The Current State of the Ohio Nursing Home Industry

Testimony to the Ohio Nursing Facility Payment Commission
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Ohio's Aging Population (2020-2030)

Age Group	2020	2030	2020-2030 % Change	2020-2040 % Change
60 and over	2.89 million	3.05 million	5.4	1.0
65 and over	2.10 million	2.38 million	13.5	10.8
80 and over	0.50 million	0.60 million	19.2	**50.5**
85 and over	0.26 million	0.29 million	13.8	**52.1**
Total Population	11.69 million	11.62 million	-0.7	**-0.1**

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Residents of Nursing Facilities

Nursing facilities care for two types of residents:

» **Short-stay residents**: Individuals receiving post-acute care (i.e., rehab) after a hospital stay.

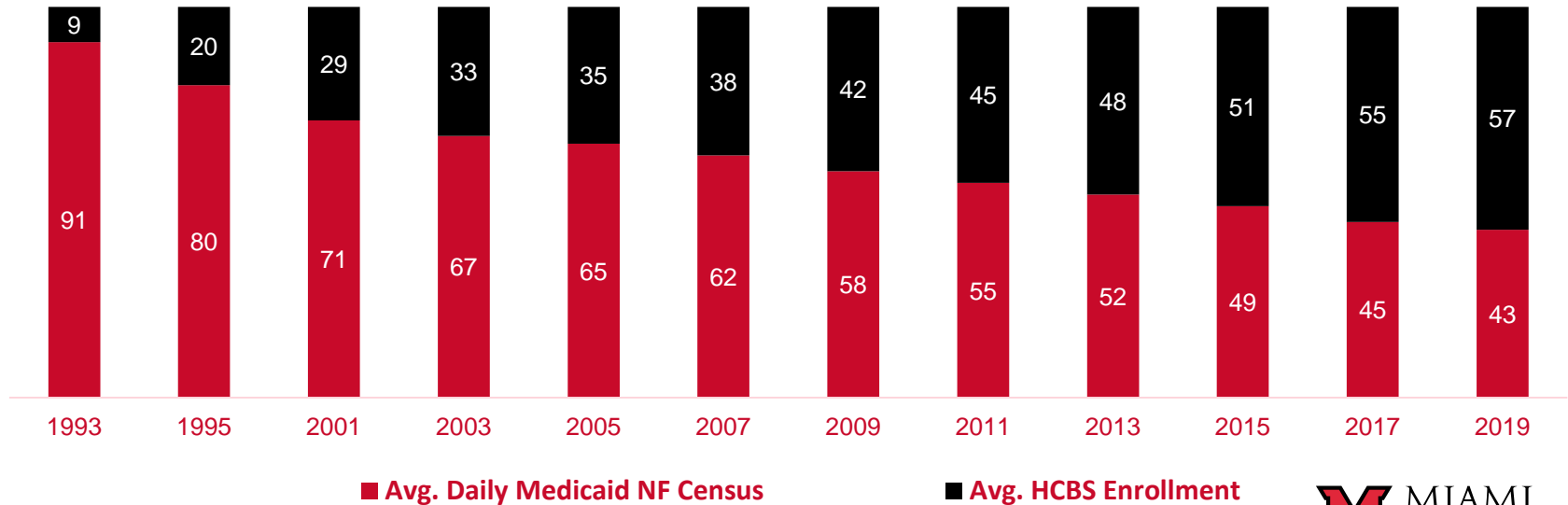» **Long-stay residents**: Individuals requiring help with activities of daily living, often with dementia.

Medicaid primarily funds care for long-stay residents:

» Short-stay residents are paid for by Medicare and private insurance.

» Care for long-stay resident is initially paid for out-of-pocket, but most Ohioans spend down their assets and then Medicaid covers the cost of their care.

  » Over 50% of private-pay long-stay residents convert to Medicaid within 12 months.

  » Medicaid covers the cost of care for the majority of long-stay residents.

Ohio's Medicaid Program is Proving More Long-Term Care Services in the Community

Percentage of Long-Term Care Provided in Nursing Facilities vs. Home and Community Based-Services by Ohio's Medicaid Recipients Age 60 and Older: 1993-2019

Year	Avg. HCBS Enrollment	Avg. Daily Medicaid NF Census
1993	9	91
1995	20	80
2001	29	71
2003	33	67
2005	35	65
2007	38	62
2009	42	58
2011	45	55
2013	48	52
2015	51	49
2017	55	45
2019	57	43

■ Avg. Daily Medicaid NF Census   ■ Avg. HCBS Enrollment

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Nursing Facility Beds, Admissions, and Occupancy

	1992	2001	2005	2011	2015	2019
# Beds in Service	91,531	94,231	91,274	94,710	91,503	88,793
# of Admissions	70,879	149,905	190,150	218,992	206,636	213,833
Medicaid	17,968	34,432	34,432	36,859	35,647	40,728
Medicare	30,359	90,693	116,810	144,959	147,194	151,267
Occupancy Rate (%) Overall	91.9	83.2	86.4	83.2	84.7	80.0

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Source of Nursing Facility Admissions

	% of Admissions
Acute Care Hospital	**85.6%**
Community	6.3%
Another Nursing Homes	5.1%
Psychiatric Hospital	0.9%
Long Term Care Hospital	0.8%
Inpatient Rehabilitation Facility	0.6%
Hospice	0.5%
Other	0.2%

Source: 2017 MDS admission assessments

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Trends in Nursing Facility Per Diem Payment

Average Nursing Facility per Diem by Source of Payment in 2019 Dollars, 1998-2019

FFS Medicare: $416, $412, $391, $373, $395, $436, $463, $443, $436, $460, $481

Private Pay Shared Room: $221, $218, $221, $207, $223, $220, $218, $219, $226, $237, $245

Medicaid: $195, $217, $214, $197, $185, $192, $175, $178, $178, $193, $202

1998, 2001, 2003, 2005, 2007, 2009, 2011, 2013, 2015, 2017, 2019

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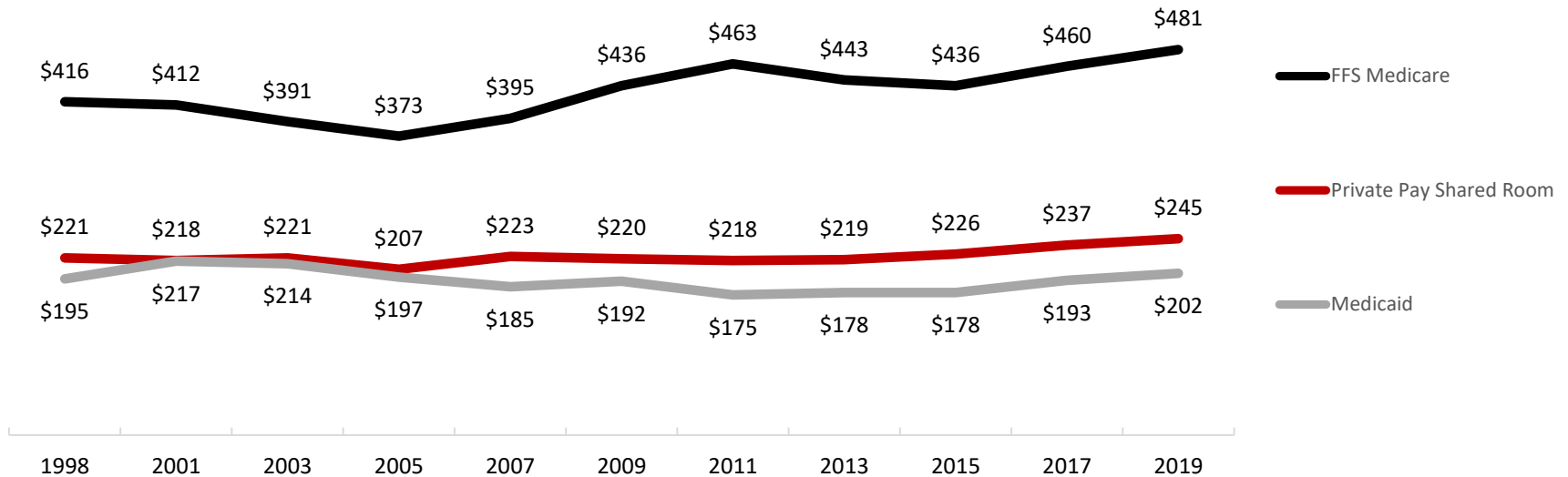
Per Diem Payment and Payer-Mix: 2019

	% of Resident Days	Per Diem Payment
Medicaid	64.3%	$202
Medicare Traditional Fee-For-Service Medicare Managed Care	8.9% 5.4%	$481 $388
Private-Pay Private Room Semi-Private Room	12.7%	$278 $248

Source: Per diem payments were obtained from the Biennial Survey of Nursing Facilities and percentage of resident days were obtained from 2019 Medicaid Cost Reports.

Notes: The percent of resident days is for the average nursing facility that had a closed, full-year Medicaid Cost Report. The percentage does not add up to 100% due to payments from other sources (e.g. Veterans Administration).

Ohio's Nursing Facility Industry: Today's Challenges

Challenges Faced Today by Nursing Facilities

Ohio nursing facilities face a number of challenges.

» Increased access and demand for alternatives to a nursing facility.

    » Licensed residential care facilities (mostly assisted livings) have grown from 225 in 1992 to over 800 today.

» The COVID-19 pandemic had a large impact on nursing facilities and their residents.

    » Pandemic had a negative impact on how nursing facilities are perceived by the public, reducing demand in the short run.

» There are significant workforce challenges.

    » Increased reliance on agency (i.e. contracted) staff.

    » Increased labor costs.

» Inflation is increasing non-labor costs.

» Increased regulatory scrutiny and pressure at the federal level.

Daily Occupancy Rates are Down

Ohio's Overall Nursing Facility Occupancy Rate Among PBJ Data Reporting Nursing Facilities: Q4 2019 - Q4 2021


— Occupancy Rate
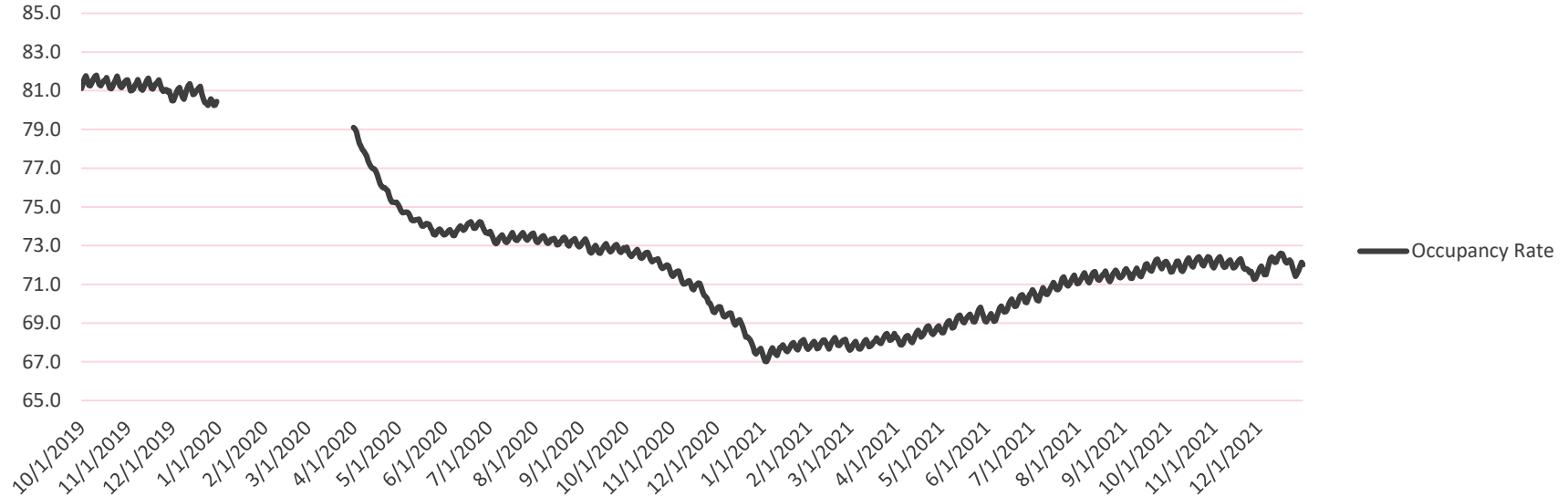
Source: Calculated from number of residents per PBJ data and number of beds per NH Compare Archive data.

Notes: The number of facilities reporting is decreasing over time, indicating potential closures.

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More Reliance on Agency Staff

**Ohio's Proportion of PBJ Nursing Staff Hours Per Day Covered by Agency Staff:
Q4 2019 - Q4 2021**

Registered Nurses — Licensed Practical Nurses — State-Tested Nurse Aides
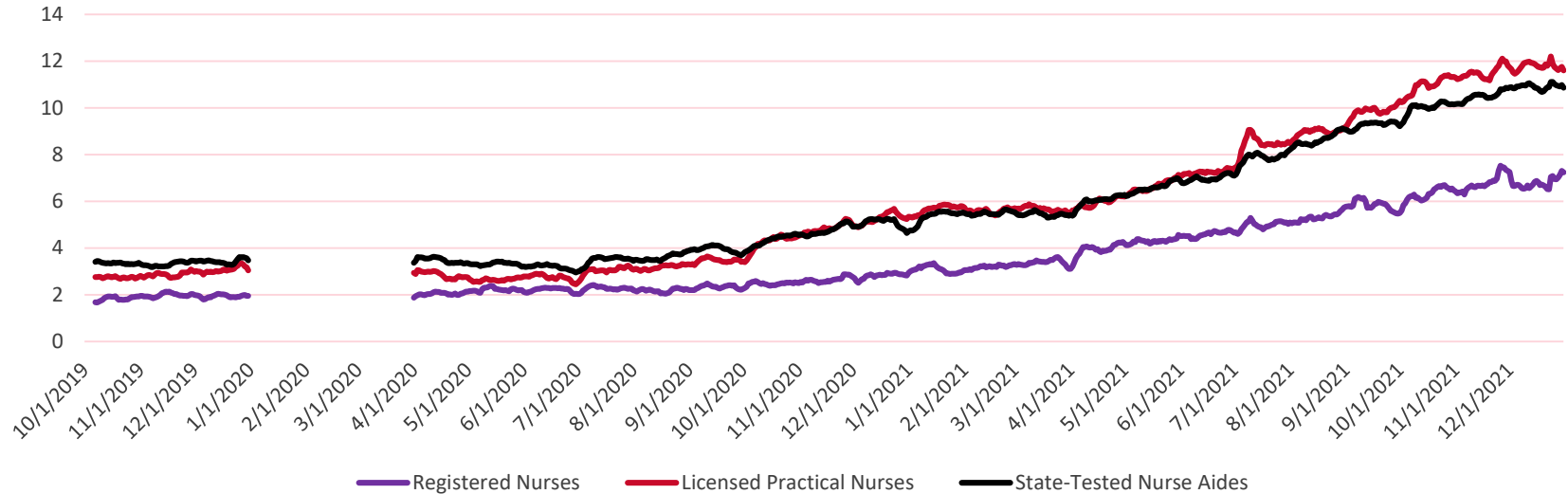
Source: PBJ data.

Notes: Calculates are for aggregate hours for all reporting nursing facilities and represent a moving average over the previous 7-days. Registered nurses include hours for administrative nurses and the director of nursing.

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Nursing Staff Costs Are Increasing

Nursing Staff Type	Median Hourly Wage Cost 2018	Median Hourly Wage Cost 2020	% Change 2018-2020	Median Hourly Wage Cost 2021
Directly Employed by Facility				
Nursing Administration	$36.65	$38.49	5.0%	$37.27
Registered Nurses	$33.41	$36.24	8.4%	$38.93
Licensed Practical Nurses	$25.90	$28.25	9.1%	$30.32
State-Tested Nurse Aides	$15.64	$17.50	11.9%	$19.43
Agency Staff				
Registered Nurses	$49.78	$55.00	10.5%	$60.99
Licensed Practical Nurses	$38.01	$44.99	18.4%	$48.30
State-Tested Nurse Aides	$24.00	$29.71	23.8%	$32.47

Source: Medicare Cost Reports (CMS-2540-10)

Notes: Median hourly wages include fringe costs (e.g. health insurance, 401(k), if reported) for freestanding nursing facilities in Ohio with a full-year Medicare Cost Report. The year represents the fiscal year end date of the Medicare Cost Report. The data for 2021 is incomplete and represents about 10% of the expected number of facilities that would report data.

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Median Overhead Costs Are Also Increasing

Nursing Staff Type	Median Hourly Wage Cost 2018	Median Hourly Wage Cost 2020	% Change 2018-2020	Median Hourly Wage Cost 2021
Plant Operations & Maintenance	$19.22	$20.60	7.2%	$21.24
Laundry Services	$11.17	$12.29	10.0%	$13.07
Housekeeping	$11.09	$12.02	8.4%	$13.62
Social Services	$19.16	$19.85	3.6%	$23.60

Source: Medicare Cost Reports (CMS-2540-10)

Notes: Median hourly wages include fringe costs (e.g. health insurance, 401(k), if reported) for freestanding nursing facilities in Ohio with a full-year Medicare Cost Report. The year represents the fiscal year end date of the Medicare Cost Report. The data for 2021 is incomplete and represents about 10% of the expected number of facilities that would report data.

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Costs Are Growing Faster than Revenues

Revenue, Expense, Profit Measure	Median Per Diem 2018	Median Per Diem 2019	Median Per Diem 2020	Median Per Diem 2021
Net Patient Revenue	$252.83	$256.12	$270.13	$287.34
Operating Expense	$259.19	$262.77	$292.90	$358.46
Net Patient Income	-$2.97	-$4.53	-$21.35	-$55.33
Net Income	$0.13	$0.04	$14.46	-$18.22

Source: Medicare Cost Reports (CMS-2540-10)

Notes: Median per diem values were calculated for freestanding nursing facilities in Ohio with a full-year Medicare Cost Report. The year represents the fiscal year end date of the Medicare Cost Report. The data for 2021 is incomplete and represents about 10% of the expected number of facilities that would report data. **CARES Act money is reflected in net income but not accounted for in net patient revenues or net patient income.**

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Staffing and Quality of Ohio's Nursing Facilities

Nursing Staff and Quality

Nursing staff play an important role in caring for residents.

» Higher nursing staff levels are generally associated with better quality.

» High turnover of nursing staff is generally associated with worse quality.

» Nursing facilities have high turnover rates.

Payment rates are a key determinant of nursing staff levels and turnover.

» Higher payment rates provide financial resources to hire additional nursing staff.

» Higher payment rates can be paid to workers to reduce turnover.

Critics question whether resources are going to direct resident care.

» New York's new regulations requiring minimum percentage of revenues spent on resident facing staff and direct care expenses. This regulation is currently under litigation.

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Nursing Staff Levels are Lower the More Reliant a Facility is on Medicaid: 2019

Proportion of Medicaid Resident Days	Registered Nurses in HPRD (Ohio Median)	Registered Nurses in HPRD (National Median)	Total Nursing Staff in HPRD (Ohio Median)	Total Nursing Staff in HPRD (National Median)
1-50%	**0.75**	0.86	**4.10**	4.49
51-65%	**0.70**	0.76	**3.82**	4.18
66-75%	**0.60**	0.68	**3.64**	3.97
76-85%	**0.50**	0.63	**3.44**	3.84
86+%	**0.45**	0.57	**3.33**	3.70

Source: Medicare Cost Reports (CMS-2540-10)

Notes: Nursing staff levels in HPRD were calculated and reported for the median Ohio and median national nursing facility. The Medicare Cost Reports are restricted to freestanding nursing facilities with full-year cost reports, that do not have other aberrant data. Registered nursing staff and total nursing staff levels include administrative nurses. The year 2019 is defined for nursing facilities that have a fiscal year end date in 2019. Staffing levels include all hours paid, including paid-time off, paid training, and paid vacation.

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Staffing Levels and Spending on Direct Care as a Percentage of Net Patient Revenues: 2019

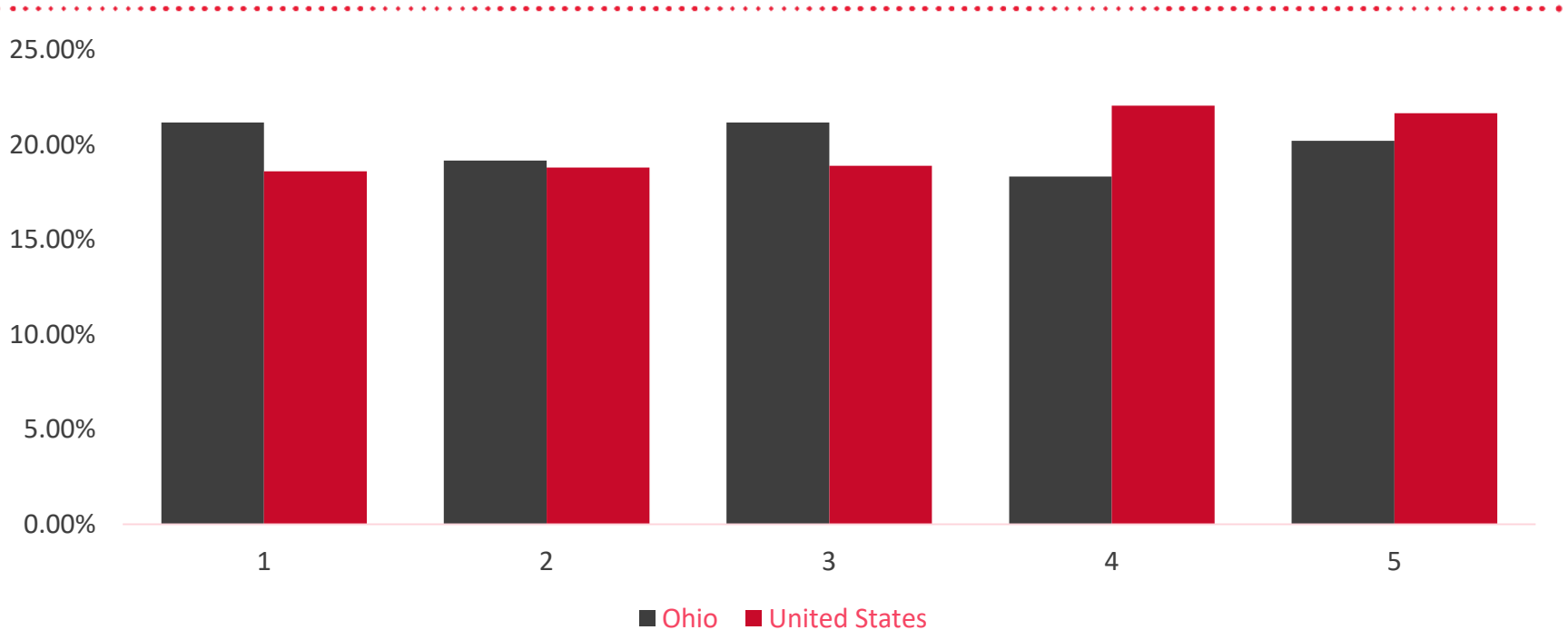| State	Median Total Nursing Staff Level in Hours Per Resident Day	Median Net Patient Revenues Spent on Nursing Staff (%)	Median Net Patient Revenues Spent on Nursing and Therapist Staff (%)	Median Net Patient Revenues Spent on Direct Care (%)
Ohio	**3.81**	**32.1%**	**40.1%**	**65.1%**
Indiana	3.71	28.9%	36.2%	62.4%
Kentucky	4.13	33.9%	42.5%	65.9%
Michigan	4.35	32.9%	40.8%	67.6%
Pennsylvania	4.12	37.1%	44.0%	69.0%
West Virginia	3.97	28.7%	35.0%	54.9%
National	**4.08**	**34.0%**	**41.9%**	**66.2%**

Source: Medicare Cost Reports (CMS-2540-10)

Notes: Nursing staff levels were calculated and reported for the median Ohio and median national nursing facility. The Medicare Cost Reports are restricted to freestanding nursing facilities with full-year cost reports, that do not have other aberrant data. Registered nurse staffing and total nursing staffing levels include administrative nurses. The year 2019 is defined as the nursing facility having a fiscal year end date in 2019. Staffing levels include all hours paid, including paid-time off, paid training, and paid vacation.

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Total Nursing Staff Star Rating (9/2019)

Ohio · United States
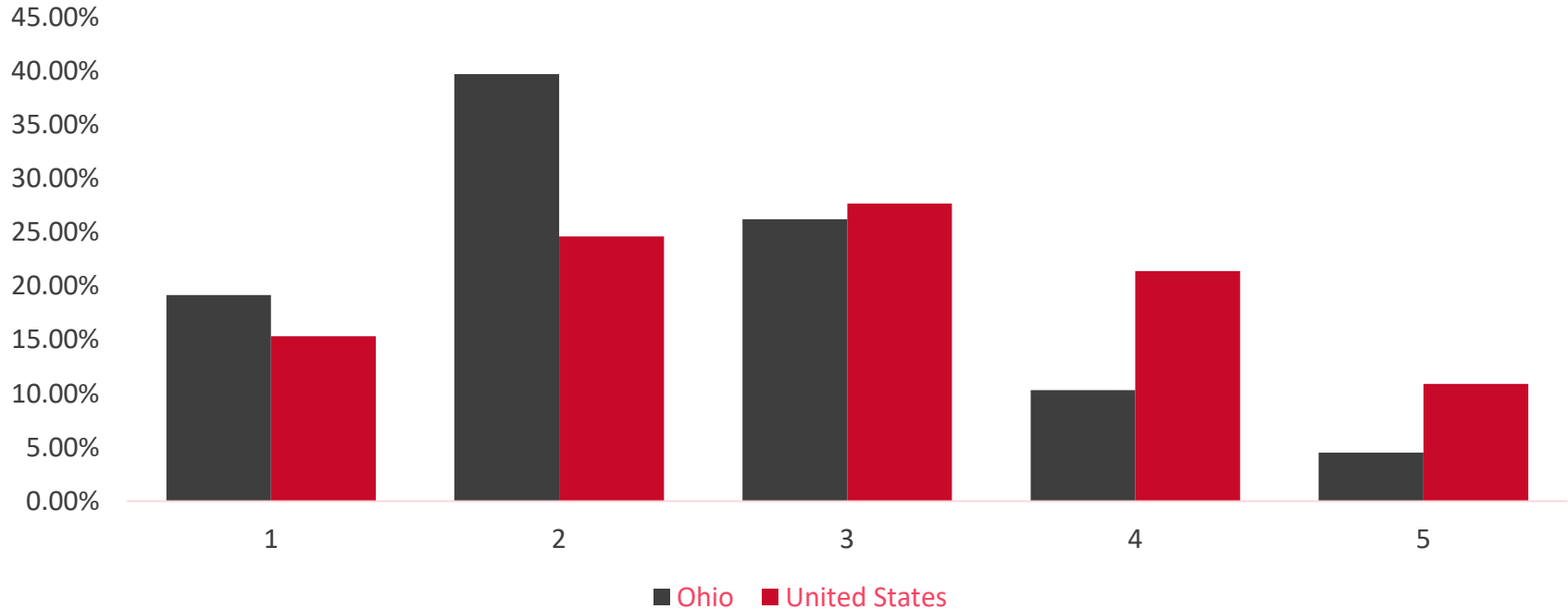
Source: Nursing Home Compare Archive Data (9/2019)

Other Considerations

Quality Components of Medicaid Payment Systems

Key facts about nursing facilities with high Medicaid payer-mix.

» More dependent on Medicaid payment rate.

» Generally have lower staffing levels and quality.

» Generally serve more racially/ethnically diverse resident populations.

Consideration in developing a quality payment component.

» Rewarding high quality alone only increases payments to better funded facilities

» Measures of quality need to account for underlying payer-mix (or case-mix)

» Quality payments that do not account for payer-mix or rewards relative improvement can lead to:

  » Larger disparities in quality by Medicaid payer-mix.

  » Larger disparities in quality by race and ethnicity.

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