



CALIFORNIA  
HEALTHCARE  
FOUNDATION

SNAPSHOT  
California's Fragile Nursing Home Industry

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2005

# A Crisis in Care

The number of Californians age 65 and over is projected to double in the next decade. Many of the nursing facilities slated to provide institutional care for these individuals already operate with deficits in staff and operating budgets. High staff turnover among poorly paid personnel contributes to poor quality of care.

Serious problems in California’s nursing homes include:

- Only a small percentage of homes meet the standards recommended for staffing levels to provide good nursing care.
- Many residents show clinical signs of poor care as a result of being left in bed all or most of the time, or being placed in physical restraints.
- Most homes do not meet government compliance standards for care and safety during routine inspections — and a number have had serious violations of both state and federal regulations.

Californians do have choices and — using publicly available information — may find a facility that provides good quality care. This snapshot examines the current state of California’s long-term care facilities\* as they face growing demands and diminishing resources.

\*Unless otherwise indicated, long-term care facilities refer to all hospital-based and freestanding institutions, including skilled nursing and intermediate care facilities.

## California’s Fragile Nursing Home Industry

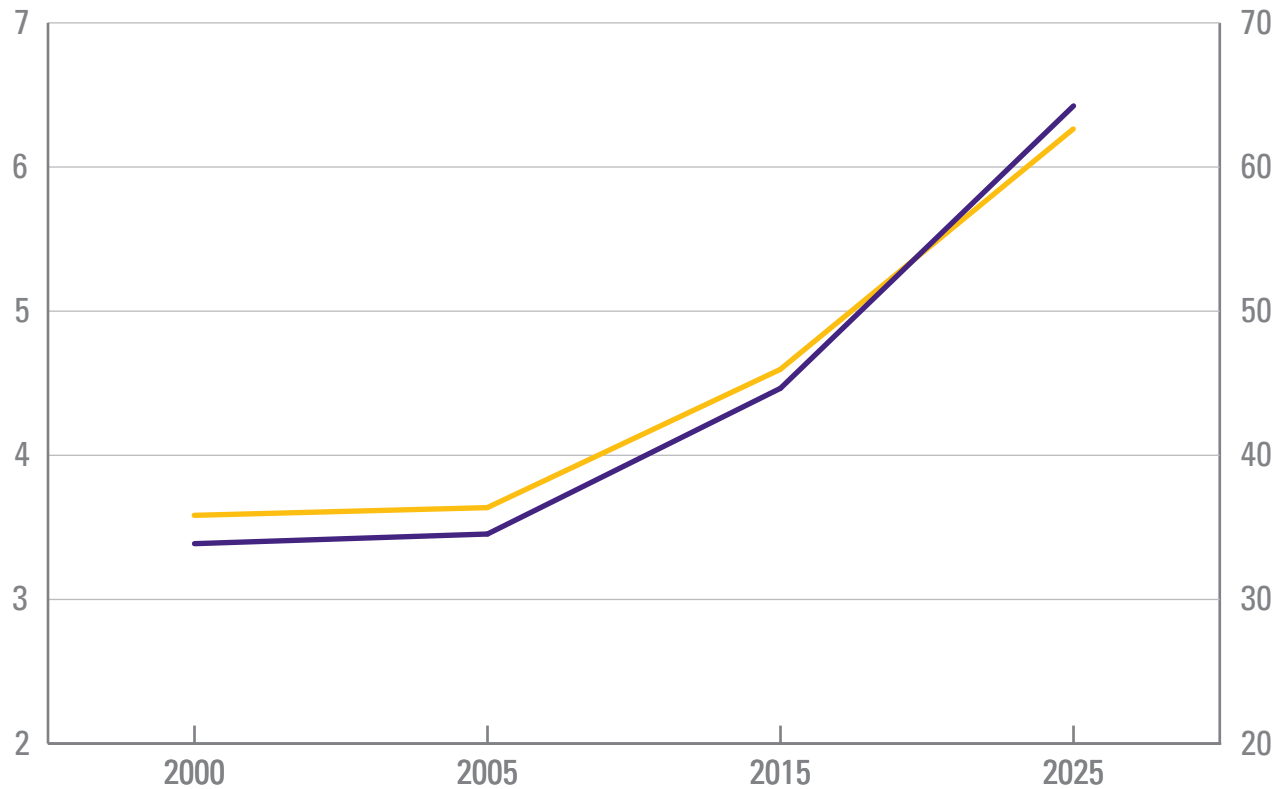
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# California's Population Is Aging

**Californians**  
Age 65 and Older (millions)

**U.S. Residents**  
Age 65 and Older (millions)



## California's Fragile Nursing Home Industry

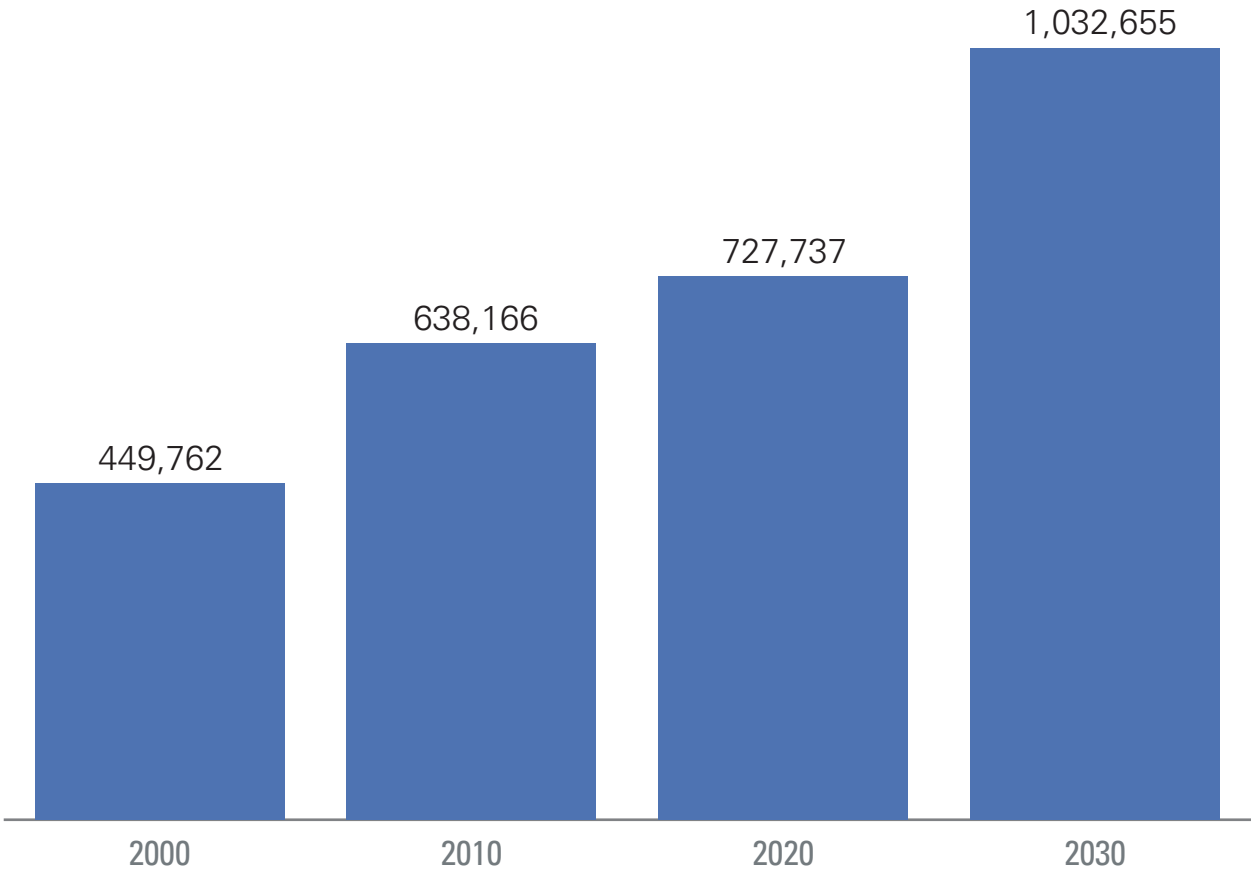
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As the population ages, the demand for long-term nursing care will increase. The number of California residents age 65 and over is projected to **nearly double** by 2025— a larger growth rate than any other state or the United States overall (75 percent).

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

# More Frail Elderly, More Care Needed

## Californians, Age 85 and Older



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

### California's Fragile Nursing Home Industry

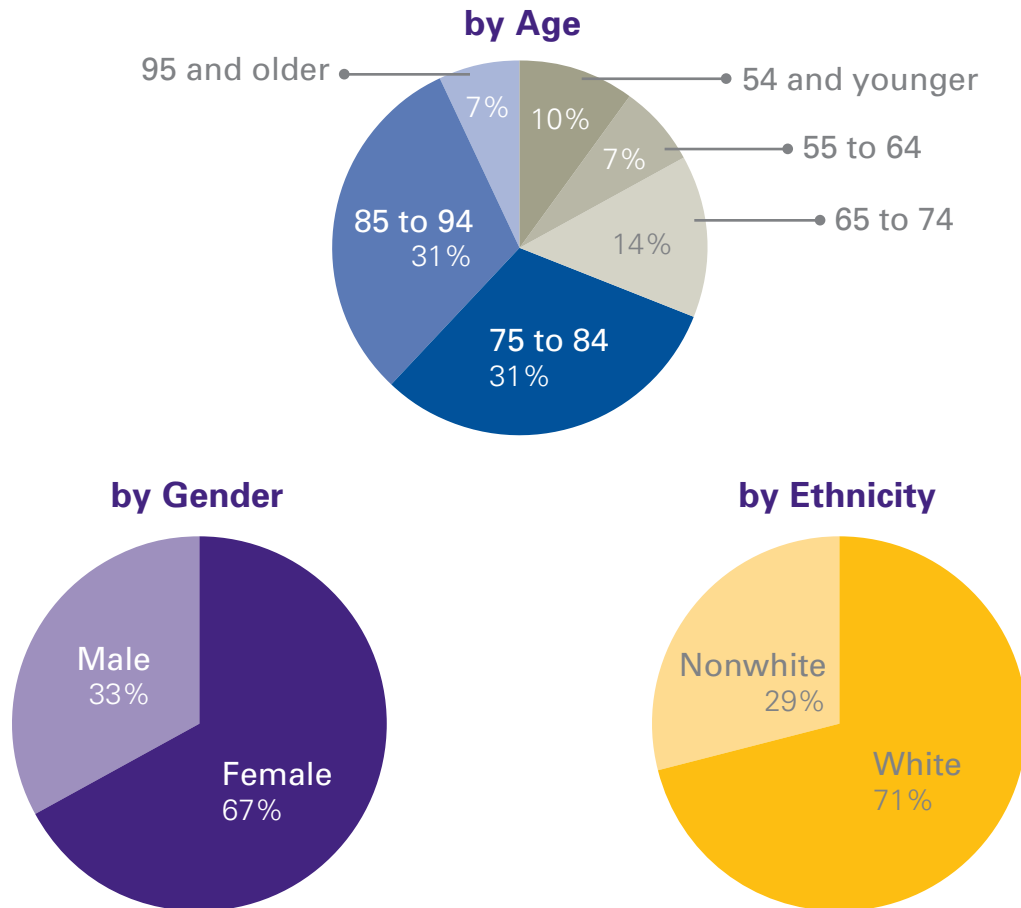
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Americans are living longer. In 2001, the life expectancy was 77.2 years, compared to 75.5 just ten years earlier. The number of California residents age 85 and older—those who are most likely to need extended care at home or in nursing homes—is likely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

# A Look at the Residents

More than 110,000 individuals live in California's long-term care facilities. The majority of residents are 75 or older, female, and white.

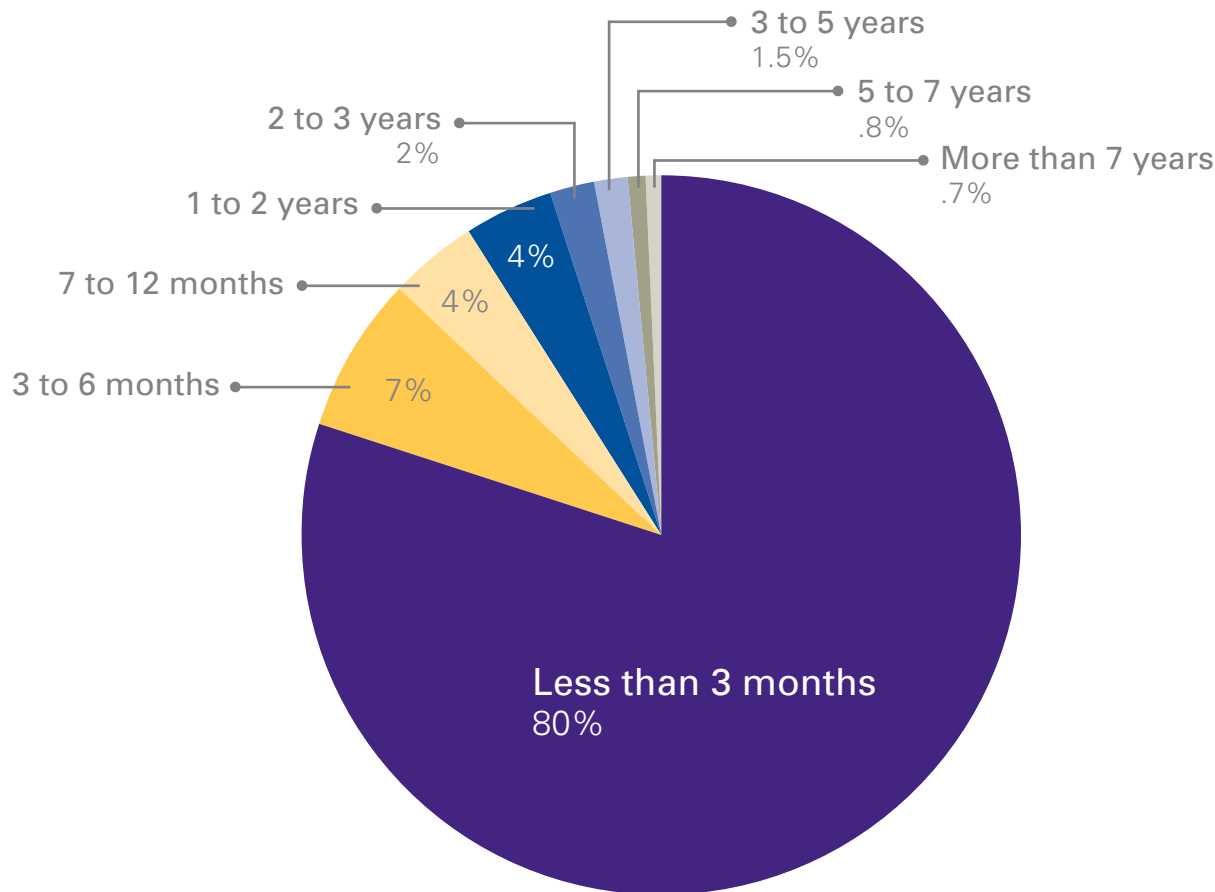
### Residents of California Long-Term Care Facilities, 2001



Source: California Office of Statewide Health Planning and Development (OSHPD): California Long-Term Care Services Statewide Trends, 1992 to 2001.

# How Long They Stay

## Length of Stay in California Nursing Homes, 2001



Source: State of California, Health Care Quality and Analysis Division: *Annual Utilization Reports of Hospitals and Long-Term Care Facilities, 1992 to 2001.*

### California's Fragile Nursing Home Industry

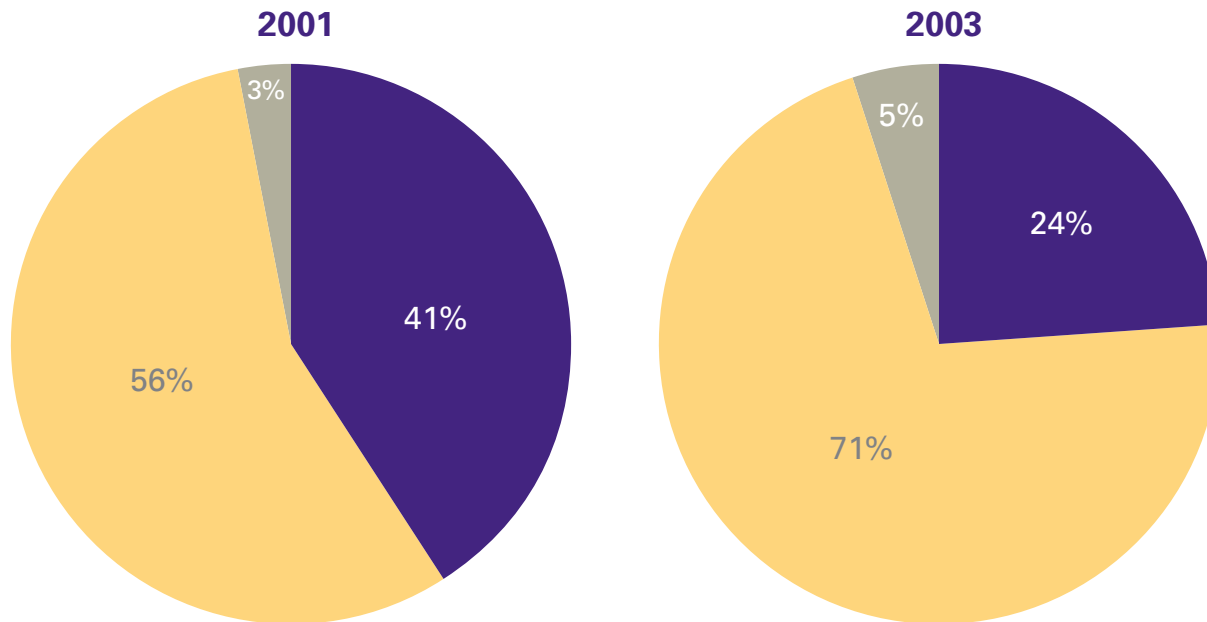
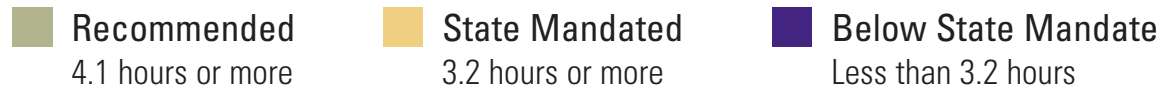
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The majority of those who enter a nursing facility need care temporarily to recuperate or rehabilitate after an illness or hospital stay. Others live there for the rest of their lives.

# Nursing Care

## Hours of Nursing per Resident per Day in California

### Staffing Levels



Sources: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations using the Office of Statewide Health Planning and Development's long-term care annual financial data for 2001 and 2003; Center for Medicare and Medicaid Services: *Appropriateness of Minimum Nurse Staffing Ratios in Nursing Homes, Report to Congress, 2001*.

## California's Fragile Nursing Home Industry

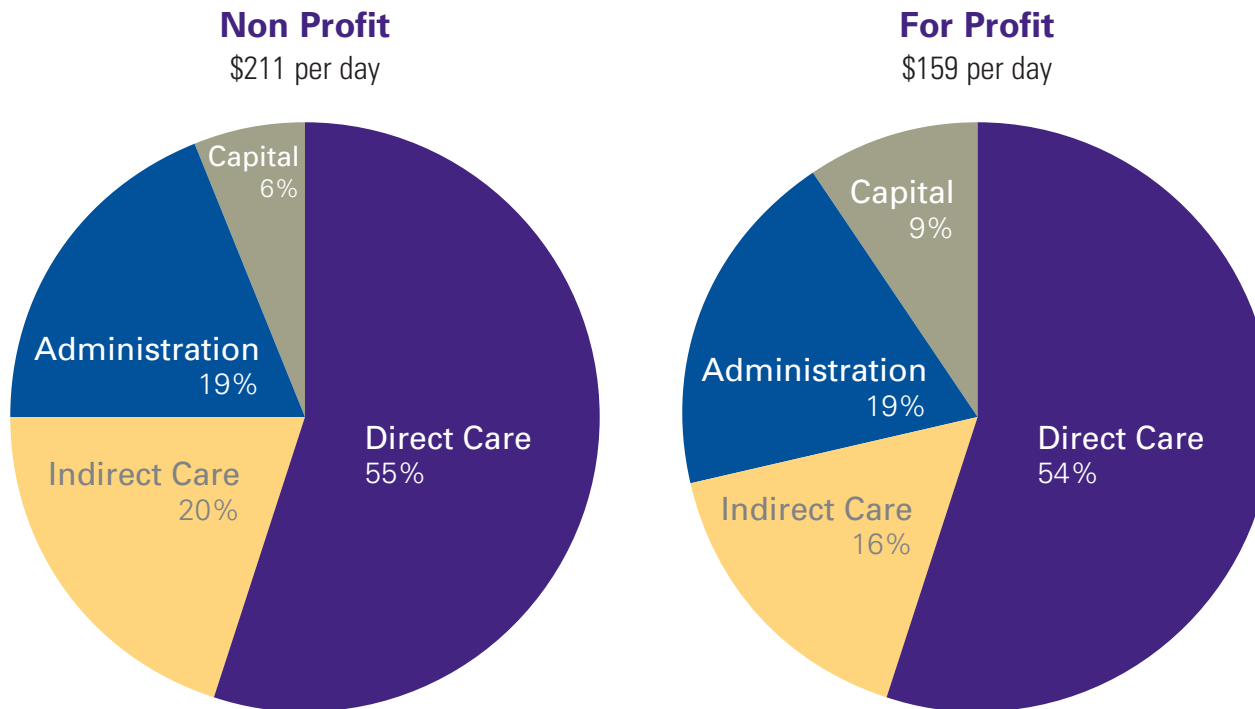
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In 2003, almost **one-fourth** of freestanding nursing homes did not meet the state mandated minimum nurse staffing level of 3.2 hours per resident.

**Ninety-five percent** did not meet the 4.1 hour daily standard recommended in a recent report to Centers for Medicare and Medicaid Services.

# Average Nursing Home Expenditures

Listed by Category and Ownership Type, 2003



Note: "Direct Care" includes nursing, activities, and therapy; "Indirect Care" includes dietary, housekeeping, supplies, and care; "Capital" includes rent interest and depreciation; and "Administration" includes salaries, insurance, and other. Pie slices may not add up to 100% due to rounding.

Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using Office of Statewide Planning and Development, 2004; long-term care annual financial data, 2001 and 2003.

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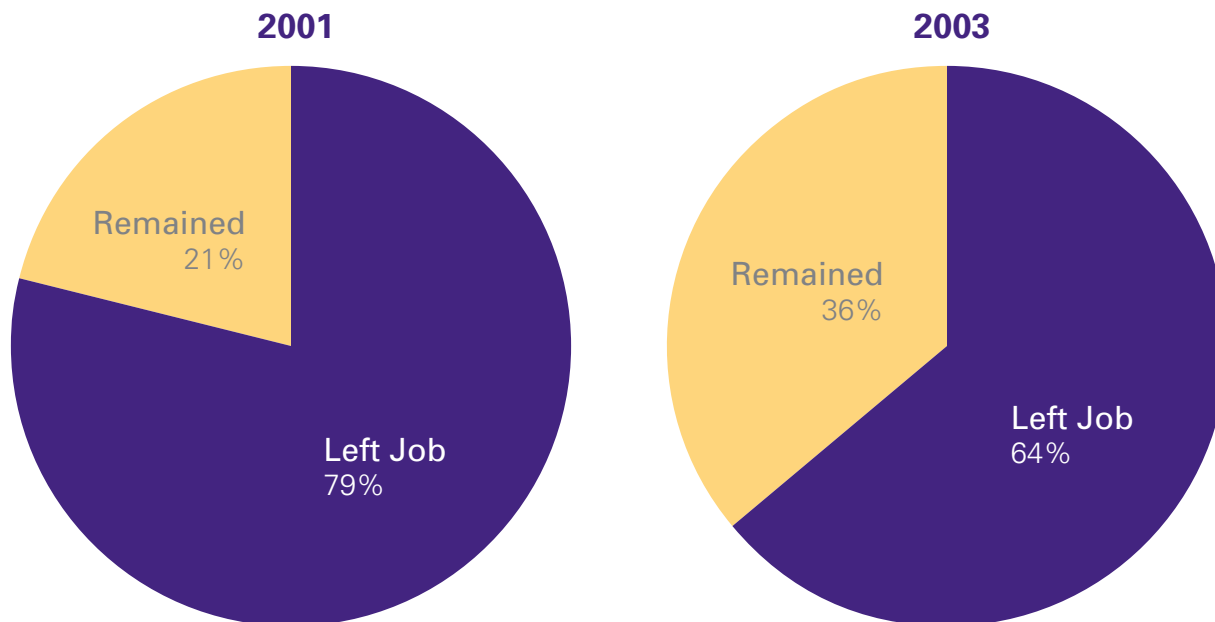
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When compared on a dollar per day basis, nonprofit facilities spend **35 percent** more on direct care than for-profits. Facilities that spend more on direct care generally have better staffing levels and quality of care.



# Average Staff Turnover

## California's Nursing Home Staff Turnover, 2001 vs. 2003



Sources: Sources: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations using the Office of Statewide Health Planning and Development's long-term care annual financial data for 2001 and 2003; and Harrington, C. & Swan, J.H., 2003: *Nursing Home Staffing, Turnover, and Case Mix. Medical Care Research and Review.*

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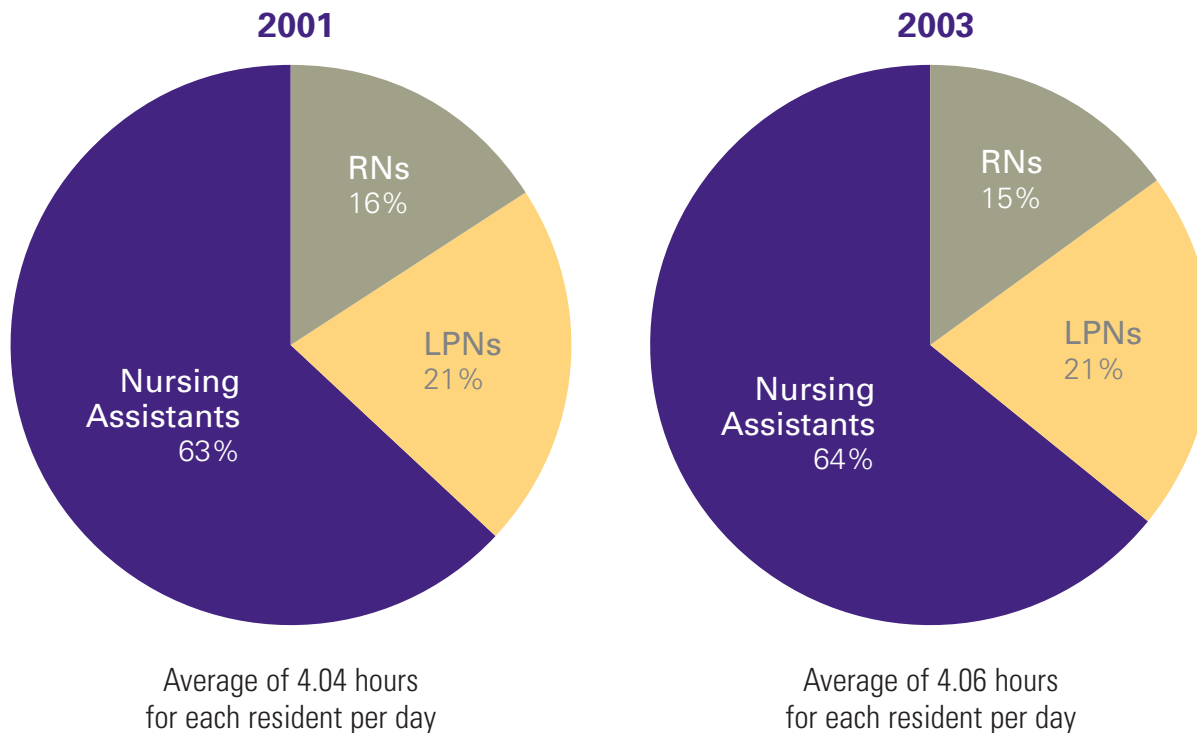
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Although staff turnover improved from 2001 to 2003, more than **two-thirds** of the nursing staff in California's freestanding nursing homes (the majority of them nursing assistants earning an average of \$10.58 per hour), left their jobs in 2003. High turnover is related to poor quality and continuity of care.\*

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

# Nursing Staff Distribution

## Types of Nursing Staff Providing Nursing Home Care, 2001 vs. 2003



Note: RNs are registered nurses and LPNs are licensed practical nurses.

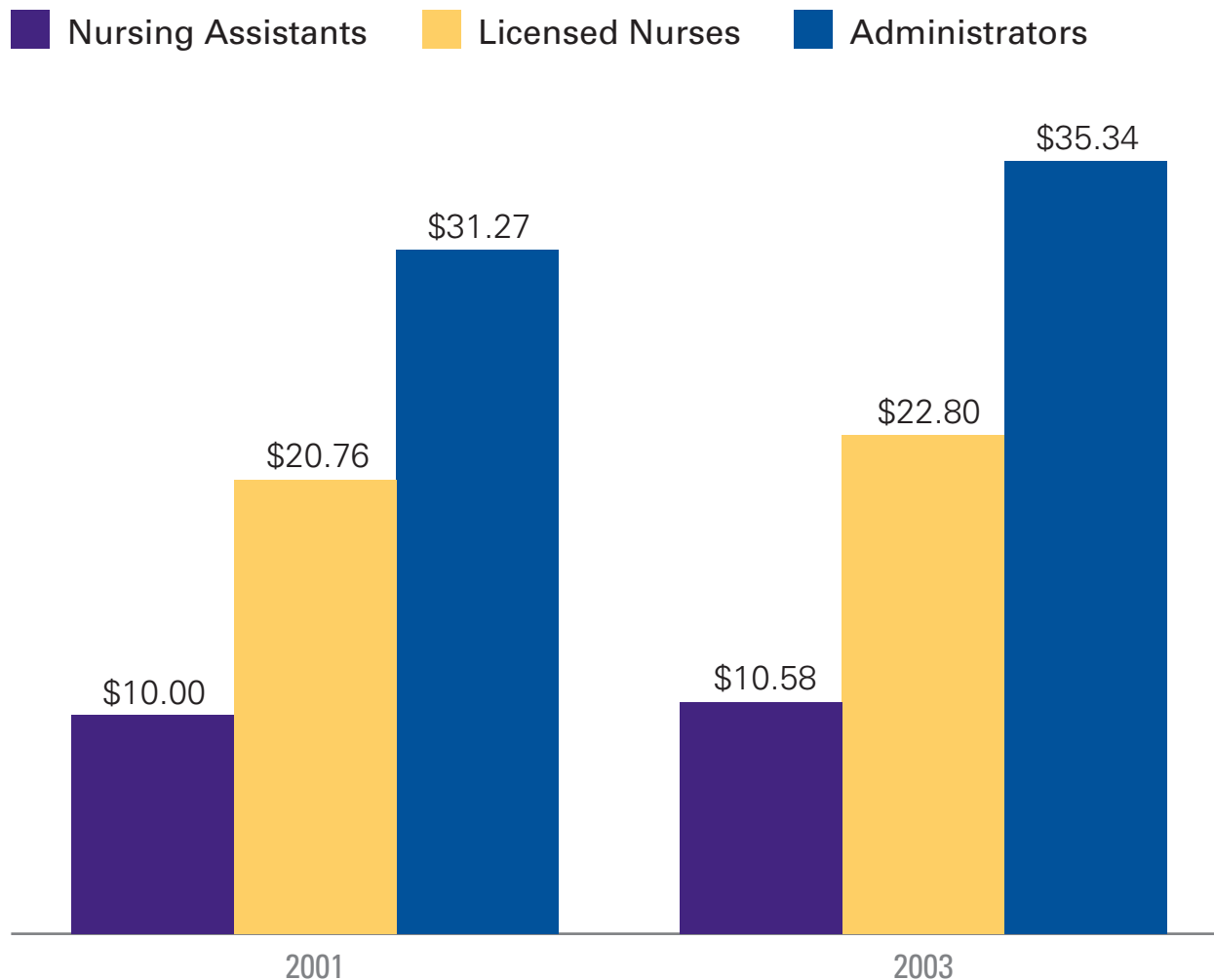
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In 2003, **64 percent** of care was provided by nursing assistants with about four weeks of on-the-job training. Registered nurses and licensed practical nurses, who have higher levels of health care training, provided only **36 percent** of the care in nursing homes.

# Nursing Home Hourly Wages



## California's Fragile Nursing Home Industry

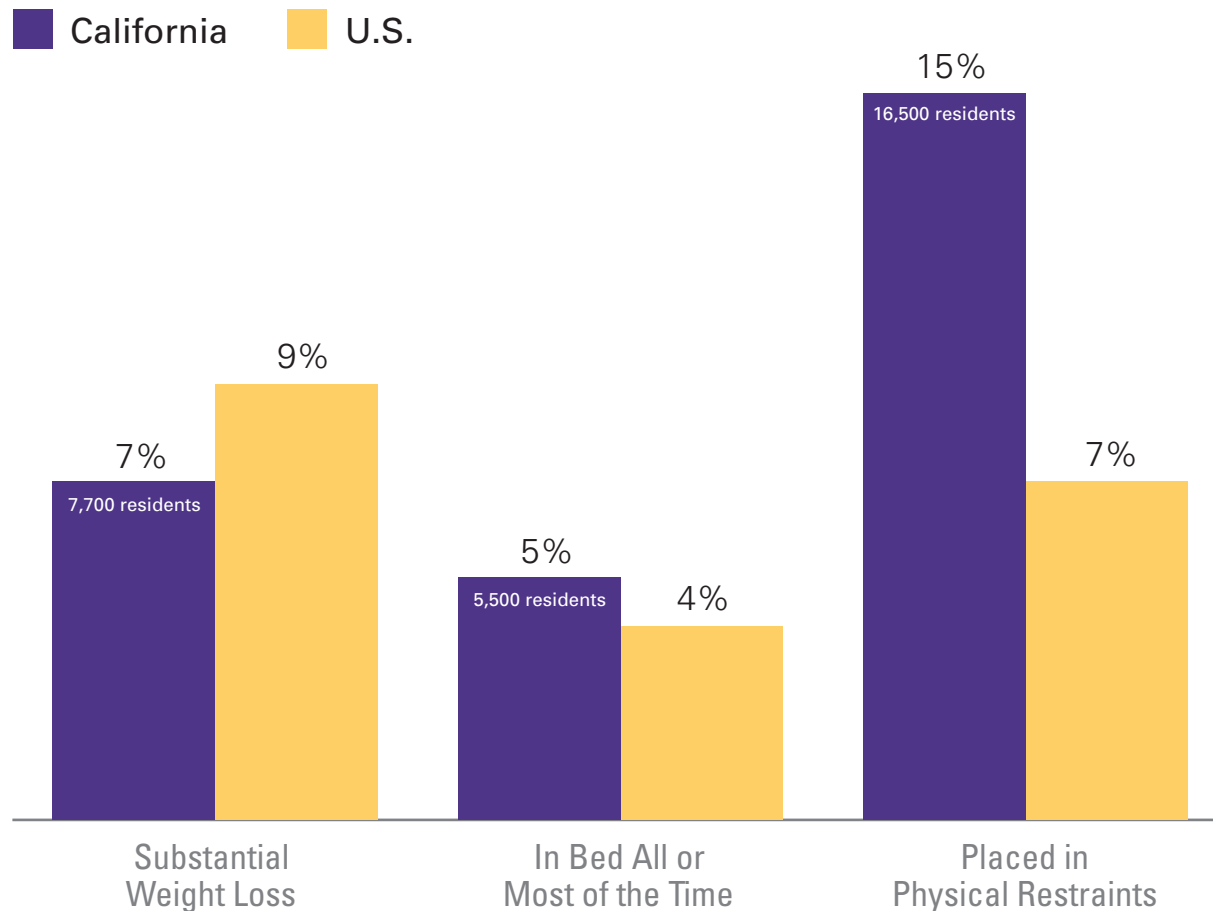
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Wages for nursing assistants in freestanding facilities increased by only **6 percent** between 2001 and 2003, while administrator's wages increased by **13 percent** and licensed nurses' wages increased by **10 percent**.

Sources: Sources: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations using the Office of Statewide Health Planning and Development's long-term care annual financial data for 2001 and 2003; and Harrington, C. & Swan, J.H., 2003: *Nursing Home Staffing, Turnover, and Case Mix. Medical Care Research and Review.*

# 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](http://www.medicare.gov)). Accessed June 20, 2005.

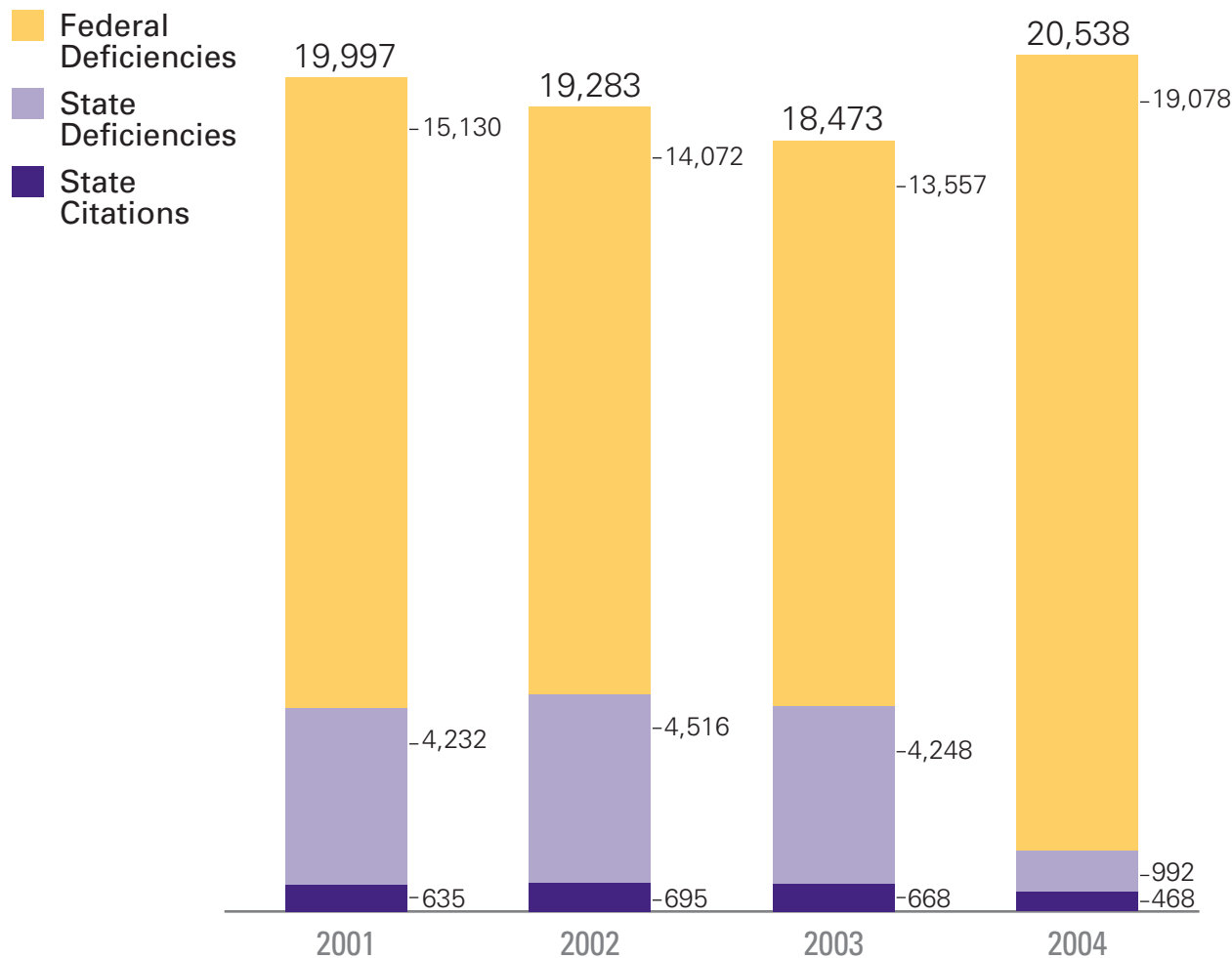
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Weight loss, time spent in bed, and use of physical restraints commonly indicate poor quality of care for residents in nursing homes. **Twice** as many of California's 110,000 residents\* are placed in physical restraints as are nationally.

\*Estimated.

# Deficiencies and Citations at California Nursing Homes



Sources: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using California Department of Health, Licensing and Certification Program, Automated Certification and Licensing Administrative Information and Management Systems (ACLAIMS) data, January 1, 2001 to March 15, 2005.

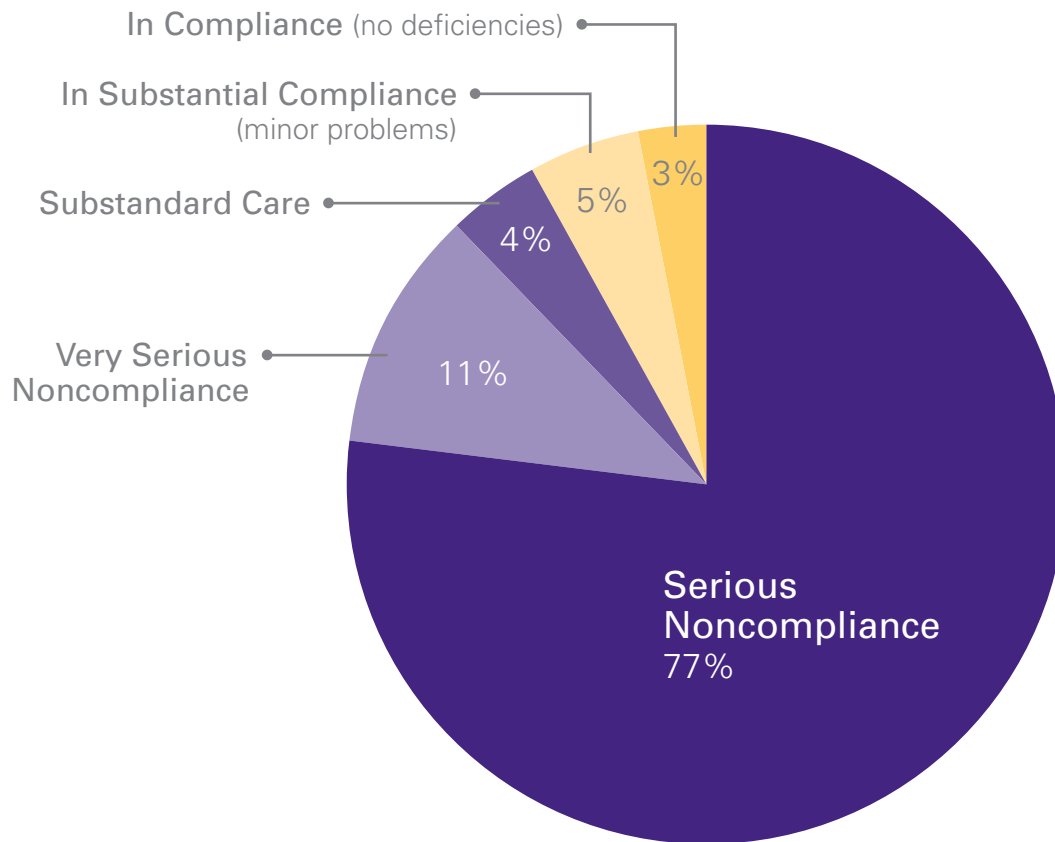
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Total deficiencies issued by the state for violations of federal and state regulations increased between 2001 and 2004. State deficiencies and citations (fines) for violations of state regulations decreased by **63 percent** between 2003 and 2004, primarily due to changes in state agency survey practices.

# Violations of Federal Regulations

## Federal Inspection Findings of California Nursing Homes, 2003–2005



Source: Sources: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using California Department of Health, Licensing and Certification Program, Automated Certification and Licensing Administrative Information and Management Systems (ACLAIMS) data, January 1, 2001 to March 15, 2005.

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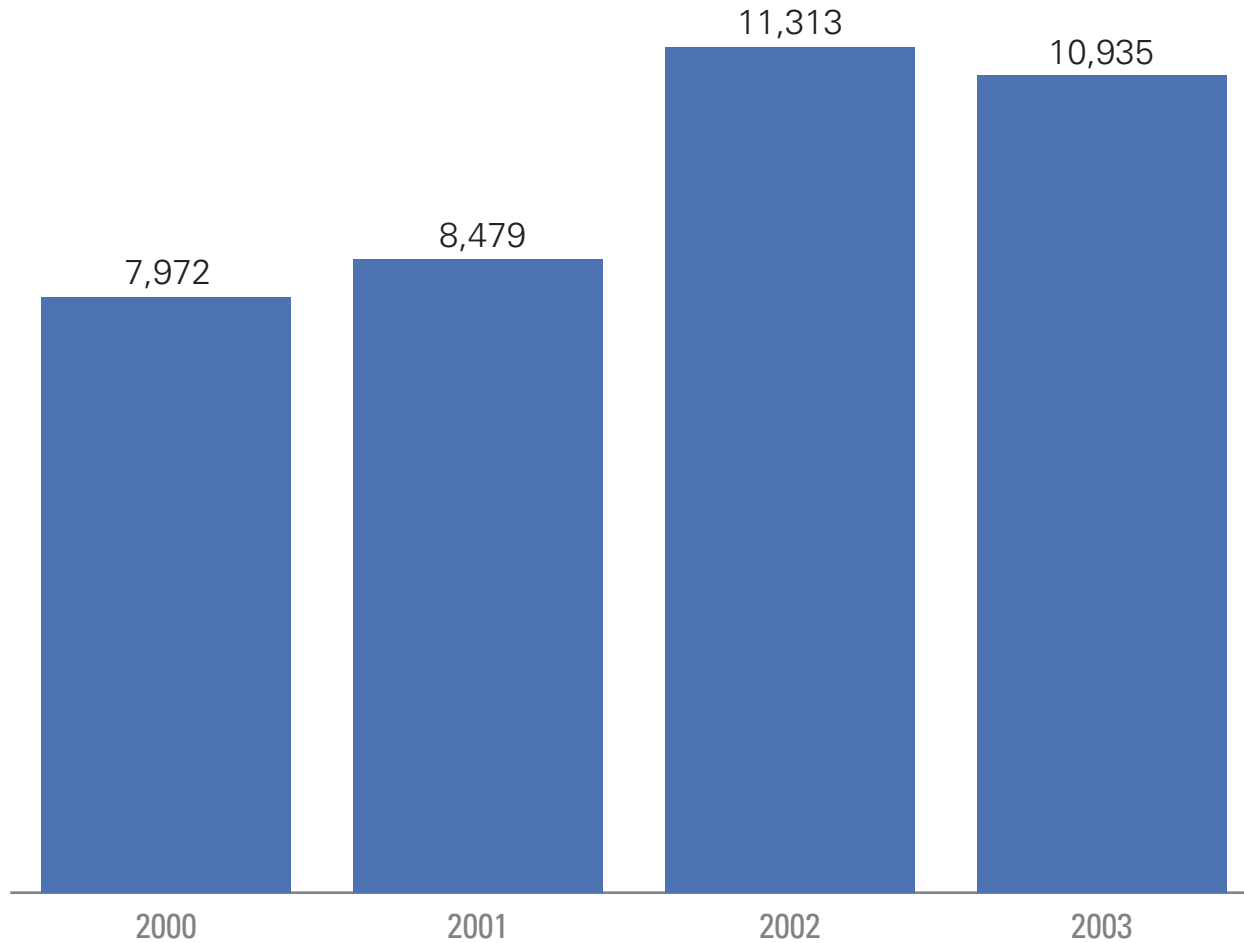
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**Fifteen percent** of nursing homes were cited for very serious quality of care problems\* or substandard care, which cause harm or jeopardy to the health and safety of residents. **Seventy-seven percent** had serious noncompliance with federal care and safety regulations during their most recent mandatory inspection.

\*15 percent combines "Substandard Care" and "Very Serious Noncompliance."

# Complaints Filed

## Number of Complaints Filed Against California Nursing Homes



Source: Sources: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using California Department of Health, Licensing and Certification Program, Automated Certification and Licensing Administrative Information and Management Systems (ACLAIMS) data, January 1, 2001 to March 15, 2005.

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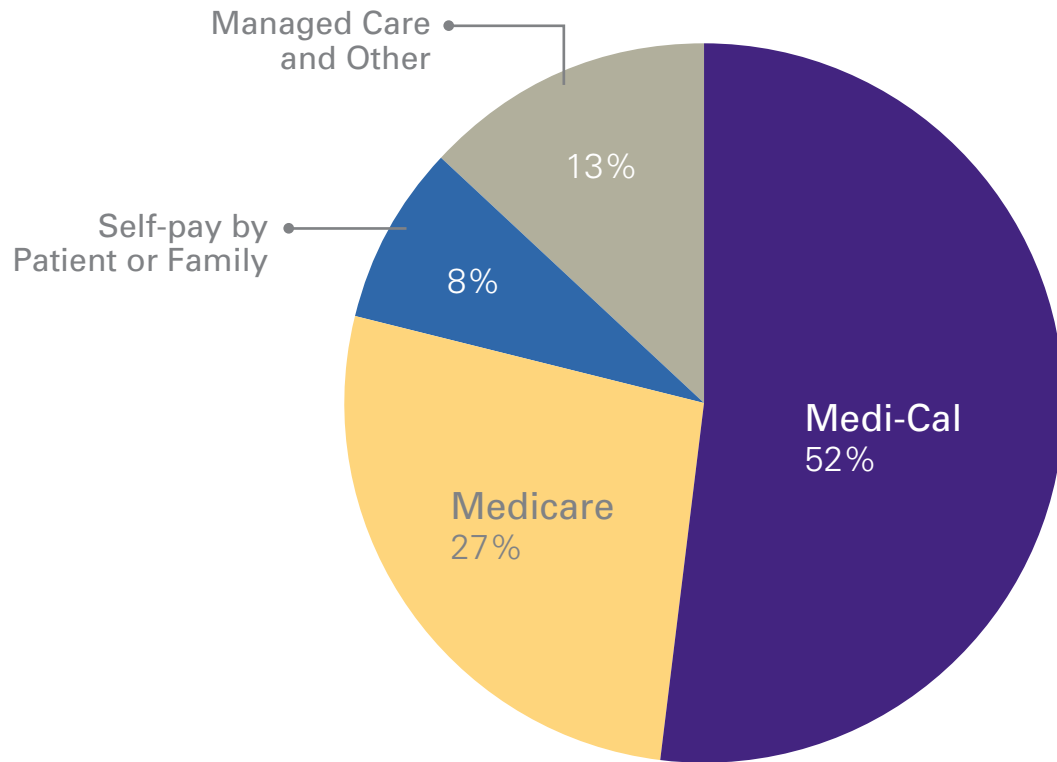
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The number of complaints about poor quality care against nursing homes filed by residents, their families, staff, or ombudsmen increased **37 percent** from 2000 to 2003.\*

\*Complaints submitted to the California Department of Health Services Licensing and Certification program to investigate.

# Who Pays for Nursing Home Care

2003 Total Expenditures\* in California: \$7.5 billion



\*California nursing home population was comprised of 205 hospital-based and 1,202 freestanding (non-hospital-based) homes. Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using Office of Statewide Planning and Development, 2004; long-term care annual financial data, January 1, 2002 to December 31, 2002 and hospital financial data, June 30, 2002 to June 29, 2004.

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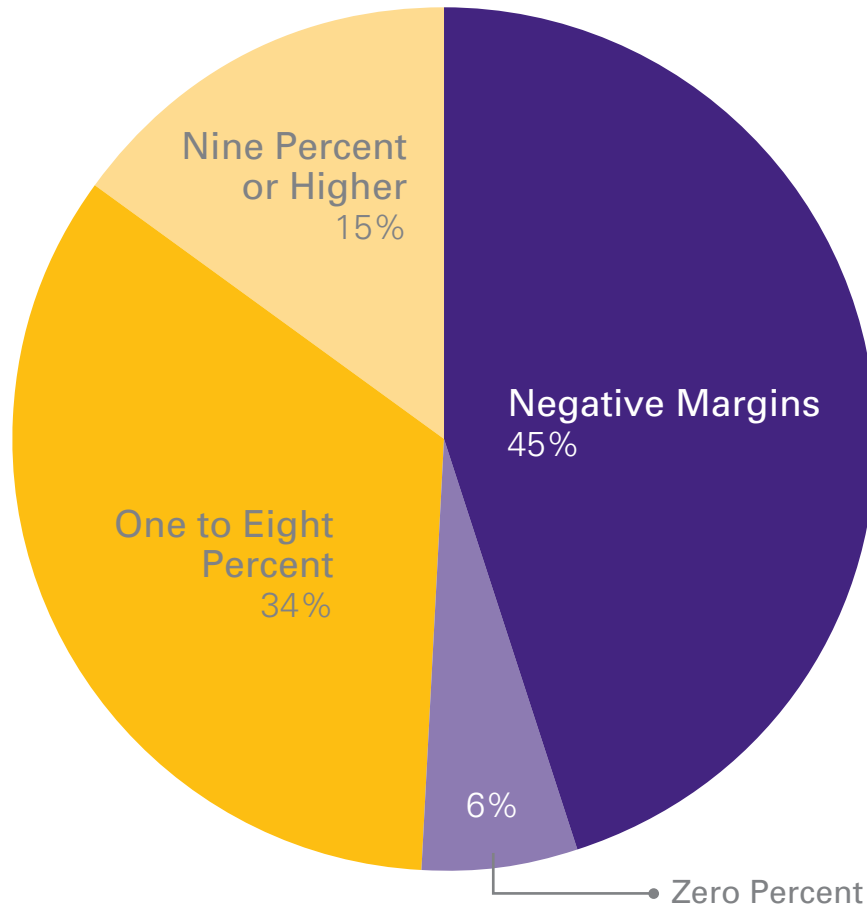
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Medicare will only pay for approved short-term care up to 100 days. After Medicare and private insurance benefits are used, individuals and their families must pay for nursing home care directly out-of-pocket—almost **\$1 billion** in 2003. Once individuals spend their income and assets, they may become eligible for Medi-Cal coverage, which paid more than half of the cost of care in freestanding facilities in 2003.



# Financial State

## Profit Margins for Freestanding California Nursing Homes, 2003



Source: Janis O’Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using Office of Statewide Planning and Development, 2004; long-term care annual financial data, 2001 and 2003.

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**Half** of the state’s freestanding nursing homes reported negative or zero profit margins in 2003, indicating potential financial instability. Fifteen percent had profits of 9 percent or higher, these homes are more likely to have poor quality of care.\*

\*O’Neill, C., Harrington, C., Kitchner, M., and Saliba, “Quality of Care in Nursing Homes: An Analysis of the Relationships Among Profit, Quality, and Ownership.” *Medical Care* 41(12):1318–1330. 2003.

# Profitability of Nursing Homes

Profitability (Net Income Margin)	Share of Nursing Homes		
	2001	2003	Change
Negative profit	36%	45%	+ 25%
Zero profit	4%	6%	+ 50%
One to eight percent	42%	34%	- 19%
Nine percent or higher	18%	15%	- 16%

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Among freestanding nursing homes that receive Medi-Cal reimbursement, the proportion of those that broke even or lost money grew by an average of **30 percent**. Facilities that show losses receive less revenue from Medicare and have lower occupancy rates.

Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using Office of Statewide Planning and Development, 2004; long-term care annual financial data, January 1, 2002 to December 31, 2002 and hospital financial data, June 30, 2002 to June 29, 2004.

# Additional Resources

**California HealthCare Foundation**     [www.chcf.org/topics/index.cfm?topic=CL110](http://www.chcf.org/topics/index.cfm?topic=CL110)

A compendium of information and resources is available here.

**California Nursing Home Search**     [www.calnhs.org](http://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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