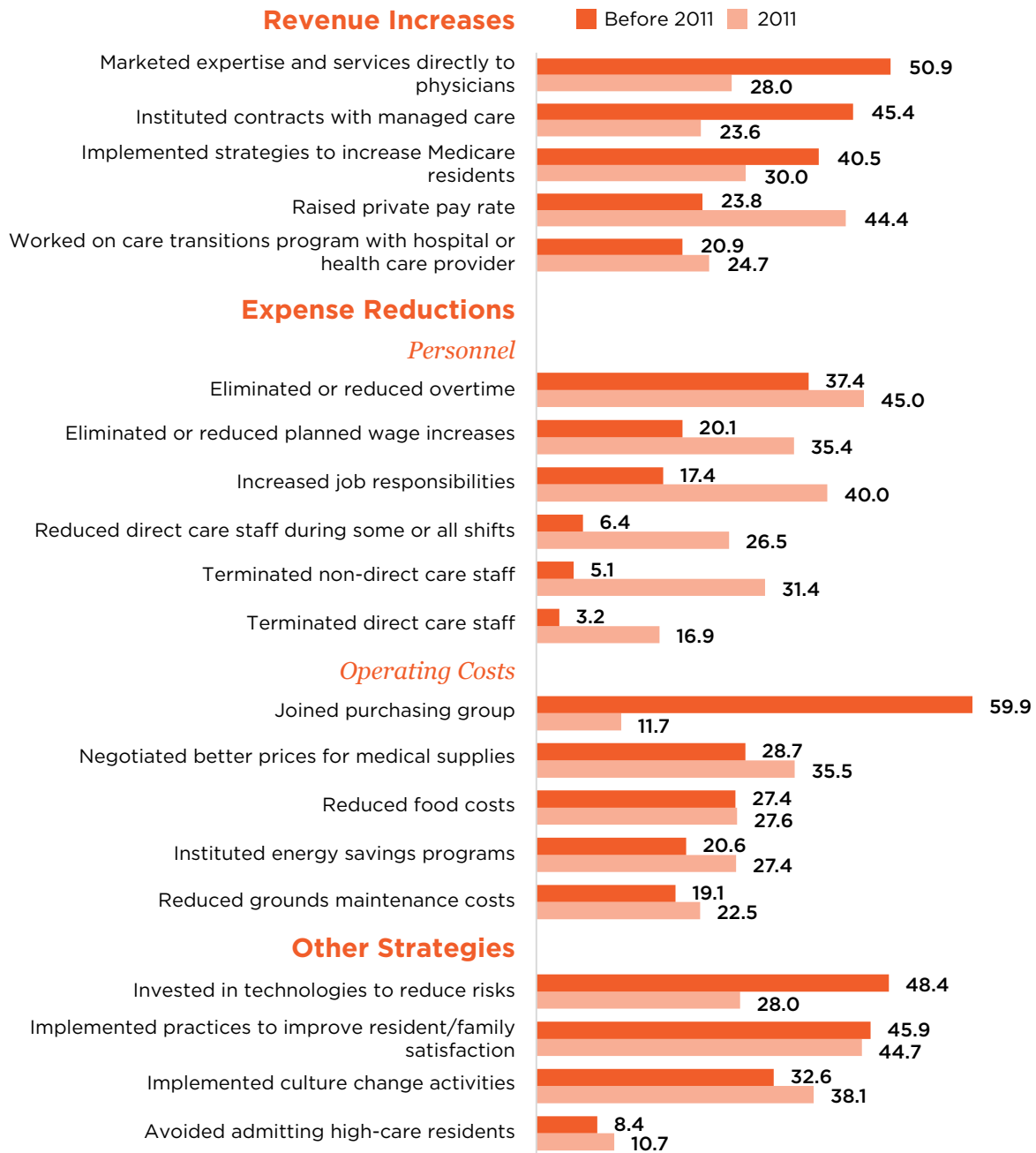
73%

of RCFs increased marketing
to prospective residents and
64% to physicians

71%

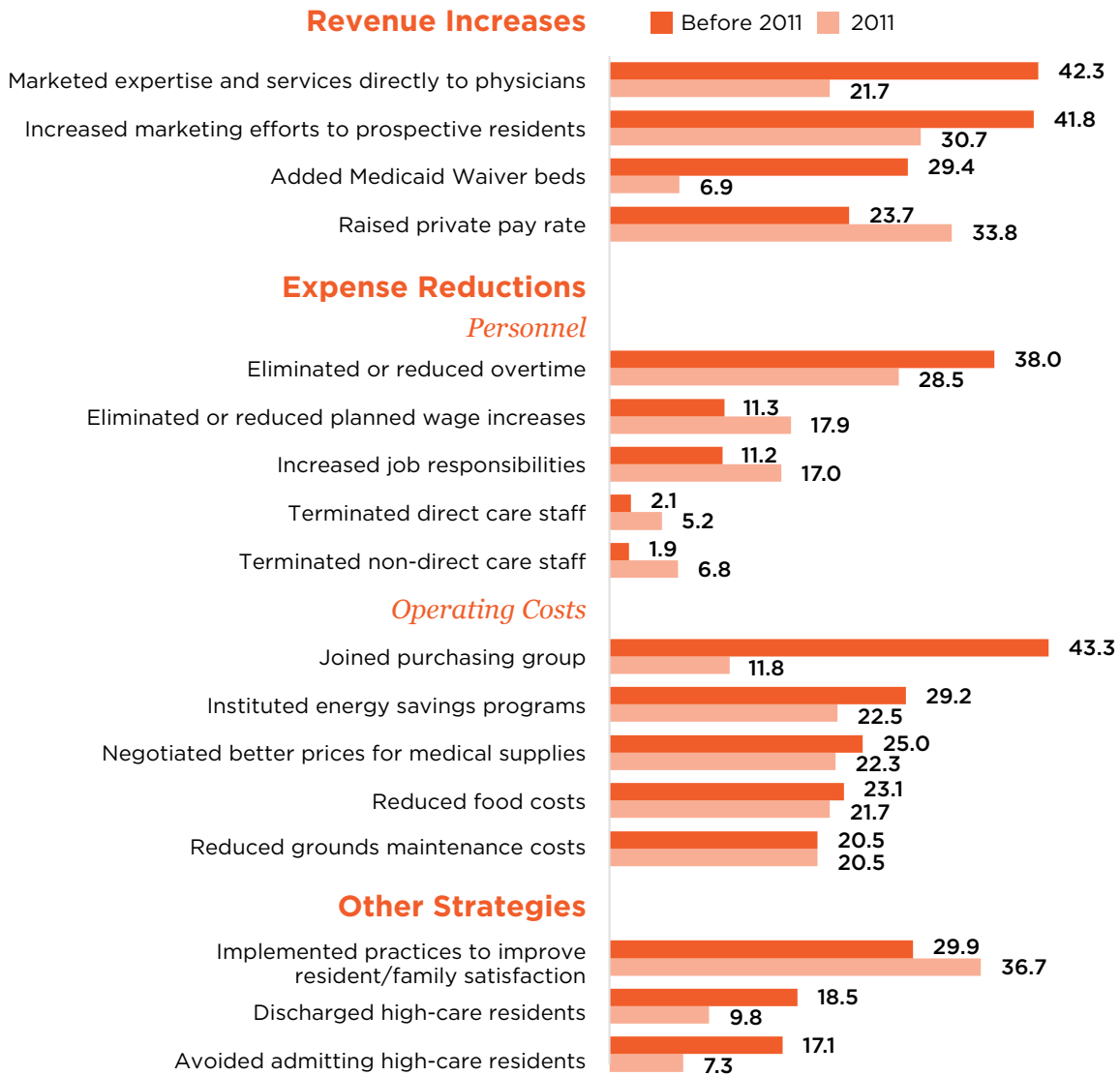
of nursing homes sought to
increase Medicare residents

Figure 1. Nursing Home Strategies to Increase Revenues and Reduce Costs, 2011 and Earlier (percent)



increase the number of Medicare residents was one of several ways nursing homes sought to increase revenues. Most strategies to improve nursing home revenues were implemented prior to 2011; private pay rates were generally not raised until 2011. On the other hand, nearly all strategies for reducing operating costs were made in 2011, except for joining a purchasing group, which was implemented prior to 2011. Before 2011, only a small minority of nursing homes implemented policies to reduce direct and non-direct care staff; that changed in 2011 when over 31% terminated non-direct care staff and nearly 17% terminated direct care staff.

Figure 2. Residential Care Facility Strategies to Increase Revenues and Reduce Costs, 2011 and Earlier (percent)



Between 2007 and 2011 nursing homes increased the proportion of Medicare patient days from 13.7% to 14.9%, while at the same time reducing the proportion of Medicaid patient days from 63.5% to 61.1% (not shown) (Mehdizadeh, et al., 2013). Medicare daily reimbursement rates average \$442 as compared to \$167 for Medicaid, providing a strong incentive for nursing homes to increase the number of Medicare residents. Reducing food costs was common both in 2011 and before 2011 and was accomplished by fewer food choices, changing the dining style, and less expensive menu items. Implementing practices to improve resident and family satisfaction was also a common strategy both in 2011 and prior to 2011. Benefits from improved quality might include higher occupancy rates.

RCFs also implemented multiple strategies to increase revenues and, similar to nursing homes, most were implemented prior to 2011. A substantial proportion of RCFs added Medicaid waiver beds, primarily before 2011. Because the RCF industry has been largely private pay, the availability of the Medicaid waiver was seen as a new and effective option for assisted living facilities. Patterns for personnel expense reductions were similar to nursing homes except far smaller proportions of RCFs terminated direct and

non-direct care staff in 2011 and before 2011. RCFs also reported discharging high-care residents or avoided admitting high-care residents.

Summary

The combination of the Great Recession, decreases in Medicaid and Medicare reimbursements, and a shift from institutional long-term care to HCBS have created both challenges and opportunities for Ohio's nursing homes and RCFs. Despite reliance on very different funding sources, the primary strategies to respond to economic challenge were quite similar across these two different settings. As the economy and labor markets improve, it may be difficult to maintain some of these changes when workers have more choices for employment. Continued emphasis on HCBS may create additional challenges for institutional long-term care settings. Given the extent and kind of changes that these facilities have already put in place, future cost cutting could present a very real challenge for the industry.

Key Findings

- » Both RCFs and nursing homes implemented strategies to increase revenues and reduce expenses; strategies to increase revenues tended to occur before 2011, whereas most strategies to reduce personnel costs were implemented in 2011.
- » Strategies to increase RCF revenues included increasing marketing to prospective residents (73%) and to physicians (64%), raising private-pay rates (57%), and becoming certified for the Medicaid assisted living waiver or increasing the number of waiver residents (36%).
- » Nursing home revenues were increased by implementing strategies to expand the number of Medicare residents (71%), marketing directly to physicians (79%), instituting contracts with managed care organizations (69%), and working on care transitions programs with a hospital or health care provider (46%).
- » While most facilities did not reduce staff, other personnel cost-cutting measures were implemented, such as reducing overtime (67% for RCFs and 82% for nursing homes), eliminating or reducing planned wage increases (29% for RCFs and 56% for nursing homes), and increasing job responsibilities (28% for RCFs and 57% for nursing homes).
- » Discharging high-needs residents was a strategy for 28% of RCFs and avoiding admitting high-care patients was a strategy for 19% of nursing homes.

References

Mehdizadeh, S., Applebaum, R., Nelson, I. M., Straker, J., & Deacon, M. (2013). [Maybe elephants can dance: Two decades of progress in delivering long-term services and supports in Ohio](#). Oxford, OH: Scripps Gerontology Center.

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