V. Nursing Home Staffing and Costs: Implications and Challenges

County nursing facilities represent a significant economic force in their respective communities. This chapter focuses on profiles of nursing home staffing and costs, based on survey data, supplemented by comparison analyses made available by LeadingAge New York.

County Nursing Homes Have a Significant Cumulative Economic Impact

Including the six county nursing homes affiliated with hospitals, and the expenditures of the entire hospital-nursing home complex in those counties, county nursing homes are associated with more than $1.8 billion in aggregate annual expenditures across 33 counties outside of NYC. It is not possible from financial statements to separate out the specific nursing home and hospital portions of the expenditures of the hospital-nursing home configurations. But even if most of the costs of the nursing home-hospital complexes are deleted from this total, leaving some reasonable estimates of the nursing home expenditure components of those operations, we conservatively estimate that the non-NYC county nursing home business, even without the hospitals included, accounts for more than $800 million in aggregate annual expenditures across the 33 counties in which public homes operated at the beginning of 2013.

Together, county nursing homes are a big business. They employ about 10,000 employees (about 290 per facility), most of them full-time, and account for more than $800 million in cumulative annual expenditures (more than $1.8 billion if the six affiliated hospitals are included).

In some smaller counties, the county nursing homes are among the larger employers in the area. Our survey of county nursing home administrators indicates that the average county home employs about 290 staff, down from an average of about 320 in 2007. More than 70% of these employees are full-time (defined by about half the facilities as being 40 hours a week and by about half as either 35 or 37.5 hours per week). *Together, the county-owned nursing homes (including the affiliated hospital components) employ a total of about 10,000 individuals.*

In addition to the direct employment of county staff at the nursing facilities, most of the homes supplement their economic and employment impact by contracting out for various services, thereby expanding the numbers of individuals with at least partial employment impacted by the nursing homes. The nursing home survey attempted to obtain information on the specific number of jobs outsourced or contracted out, but the question was not answered consistently or thoroughly enough to provide reasonable estimates. However, the responses did provide indications of the numbers of facilities which contract out at least portions of certain services and jobs. At least two-thirds of the county homes contract out for at least some of their therapists and physical therapist and occupational therapist aides. Well over half contract out for medical services. About half of the homes outsource at least a portion of their dietary/food services, and more than a third outsource some portion of their laundry services. About five of the homes outsource at least a portion of their maintenance and housekeeping functions.

At the same time as county homes provide substantial employment in their communities, staff reductions in recent years, as well as increased efforts to outsource various functions, attest to efforts by county nursing home administrators to reduce operating costs.

Beyond what is currently being outsourced, about 40% of the homes indicated that they are considering outsourcing other functions, at least in part. The services most often noted as under consideration were laundry and housekeeping, food service workers, billing and maintenance.

The extent to which outsourced services are currently in place and being considered not only reflects additional jobs created at least indirectly by the nursing homes, in addition to the roughly 10,000 direct employees, but also represents the extent to which many nursing home administrators are attempting to find ways to reduce the costs of operating their facilities. The fact that the average number of employees has also been reduced by an estimated 30 employees per facility over the past half dozen years is a further indication of efforts being made to reduce operating costs in many of the county homes.

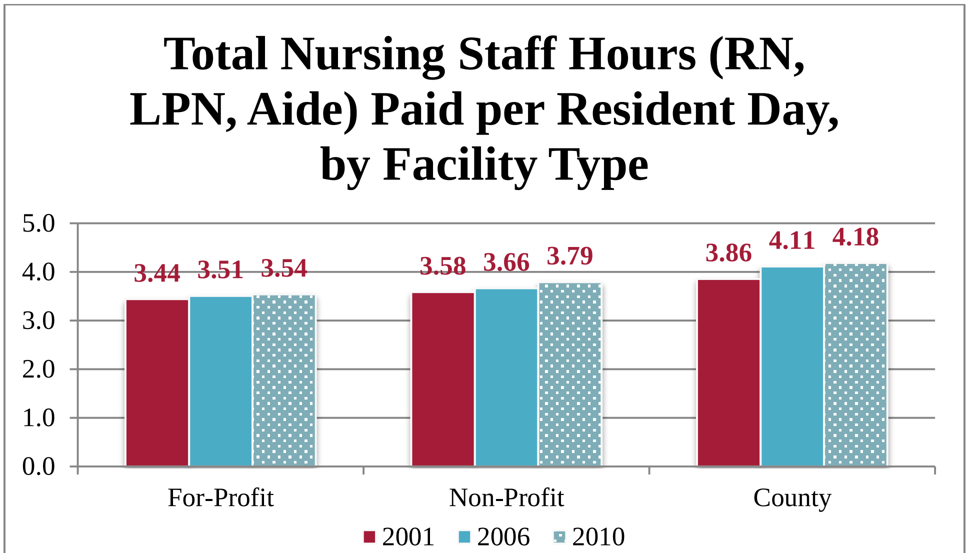
Higher Direct Care Staffing Levels and Stability in County Homes

Many factors contribute to the care and ambiance of the nursing home environment, few if any more critical to the quality of care than the levels and stability of staffing responsible for the direct care of residents on the nursing floors. As shown in Figure 30, county facilities in the past decade have consistently maintained somewhat higher levels of nursing care (RNs, LPNs and aides combined) than have either their for-profit or non-profit competitors.

County homes provide about 40 minutes of additional direct nursing care per resident day than do for-profit providers, and about 23 minutes more than in non-profit homes.

While overall admissions per year have risen steadily in nursing homes over the past decade, especially in for-profits and non-profits, direct care staffing levels have remained relatively stable. For-profit total nursing staff hours (nurses plus aides) per resident per day have increased only from 3.44 to 3.54 during that time, while the typical non-profit home has increased by .21 hour, to 3.79 hours per resident day. Nursing time on the floor in county homes has increased a bit more, by about a third of an hour per resident day over that period. The net effect has been that direct care staff time in county homes, compared to time in for-profit homes, has grown from .42 hour more per resident day in 2001 to .64 hour more in 2010: 18% more staff time in county homes than in for-profits. That translates to almost an extra 40 minutes of direct care time per resident day in county homes than in for-profit facilities. Nursing time in county homes also equates to about 23 minutes more per resident day than in non-profit homes.[29]

Figure 30



Source: NYS DOH Cost Report data organized by LeadingAge New York

One might have expected a higher level of nursing time/staffing in for-profit facilities given their higher average resident acuity, as measured by their significantly higher case mix index score in 2010, compared to the other facility types. Instead, county homes, with the lowest CMI levels, have had the higher staffing levels, perhaps to compensate for the reported higher levels of behavioral needs and issues noted in the previous chapter.

As indicated in Table 3, the differences in staffing levels between the facility types are primarily attributable to the difference in aide coverage, and to a lesser extent LPN staffing. There are essentially no differences across facility types in the amount of RN time on the floor. By contrast, county homes provide 14% more LPN time per resident day than do non-profits, and 22% more aide time. The staffing patterns reflected for 2010 in the table have been consistent over the past decade, except that LPN hours per resident day have increased somewhat across all facility types, and aide time has grown slightly in county and non-profit homes, during which time there was no change in aide coverage in for-profit homes.

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[29] These reflect paid hours; actual hours worked are slightly lower, with the ratio of worked to paid hours virtually identical for all types of nursing homes. Thus the numbers of hours per resident day vary slightly between hours paid and actually worked, but the relationship as discussed in this section is identical whether using paid or worked hours.

Table 3

RN, LPN, Aide Hours Paid Per Resident Day, 2010, by Facility Type

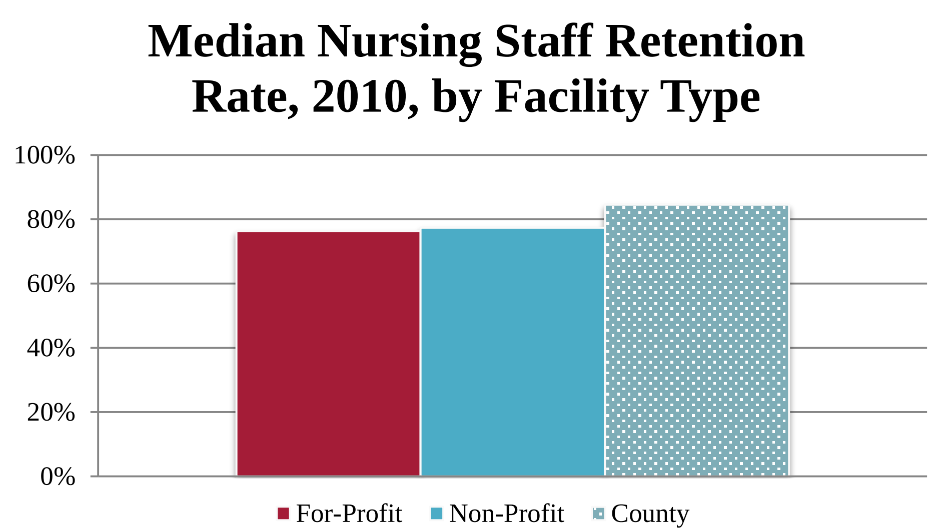
	For-Profit	Non-Profit	County
RN	0.30	0.29	0.31
LPN	0.94	0.99	1.07
Aide	2.29	2.53	2.80
TOTAL	3.54	3.79	4.18

Source: NYS DOH Cost Report data organized by LeadingAge New York

It is worth noting that over the years and across facility types, about two-thirds of the nursing hours devoted to direct care in the nursing homes statewide have consistently been provided by nursing aides. The ratio reflected in the data for 2010 was virtually identical for all facility types in both 2001 and 2006.

In addition to more staff time per resident day in county homes, county homes have also provided a bit more stability in staff coverage over time, with higher staff retention rates during the year, as reflected for 2010 in Figure 31 (85% for county homes versus 76% and 77% for their competitors). Such retention, if sustained year to year, is presumably reflected in a bit more continuity and stability in staffing on the nursing home floor, but also contributes over time to increasing salary and benefit levels that come with cumulative service.

Figure 31



Source: NYS DOH Cost Report data organized by LeadingAge New York

Higher Costs of Other Cost Centers/ Functions in County Homes

Data were not available on comparative staffing patterns across facility types for functions other than direct care nursing staff. As an imperfect proxy for resources devoted to other functions, we provide a brief glimpse of the costs of selected other cost centers representing most of the major non-nursing functions provided in a nursing home. We recognize that the median costs of each cost center per resident day are a reflection of both resources devoted to the function, and also the salaries and benefits related to offering those services, and thus they are not a direct measure of resources alone. But with that caveat, it is worth commenting on a few of the cost center differences as a possible indicator of the differences between facility types in level of services offered.

To begin with, we have already seen in Chapter II that the costs of the nursing cost center are much higher in county homes than in other types of nursing facilities. We know that part of that added cost is due to the additional staffing levels just described above. We also know from other wage and salary data that typical salaries for RNs do not differ substantially between facility types, in either upstate or downstate nursing homes, but that the salary levels for LPNs and aides have been consistently higher in county facilities, both upstate and downstate. This combination of more and better-paid staff in county homes contributes to the dramatically higher median costs per resident day of the nursing cost center, reflected earlier in Figure 2 in Chapter II.

As noted earlier in Chapter II, county home costs per resident day were higher than in for-profit and non-profit homes in nearly all cost centers, in both upstate and downstate facilities. The extent to which those added costs reflect simply higher salaries and benefits, or higher staffing patterns and allocation of resources to improve the quality of services in the homes, cannot be determined definitively from the available data. But those caveats notwithstanding, some differences are worth noting.

- Costs per resident day of both housekeeping and food service are substantially higher in county facilities than in non-county homes in both upstate and downstate facilities. To the extent that these differences are not driven exclusively by salary and benefit differences (data were not available to determine this), the differences could suggest that more staff resources are devoted to these functions in county homes. Whether these translate into improved quality of life and care in the facilities cannot be determined by the available data.

- In less costly services, costs of providing social services, activities and laundry and linen services are also relatively higher per resident day in county nursing homes than in their counterparts, again possibly suggesting that there may be differences in increased staff resources devoted to these services in county homes, depending on unknown salary levels.

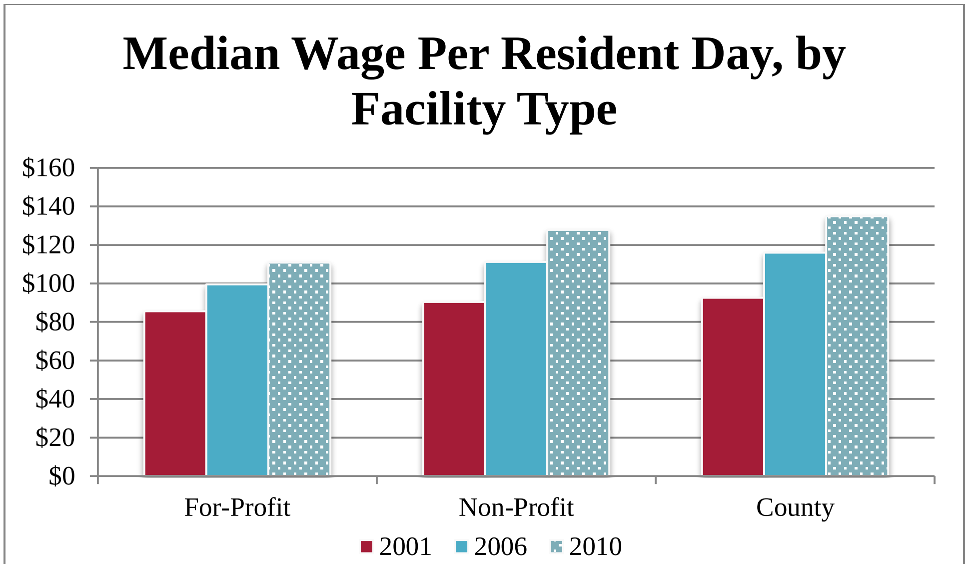
Rising Wages and Benefits in County Homes

Median salary plus benefit levels increased 75% in county homes over the past decade, to almost $75 more per resident day than in the typical for-profit home.

Overall payroll costs of county homes significantly exceed those of their competitors. In 2010, the median cost of salaries plus benefits in a county home was about $52 higher per resident day than in the typical non-profit home—and almost $75 more per resident day than in the median for-profit facility. Median salary plus benefits, unadjusted for inflation, increased 75% in county homes between 2001 and 2010, compared with increases over that time of 49% in non-profit homes and 40% in for-profit facilities.

Wages were a significant contributing factor to these significant differences, as indicated in Figure 32. Wages paid per resident day increased 37% between 2001 and 2010 in all facilities, unadjusted for inflation, with county homes setting the pace with a 46% increase. But even with that level of increase, median wages per resident day in 2010 were only about $7 higher in county homes than they were in non-profit homes (and $24 per day higher than in for-profit homes).

Figure 32



Source: NYS DOH Cost Report data organized by LeadingAge New York

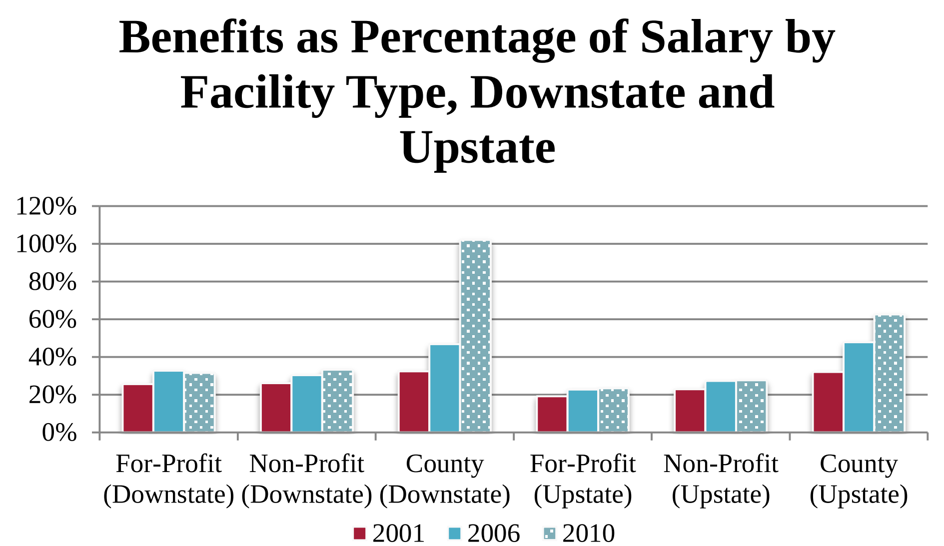
But the real issue is employee benefits, as emphasized earlier. Although average salaries are somewhat higher in county homes, the major contributor to the differential costs between types of facilities is the much

Employee benefit levels have increased 181% in county nursing homes in the past decade. The median county home benefit level is $46 per resident day higher than in typical non-profit homes, and $54 higher than in the typical for-profit facility. Benefits represent 63% of salaries and wages in upstate county facilities and 102% in downstate county homes. They primarily reflect increased payments to cover health insurance and employee pension programs.

higher employee benefits paid by public facilities. See Figure 3 in Chapter II as a reminder of the 181% increase in benefits per resident day between 2001 and 2010 in county homes. Over and above the relatively modest differences in median wages between county and non-county homes reflected in the graph above, employee benefit levels in the typical county home in 2010 were $46 more than in the typical non-profit home, and $54 higher than in the for-profit counterpart.

Another way of reflecting the disproportionate impact of benefits on the overall cost structure of county nursing homes is to demonstrate the cost of employee benefits as a percentage of total salary costs. As indicated in Figure 33, the typical benefits package for all types of homes was typically in the range of roughly 20% to 30% of salaries. That range has not changed significantly since 2001 for either for-profit or non-profit homes, either upstate or downstate. However, since then, county employee benefit rates have exploded—to 63% of salaries in upstate facilities and a remarkable 102% level in downstate facilities (defined as Rockland, Westchester, Nassau and Suffolk counties).

Figure 33



Source: NYS DOH Cost Report data organized by LeadingAge New York

As discussed earlier, these increases in employee benefit costs reflect primarily increases in the costs of health insurance and especially of pension benefits and legacy costs due future retirees. These increases were set in motion by decisions made years ago by state and local policymakers, and the bill has come due.

Concerns about Employees in Decisions about Future of County Homes

With some 10,000 individuals employed by county nursing facilities in 33 counties outside NYC, and increasingly high wages and benefits allocated to them, a number of questions arise concerning their future as counties decide the fate of their nursing homes. Many of those issues were addressed in the surveys we conducted of nursing home administrators and of county government leaders in those counties.

Of most immediate concern is what to do to control those current costs. When asked the major challenges facing their nursing home, half of the administrators said the employee benefit costs and expressed frustration at the rapid increases in those benefit levels over the past three to five years. About a third of the administrators expressed concerns about the ability to continue to recruit and retain qualified employees. While making it a point to laud the quality of care and staff in their homes, most indicated they wish that they had more control over benefit and salary levels and raises, and that they could reduce or better control the amount of paid staff time off.

County nursing home administrators and county officials are seeking to control employee-related costs if the county continues to own the facility, and also to build in protections for current employees as much as possible if the home is sold.

Asked what changes they would like to see if their nursing homes were to continue to be owned by their counties, county government leaders addressed similar issues: 56% said there would be a need to reduce salaries and benefits, 40% said paid time-off days would need to be reduced, and about half said certain functions would need to be outsourced.

Asked their top concerns if their home were to be sold, 56% of the nursing home administrators specified the quality of care and staff levels in the future, and almost 40% expressed concern over the future of existing staff. Just over half of the county leaders listed the impact on current employees among their top concerns if the home were to be sold.

Should their nursing home be sold, nursing home administrators mentioned a number of things they hoped their county officials would do to protect the interests of existing staff, including negotiating continuation of employment for all who are interested; including provisions protecting staff in any sale agreement; providing other positions within county government as options for staff, to the extent possible; offering early retirement and severance/buyout options; and providing outplacement and training services for current employees. When asked directly, 92% of the county leaders said they should ensure that employment would be maintained as much as possible under the new owner; and about 20% indicated that salary and benefit levels should be maintained at least in the short term post-sale.