Nursing home hospitalizations often driven by payer status

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The decision by nursing homes whether or not to treat an ill resident on-site or send them to a hospital are often linked to that person's insurance status. A new study out this month shows that on average individuals enrolled in Medicaid are 27 percent more likely to be sent to the hospital than individuals with private insurance – decisions that often result in higher costs of care and poor health outcomes.

"Nursing homes have an incentive to hospitalize some residents more often than others," said Helena Temkin-Greener, Ph.D., M.P.H., senior author of the study and associate professor of Community and Preventive Medicine at the University of Rochester Medical Center. "This study provides strong evidence that these financial incentives may motivate consideration of payer source in the decision whether or not to hospitalize an individual."

While it has long been observed that Medicaid nursing home residents have higher hospitalization rates, it had been assumed this is because these residents are more likely to congregate in facilities with fewer resources to provide onsite care. A new study published in the journal *Medical Care Research and Review* for the first time looks at hospitalization rates within individual nursing homes to see if patients with Medicaid are treated differently from those with private insurance.

"Nursing homes, in many instances, have discretion in whether to keep a patient in the facility and expend additional care resources, or transfer the resident to the hospital," said Shubing Cai, Ph.D., lead author of the

study and investigator at Brown University. "While we know that nursing homes tend to provide similar quality of care to all residents, hospitalization decisions are often different from the decisions involved in the provision of daily care and have a significant impact on the long-term health of residents."

Medicaid – the joint federal and state health insurance program – pays for nursing home care for elderly individuals who meet the program's assets and income requirements. Eligibility varies from state to state but generally requires that the value of a person's income and assets be below a percentage of the federal poverty guidelines. While Medicaid and private insurance pay for nursing home-related care, costs associated with hospitalization are covered by Medicare – the federal health insurance program for the elderly.

Because Medicaid often reimburses nursing homes at a rate lower than private pay insurance – and often below the cost necessary to provide the onsite intensive care – nursing homes have a strong financial incentive to send sick Medicaid patients to the hospital where the cost will be absorbed by Medicare and the hospital. This decision is further complicated in states with "bed-hold" policies which continue to pay the nursing home for Medicaid residents while they are hospitalized. In New York State to qualify for these payments nursing homes need to meet an occupancy threshold. Nursing homes are not eligible to receive bed-hold payment for patients with private insurance or those paying out-of-pocket.

Bed-hold policies were created to help preserve continuity of care for patients by ensuring that there would be a bed in the same nursing home waiting for them when they returned from the hospital. While well-meaning, these policies have created further incentive to send residents to the hospital for care and, because these costs are born by Medicare and not Medicaid, states have little financial incentive to change these

policies. States with bed-hold policies include, among others California, Ohio, and, until very recently, New York.

As it is often more expensive to care for an individual in a hospital setting, these decisions ultimately drive higher federal health care spending. These expenditures can be even more pronounced when the patient could have been adequately cared for in the nursing home in the first place. It has been estimated that approximately half of all hospitalizations of nursing home residents are unnecessary or avoidable. In 2004, Medicare paid $188 million for potentially avoidable hospitalizations among long-stay nursing home residents in New York State alone.

Hospitalization of elderly patients is also associated with poor outcomes leading to further physical and psychological decline. Patients are exposed and more vulnerable to infections in a hospital setting, experience a disruption in care, and have been shown to decline in functional status and become confused.

The study followed 67,256 nursing home residents in 545 for-profit and not-for-profit facilities in New York State – representing 83 percent of the state's entire nursing home population. Hospitalization rates were highest in for-profit nursing home where Medicaid residents where 34 percent more likely to be hospitalized than private-pay residents within the same home if it qualified for bed-hold payment. Medicaid residents were 17 percent more likely to be hospitalized than private-pay residents in a not-for-profit home if the home qualified for bed-hold payment and 25 percent more likely to be hospitalized if the home did not qualify.

The authors point to efforts to provide nursing home residents more access to the care they need while staying in their residence. Private companies, such as Evercare, that provide outside, on-demand care directly to nursing homes have been associated with fewer

hospitalizations. Additionally, a pay-for-performance project has been launched by the Centers for Medicare and Medicaid Services which provides payments to nursing homes based on quality measures, including hospitalization rates. Ultimately, the authors contend that the two federal programs need to devise a coordinated response.

"To reduce hospitalizations of Medicaid residents and improve both quality of care and costs, policy-makers will need to align Medicaid and Medicare's incentives," said Cai.

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