SNAPSHOT
Nursing Homes: A System in Crisis

2004
A Crisis in Care

The number of Californians age 65 and over is projected to double in the next decade. Many of the facilities slated to provide long-term 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 meet the standards recommended for good nursing care.
- Many show clinical signs of poor care: high percentages of residents who lose weight, are left in bed all or most of the time, and are placed in physical restraints.
- Most 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.

With an ample number of beds available, however, Californians do have choices and can often find a bed in 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.
As the population ages, the demand for long-term care services 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).

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 long-term 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.

Source: California State Department of Finance, Demographic Research Unit. CDC Life Expectancy. www.cdc.gov/nchs/data/hus/tables/2003/03hus027.pdf
Despite the growth of the aging population, fewer beds in the state’s 1,400 skilled nursing facilities are being used because more older Californians are able to live independently or receive care at home. The increased vacancy rate in nursing homes gives consumers greater choice in most areas of the state.

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

Source: California Office of Statewide Health Planning and Development (OSHPD): *California Long-Term Care Services Statewide Trends, 1992–2001*.
How Long They Stay

Length of Stay in California Nursing Homes, 2001

- Less than 3 months: 80%
- 3 to 6 months: 7%
- 3 to 5 years: 1.5%
- 2 to 3 years: 2%
- 7 to 12 months: 4%
- 1 to 2 years: 4%
- 5 to 7 years: .8%
- More than 7 years: .7%
- More than 7 years: .7%

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Who Pays for Nursing Home Care

2002 Total Expenditures* in California: $6.6 billion

- **Medi-Cal**: 51%
- **Managed Care and Other**: 9%
- **Self-pay by Patient or Family**: 14%
- **Medicare**: 26%

*California nursing home population was comprised of 179 hospital-based and 1,238 freestanding (non-hospital-based) homes.


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 2002. 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 2002.
In 2002, well over one-third of freestanding nursing homes did not meet the state mandated minimum nurse staffing level of 3.2 hours per resident. Ninety-three percent did not meet the 4.1 hour daily standard recommended in a recent report to Centers for Medicare and Medicaid Services.
More than two-thirds of the nursing staff in California freestanding nursing homes (the majority of them nursing assistants earning an average of $10.35 per hour), left their jobs in the year 2002. The annual turnover rates among nursing homes ranged from 5 percent to 304 percent.

Quality of Care

Problems with Residents in California Nursing Homes, 2002

- Substantial Weight Loss: 10%
- In Bed All or Most of the Time: 9%
- Placed in Physical Restraints: 17%

Seventy-eight percent of all California nursing homes surveyed in 2002 did not comply with federal care and safety regulations during mandatory inspections and another 12 percent were cited for very serious quality of care problems.*

*12 percent combines “Substandard Care” and “Very Serious Noncompliance.”
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The state has separate standards that nursing homes must meet. Nursing homes are issued state deficiencies as warnings to correct minor problems and given citations as fines for more serious violations. Fewer than one-third of the facilities in California were free of these state sanctions in 2002.

Violations of State Regulations

State Inspection Findings of California Nursing Facilities, 2002

- Deficiencies Only: 43%
- Minor Citations: 20%
- Major Citations: 6%
- Severe Citations: 0.33%
- No Citations or Deficiencies: 31%

The number of complaints against nursing homes filed by those who saw or suspected substandard care or abuse increased 38 percent from 2000 to 2002.*

*Includes complaints submitted to the California Department of Health Services Licensing and Certification program by residents, their families, staff, and ombudsman.


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About 78 percent of the nursing homes in the state are owned by for-profit organizations, while 18 percent are nonprofit and 4 percent are operated by a government entity such as the city or county.

In 2002, freestanding, for-profit facilities had lower staffing levels, higher staff turnover rates, and more violations of health and safety regulations than nonprofit facilities.

Between 1999 and 2002, 160 California nursing homes filed for bankruptcy, indicating financial instability and signaling possible closure. Nearly half of the state’s nursing homes reported negative or zero profit margins in 2002.

Profit Margins for Freestanding California Nursing Homes, 2002

- One Percent or more: 53%
- Zero Percent: 3%
- Negative Margins: 44%

Among freestanding nursing homes that receive Medi-Cal reimbursement, the proportion of those that broke even or lost money grew by an average of 26 percent.

### Profitability of Nursing Homes Receiving Medi-Cal

<table>
<thead>
<tr>
<th>Profitability</th>
<th>Share of Nursing Homes</th>
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</thead>
<tbody>
<tr>
<td>(Net Income Margin)</td>
<td>2001</td>
</tr>
<tr>
<td>Better than 0%</td>
<td>66%</td>
</tr>
<tr>
<td>0% to less than −5%</td>
<td>17%</td>
</tr>
<tr>
<td>−5% to less than −15%</td>
<td>12%</td>
</tr>
<tr>
<td>−15% to less than −25%</td>
<td>3%</td>
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<tr>
<td>−25% and worse</td>
<td>2%</td>
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Note: Numbers may not add up to 100 because of rounding.

Additional Resources

California HealthCare Foundation  www.chcf.org/topics/index.cfm?topic=CL110

A compendium of information and resources is available here.

Additional relevant articles by Barbara Kate Repa are archived at www.chcf.org.
To find them, enter “repa” at the search prompt.

• Nursing Home Inspections: The Data Behind the Ratings
• Troubled Budget Times Hit Nursing Homes Hard

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.