SNAPSHOT

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 Population Is Aging

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

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.

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

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

<table>
<thead>
<tr>
<th>REGION</th>
<th>NUMBER OF BEDS</th>
<th>OCCUPANCY RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freestanding</td>
<td>Hospital-Based</td>
</tr>
<tr>
<td>1 Northern California</td>
<td>3,925</td>
<td>526</td>
</tr>
<tr>
<td>2 Bay Area</td>
<td>20,801</td>
<td>4,810</td>
</tr>
<tr>
<td>3 Golden Empire &amp; San Joaquin</td>
<td>12,507</td>
<td>1,123</td>
</tr>
<tr>
<td>4 Midcoast, Central &amp; Inland</td>
<td>18,849</td>
<td>1,429</td>
</tr>
<tr>
<td>5 Santa Barbara/Ventura</td>
<td>2,785</td>
<td>425</td>
</tr>
<tr>
<td>6 Los Angeles</td>
<td>37,820</td>
<td>2,101</td>
</tr>
<tr>
<td>7 Orange</td>
<td>8,087</td>
<td>572</td>
</tr>
<tr>
<td>8 San Diego/Imperial</td>
<td>9,057</td>
<td>1,033</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>113,831</strong></td>
<td><strong>12,019</strong></td>
</tr>
</tbody>
</table>

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

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

- **Gender:**
  - Male: 34%
  - Female: 66%

- **Age:**
  - < 55: 9%
  - 55–64: 14%
  - 65–74: 14%
  - 75–84: 31%
  - 85–94: 31%
  - 95+: 7%

- **Race:**
  - White: 70%
  - Black: 10%
  - Asian: 7%
  - Other: 13%

**Approximately 115,000***

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

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

*Estimated using OSHPD financial data.
How Long They Stay

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

- < 3 months (77.2%)
- 3 to 6 months (8.7%)
- 7 to 12 months (4.7%)
- > 1 to 2 years (4.1%)
- > 2 to 3 years (2.2%)
- > 3 years (3.2%)

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.

Level of Nursing Care

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Below State Mandate (less than 3.2 hours)</th>
<th>State Mandated (3.2 hours or more)</th>
<th>Recommended (4.1 hours or more)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>65%</td>
<td>32%</td>
<td>3%</td>
</tr>
<tr>
<td>2001</td>
<td>49%</td>
<td>59%</td>
<td>5%</td>
</tr>
<tr>
<td>2002</td>
<td>36%</td>
<td>64%</td>
<td>4%</td>
</tr>
<tr>
<td>2003</td>
<td>32%</td>
<td>70%</td>
<td>4%</td>
</tr>
<tr>
<td>2004</td>
<td>26%</td>
<td>72%</td>
<td>6%</td>
</tr>
<tr>
<td>2005</td>
<td>22%</td>
<td>65%</td>
<td>3%</td>
</tr>
</tbody>
</table>

†Nursing hours per resident per day

*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.

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‡.

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

- 2000: 80%
- 2001: 80%
- 2002: 70%
- 2003: 65%
- 2004: 59%
- 2005: 62%

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.
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.

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

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.

- **Substantial Weight Loss**: 8% in California, 9% in U.S., 9,227 residents vs. 5,767 residents.
- **In Bed All or Most of the Time**: 5% in California, 4% in U.S., 5,767 residents vs. 16,148 residents.
- **Placed in Physical Restraints**: 6% in California, 14% in U.S., 16,148 residents.


*Daily average estimated using OSHPD financial data.*
Deficiencies and Citations

Average Number per California Nursing Home, 2001–2005

Federal Deficiencies  State Citations*

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Deficiencies</th>
<th>State Citations*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>12.6</td>
<td>0.6</td>
</tr>
<tr>
<td>2002</td>
<td>11.5</td>
<td>0.6</td>
</tr>
<tr>
<td>2003</td>
<td>11.5</td>
<td>0.6</td>
</tr>
<tr>
<td>2004</td>
<td>14.9</td>
<td>0.4</td>
</tr>
<tr>
<td>2005</td>
<td>15.8</td>
<td>0.3</td>
</tr>
</tbody>
</table>

*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.

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.*

Violations of State and Federal Regulations, 2001–2005

Federal Deficiencies by Scope and Severity

- Minimal Harm: 33%
- More Than Minimal Harm: 66%
- Actual Harm or Immediate Jeopardy (1% / 2%)

State Citations by Class

- Minimal Harm: 82%
- More Than Minimal Harm: 16%
- Actual Harm or Immediate Jeopardy (1% / 2%)

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

Percent of Nursing Homes Cited for Serious Violations

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>30.6</td>
<td>29.9</td>
</tr>
<tr>
<td>2000</td>
<td>23.5</td>
<td>17.3</td>
</tr>
<tr>
<td>2001</td>
<td>21.1</td>
<td>9.7</td>
</tr>
<tr>
<td>2002</td>
<td>18.0</td>
<td>3.1</td>
</tr>
<tr>
<td>2003</td>
<td>16.6</td>
<td>3.8</td>
</tr>
<tr>
<td>2004</td>
<td>15.5</td>
<td>6.8</td>
</tr>
<tr>
<td>2005</td>
<td>16.9</td>
<td>8.7</td>
</tr>
</tbody>
</table>

United States  
California

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.

*These are the most serious of all federal deficiencies.
Total Complaints* Rising

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.

*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.

Substantiation Rate Falling

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.

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.

Types of Complaints

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

- Quality of Care: 56%
- Mistreatment: 18%
- Resident Rights: 10%
- Nutrition: 1%
- Staffing: 5%
- Administration: 5%
- Environment: 3%
- Pharmacy: 2%

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.

Rising Nursing Home Revenues

Revenue, by Facility Type, 2000–2005

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.

*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.

Who Pays for Nursing Home Care

Revenue, by Facility Type and Payer, 2004

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.

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

**Reimbursement Rates Vary**

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

- **Medi-Cal**
- **Medicare**
- **Other Payers†**
- **Self Pay**

<table>
<thead>
<tr>
<th>Facility Type</th>
<th>Medi-Cal</th>
<th>Medicare</th>
<th>Other Payers†</th>
<th>Self Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freestanding</td>
<td>$131</td>
<td>$451</td>
<td>$172</td>
<td>$1,850</td>
</tr>
<tr>
<td>Hospital-based†</td>
<td>$761</td>
<td>$970</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

*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.*

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†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.

Dollars Spent on Direct Care Vary

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Direct Care Expenses per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (&lt;45%)</td>
<td>$129</td>
</tr>
<tr>
<td>Medium (45–64%)</td>
<td>$95</td>
</tr>
<tr>
<td>High (65%+)</td>
<td>$89</td>
</tr>
</tbody>
</table>

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.

Financial State of Nursing Homes

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

<table>
<thead>
<tr>
<th>Year</th>
<th>9%+</th>
<th>1–8%</th>
<th>Break Even</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>20%</td>
<td>36%</td>
<td>3%</td>
<td>41%</td>
</tr>
<tr>
<td>2001</td>
<td>19%</td>
<td>43%</td>
<td>3%</td>
<td>35%</td>
</tr>
<tr>
<td>2002</td>
<td>15%</td>
<td>38%</td>
<td>5%</td>
<td>42%</td>
</tr>
<tr>
<td>2003</td>
<td>14%</td>
<td>34%</td>
<td>5%</td>
<td>47%</td>
</tr>
<tr>
<td>2004</td>
<td>18%</td>
<td>38%</td>
<td>5%</td>
<td>39%</td>
</tr>
<tr>
<td>2005</td>
<td>24%</td>
<td>44%</td>
<td>1%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Profitability:
- 9%+
- 1–8%
- Break Even
- Negative

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.

References


California State Senate, Department of Health Services Licensing and Certification Division: Nursing Home Enforcement and Complaint Investigation: A Joint Oversight Hearing of the Senate Committee on Health and Senate Subcommittee on Aging and Long-Term Care. Sacramento, CA, November 4, 2005.


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.


http://nurseweb.ucsf.edu/www/images/calnhs-rpt-03.pdf