

## **Skilled Nursing Facilities and Other Long Term Care Facilities: Addressing Issues of Cost and Quality**

By Emma Nochomovitz

### *Defining Long Term Care*

Long term care as it exists today is broad in its definition and generally refers to a range of services that support the daily needs of individuals with limited functioning or disability (Houser 2007). Limited functioning or disability is typically determined according to an individual's ability to complete activities of daily living (ADLs) or instrumental activities of daily living (IADLs). Such activities include eating, bathing and dressing, as well as management of food, medication or household chores (Binstock, Cluff et al. 1996).

The long term care population generally refers to the nearly 70% of the Americans age 65 or older who will require some type of long term care within their lifetime (Aging 2008). According to the U.S. Department of Health and Human Services, older Americans represented 12.4% of the population in 2004. Among this proportion, 18.1% of individuals age 65 and over were racial minorities (Services 2005). Furthermore, within this population there were 139 women for every 100 men.

Projections show that the older population will grow significantly in the years to come. As life expectancy continues to increase and the baby boomers grow older, the proportion of the population represented by older Americans is estimated to increase by 30% by the year 2030 (Services 2005). Moreover, older Americans will represent 20% of the entire population. It remains to be seen whether the long term care industry is well

enough equipped to fulfill the long term care needs of increasing numbers of elderly individuals.

### *Types of Long Term Care Facilities*

A nursing home is commonly defined as a skilled nursing facility (SNF), which provides 24-hour skilled medical care for both acute and chronic conditions, as well as additional help for daily activities of living (Services). Discussions of long term care most commonly refer to these institutions. In 2004, there were 16,100 SNFs in the United States, approximately 17,000 of which were for-profit institutions (Statistics; Grabowski and Hirth 2003). These homes held a total of 1,730,000 beds with an average of 107.6 beds per home. Approximately 1.5 million people, or 4.5% of older Americans, lived in United States' nursing homes in 2004 (Houser 2007; Services 2005). The average age of an individual when she or he is admitted into a nursing home is 79 years old (Aging 2008). Women living in nursing homes outnumber men 3 to 1 (Aging 2008).

Assisted living facilities (ALF), while sometimes similar to SNFs in the care they provide, generally provide basic care for chronic illnesses and some assistance with activities of daily living, while offering greater independence and autonomy for its residents than a SNF. ALFs emerged in the United States in the mid 1980s and have experienced great increases in numbers. Data on nursing homes suggesting declines in its use over time has been explained by some as the result of increased use of assisted living facilities (Wright 2004). It is difficult to provide a standard definition or obtain reliable data for ALFs because licensure for these types of care facilities varies by individual state and may be defined differently across studies (Statistics). Despite the difficulty of

defining ALFs, a national survey estimated that there were 11,459 ALFs nationwide in 2003 (Hawes, Phillips et al. 2003). These facilities included 611,300 beds. According to the American Association of Homes and Services for the Aging, over 900,000 elderly individuals reside in assisted living facilities (2008).

Continuing care retirement communities (CCRC) are yet another source of long-term care for the elderly. This care setting often includes a skilled nursing facility, but the level of care received by each resident is dependent on his/her individual needs (Center for Medicare and Medicaid Services). According to the American Association of Homes and Services for the Aging, there are currently 1900 CCRC in the United States, in which approximately 745,000 older adults reside.

Home health care is another option that elderly individuals, especially those with extensive support networks, may choose to meet their long term care needs. Home health care may be provided by close friends or family. In addition, there were 9,284 Medicare certified home health agencies in 2007 (Hospice 2008). In 2000, 7.2 million, or 2.5% of Americans received formal home care services (Hospice 2008). Over half recipients of home care in 2006, were indicated to have suffered from diseases related to the circulatory system or the heart (Hospice 2008).

### *History of Long Term Care and the Nursing Home Industry*

Historically, there has always been a need for the provision of healthcare specific to elderly individuals and other vulnerable populations. In medieval times, principally in the 13<sup>th</sup> century, a movement of women based in feminism ideology and spirituality lay the groundwork for care of the sick and needy (McDonnell 1954). Originating in

Northern Europe, these sisterhoods were called Beguines. Within America, the beginning of care of the elderly and feeble rested in the hands of family, and in particular, the responsibility fell to the women of the family (Holstein and Cole 1996). By the 1900s, the colonial almshouse became the first institution in America to resemble institutionalized management of care for poor, elderly and disabled (Starr 1982; Foundation 1996-2008). Given that hospitals at this time were primarily concerned with curative and acute care, almshouses became the default care location for chronically ill elderly individuals (Holstein and Cole 1996). The 1930s and the reign of President Roosevelt encouraged greater acknowledgement of the needs of elderly citizens; resulting in the establishment of Social Security and Old Age Assistance in 1935 (Foundation 1996-2008). This administrative reform aimed to provide elderly individuals with a steady source of income, which would allow them to better care for themselves (Holstein and Cole 1996). While Social Security served to eliminate the need for almshouses and the stigma associated with poverty that accompanied these institutions, it did not remove the need for a venue for chronic care for elderly individuals. Thus, the development of home care planning and nursing homes emerged throughout the 1930s to the 1960s, laying the groundwork for modern long term care (Holstein and Cole 1996).

Since the passage of the 1935 Social Security Act, several policies have played a significant role in the growth of the nursing home industry, as well as its persistent efforts to cope with issues of cost and quality. In 1950, amendments to the original Social Security Act established standards of care through nursing home licensure requirements and encouraged the growth of the industry through the authorization of vendor payments (Giacalone 2001). Similarly, several amendments to the Hill-Burton Act in 1954

influenced the growth of the nursing home industry by providing financial backing for government and nonprofit nursing homes (Giacalone 2001).

Public financing of healthcare in general experienced a significant change in 1965, with the development of the Medicare and Medicaid programs as amendments to the original Social Security Act (Giacalone 2001). Medicare and Medicaid became significant for the nursing home industry with the enactment of the 1967 Moss Amendments, which authorized nursing homes to utilize the Medicaid program (Giacalone 2001). Public Law 92-603 introduced automatic Medicaid eligibility to all Social Security beneficiaries in 1972, leading to greater access to Medicaid for older adults (Giacalone 2001). During this time, a monitoring system called the Professional Standards Review Organization was also created to maintain control over quality of care under the Medicare and Medicaid programs, including skilled nursing care (Giacalone 2001).

The 1954 amendments to the Hill-Burton Act were among the first policies aimed at addressing quality issues in nursing homes (Giacalone 2001). Quality improvement in nursing homes encountered a major change following the passage of the Nursing Home Reform Act, which was included in the Omnibus Budget Reconciliation Act of 1987 (Wunderlich and Kohler 2001; Klauber 2001). The Nursing Home Reform Act contributed to the evolution of quality care in nursing homes by establishing basic services and standards for those services that nursing home residents should be able to expect. Moreover, the Act included a basic list of rights for nursing home residents (Wright 2001).

### *Current State of Nursing Home Cost*

While the evolution of the nursing home and long term care industry has experienced many improvements, it remains far from perfect. Increasingly, the United States is devoting higher levels of spending to healthcare (Care 2008). Healthcare spending particular to long term care is no exception to the trend of rising costs. In 1985, the average monthly cost for a nursing home stay was \$1508 (Statistics 2006). By 1999, this price had nearly doubled, and the monthly charge per nursing home resident was \$3531. On an annual basis, data from 2002 rates the cost of a semi private nursing home room at \$52000 (Stone 2006). By 2005, the average national cost of nursing home care was \$7400 (Binstock, Cluff et al. 1996).

Unable to escape its history of reliance on the will and finances of the public, the majority of nursing home care is paid for by public payment sources. In 1997, public payment sources accounted for 62.2% of total U.S. spending for nursing homes; moreover, public payment is likely to have contributed a similar proportion of payment in more recent years (Giacalone 2001). Medicaid, a state operated health insurance program meant for disabled and low income individuals, is the major source of financing for long term care. In order to be eligible for Medicaid coverage for long term care, individuals must possess \$2,000 or less in assets and contribute the majority of any monthly income toward paying for their care (O'Brien 2005). Concern over the degree to which Medicaid funds are being spent on the population they were intended for has been raised in recent years. It has been argued that elder law attorneys are able to aid individuals, who are capable of paying for care themselves, by sheltering their assets in order to qualify for Medicaid; moreover, allowing Medicaid funds to be spent in away different from which it

was intended (O'Brien 2005). Such concerns may contribute to discussions of nursing home financing and its large reliance on Medicaid. Medicaid was responsible for 45% of total nursing home care payment and the primary financial backing of approximately 65% of nursing home residents in 2005 (Houser 2007).

Other sources of payment responsible for nursing home care include Medicare, out of pocket payments from nursing home residents and/or their families and private insurance. In 2005, the federally funded Medicare program was responsible for 17% of all nursing home care (Houser 2007). While Medicare does not generally cover long term care services, it will cover certain skilled nursing services for up to 100 days following a hospital visit of at least three days (Services and Services 2008). Given the high cost of long term care, it is rare that elderly individuals can afford it through out of pocket payments or private long term care insurance. It has been estimated that fewer than 20% of older adults can afford long term care insurance. In addition, among those individuals that may be able to afford private insurance, some may be subject to rejection by insurance companies based on certain exclusion criteria (Stone 2006). As a result of these barriers to accessing private insurance, long term care insurance was only responsible for the payment of 4% of all long term care expenses in 2004 (Binstock and Schulz 2006).

Continual concerns with regard to nursing home financing have been addressed by several federal policies within recent years. The Health Insurance Portability and Accountability Act of 1996 aimed to ensure that Medicaid funding was being used primarily for the poor population for which it was meant through the criminalization of knowingly disposing of financial assets for the purpose of receiving Medicaid eligibility

(Giacalone 2001). This piece of legislation also sought to encourage the growth of the long term care private insurance industry by allowing tax incentives for those who bought into the industry (Giacalone 2001). However, the long term care private insurance market has remained underutilized, while most individuals in need of long term care continue to rely heavily on Medicaid spending (Stone 2006). The Balanced Budget Act (BBA) of 1997 further strived for cost containment of the federal budget within the nursing home setting. This piece of legislation aimed to decrease Medicare reimbursements for skilled nursing facilities by \$9.5 billion over a period of five years (Giacalone 2001). The federal government hoped to achieve this goal through the institution of prospective payment systems (PPS) and fixed daily rates for skilled nursing facilities (Giacalone 2001). However well intended this change may have been, it resulted in devastating financial burdens for nursing homes and affected their ability to provide the appropriate level of care to those in need (Giacalone 2001; Yip, Wilbert et. al. 2002). As a result of the failure of the BBA, the Balanced Budget Refinement Act of 1999 intended to restore a large proportion of Medicare funding to nursing home care. While this change was beneficial for the nursing home industry, it only placed further financial burden on the federal government (Giacalone 2001). Coming full circle in 2005, President Bush passed the Deficit Reduction Act in order to decrease federal spending on Medicare and limit access to Medicare funds once again (Uninsured 2006). State governments have also played a significant role in addressing nursing home spending. As a result of the BBA, states have the power to mandate enrollment in managed care plans for individuals that wish to receive Medicaid coverage for nursing home services (Giacalone 2001). By definition, managed care plans cut costs through the

negotiation of service costs and contractual relationships with clinicians and hospitals (Quigley 2008). A few states have been creative in their cost cutting efforts through the creation of managed care plans specific to individuals that are eligible for both Medicare and Medicaid and efforts to encourage less utilization of skilled nursing facilities where other care options are available (Giacalone 2001). State governments can also limit Medicaid spending by restricting nursing home supply in the form of limited Medicaid certified beds or construction permits for new nursing homes (Giacalone 2001). While it may create financial problems for nursing home or providers, states also have the option of limiting the final amount of reimbursement nursing homes receive for providing care (Giacalone 2001).

#### *Attention to Quality In Recent Years*

There is evidence to suggest that quality has improved within the nursing home setting over the last few decades. For example, research has shown that many facilities decreased use of inappropriate restraints (Wunderlich and Kohler 2001). Yet, despite improvements, quality of care within the nursing home industry has been unable to escape its past of ongoing criticism. Studies have identified poor symptom management, persistent pain, and overuse of restraints and feeding tubes are just a few of many indicators that suggest poor quality of care in nursing homes (Teno 2005). In addition, patient satisfaction and the degree to which staff are available to provide adequate support for the prevention of accidents and the successful completion of activities of daily living continue to be of concern (Wunderlich and Kohler 2001; Stone 2006).

According to a poll of individuals with substantial nursing home experience, up to 41% believe that inadequacies related to nursing home staffing, environment or care giving pose a problem for the nursing home industry (Fund 2006).

Assessing the quality of care in any setting is a multifaceted and complex process. The definition of quality may differ depending on whether it is a policymaker, consumer or provider that is responsible for defining it. Moreover, while some clear indicators of quality have been defined, some components of an individual's nursing home experience cannot be rigidly defined. Despite these difficulties, Donabedian's model of quality assessment according to structures of care, processes and outcomes has generally been accepted for many years (Donabedian 1966). Examples of structures of care as they relate to long term care are education and training of staff, as well as characteristics of facilities. Along the same lines, processes generally refer to the services available to facility residents and outcome measures pertain to changes in residents' health status as it relates to the care they receive (Wunderlich and Kohler 2001).

Given the large degree to which nursing home care is paid for by Medicaid, the federal government is the major player in efforts to monitor, report, and ultimately improve the quality of nursing home care. In 2002, the Nursing Home Initiative sought to improve the enforcement of regulatory standards and improve overall quality of care in nursing homes (Wright 2001). Currently, the federally funded Centers for Medicare and Medicaid Services (CMS) offer publicly available data pertaining to nursing home structures, processes and outcomes on the internet. For instance, CMS offers the Nursing Home Compare site, which allows consumers to search for any Medicare and Medicaid certified nursing home in the country and view its progress as it relates to a variety of

quality measures. In recent news, CMS has announced plans to add a five star ranking system to this cite (Care 2008). On February 12, 2008, CMS also reported their intention to make the list of the 136 nursing homes identified in the Special Focus Facilities Program for underperformance available to the public (Weiland 2008). The Focus Facilities Program was originally created in 1998 to identify nursing homes that continually fail to comply with quality standards. In addition to quality information offered by CMS, websites like HealthGrades.com offer consumers alternative approaches to assessment of quality of nursing home care (HealthGrades 2008). There is evidence to suggest that this type of transparency encourages nursing homes to improve quality (Mukamel, Spector et al. 2007).

In addition to transparency through information available to consumers, advocacy groups, external accreditation agencies, the government have all been cited as the responsible parties when it comes to influencing quality care (Giacalone 2001). These groups all have the ability to create incentives for the provision of high quality nursing homes. Those responsible for training the nursing home workforce are also responsible for encouraging quality care.

### *Moving forward with Long Term Care*

As demonstrated by its extensive history and current trends, the nursing home industry is part of a complex system of long term care. Concerns over cost and quality create barriers to the industry's success and the future of healthcare in aging America. Issues related to cost are dictated by concerns over public spending balanced against the high cost of long term care that makes it difficult for elderly individuals to afford on their own. Quality initiatives have evolved over time but continue to fall short of the needs of

the long term care population. Cost and quality, as well as access, are not mutually exclusive and will need to be simultaneously addressed in future reform of long term care. Political ideology is likely to influence the future direction of long term care. On one hand, conservatives tend to favor the expansion of a private insurance market for long term care. In contrast, more a liberal ideology tends to prefer model's of social insurance for long term care, as demonstrated by countries like Germany and Japan (Creighton and Ikegami 2000; Cuellar and Wiener 2000) While it is unclear which direction long term care will move, both sides seem to agree that change is inevitable and necessary. These changes will not occur in a vacuum, but will become part of a complex history of community and government efforts to fulfill the healthcare needs of a vulnerable population.

#### References

Aging, A. A. o. H. a. S. f. t. (2008, March 14 2008). "Aging Services: The Facts." Retrieved March 25, 2008, from [http://www.aahsa.org/aging\\_services/default.asp](http://www.aahsa.org/aging_services/default.asp).

Binstock, R., L. Cluff, et al. (1996). *Issues Affecting the Future of Long Term Care. The Future of Long-Term Care: Social and Policy Issues*. R. Binstock, L. Cluff and O. v. Merring. Baltimore, The Johns Hopkins University Press: 15.

Binstock, R. and J. Schulz (2006). *Framing the Issues for an Aging Nation. Aging Nation: The Economics and Politics of Growing Older in America*, Greenwood Publishing Group.

Care, T. A. f. Q. N. H. (2008, June 18, 2008). "Alliance Expresses Support for Concept Underlying New CMS "Five Star" Rating System for Nursing Facilities." Retrieved July 15, 2008, from <http://www.aqnhc.org/email/20080618.html>.

Care, T. N. C. o. H. (2008). "Health Insurance Cost." Retrieved May 23, 2008, from <http://www.nchc.org/facts/cost.shtml>.

Creighton, J. and N. Ikegami (2000). "Long-Term Care Insurance Comes to Japan." *Health Affairs* **19**(3).

Cuellar, A. E. and J. M. Wiener (2000). "Can Social Insurance for Long-Term Care Work? The Experience of Germany." *Health Affairs* **19**(3).

Donabedian, A. (1966). "Evaluating the Quality of Medical Care." *Millbank Quarterly* **44**: 37.

Foundation, R. W. J. (1996-2008). "The Evolution of Nursing Home Care in the United States." Retrieved March 24, 2008, from <http://www.pbs.org/newshour/health/nursinghomes/timeline.html>.

Fund, T. C. (2006). "Patient and Family Perceptions of Nursing Home Care." Retrieved July 17, 2008, from [http://www.commonwealthfund.org/snapshotscharts/snapshotscharts\\_show.htm?doc\\_id=413504](http://www.commonwealthfund.org/snapshotscharts/snapshotscharts_show.htm?doc_id=413504).

Giacalone, J. A., Ed. (2001). The U.S. Nursing Home Industry. Contemporary Industry Studies. New York, M.E. Sharpe, Inc.

Hawes, C., C. Phillips, et al. (2003). "A National Survey of Assisted Living Facilities." The Gerontologist 43(7): 875.

HealthGrades. (2008). from [http://www.healthgrades.com/consumer/index.cfm?fuseaction=mod&modtype=nhrc&modact=nhrc\\_search\\_form&tab\\_set=nursinghome&tv\\_lid=lnk\\_nh\\_top&tv\\_eng=home&tv\\_kw=nh\\_top](http://www.healthgrades.com/consumer/index.cfm?fuseaction=mod&modtype=nhrc&modact=nhrc_search_form&tab_set=nursinghome&tv_lid=lnk_nh_top&tv_eng=home&tv_kw=nh_top).

Holstein, M. and T. R. Cole (1996). The Evolution of Long-Term Care in America. The Future of Long-Term Care: Social and Policy Issues. R. Binstock, L. Cluff and O. V. Mering. Baltimore, The Johns Hopkins University Press.

Hospice, T. N. A. f. H. C. (2008, 2008). "Basic Statistics About Home Care." Retrieved July 1, 2008, from <http://www.nahc.org/facts/>.

Houser, A. (2007). "Nursing Homes." from [http://www.aarp.org/research/longtermcare/nursinghomes/fs10r\\_homes.html](http://www.aarp.org/research/longtermcare/nursinghomes/fs10r_homes.html).

McDonnell, E. (1954). The Beguines and Beghards in Medieval Culture. New Jersey, Rutgers University Press.

Mukamel, D., W. Spector, et al. (2007). "Nursing Homes' Response to the Nursing Home Compare Report Card." The Journals of Gerontology Series B: Psychological Sciences and Social Sciences 62: 8.

O'Brien, E. (2005). "Medicaid's Coverage of Nursing Home Costs: Assesst Shelter for the Wealthy or Essential Safety Net?" Georgetown University Long-Term Car Financing Project Retrieved May 20, 2008, from <http://ltc.georgetown.edu/pdfs/nursinghomecosts.pdf>.

Quigley, A. (2008). "Managed Care Plans." Retrieved July 16, 2008, from [http://findarticles.com/p/articles/mi\\_gGENH/is\\_all/ai\\_2699003480](http://findarticles.com/p/articles/mi_gGENH/is_all/ai_2699003480).

Services, A. o. A. U. S. D. o. H. a. H. (2005). "A Profile of Older Americans."

Services, C. f. M. a. M. (April 10, 2007). "Types of Long Term Care." Retrieved March 26, 2008, from <http://www.medicare.gov/LongTermCare/Static/TypesOverview.asp>.

Services, C. f. M. a. M. and U. S. D. o. H. a. H. Services. (2008, March 27, 2008). "Nursing Homes." Medicare Retrieved July 2, 2008, from <http://www.medicare.gov/Nursing/Payment.asp>.

Starr, P. (1982). The Social Transformation of American Medicine, Basic Books.

Statistics, N. C. f. H. "Assisted Living Residences." Retrieved May 25, 2008, from <http://www.cdc.gov/nchs/dataawh/nchsdefs/assistedlivingresidences.htm>.

Statistics, N. C. f. H. (2006). *Health, United States, 2006*, U.S. Department of Health and Human Services.

Stone, R. I. (2006). *Emerging Issues in Long-Term Care*. Handbook of Aging and the Social Sciences, Academic Press.

Teno, J. (2005, March 7, 2005). "Persons Living in Nursing Homes with Persistent Severe Pain." Retrieved July 16, 2008, from <http://www.chcr.brown.edu/dying/severepain.htm>.

Uninsured, T. K. C. o. M. a. t. (2006). "Deficit Reduction Act of 2005: Implications for Medicaid." Retrieved July 17, 2008, from [http://www.aucd.org/docs/policy/medicaid/kaiser\\_medicaid\\_dra\\_2005\\_020106.pdf](http://www.aucd.org/docs/policy/medicaid/kaiser_medicaid_dra_2005_020106.pdf).

Weiland, M. (2008). *CMS Issues Full List of Poor Performers; Senate Bill to Improve Quality Introduced*. Arlington, The Bureau of National Affairs, Inc. **16**.

Wright, B. (2001). "Federal and State Enforcement of the 1987 Nursing Home Reform Act." Retrieved July 10, 2008, from <http://www.aarp.org/research/longtermcare/nursinghomes/aresearch-import-686-FS83.html>.

Wright, B. (2004). "Assisted Living in the United States." Retrieved March 23, 2008, from [http://www.aarp.org/research/housingmobility/assistedliving/assisted\\_living\\_in\\_the\\_united\\_states.html](http://www.aarp.org/research/housingmobility/assistedliving/assisted_living_in_the_united_states.html)

Wunderlich, G. S. and P. O. Kohler, Eds. (2001). Improving the Quality of Long-Term Care. Washington, D.C., National Academy Press.