Current Workforce and Quality Challenges in New York State Nursing Homes

February 2023

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This work was supported by a grant from the
Foundation for Quality Care.

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Introduction

One of the challenges faced by New York and the nation overall, is how to plan for the long-term services and supports (LTSS) system challenges of tomorrow. Currently, New York state has the fourth-largest population of older adults in the United States. By the end of this decade, there are expected to be 5.3 million New Yorkers over the age of 60 with those over 80 years of age expected to exceed 1.2 million. More than 51 (of 62) counties in the state are projected to have at least 25% of the population aged 60 or older.[1] On November 4, 2022, Governor Kathy Hochul signed an executive order to create a Master Plan for Aging to support the long-term health of New York's older population. The Master Plan for Aging highlights the need to make substantial investments in New York's workforce and LTSS system to assure there is adequate access and quality care available to older New Yorkers with disability. To better position New York within the context of this Master Plan for Aging, understanding the existing issues that face older adults is vital.

While a longer-term vision is critical for tomorrow, New York also faces a number of challenges that are affecting the LTSS system today. Since the start of the COVID-19 pandemic, one of the major challenges facing New York's LTSS system is finding enough nursing staff, which includes certified nurse aides, licensed practical nurses, and registered nurses, to care for an aging population. Faced with recruiting a workforce with ample opportunity for higher wages in other industries and multiple alternative job possibilities, LTSS providers have found it extremely difficult to hire in today's environment. This difficulty, which cuts across long-term care service providers is compounded for New York's nursing homes as the state implements a new minimum staffing level requirement. At the present time, 75% of the nursing homes do not meet these requirements,[2] and the New York Department of Health estimated the requirement to cost nursing homes between $1.9 to $2.3 billion per year.[3] The New York Department of Health's report was based on pre-pandemic wage and workforce assumptions. The COVID-19 pandemic has impacted the LTSS system and the labor market for certified nurse aides, licensed practical nurses, and registered nurses undoubtedly adding costs to these estimates. This study provides background information about the current workforce and quality challenges faced by New York's nursing homes.

New York's Nursing Home Referral Patterns

Older adults continue to express a desire to remain in the community, either in their home, the home of a friend or family member, or in an assisted living facility. However, in some instances care in the community for older adults with severe physical disability or advanced cognitive impairment associated with Alzheimer's disease and related dementias is not the choice of the individuals and their families. When the care needs of individuals cannot be provided in the community, nursing homes are a needed option in

the LTSS system. Nursing homes provide around-the-clock care on a daily basis to individuals with substantial medical and long-term service needs.

Most individuals who utilize nursing homes do not plan to use them. For New Yorkers in 2020, 93% of their first experience with a nursing home occurred after a hospital stay (Table 1). Many individuals discharged from a hospital need additional care which cannot be provided at home, and nursing homes deliver this care. When individuals are admitted to a nursing home from a hospital, it is to receive rehabilitative services. The purpose of these nursing home stays is to help the individual regain physical functioning and return to the community. These residents are often called “short-stay residents” because many of these stays are short in nature. Medicare is the primary payer for this type of nursing home care.

Table 1. Nursing Home Admissions in New York, 2020

Admitted From:	%
Acute Care Hospital	93.3%
Community	3.1%
Another Nursing Home	2.8%
All Other Locations	0.8%

Source: Admission assessments in New York from the 2020 Minimum Data Set.

Some short-stay residents find that their conditions do not improve and the care needed does necessitate a longer stay in the facility. Medicare limits nursing home insurance coverage to 100 days, and then only after a qualified hospital stay. Those remaining in a nursing home after 100 days are referred to as long-stay residents. Many older adults do not have significant savings and only a very small proportion of Americans have private long-term care insurance. This causes most long-stay residents to rely on Medicaid to fund their nursing home care.

Nursing Home Resident Characteristics

Over the last two decades, states have made great strides in creating a more balanced LTSS system that provides long-term service options in the community. As a state and nation, it is critical to continue to provide opportunities for individuals to receive long-term services in their setting of choice based on the level of care they require. The expansion of home and community-based services means that those individuals using nursing homes now experience high levels of functional or cognitive disability.

Table 2 reports the characteristics of long-stay nursing home residents in New York. Long-stay residents had a mean age of 78 and reported an average of 4.7 (out of 6) limitations in activities of daily living. These limitations include needing assistance with personal hygiene (86%), mobility (84%), dressing (89%), eating (36%), toileting (88%), and bathing (92%). Approximately six out of every ten long-stay residents was

diagnosed with Alzheimer's disease or a related dementia, with over 13% of long-stay residents having some form of paralysis.

Table 2. Characteristics of the Long-Stay Nursing Home Population in New York State, 2020	
Demographics	
Average Age	78.4
Limitations in Activities of Daily Living	
Average Number of Limitations (out of 6)	4.7
% Needing Assistance with Personal Hygiene	85.7%
% Needing Assistance with Mobility	84.4%
% Needing Assistance with Dressing	89.1%
% Needing Assistance with Eating	36.2%
% Needing Assistance with Toileting	87.6%
% Needing Assistance with Bathing	91.6%
Diagnoses	
% Alzheimer's Disease and Related Dementias	56.5%
% Parkinson's Disease	6.8%
% Traumatic Brain Injury	1.9%
% Paralysis (Hemi-, Para-, Quadriplegia)	13.3%

Source: First long-stay assessment for each unique New York nursing home resident in the 2020 Minimum Data Set.

Workforce Challenges Faced by New York's Nursing Homes

New York and the nation overall experienced workforce challenges prior to the COVID-19 pandemic, but those concerns have now become a crisis for the industry. Workforce issues such as difficult physical work, the lack of opportunity to advance, limited recognition from the general society, and minimum wage increases which make alternative jobs in retail and food service (e.g., Target, Walmart, McDonalds) more attractive, all have contributed to this long-standing challenge. The COVID-19 pandemic, including the real health issues faced by residents and workers, has made nursing home employment less attractive. This has resulted in nursing homes across the nation reporting severe nursing staff shortages. For example, the November 2022 AARP COVID-19 dashboard, based on Centers for Medicare and Medicaid Services (CMS) weekly data, identified that 25% of facilities across the nation reported being understaffed for direct care workers, which include certified nursing assistants, licensed practical nurses, and registered nurses.

In order to hire and retain existing nursing staff, nursing homes have increased the amount they pay workers. Table 3 reports the median hourly labor cost (including wages and benefits) of nursing staff for nursing homes in New York. For nursing staff directly employed by the facility, hourly costs increased between 15% to 20% from 2017 to 2021. For nursing homes that need to rely on temporary staffing agencies, these costs have increased 22% for licensed practical nurses and 39% for certified nurse aides. For all direct care staff, the increase in costs from 2019 to 2021 were significantly larger than the change from 2017 to 2019.

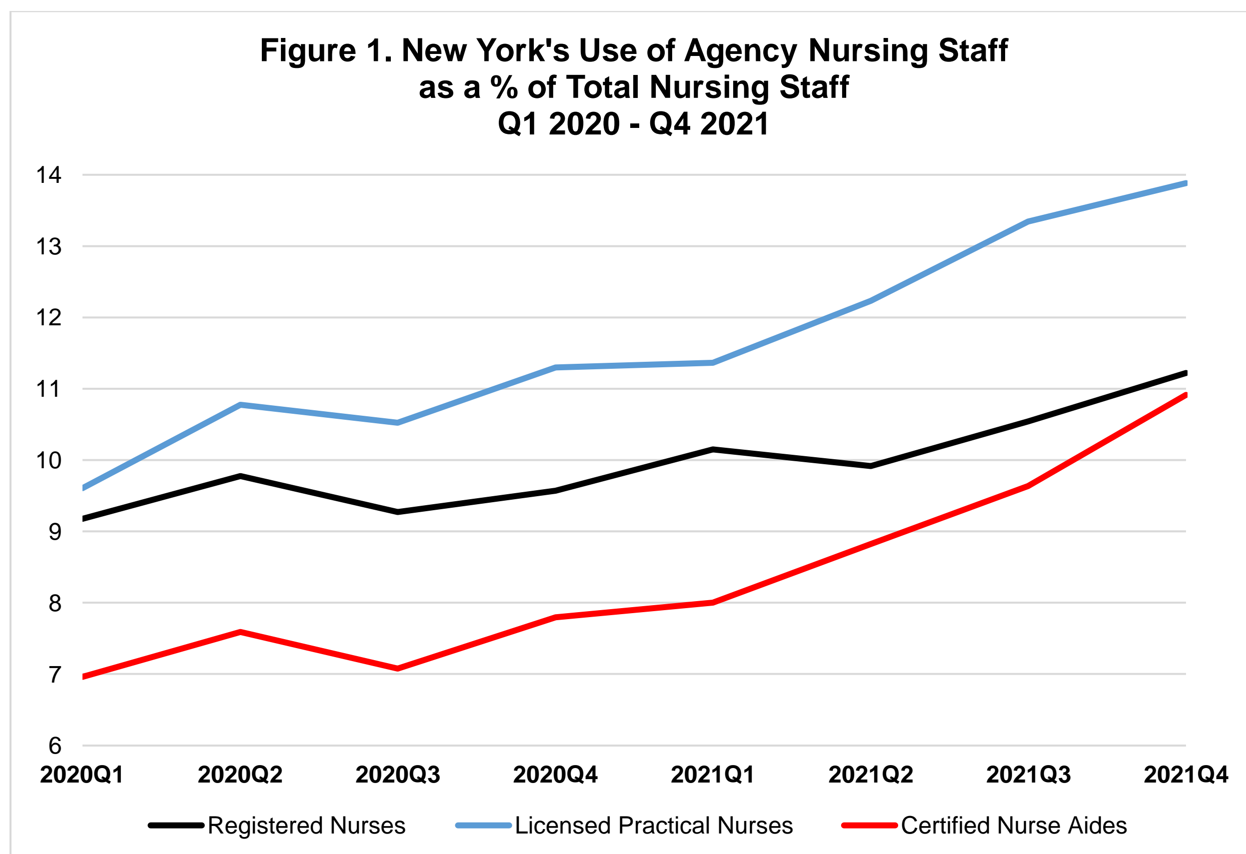
Table 3. Hourly Nursing Staff Labor Cost in New York, 2017-2021

	Hourly Labor Cost (dollars)			% Change
	2017	2019	2021	(2017-2021)
Directly Employed Nursing Staff				
Registered Nurses	43.60	46.63	50.31	15.4%
Licensed Practical Nurses	30.28	31.78	35.86	18.4%
Certified Nurse Aides	20.26	21.27	24.30	19.9%
Agency Nursing Staff				
Registered Nurses	51.93	52.07	58.38	12.4%
Licensed Practical Nurses	37.00	38.83	45.29	22.4%
Certified Nurse Aides	20.15	23.56	27.98	38.0%

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

Notes: Median hourly labor cost includes wages and benefits (e.g., health insurance) for freestanding nursing homes with a full-year Medicare Cost Report. The year represents the fiscal year end date of the Medicare Cost Report.

Highlighting the difficulties in attracting certified nurse aides, licensed practical nurses, and registered nurses are data showing that during the COVID-19 pandemic many nursing homes became more reliant on temporary staffing agencies (Figure 1). From the first quarter of 2020 to the last quarter of 2021, the percentage of nursing staff hours covered by agency staff increased by 22% for registered nurses, by 45% for licensed practical nurses, and by 57% for certified nurse aides. These staffing agencies are paid significantly more per hour than it costs to employ workers directly (see Table 3), and reinforce the hiring challenges currently faced by nursing homes throughout New York.



Source: Payroll-Based Journaling Data, Q1 2020 to Q4 2021

New York's Workforce Challenges Have Led to Higher Operating Expenditures

An indicator of the workforce challenges faced by New York's nursing homes is operating expenses. As nursing homes pay higher wages and benefits to certified nurse aides, licensed practical nurses, and registered nurses, operating costs increase accordingly. In addition to the nursing staff members, nursing homes employ therapists, social service staff, activities staff, housekeeping staff, and food service staff, to care for and meet resident needs. Nursing homes also have other cost centers, including, among other things, food, heating, and electric bills. These other costs centers are driven by inflation, which recently peaked at 9.1% per year in 2022.

Table 4 reports the median expenditure New York nursing homes incurred to operate on a per resident day basis. From 2017 to 2021, the median operating expenditure increased from $327 to $403 per resident day, a 23% increase. Some industry stakeholders argue that nursing homes use complex transactions with related parties or home offices to increase operating costs and hide profits.[4]

Related party transactions and home offices are allowed under state and federal rules. Additionally, these transactions are required to be reported to federal and state agencies with expenditures of these transactions being no higher than market rates, which can result in efficiencies through economies of scale.

Nationally, in 2020 over 69.3% of nursing homes reported having a related party transaction and 54.8% of nursing homes reported having a home office. Moreover, for-profit, not-for-profit, and government sponsored nursing homes use related parties and have home offices. Using this disclosed information, operating costs can be calculated for nursing homes with no related party and home office transactions – a set of nursing homes that do not face criticisms from using these types of transactions. Nursing homes in New York that do not use these types of transactions were found to have a nearly identical pattern of increased operating expenditure per day, from $334 in 2017 to $404 in 2021.

Table 4. Operating Expenditures Per Resident Day in New York, 2017-2021

	Operating Expenditure			% Change
	2017	2019	2021	(2017-2021)
All Freestanding Nursing Homes	$327	$345	$403	23.0%
No Related Parties or Home Office Transactions	$334	$346	$404	20.9%

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

Notes: Median operating expenditures are calculated for each year on a per resident day basis and reflect the expenditure on caring for residents. The year represents the fiscal year end date of the Medicare Cost Report.

NURSING HOME REVENUES AND MEDICAID PAYMENT HAVE NOT KEPT PACE WITH INCREASED OPERATING EXPENDITURES

In order to retain existing 2021 nursing staff levels and to strive to meet the New York's mandated staffing minimums, nursing homes need to have the financial resources to increase wages and benefits. This is also the case if they need to hire additional direct care staff and other types of staff, or invest in other quality improvement efforts.

As Table 5 reports, the median nursing home in New York in 2017 received revenue of slightly less per day ($325) from all payer sources (e.g. Medicare, Medicaid, other sources) than their operating expense ($327). Between 2017 and 2021, the 15% growth in revenue per day was significantly smaller than the 23% growth in operating expenses. This caused a gap in per diem revenue ($374) and per diem operating expenses ($403). While not shown in Table 6, this gap in 2021 was also found for nursing homes with no related party or home office transactions (revenue of $385 vs. an operating expense of $404).

Table 5. Revenue and Expenditures Per Resident Day in New York, 2017-2021				
	Revenue and Expenditure Per Resident Day			% Change
	2017	2019	2021	(2017-2021)
All Payer Revenue	$325	$339	$374	15.1%
Operating Expense	$327	$345	$403	23.0%
Medicaid Payment Rate	$230	$236	$238	3.5%

Source: Medicare Cost Reports (CMS-2540-10) and https://www.health.ny.gov/facilities/long_term_care/reimbursement/nhr/

Notes: Median all payer revenues and operating expenditures are calculated for each year on a per resident day basis. All payer revenue reflects the average payment (after discounts) the nursing home received caring for residents. Operating expense is the expenditure on caring for residents. The year represents the fiscal year end date of the Medicare Cost Report. Median Medicaid payment rates are the benchmark rates for July 1 in the year reported.

In 2020, approximately 72% of all resident days in New York nursing homes were paid for by Medicaid. However, from 2017 to 2021, while operating expenses increased by 23%, New York's Medicaid payment rates increased by 3.5% (See Table 5).

The disparity in the increase in Medicaid payment rates relative to operating expenses does not hit all nursing homes equally. Some nursing homes have very few Medicaid residents, while others have a high proportion of Medicaid residents. Table 6 shows the distribution of residents paid for by Medicaid across New York's nursing homes in 2020. Most New York nursing homes have between 56% and 80% of their resident days paid for by Medicaid. About one in ten nursing homes have a low Medicaid payer-mix, defined as having less than half of their resident days paid for by Medicaid. In contrast, three in ten nursing homes have over 80% of their resident days paid for by Medicaid. The trend in the relationship between Medicaid payment rates and operating expenses makes nursing homes with a greater proportion of Medicaid paid resident days more susceptible to having limited financial resources.

Table 6. Medicaid Paid Resident Days in New York, 2020	
Medicaid Resident Days	% of NHs
0%-50%	9.3%
51%-65%	21.0%
66%-80%	40.5%
81%-100%	29.2%

Source: Medicaid Cost Reports

MEDICAID IS ASSOCIATED WITH LOWER NURSING STAFF LEVELS AND LOWER QUALITY

Nationally, the academic literature has shown that a higher number of Medicaid residents is associated with lower staffing levels and worse quality outcomes.[5,6] Medicaid payment rates are lower than the payments nursing homes receive from other sources, including private pay residents, private insurance, and Medicare. Furthermore, as shown previously in Table 5, Medicaid payment rates can be lower than the operating expenses incurred by nursing homes. MACPAC, a non-partisan legislative agency which makes recommendations about Medicaid to Congress, used data from 2019 and found that Medicaid payments did not cover the cost of care for 81% of U.S. nursing homes and 93% of New York nursing homes.[7] This means inadequate Medicaid payment rates can lead to fewer financial resources to invest in staffing levels and quality.

This relationship between Medicaid and quality also exists in New York. Using data from 2019, Tables 7 and 8 show that New York nursing homes with a greater share of Medicaid-paid residents having lower staffing levels and quality. The year 2019 was used to reflect normal nursing home operations before the COVID-19 pandemic created significant workforce challenges and CMS suspended updating some publicly available measures of nursing home quality.

The relationship between the proportion of resident days paid for by Medicaid and nursing staff levels in New York nursing homes is reported in Table 7. Nursing staff levels are lower in facilities that have a greater proportion of resident days paid for by Medicaid. Nursing homes with lower reliance on Medicaid (0%-50% of resident days) have 4.00 hours per resident day of nursing staff solely assigned to direct care and 4.26 hours of total nursing staff, which includes nurses with administrative duties. In contrast, the facilities with 81% to 100% of their residents on Medicaid have 3.06 hours of direct care nursing staff and 3.26 hours of total nursing staff.

Table 7. Nursing Staff Levels by Medicaid Resident Days in New York, 2019					
	Staffing Level in Hours Per Resident Day				
Medicaid Resident Days	**Registered Nurses**	**Licensed Practical Nurses**	**Certified Nurse Aides**	**Nursing Staff Assigned to Direct Care**	**Total Nursing Staff**
0%-50%	0.71	0.91	2.50	4.00	4.26
51%-65%	0.64	0.88	2.23	3.51	3.83
66%-80%	0.53	0.82	2.13	3.27	3.43
81%-100%	0.49	0.70	2.02	3.06	3.26

Source: Medicaid Cost Reports and Payroll-Based Journaling Data

Notes: Median staffing levels are reported for New York nursing homes with a fiscal year end date in 2019. The data was restricted to freestanding nursing homes with full-year cost reports. Registered nurse and licensed practical nursing staff hours per resident include staff assigned to direct care and administrative duties. Total nursing staff includes nursing staff assigned to direct care and administrative duties.

Reliance on Medicaid as a primary payer source also effects the quality of care provided to New York nursing home residents. CMS' Five-Star Quality Rating System rates nursing homes from 1-star (lowest) to 5-stars (highest). Table 8 reports the average overall, health deficiency, and quality measures star ratings for New York nursing homes by Medicaid paid residents. The higher the proportion of days paid for by Medicaid, the lower the star rating. For example, facilities with a lower reliance on Medicaid residents (0%-50%) averaged a 4.4 overall star rating. In comparison, facilities with 81%-100% of their residents on Medicaid averaged a 2.7 overall star rating. This pattern is also found for the health inspection and quality measures star ratings. While not explicitly addressed in this report, this pattern between Medicaid and quality rises equity concerns as Black, Indigenous, and people of color are more likely to utilize nursing homes that have a high proportion of Medicaid paid resident days.[8,9]

Table 8. Average Star Ratings by Medicaid Resident Days in New York, 2019			
Medicaid Resident Days	**Overall Star Rating**	**Health Inspection Star Rating**	**Quality Measures Star Rating**
0%-50%	4.4	3.7	4.7
51%-65%	3.7	3.1	4.4
66%-80%	3.1	2.7	4.0
81%-100%	2.7	2.6	3.9

Sources: Medicaid Cost Reports and Nursing Home Compare Archive Data

CONCLUSION

Nursing homes serve some of the most vulnerable adults in New York. Worker quality and shortages have been a consistent challenge for the LTSS industry, and the COVID-19 pandemic and recent inflation has only worsened these challenges to the point of crisis. Faced with higher wages in other industries and multiple alternative job opportunities, LTSS providers, including nursing homes, have found it extremely difficult in today's environment to maintain staffing levels, let alone increase them to meet New York's new staffing mandates. In some states, nursing homes have reported limiting admissions when not enough workers are available.[10] This has led some hospitals to keep patients longer before they can be discharged to a nursing home, increasing the cost to the health care system.

From 2017 to 2021, New York's nursing homes have seen their operating expenses increase by 23% due to higher wage and benefit costs, an increasing need to rely on high cost temporary staffing agencies, and general increases in prices from inflation. During this same period, New York's Medicaid program has increased Medicaid payment rates by 3.5%. The new minimum staffing level requirement New York plans on implementing will further increase operating expenses. Based on the pre-pandemic labor market, these additional operating expenses ranged from $1.9 to $2.3 billion per year.

Through its Master Plan for Aging, the state of New York is attempting to coordinate existing and state policies to ensure older New Yorkers have access to high quality LTSS. The growth of the older population with disability suggests that this planning process will be critical over the next two decades. However, New York is faced with a current workforce and LTSS system crisis. Current workforce issues need to be addressed in order to assure older New Yorkers that need long-term care today have adequate access to quality care.

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