

Pennsylvania's Strained Nursing Homes



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A recent Wall Street Journal analysis of nursing home data from the Centers for Medicare and Medicaid Services (CMS) found that U.S. nursing home capacity has contracted since 2019.¹ Data show that Pennsylvania recorded a similar contraction in nursing home facilities (-3.3%) and certified beds (-2.8%).² The number of beds per 1,000 Pennsylvanians age 75 or older declined from 85.9 in 2019 to 76.6 in 2023 (-10.8%). As capacity contracted, nursing home and residential care facility staff declined as well. In 2019, the industry had a payroll workforce of nearly 216,000.³ By 2023, preliminary data suggest that figure will decline to 186,300 (-13.7%).

Nursing Home Capacity Contracts			
	2019	2023	Growth
Facilities¹			
PA	695	672	-3.3%
U.S.	15,471	14,993	-3.1%
Certified Beds (000s)¹			
PA	87.9	85.5	-2.8%
U.S.	1,643.6	1,598.0	-2.8%
Beds/1,000 (age 75+)			
PA	85.9	76.6	-10.8%
U.S.	72.8	60.6	-16.8%
Employees (000s)²			
PA	216.0	186.3	-13.7%
U.S.	3,548.4	3,241.7	-8.6%
Employees/1,000 (age 75+)			
PA	210.9	167.0	-20.8%
U.S.	157.2	122.9	-21.9%

1 The 2023 data is as of July 2023.
 2 Employees for NAICS 623000 nursing and residential care facilities.
 Source: Centers for Medicare and Medicaid Services, U.S. Census Bureau and U.S. Bureau of Labor Statistics, September 2023. Calculations by the IFO.

Although the number of individuals receiving care in a community setting (community-based waiver services) has increased 13% since 2019, demand for institution-based care continues to outpace supply. Based on a recent industry survey, the average number of state residents on a nursing home facility waitlist is three.⁴ Applying that figure to the 672 certified facilities in Pennsylvania would imply that roughly 2,000 residents are waiting for an available slot at a long-term care facility on any given day.⁵ If a certified bed is not available, then prospective residents may need to remain at a hospital, which can create a backlog of individuals waiting for post-acute care placement.

The Budget Adjustment Factor (BAF) is a key metric that can be used to assess the potential cost implications of industry contraction and waitlists. The BAF is the nursing home reimbursement rate calculated by the Pennsylvania Department of Human Services based on a methodology defined by statute. In July 2023, the BAF was \$282 per day based on individual nursing home rates for private and county facilities.⁶ To determine a comparable hospital rate, data from the 2022 Hospital Report were used to calculate an average daily rate

¹ The Wall Street Journal, [The Upheaval at America's Disappearing Nursing Homes, in Charts - WSJ](#).

² CMS Active Nursing Home Data, [Provider Information | Provider Data Catalog \(cms.gov\)](#).

³ Excludes self-employed and independent contractors. Source: U.S. Bureau of Labor Statistics.

⁴ Pennsylvania Health Care Association, Survey: 2023 State of Pennsylvania Nursing Facilities, February 2023.

⁵ The waitlist is an upper bound estimate, as the same patient could potentially be on more than one waitlist.

⁶ Pennsylvania Department of Human Services, 2023-2024 Quarterly BAF Rates.

of \$2,838 for private and semi-private room rates.⁷ (Daily hospital room rates do not include surgery, lab tests or doctor fees. However, additional medical costs are likely minimal for patients who are healthy enough to be discharged from a hospital.) Based on those rates, it costs roughly ten times more to keep a patient in a hospital than discharge to a long-term care facility. Due to this large differential, even short delays in transfers from hospitals to long-term care facilities can result in significantly higher costs. For example, if there are 670 unique residents on a waitlist for transfer to a long-term care facility (one-third of the estimate from prior page), then the total implied extra

Age Cohort	Number of Residents (000s)			Total Growth	
	2019	2023	2027	2019-23	2023-27
0-19	3,061	2,951	2,896	-3.6%	-1.9%
20-64	7,541	7,418	7,268	-1.6	-2.0
65-74	1,360	1,496	1,565	10.0	4.6
75+	<u>1,024</u>	<u>1,116</u>	<u>1,268</u>	<u>9.0</u>	<u>13.6</u>
Total	12,987	12,981	12,998	0.0	0.1

Source: U.S. Census Bureau. The 2027 data are projections by the IFO using data from the Census Bureau and U.S. CDC. Calculations by the IFO.

expense would be \$625 million per annum.⁸ It should be noted that this figure is not an actual amount collected or spent, and patient payments can vary significantly across facilities and by type of payor (e.g., Medicare, Medicaid, private insurance).

Several factors could create more stress on long-term care capacity and further exacerbate hospital discharge delays. These include:

- Pennsylvania’s older adult population continues to expand at a much faster rate than other age cohorts. From 2019 to 2023, the age 75+ cohort expanded by 9.0% and is projected to increase 13.6% from 2023 to 2027. (See table.) The increase in the age 75+ cohort implies strong demand for health care and long-term care services.
- New Pennsylvania regulations at long-term care facilities took effect July 2023. Facilities are now required to provide residents with at least 2.87 hours of direct care per day (up from 2.7 hours). The minimum will increase again to 3.2 hours on July 1, 2024.
- In September 2023, CMS proposed three new staffing requirements for long-term care facilities: (1) minimum nurse staffing standards of 0.55 hours per resident day (HPRD) for registered nurses (RNs) and 2.45 HPRD for nurse aides (NAs); (2) a requirement to have an RN onsite 24 hours a day, seven days a week; and (3) enhanced facility assessment requirements.⁹ Currently, these proposals are in a standard 60-day comment period.

Staff Acknowledgments

This report was produced by Frank Lill. Questions regarding this report can be directed to flill@ifo.state.pa.us.

⁷ Pennsylvania Department of Health, 2022 Hospital Report.

⁸ The \$625 million figure is an estimate based on the difference between the average daily hospital rate (\$2,838) and the average daily nursing home rate (\$282).

⁹ CMS, Medicare and Medicaid Programs: Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting.