



S N A P S H O T

The Changing Face of California's Nursing Home Industry

2007

Introduction

The number of Californians age 65 and older is projected to nearly double within the next 20 years. And the number of frail elderly—individuals age 85 and older—will follow suit, as the bulk of the baby boomers grows old. California’s nursing home industry, with resources already stretched thin, will be challenged to meet the needs of this burgeoning population.

This annual survey of nursing home performance finds an industry still in rough shape, with too few staff caring for too many patients, turnover rates that disrupt continuity of care, and difficulty meeting recommended staffing levels or government care and safety standards.

The report reveals that in 2005:

- Nursing staff turnover reversed its three-year downward trend, rising to 62 percent.
- 72 percent of nursing homes employed the required number of staff, up from only 32 percent in 2000.
- Only six in every one hundred nursing homes employed the recommended number of staff for quality care because reimbursement rates were so low.
- A third of nursing homes still operated in the red.

Even so, there is some reason for optimism. Medicaid reimbursement rates were raised in August 2005, and the state ordered the funds to be spent on hiring more nurses and paying them more. The state is also under court order to investigate nursing home complaints in a timely manner, which should improve enforcement.

*See appendix for additional information regarding litigation, legislation, and government reports.

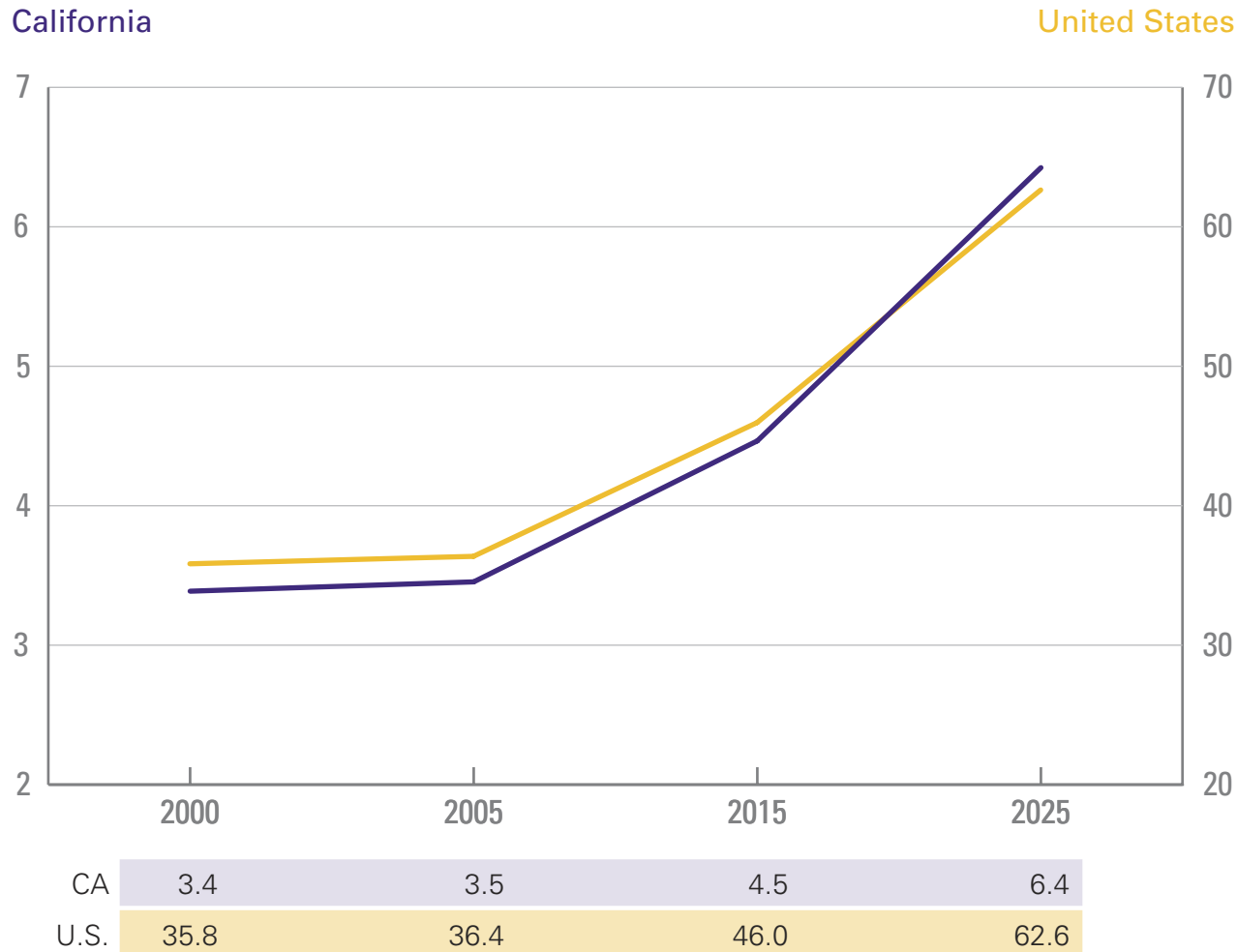
California’s Changing Nursing Home Industry

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California's Population Is Aging

Projected Number of Residents, Age 65 and Older (millions), 2000–2025



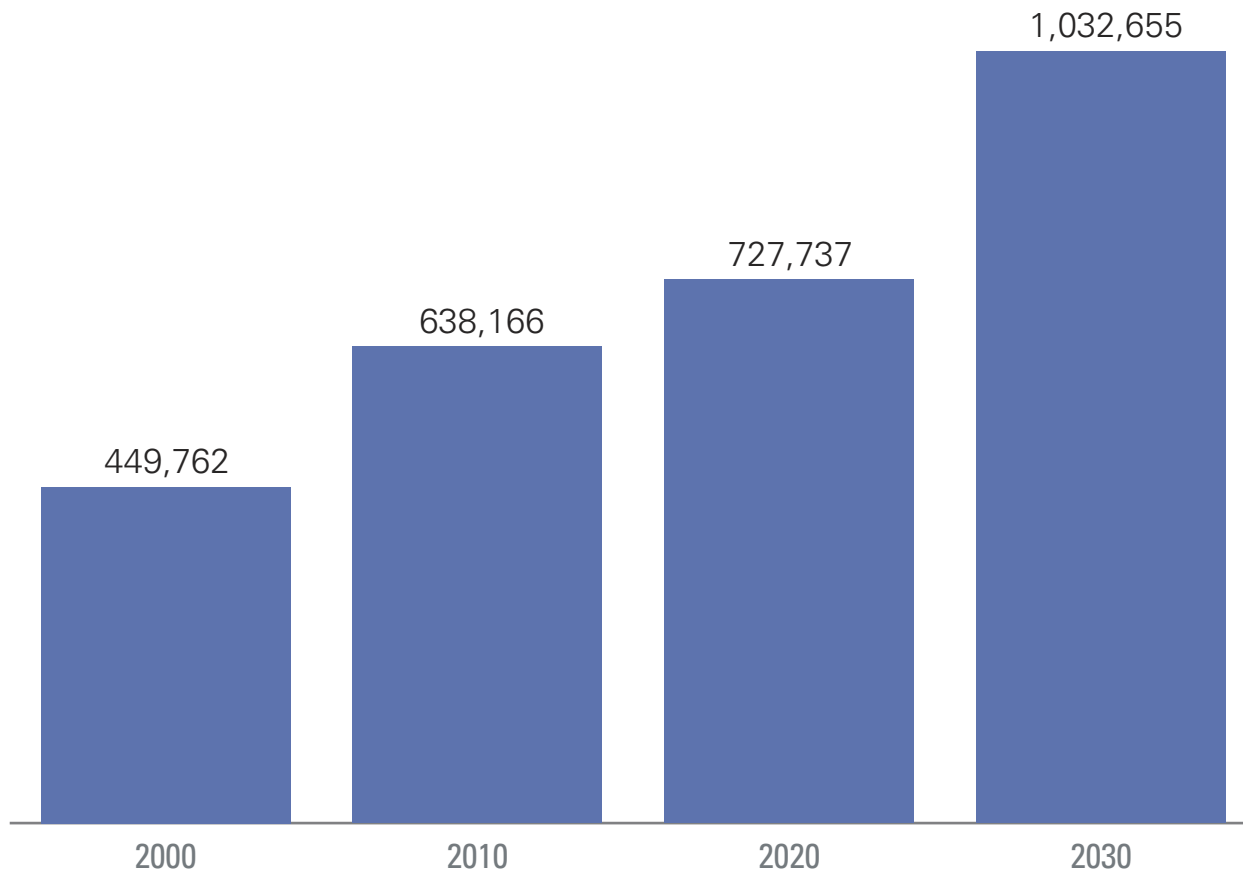
Source: U.S. Census Bureau. State Population Projections and Population Projections Program, Population Division, 2003.

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As the population ages, the demand for long-term nursing care will increase. The number of California residents age 65 and older is projected to nearly double by 2025—a larger growth rate than any other state or the United States overall (75 percent).

More Frail Elderly, More Care Needed

Projected Number of Californians, Age 85 and Older, 2000–2030



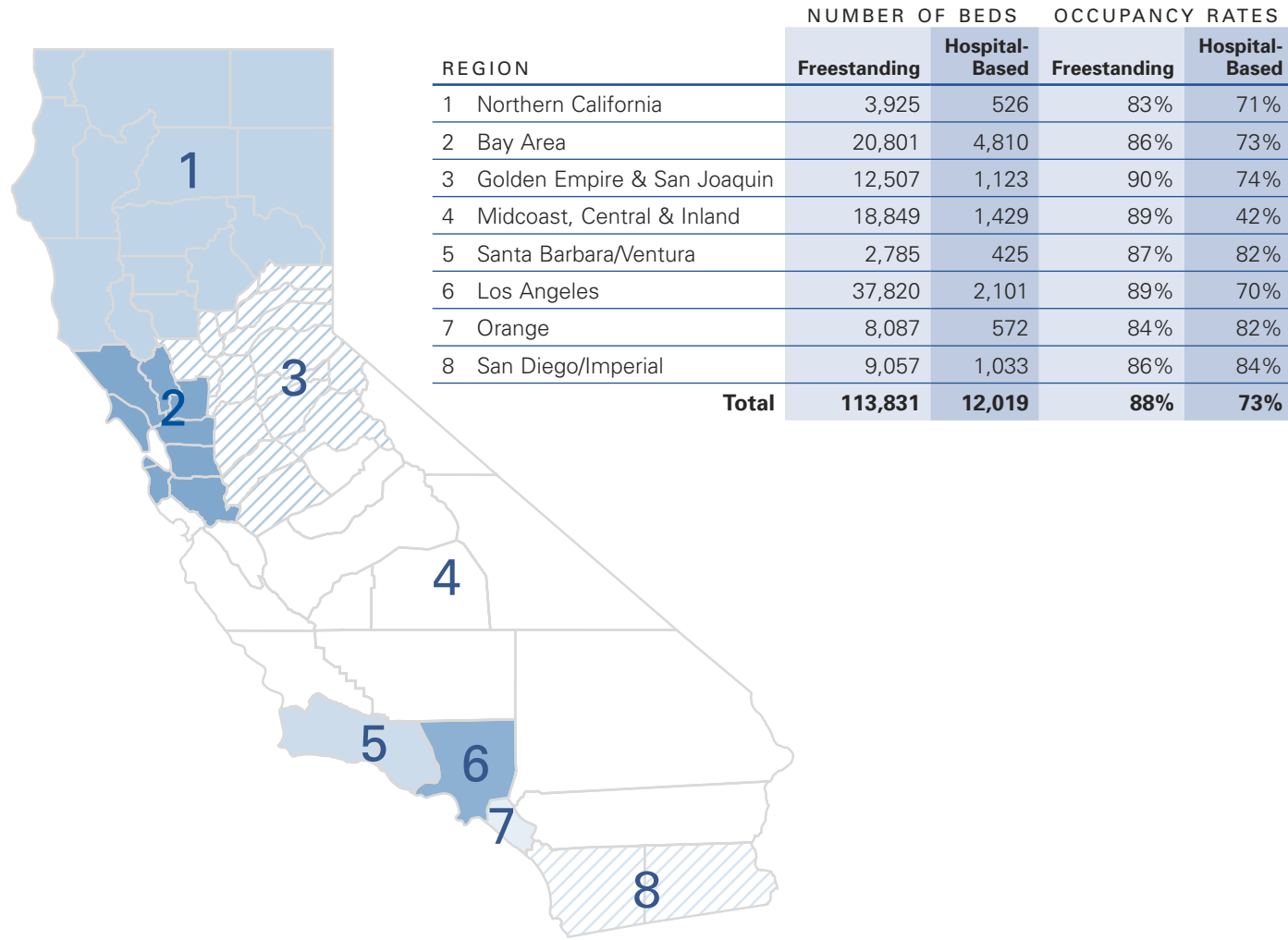
Source: California State Department of Finance, Demographic Research Unit. CDC Life Expectancy. www.cdc.gov/nchs/data/hus/tables/2003/03hus027.pdf

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Americans are living longer. In 2001, the life expectancy was 77.2 years, compared to 75.5 just ten years earlier. The number of California residents age 85 and older—those who are most likely to need extended care at home or in nursing homes—is likely to more than double by the year 2030, when the bulk of baby boomers will come of advanced age.

Supply and Demand for Beds

Nursing Facility Beds and Occupancy, by Facility Type and Region, 2004



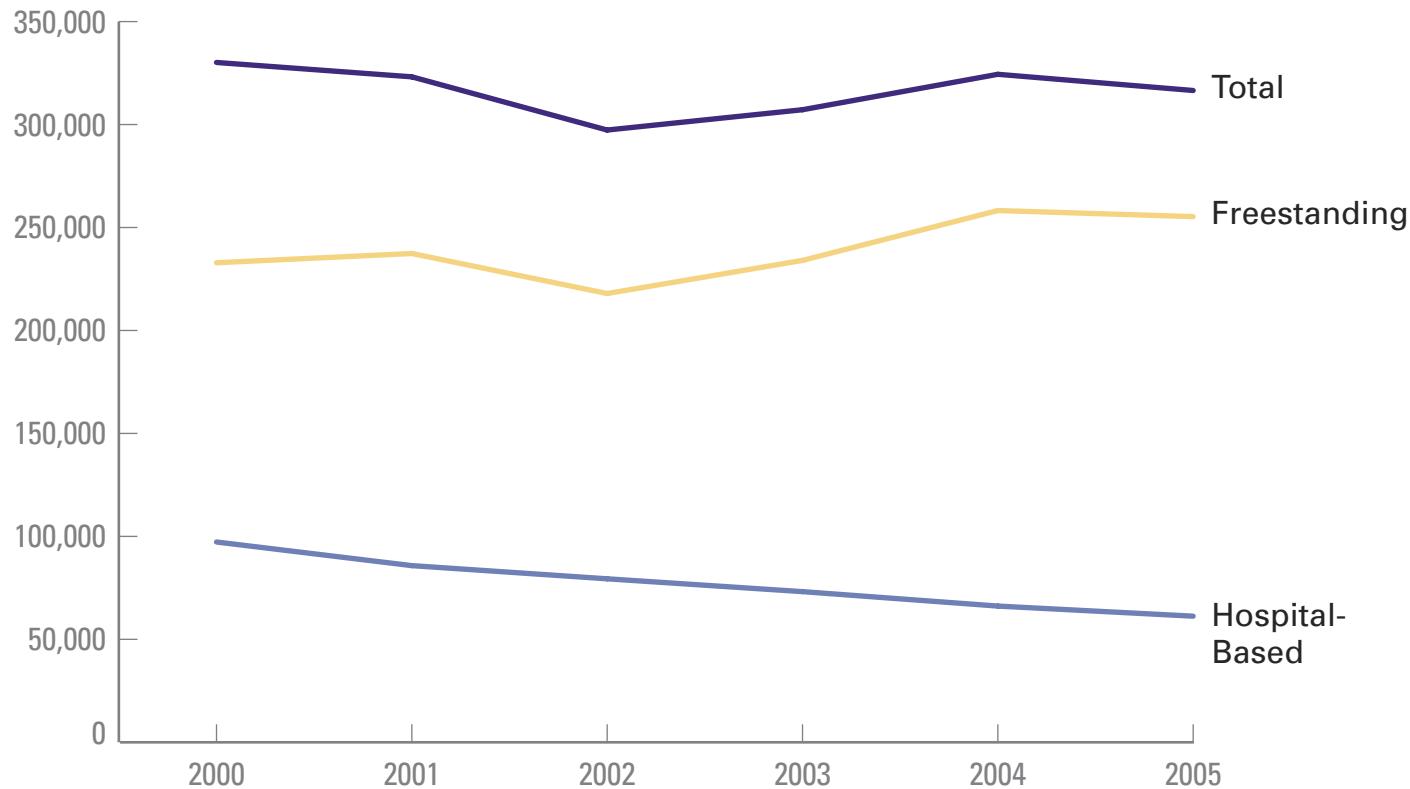
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Although the number of facilities and occupancy rates vary by region, most areas of the state maintain an adequate supply of beds.

Source: Office of Statewide Health Planning and Development. Long term care and hospital annual financial data, 2004. Sacramento, CA.

Declining Admissions

Nursing Home Admissions, by Facility Type, 2000–2005



TOTAL	330,146	323,166	297,330	307,193	324,398	316,532
F	232,876	237,371	217,932	234,026	258,242	255,283
H-B	97,270	85,795	79,398	73,167	66,156	61,249

Source: Office of Statewide Health Planning and Development (OSHPD). Long term care and hospital utilization data, 2000–05, and hospital financial data, 2000–04. Sacramento, CA.

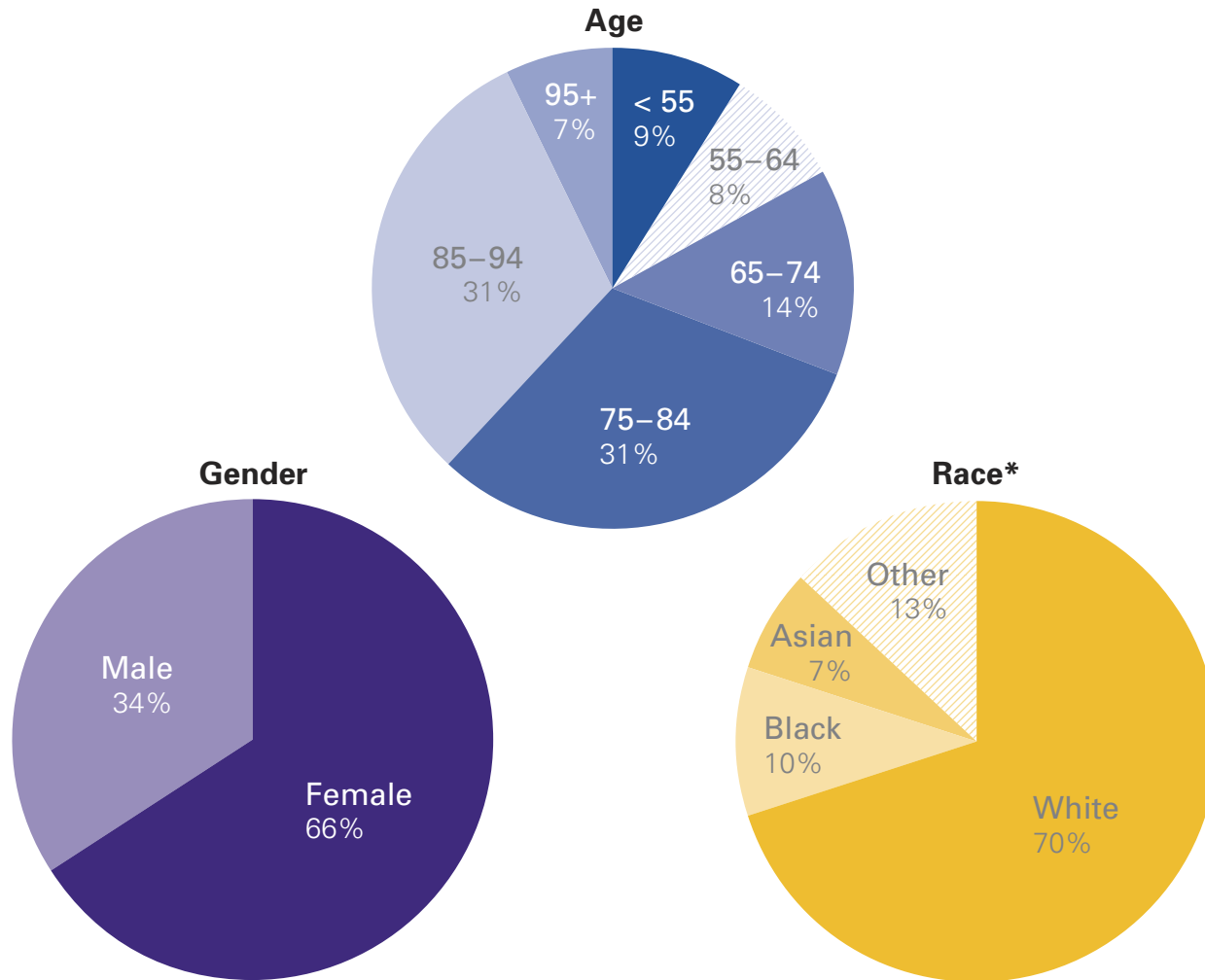
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From 2000 to 2005, the number of people admitted to freestanding nursing homes increased by nearly 10 percent. In contrast, 37 percent fewer people were admitted to hospital-based facilities, in part because many units closed.* The decrease in total admissions reflects the emerging preference for alternatives to facility-based care.

*The number of beds at hospital-based nursing homes decreased 50 percent from 2000 to 2004.

A Look at the Residents

Residents of California's Freestanding Nursing Homes, 2005



*"Other" includes Native American and unspecified. Approximately 13 percent of all residents are of Latino ethnicity.

Source: Office of Statewide Health Planning and Development (OSHPD). Long term care utilization data, 2005. Sacramento, CA.

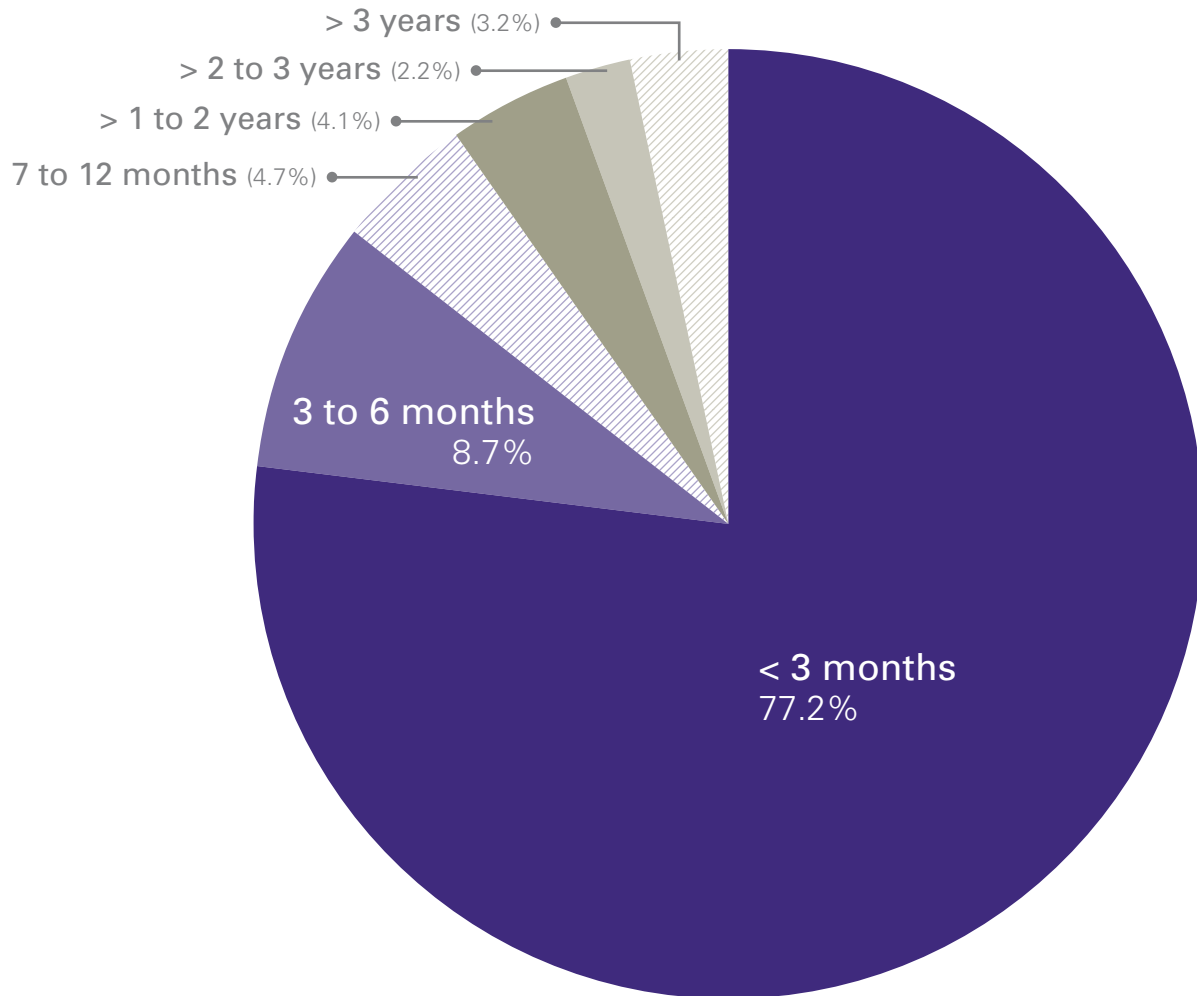
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Approximately 115,000* Californians are living in nursing homes on any given day. The majority of them are 75 or older, female, and White.

*Estimated using OSHPD financial data.

How Long They Stay

Length of Stay in California's Freestanding Nursing Homes, 2005



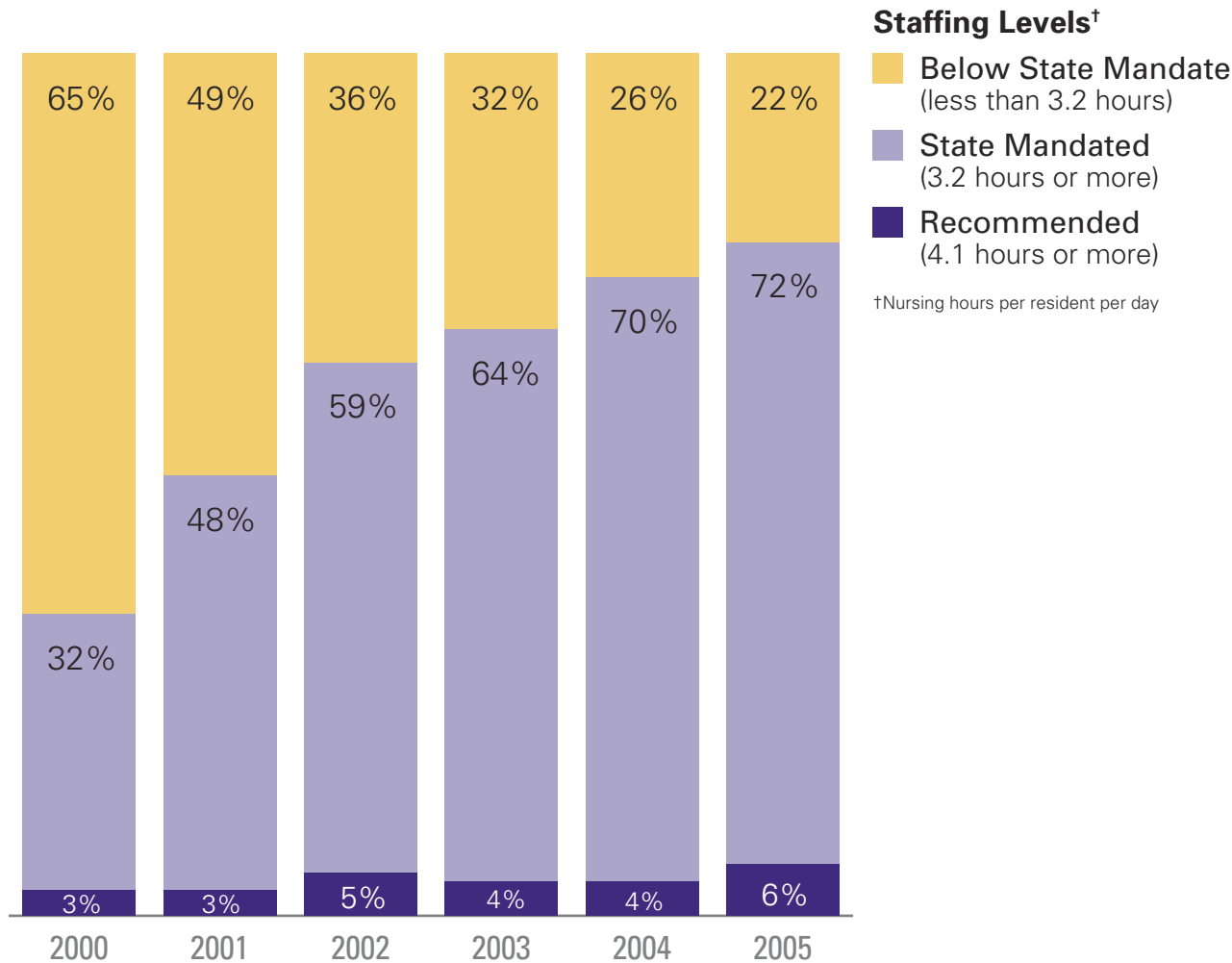
California's Changing Nursing Home Industry

Many nursing home residents need care temporarily, to recuperate or rehabilitate from an accident or illness. Others are so ill when they enter a facility that they die soon after, and some spend the rest of their lives in nursing homes.

Source: Office of Statewide Health Planning and Development (OSHPD). Long term care utilization data, 2005. Sacramento, CA.

Level of Nursing Care

Share of California's Freestanding* Nursing Homes at Various Staffing Levels, 2000–2005



*In 2004, 53 percent of hospital-based facilities met the recommended level, 14 percent met the state-mandated level, and 33 percent did not meet the state standard.

Source: Office of Statewide Health Planning and Development. Long term care annual financial data for 2000–05. Sacramento, CA.

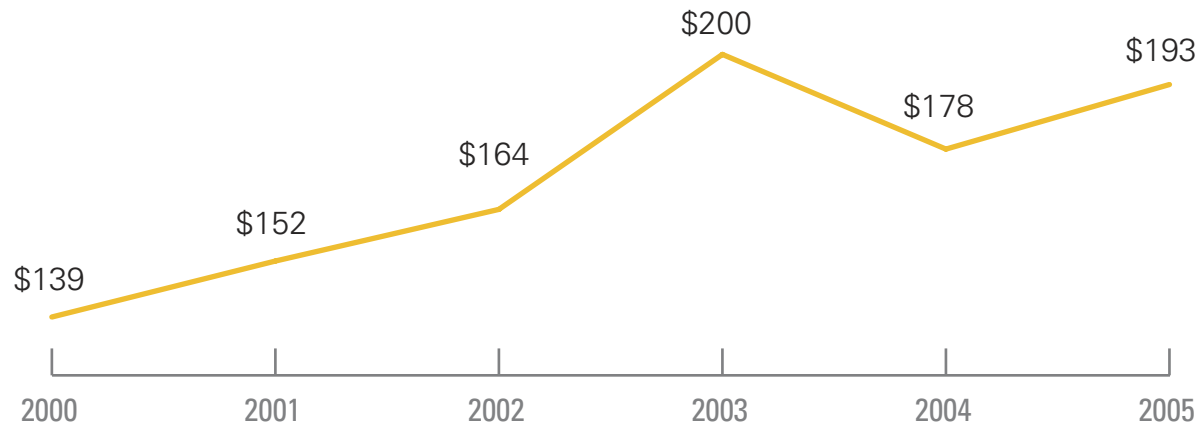
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Although the share of nursing homes meeting or exceeding the state-mandated minimum level of nursing care more than doubled from 2000 to 2005, over one-fifth of facilities still did not meet the requirement by 2005. Only 6 percent met an expert-recommended level[‡].

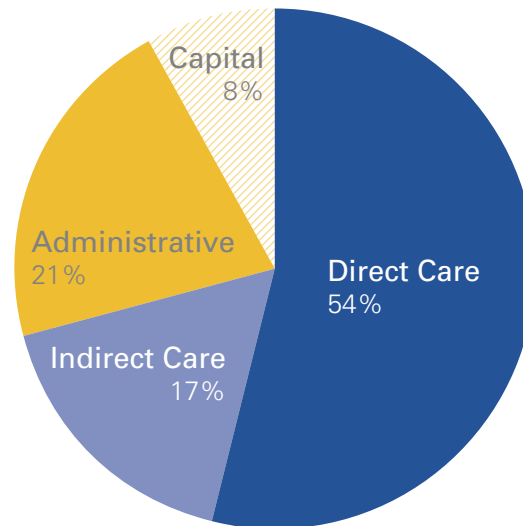
[‡]Source: US Centers for Medicare and Medicaid Services, report prepared by Abt Associates Inc., "Appropriateness of Minimum Staffing Ratios in Nursing Homes Report to Congress: Phase II Final" Volumes I-III. Baltimore, MD. 2001.

Expense Report

Total Daily Expenditures per Resident at Freestanding Nursing Homes, 2000–2005



2005 Expenses, by Type*:



*Direct care includes nursing, activities, and therapy; indirect care includes dietary, housekeeping, and supplies; administrative includes salaries, insurance, and other; capital includes rent, interest, and depreciation.

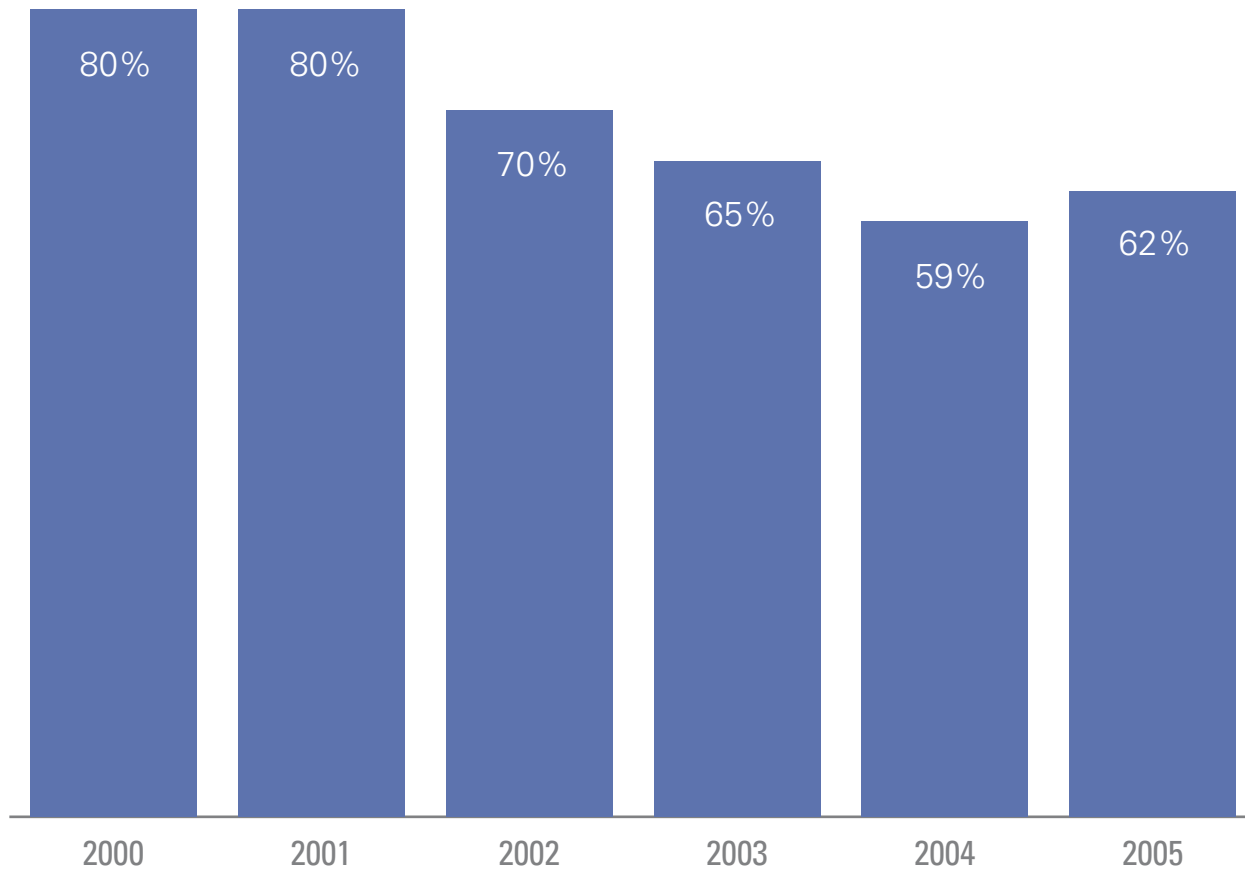
Source: Office of Statewide Health Planning and Development. Long term care annual financial data for 2000–05. Sacramento, CA.

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In 2005, almost three-quarters of the \$193 spent per day on each resident of freestanding nursing homes was for resident care. Spending per resident peaked in 2003, 44 percent above the level reported in 2000, before falling 11 percent in 2004. All but 3 percent of the drop was regained in 2005.

Nursing Staff Turnover

Average Turnover Rate within Freestanding Nursing Homes, 2000–2005



Source: Office of Statewide Health Planning and Development. Long term care annual financial data for 2000–05. Sacramento, CA.

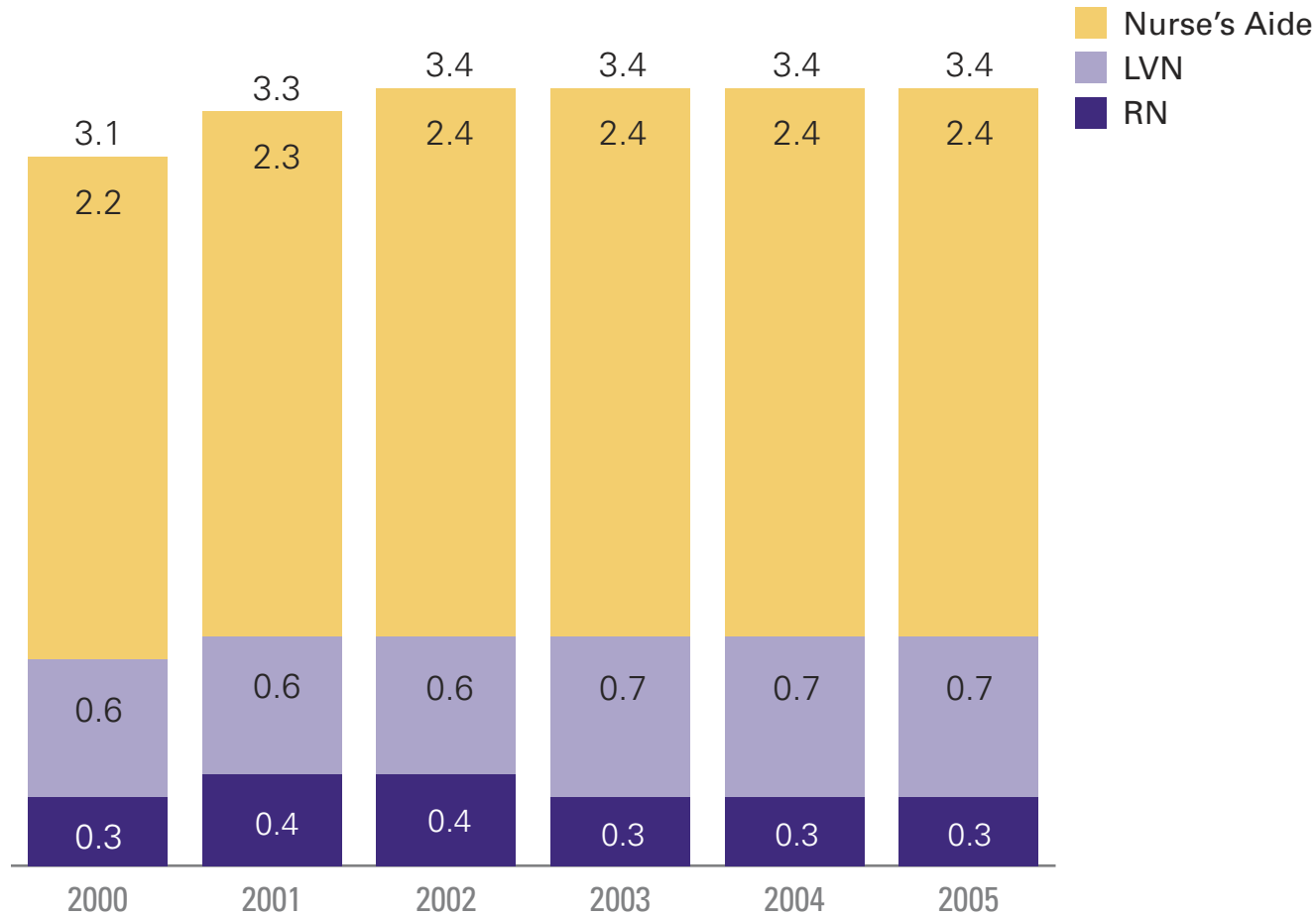
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About three out of every five nursing staff leave employment each year, the majority of them nurse's aides earning an average of \$10.97 per hour. Low wages contribute to high turnover, which is associated with poor quality, including a disruption to continuity of care.*

*Institute of Medicine, 2001: *Improving the Quality of Long-Term Care*.

Nursing Staff Distribution

Hours per Resident per Day at Freestanding Nursing Homes, by Type of Staff, 2000–2005



Note: In 2004, hospital-based facilities reported 6.7 hours per resident per day, down 12 percent from 7.6 in 2003.

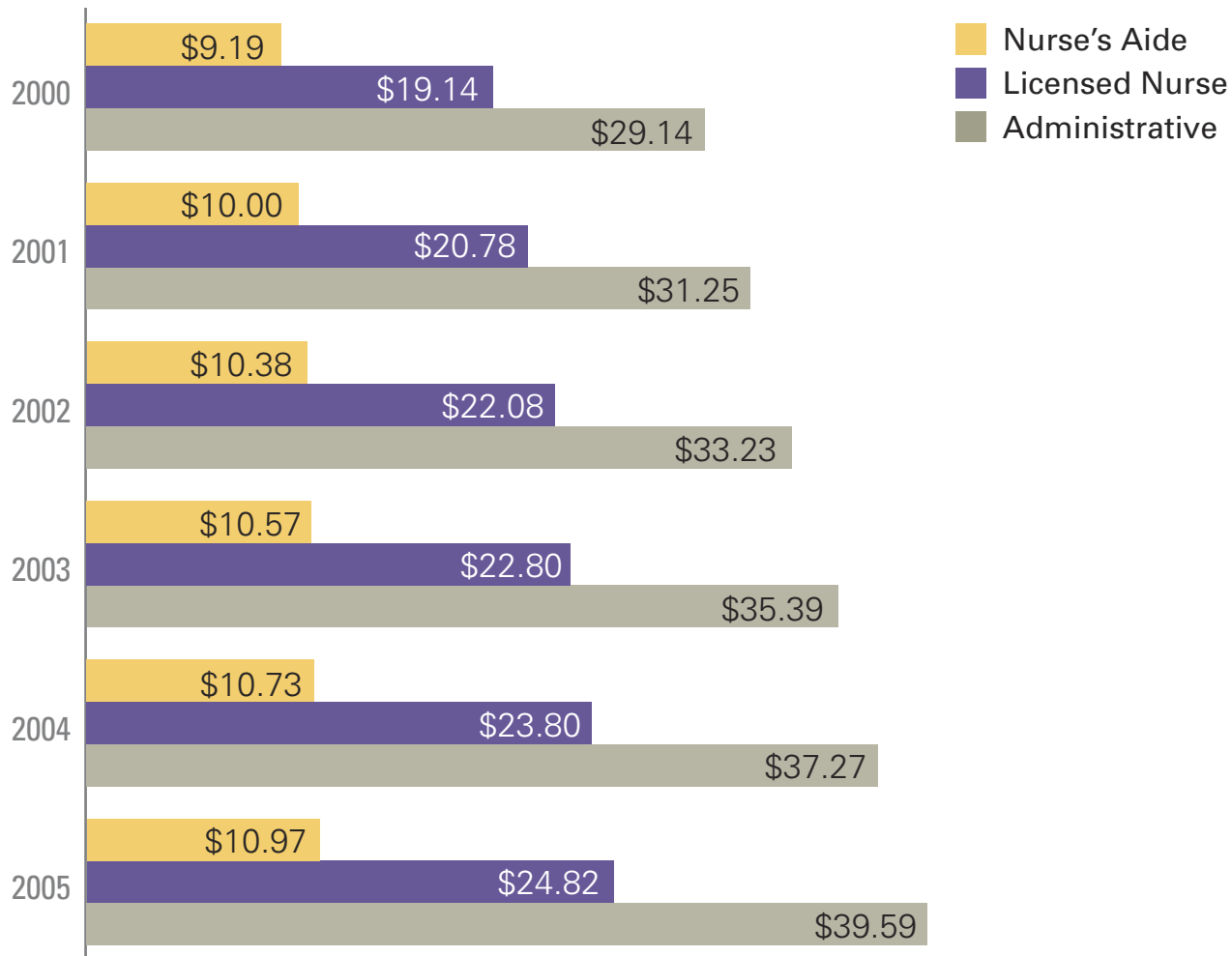
Source: Office of Statewide Health Planning and Development. Long term care financial data (2000–05) and hospital financial data (2003–04). Sacramento, CA.

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Higher staffing levels are related to better quality of care. After legislation was passed in 1999, requiring a minimum of 3.2 hours of nursing care per resident per day at all facilities, staffing levels for LVNs and nurse's aides at freestanding facilities increased. Since 2002, the total staffing level has remained the same.

Staff Wages

Hourly Wages at Freestanding Nursing Homes, by Type of Staff, 2000–2005



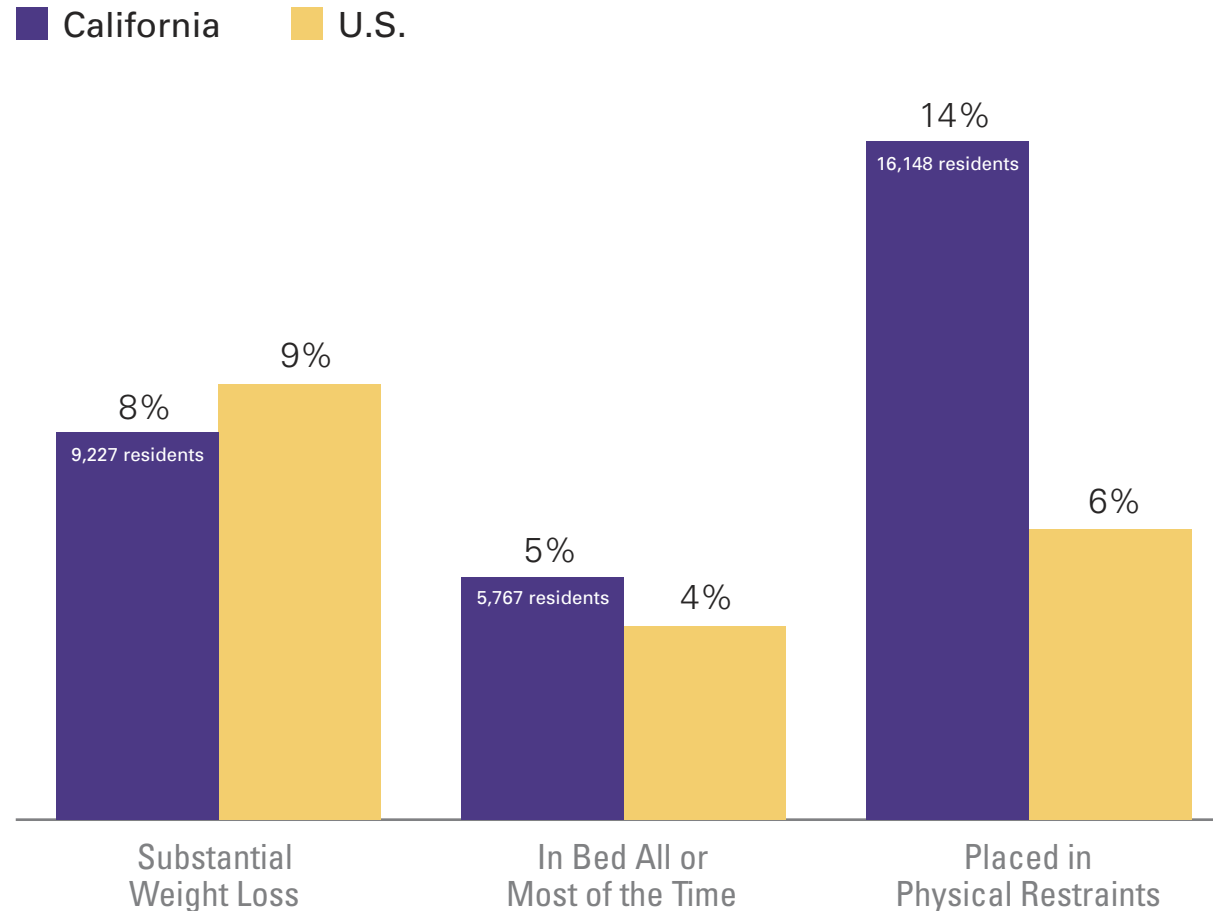
Source: Office of Statewide Health Planning and Development. Long term care annual financial data for 2000–05. Sacramento, CA.

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Wages for nurse's aides increased only 19 percent from 2000 to 2005, compared to 30 percent for licensed nurses and 35 percent for administrative staff.

Quality of Care

Problems with Residents in Nursing Homes, California vs. U.S.



Sources: Centers for Medicare and Medicaid Services (CMS), Nursing Home Comparison site (www.medicare.gov). Accessed November 28, 2006.

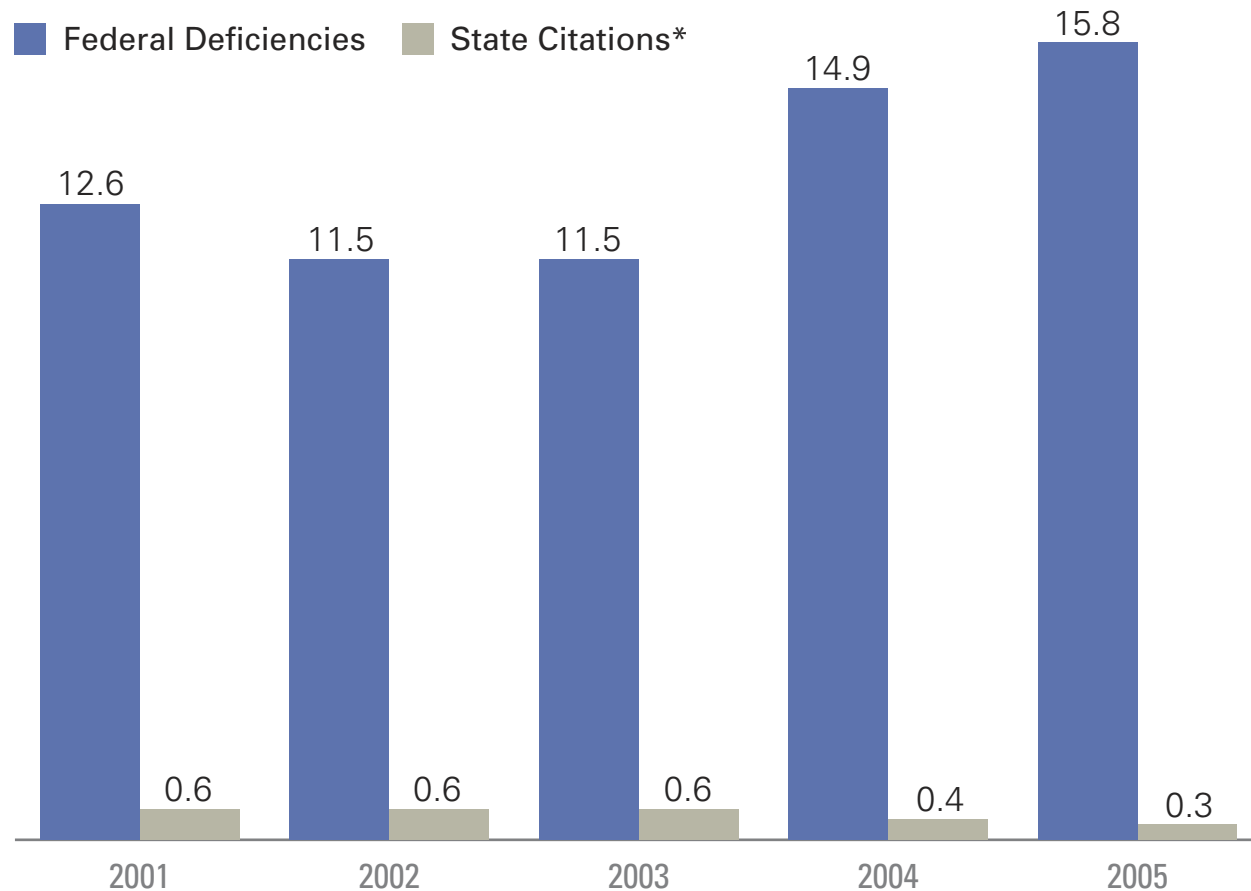
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High rates of weight loss, time spent in bed, and use of physical restraints commonly indicate poor quality of care for residents in nursing homes. More than twice as many of California's 115,000 plus residents* are placed in physical restraints as are nationally.

*Daily average estimated using OSHPD financial data.

Deficiencies and Citations

Average Number per California Nursing Home, 2001–2005



*State penalties vary from \$100 to \$100,000, depending on citation level. Beginning July 1, 2007, inspectors will be required to enforce state requirements. See references for additional explanation.

Sources: State Citations: California Department of Health, Licensing and Certification Program (L&C); Electronic Licensing Management System (ELMS) data, Sacramento, CA; Federal Deficiencies: California Department of Health, Licensing and Certification Program (L&C); Automated Survey Processing Environment (ASPEN) data, Sacramento, CA.

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In 2005, legislative oversight hearings found that the state does not routinely evaluate nursing home compliance with state laws, which are more stringent than federal requirements. The only state violations receiving citations are ones noticed incidentally during inspections for compliance with federal laws.*

*Legislative Analyst's Office, Sacramento, CA: February 2006.

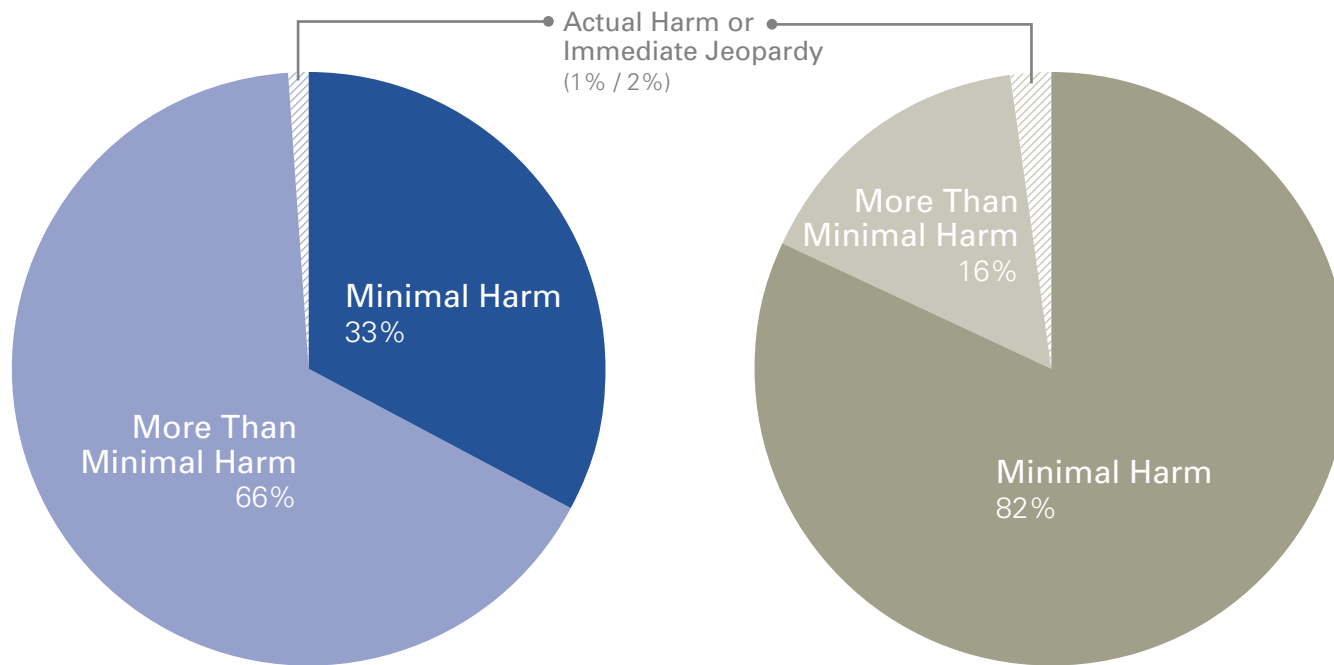
Violations of State and Federal Regulations, 2001–2005

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Federal deficiencies are ranked by the seriousness of the violation and the number of residents affected. From 2001 to 2005, two-thirds of all reported deficiencies caused or could have caused significant harm to one or more residents. In contrast, the vast majority of state citations were for violations that caused minimal harm.

Federal Deficiencies
by Scope and Severity

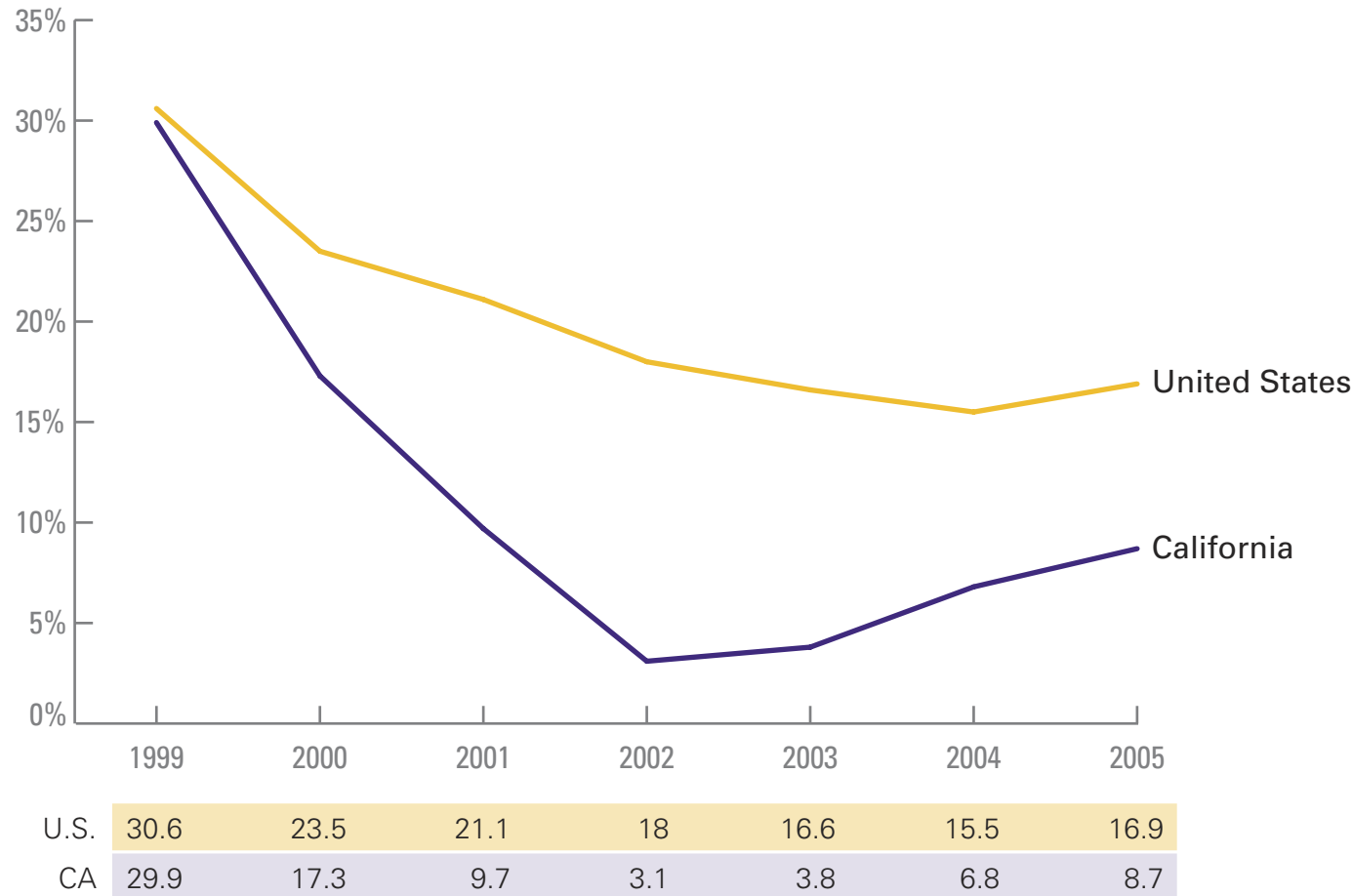
State Citations
by Class



Sources: State Citations: California Department of Health, Licensing and Certification Program (L&C). Electronic Licensing Management System (ELMS) data. Sacramento, CA; Federal Deficiencies: California Department of Health, Licensing and Certification Program (L&C). Automated Survey Processing Environment, (ASPEN) data. Sacramento, CA.

Federal Violations: Causing Actual Harm or Placing in Immediate Jeopardy*

Percent of Nursing Homes Cited for Serious Violations



*These are the most serious of all federal deficiencies.

Source: Harrington, C., Carillo, H., and LaCava, C., "Nursing Facilities, Staffing, Residents and Facility Deficiencies, 1999–2005," UC, San Francisco.

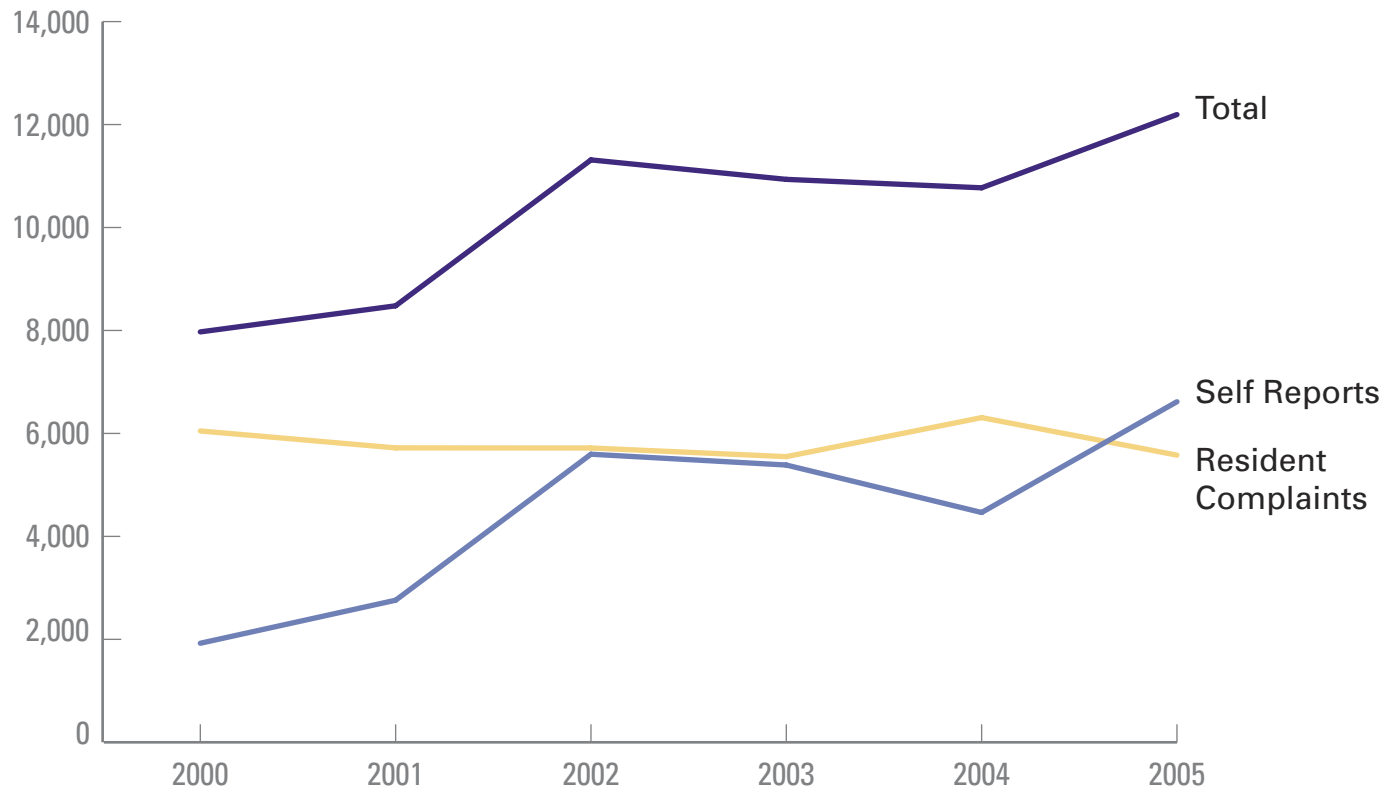
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In 2005, the GAO released a report* finding, among other problems, that inspectors were missing or misclassifying serious care violations. This finding explains, in part, why fewer nursing homes in California and nationwide are being cited for serious violations.

*Government Accountability Office. *Nursing Homes: Despite Increased Oversight, Challenges Remain in Ensuring High-Quality Care and Resident Safety*, Washington, DC: December 2005. GAO-06-117.

Total Complaints* Rising

Number of Complaints



TOTAL	7,972	8,479	11,313	10,935	10,771	12,194
RC	1,924	2,760	5,596	5,386	4,464	6,616
SR	6,048	5,719	5,717	5,549	6,307	5,578

*Total complaints include substantiated and unsubstantiated complaints and self-reported incidents. Self reports of alleged or suspected abuse are initiated by nursing home staff. Resident complaints are initiated by residents or their families.

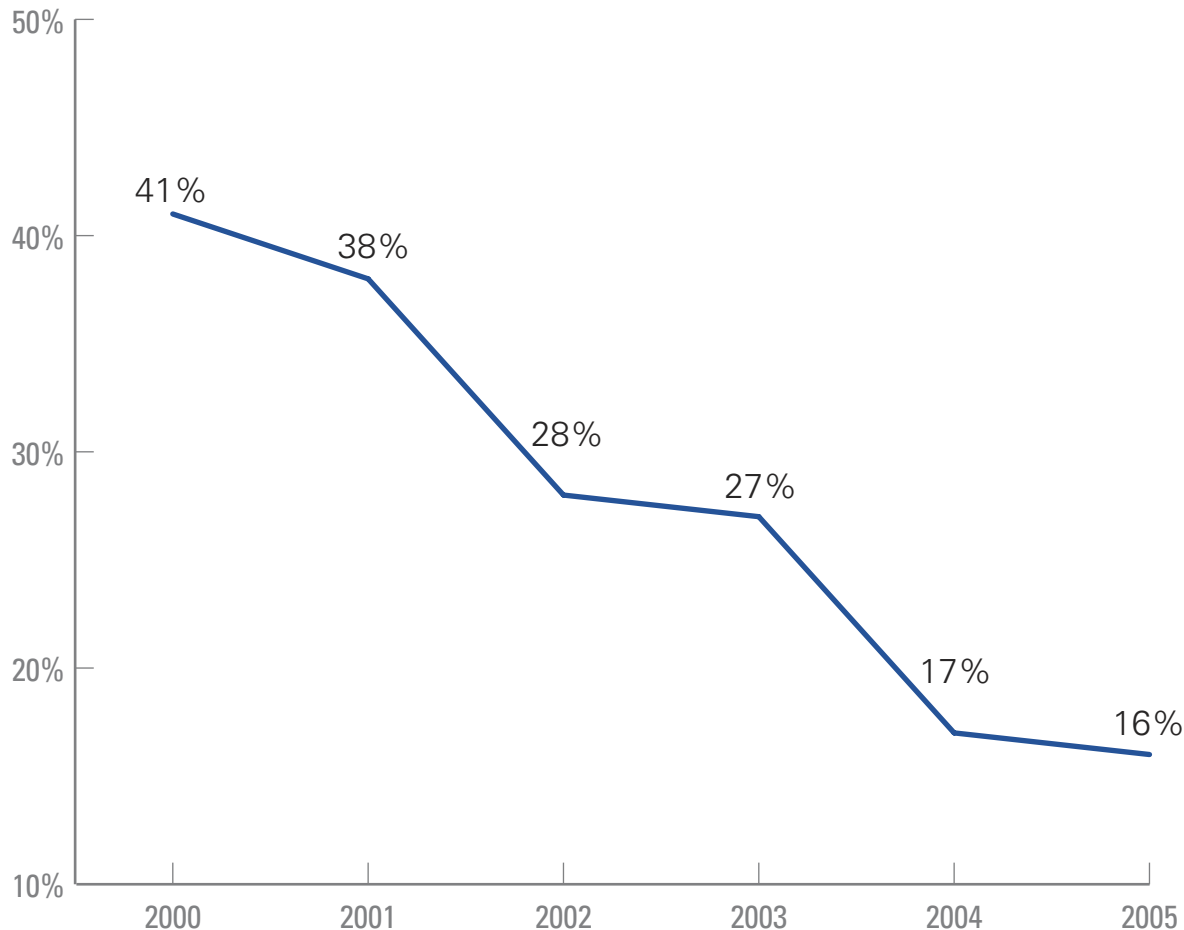
Source: California Department of Health, Licensing and Certification Program (L&C). Automated Survey Processing Environment (ASPEN) data. Sacramento, CA.

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Legislation passed in 2000, requiring facilities to report all incidents of suspected or alleged abuse, tripled the number of self reports, while the number of resident complaints remained fairly stable. Consequently, the 53 percent rise in total complaints from 2000 to 2005 is attributed to the increase in self-reported incidents.

Substantiation Rate Falling

Complaint Substantiation Rate, 2000–2005



Note: The results of litigation in September, 2006, require the California Department of Health, Licensing and Certification Program to comply with state law and complete all investigations within the required time frame.

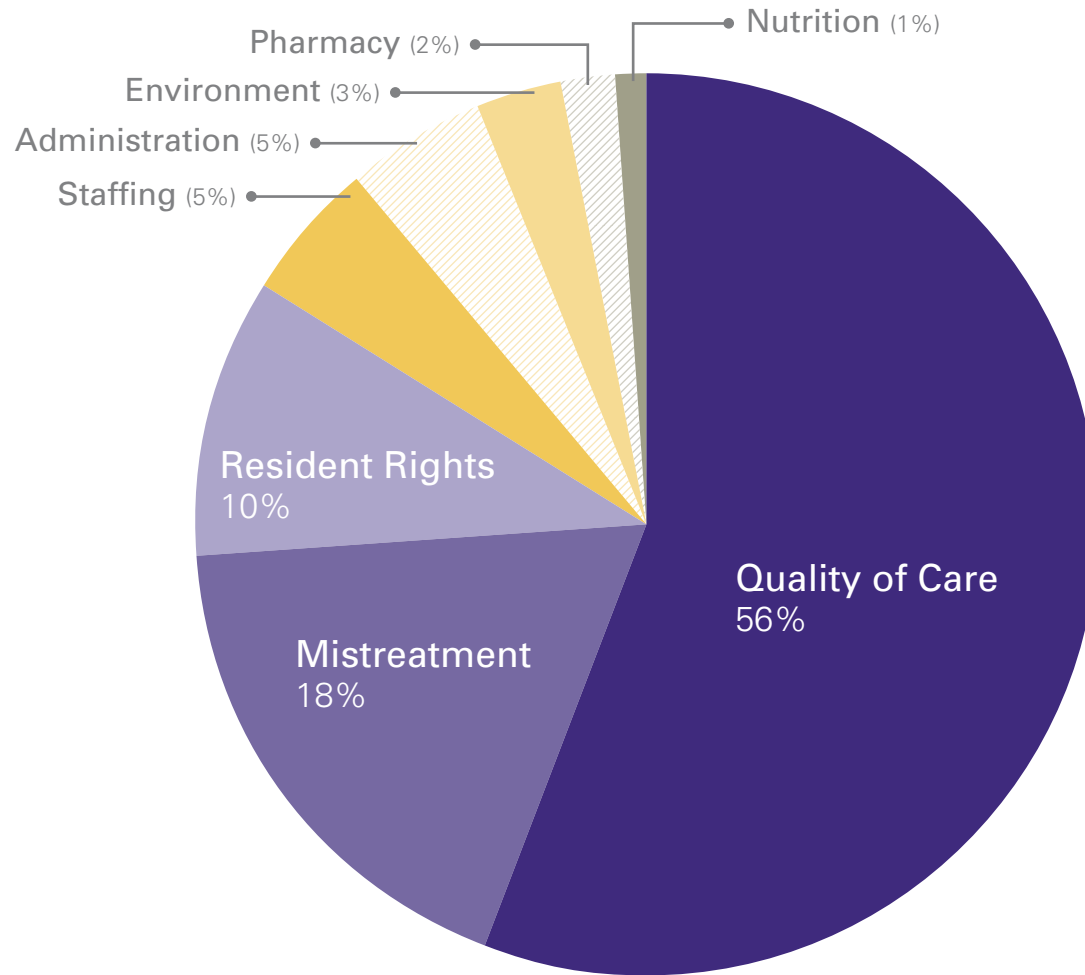
Source: California Department of Health, Licensing and Certification Program (L&C). Automated Survey Processing Environment (ASPEN) data. Sacramento, CA.

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From 2000 to 2005, the complaint substantiation rate dropped by 61 percent. The state has been charged with failing to investigate complaints within the required time frame. Delays can lead to lost evidence and unavailable witnesses, resulting in unsubstantiated complaints.

Types of Complaints

Percent of Substantiated Complaints, by Type of Complaint, 2000–2005



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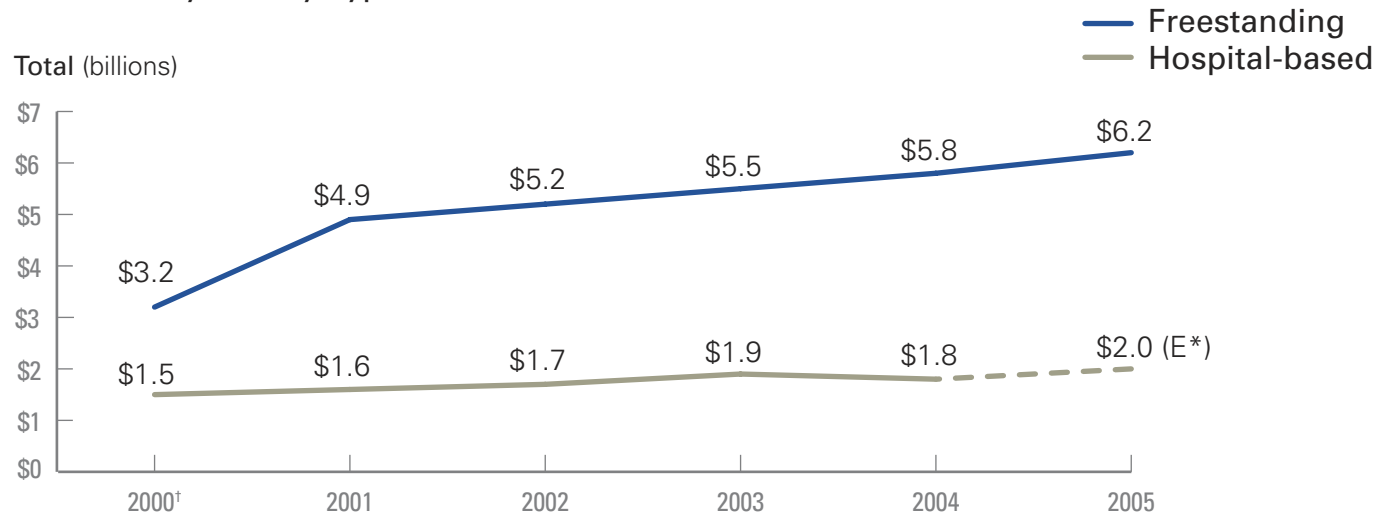
More than half of all complaints are related to poor quality of care. Eighteen percent of substantiated complaints reported from 2000 to 2005 were related to mistreatment or abuse.

Source: California Department of Health, Licensing and Certification Program (L&C). Automated Survey Processing Environment (ASPEN) data. Sacramento, CA.

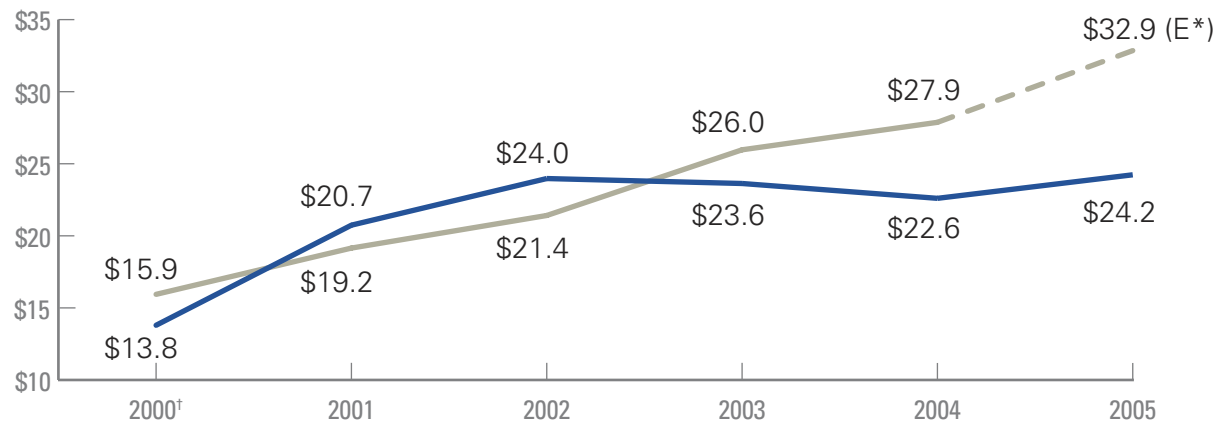
Rising Nursing Home Revenues

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Revenue, by Facility Type, 2000–2005



Per Admission (thousands)



*Data for hospital-based facilities is not available for 2005. Estimates are based on the established trend.

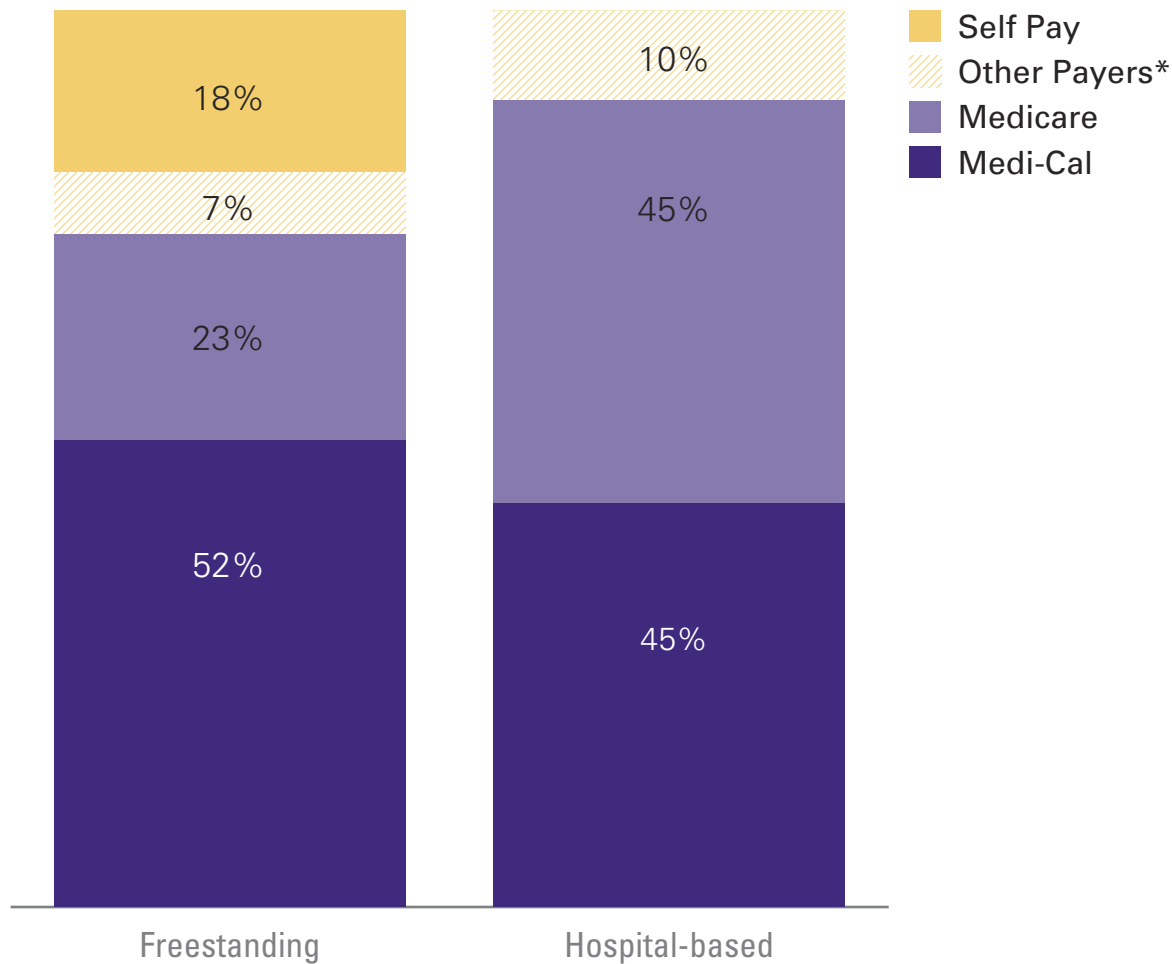
†Revenue for a significant number of facilities was not reported in 2000; only 829 reported in 2000 compared to 1,185 in 2001.

Source: Office of Statewide Health Planning and Development. Long term care financial data (2000–05) and hospital financial data (2000–04). Sacramento, CA.

From 2000 to 2005, freestanding nursing home revenues grew steadily. In contrast, fewer admissions at hospital-based facilities offset the rising cost per admission and kept total revenue growth nearly flat.

Who Pays for Nursing Home Care

Revenue, by Facility Type and Payer, 2004



*Other payers include private insurance (including managed care) and charity.

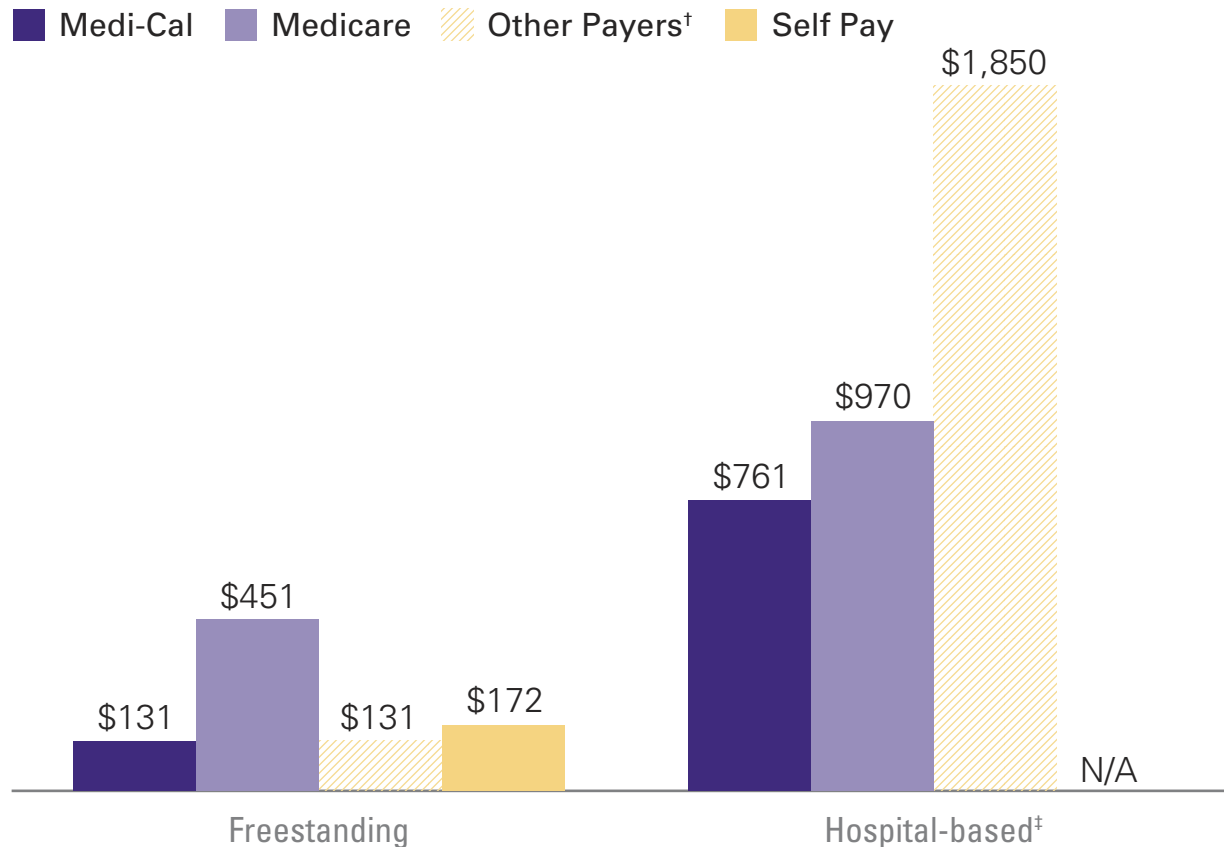
Source: Office of Statewide Health Planning and Development. Long term care financial data (2000–05) and hospital financial data (2000–04). Sacramento, CA.

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More than half of the care received in freestanding nursing homes is paid for by Medi-Cal, while payments by individuals account for almost one-fifth of revenue. More hospital-based residents have their care paid for by Medicare. Consequently, Medicare payments make up a bigger chunk of revenue at hospital-based facilities.

Reimbursement Rates Vary

Average Daily Reimbursement*, by Facility Type and Payer, 2005



*Freestanding facility reimbursement is revenue after deductions for contractual adjustments (i.e., the amount the payer paid, not what it was charged). Hospital-based revenue after deductions data are not available, therefore reimbursement is gross revenue before deductions for contractual adjustments (i.e., the amount the payer is charged, not what it actually pays).

[†]“Other Payers” include private insurance (including managed care) and charity. Legislation (AB1629) was passed to increase Medi-Cal reimbursement rates to nursing homes starting on August 1, 2005. For the average freestanding facility in California, the rate change leads to an estimated annual revenue increase of \$482,172 (calculated using total Medi-Cal days divided by the number of freestanding facilities, multiplied by an average increase of \$23 per patient per day).

[‡]Data for hospital-based facilities is not available for 2005. Estimates are based on established trend.

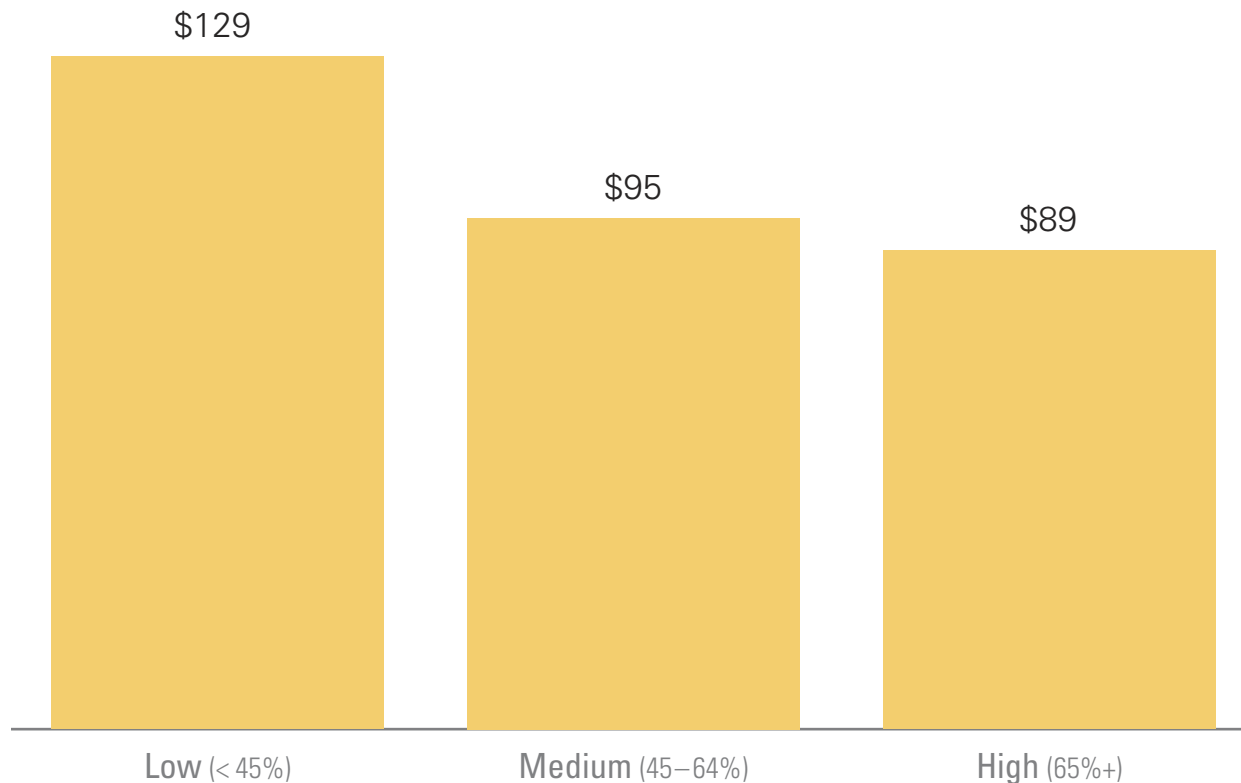
Source: Office of Statewide Health Planning and Development. Long term care financial data (2000–05) and hospital financial data (2000–04). Sacramento, CA.

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Medi-Cal paid an average of \$131 per day for care for eligible recipients in freestanding facilities in 2005. Medicare paid more than three times as much, while residents who paid for their own care paid \$41 per day more than Medi-Cal. In hospital-based facilities, private payers are charged about twice that of government payers.

Dollars Spent on Direct Care Vary

Direct Care Expenses per Day at Freestanding Nursing Homes, by Medi-Cal Revenue Category, 2005



Note: Low Medi-Cal revenue facilities are those that received 44 percent or less of their revenue from Medi-Cal. Medium Medi-Cal revenue facilities received between 45 and 64 percent of their revenue from Medi-Cal. High Medi-Cal revenue facilities received 65 percent or more of their revenue from Medi-Cal.

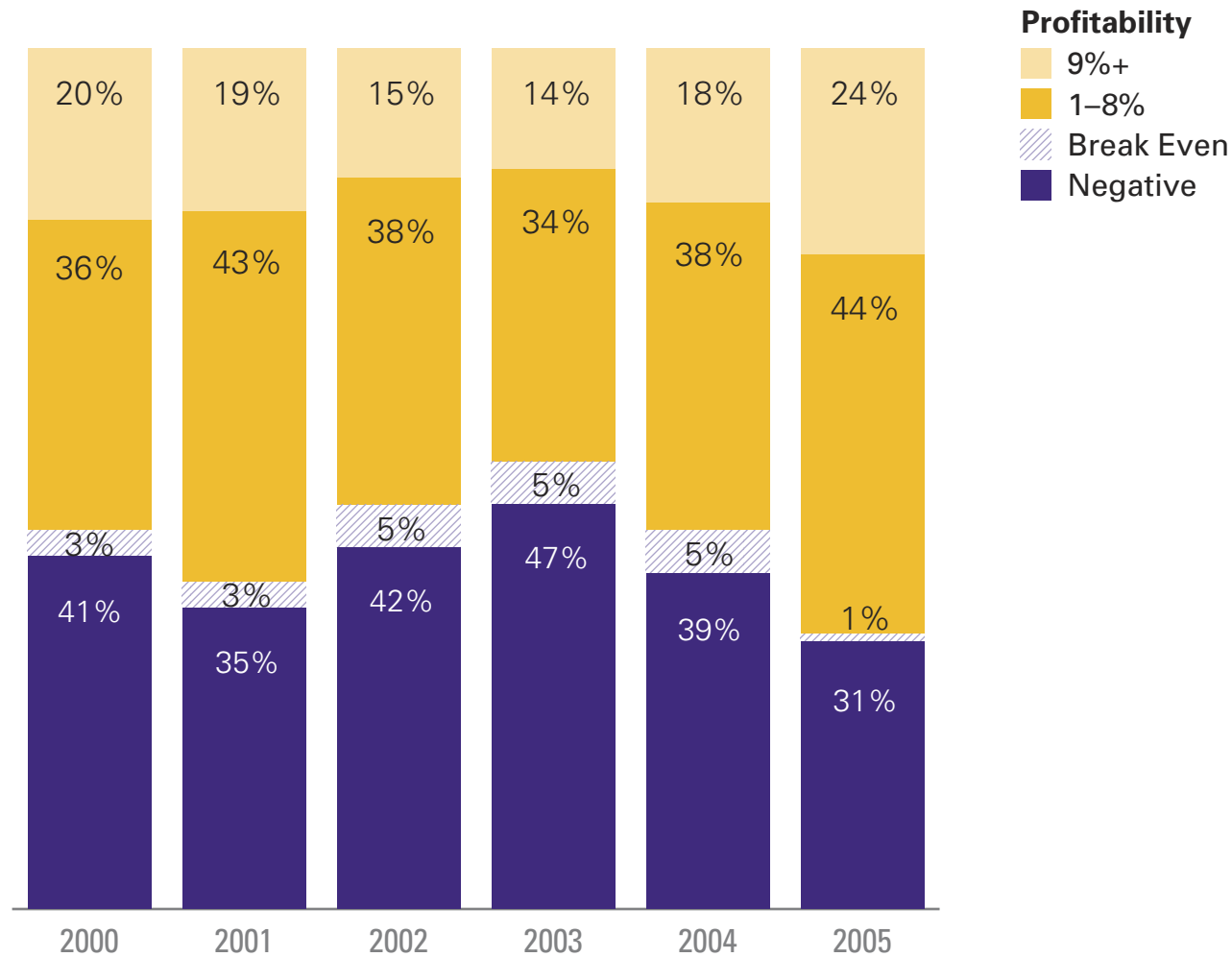
Source: Office of Statewide Health Planning and Development. Long term care annual financial data, 2005. Sacramento, CA.

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Nursing homes that serve a greater percentage of Medi-Cal recipients spend less on direct care. In 2005, facilities that received 65 percent or more of total revenue from Medi-Cal spent 31 percent less on direct care than those with less Medi-Cal revenue.

Financial State of Nursing Homes

Percent of Freestanding Nursing Homes at Designated Profit Margins, 2000–2005



Source: Office of Statewide Health Planning and Development. Long term care annual financial data, 2000–05. Sacramento, CA.

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In 2005, increased Medi-Cal reimbursement rates helped send more facilities into the black (68 percent), compared to an average of 55 percent from 2000 through 2004.

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Nursing Homes: Despite Increased Oversight, Challenges Remain in Ensuring High-Quality Care and Resident Safety. Washington, DC: December 28, 2005. GAO-06-117.

Additional Resources

- California HealthCare Foundation www.chcf.org/topics/index.cfm?topic=CL110
A compendium of information and resources is available here.
- California Nursing Home Search www.calnhs.org
This free, comprehensive consumer Web site provides ratings of California long-term care facilities on key quality measures. It also includes information on staffing levels, clinical quality measures, complaints and deficiencies, financial measures and ownership, as well as a number of helpful resources such as paying for care.
- Charlene Harrington, Ph.D. and Janis O'Meara, M.P.A. *Annual Report for California Nursing Home Search*. University of California School of Nursing, San Francisco. 2003.
<http://nurseweb.ucsf.edu/www/images/calnhs-rpt-03.pdf>

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