

Patients in nursing homes after hospitalization found to have better outcomes at specialized facilities

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People who temporarily stay at a nursing home for short-term, post-acute care—rehabilitation and recovery after a hospitalization—may be

better off at facilities that specialize in this service. They have lower rates of death and hospital readmissions than people who get post-acute care in less-specialized nursing homes.

The better outcomes, however, come with a tradeoff of longer nursing home stays and higher spending by Medicare, according to a new study by LDI Associate Fellow Zachary S. Templeton and LDI Executive Director Rachel M. Werner. The study, "[The Health Effects of Nursing Home Specialization in Post-Acute Care](#)," was published in the *Journal of Health Economics*.

These outcome differences matter for health equity. The researchers previously showed that post-acute care is increasingly delivered in for-profit [nursing homes](#) that are part of a chain. These facilities serve fewer patients who are Black, Hispanic, and dually enrolled in Medicare and Medicaid, creating the potential for exacerbating disparities in access to effective post-acute care.

Specialization improves outcomes but at a cost

In general, nursing homes care for two types of people. Some are short-term patients who need post-acute care after hospitalization for surgery, illness, or injury. They receive skilled nursing services such as wound care or physical therapy before returning home. Other patients are long-term residents of the nursing home who receive less intensive care involving help with daily activities.

Medicare mainly pays for short-term care and Medicaid pays, at a lower rate, for long-term care. Some nursing homes admit more short-term, post-hospitalization patients—and receive higher payments for them—so Templeton, Werner, and co-authors asked how post-acute care [specialization](#) affects [patient outcomes](#) and costs.

They used Medicare data on more than 12 million nursing home admissions from 2011 to 2018 to investigate [hospital readmissions](#) and deaths within 30 days of hospital discharge, and Medicare costs. Nursing homes mainly financed by Medicare were considered to specialize in post-acute care. Those mainly financed by Medicaid were considered less specialized.

Relative to patients at less-specialized facilities, patients at nursing homes specializing in post-acute care had 7% lower rates of death and 2% lower rates of hospital readmission. Patient stays in specialized nursing homes were 10% longer, though, by about three days. Their stays cost Medicare \$1,200 more, for all payments within 90 days after hospital discharge, than patients in less-specialized facilities.

Supporting the results, the authors found that as individual nursing homes changed their level of specialization over time, patient outcomes and costs corresponded, with length of stay and costs rising and mortality and readmission declining as specialization increased.

An additional intriguing point: Specialized nursing homes owned by or near hospitals had smaller increases in length of stay and spending, possibly because a reliable demand for post-acute services changed incentives for longer patient stays.

Templeton and colleagues used methods that removed possible biases, for example, that people who go to specialized nursing homes might have better overall health. The methods support the conclusion that better outcomes result from specialization.

A larger conversation about nursing home specialization

The results highlight the complex balance that nursing homes and policymakers must consider when determining the mix of post-acute and residential services that facilities should provide.

The considerations are largely financial: Medicare payments for post-acute patients create higher profit margins for nursing homes than Medicaid payments for long-term patients, which do not fully cover costs and can put facilities in a financial hole. Templeton and colleagues demonstrate how these considerations have health consequences for patients and an [economic impact](#) on Medicare.

The study adds to broader discussions about specialization. The conflicting financial incentives created by the current payment structure and the results about better patient outcomes support the proposal that patients would be best served in separate facilities that specialize in the care they need, either post-acute or residential. That would require adequately funding long-term care.

Remaining questions

The impact of post-acute care specialization on a nursing home's long-term residents is unknown. Higher Medicare payments for short-term patients may give specialized facilities financial resources that positively spill over to residential patients. The effects could be negative, however, if post-acute specialization results in less expertise in long-term care.

Another area for future research is identifying how specialized nursing homes provide care that leads to better post-acute outcomes. Knowing the mechanisms could suggest quality improvements for less-specialized nursing homes.

More information: Zachary S. Templeton et al, The health effects of nursing home specialization in post-acute care, *Journal of Health*

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