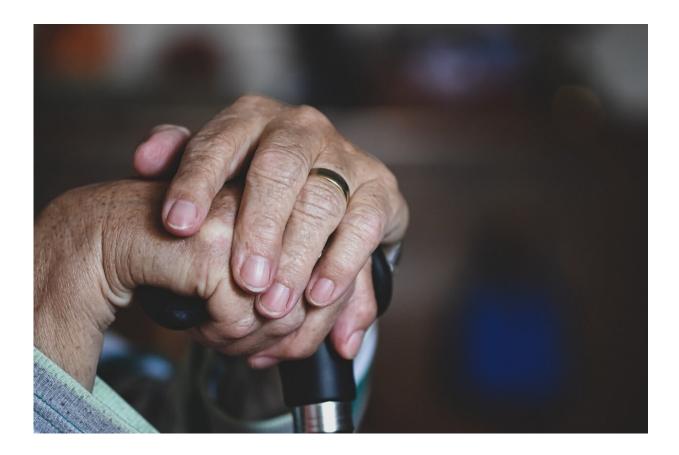# Data shows nursing home closure often linked to care issues

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When 17 nursing homes closed in Ohio in fiscal 2023, the Ohio Health Care Association, which represents nursing homes in the state, echoed a refrain often used by the industry to explain closures and get more

funding from the state: Medicaid reimbursement rates are too low and it is too hard to find staff.

It's the same argument that the industry has made on a national scale for decades, but particularly since the COVID-19 pandemic, which saw thousands of residents die while facilities faced increased labor and supply costs.

While staffing and reimbursement issues have certainly contributed to closures in some cases, especially for smaller, rural facilities, experts say the debate often omits some important facts and nuance: specifically, that many facilities that close are poor quality, have high staff turnover and are located in areas where multiple other homes and alternatives exist, making it difficult to fill empty beds. Others turn into assisted living facilities, which are more loosely regulated. A handful were kicked off of the Medicare program for low quality.

"I think that's one of the most powerful arguments that the industry has used to scare policymakers and senators and other decision-makers, and it's really disconnected if you think about it," said Sam Brooks, director of public policy for the National Consumer Voice for Quality Long-Term Care. "When you actually look at the data, and you look at the homes closing, it's really because they're just bad homes providing bad care, and they can't fill their beds so they're just closing down."

Yet, the industry continues to demand more funding from taxpayers. They've also used the closures to try to fend off a controversial Biden administration rule that would mandate minimum staffing levels in nursing homes, a standard that currently does not exist.

"We believe that if the Biden staffing mandate is finalized, that it will accelerate the closures of buildings," said Mark Parkinson, president and CEO of the American Health Care Association, which represents the

interests of the nation's nursing homes.

"Very good nursing homes are closing because they can't find workers and the reimbursement isn't enough. And for people to just be out there making these subjective statements that it's just poor buildings that are closing, it's just not accurate. It leads policymakers to potentially make poor decisions, and it has real impacts on people's lives," Parkinson said.

A changing industry

There are about 15,000 nursing homes in the U.S., and dozens close every year. While experts believe there was likely an uptick in closures during the pandemic, experts think COVID-19 aid to the industry likely prevented more facilities from closing.

Nursing homes have long struggled to recruit and retain staff, largely because of low pay, and understaffing generally leads to poorer health outcomes. The industry has blamed low staffing on Medicaid rates, which are set by states.

And when nursing homes close, that is also blamed on reimbursement rates and workforce shortages.

But the truth is more complicated, experts say.

"In general, the lowest-quality care facilities are the ones that end up closing because they just have lower census," meaning fewer residents. In those cases, facilities bring in less money, said Robert Applebaum, who studies nursing home closures and quality as part of his role as director of the Ohio Long-Term Care Research Project.

Once a nursing home has a low census or not enough staffing, it can become a spiral that can be difficult to get out of, he said.

"It is a bit of a chicken and egg problem," he said. "Some are low quality and that reduces the census and revenue, and the spiral continues. Some experience census problems, and that results in lower revenue and cuts to staffing."

The explosion of assisted living facilities and services that allow people to receive care in their home has also driven down the demand for nursing home beds, Applebaum said.

"It's primarily a natural evolution of a changing industry," he said.

There are still nearly 1,000 nursing homes in Ohio. The state's facilities that shuttered in fiscal 2023 had an average occupancy rate of 60 percent, a rate that would make it nearly impossible to be profitable. Four of the 17 closed Ohio facilities were in the federal government's special focus program or candidates for the program, which puts poor-performing facilities under extra scrutiny.

Seven had health inspection ratings of one star—the lowest possible rating, which takes into account surveys in a three-year period.

While Medicaid rates do likely play a role, particularly for rural and independently owned facilities, it is unclear how much. It's infamously opaque how nursing homes spend Medicaid funds. Experts say facilities cut staffing to the bone to increase profits or channel funding into related-party transactions.

In Texas, nursing homes received increased payments during the pandemic, but that didn't lead to improvements in quality, said Andrea Earl, associate state director of advocacy and outreach for AARP Texas.

"If we don't know where the dollars went and there's no accountability, it is really hard for us to say the reason for Texas closures is that they

didn't get enough reimbursement or money here," Earl said.

Nationwide trends

In fiscal 2023, 188 nursing homes, also known as skilled nursing facilities, closed in the U.S., according to a CQ Roll Call analysis of government data.

Overall, facilities that closed were more likely to have had severe inspection violations, had racked up fines for providing poor care, were rated poorly by state and federal governments and were on lists for extra monitoring.

Some were facing wrongful death lawsuits or had stopped paying their bills.

While some 40 percent of those closed facilities were four or five star facilities, 31 percent of closed facilities were one star or part of the special focus facility program, compared with 23 percent of facilities overall.

The star rating system, created by the Centers for Medicare and Medicaid Services, is intended to help consumers identify poor and high-quality nursing homes; facilities with five stars are considered to be of the highest quality. But the rating system has faced scrutiny. Experts say it is easy for facilities to game the system to get higher ratings.

The sector also is graded on a curve, meaning the lowest 20 percent of nursing homes in a state are considered one star, middle-performing facilities receive three stars and the highest performing facilities in a state receive five stars.

Other metrics that nursing homes are graded on can be more useful to

look at, experts say, like results of health inspections, which are unannounced.

Half of the facilities that closed in fiscal 2023 had received code J or higher deficiencies—which indicate serious immediate jeopardy to resident health and safety—compared with 11 percent of facilities overall, according to government data.

Ten percent of facilities that closed in fiscal 2023 had been cited for abuse, compared with 6 percent of facilities overall, while 13 percent of closed facilities were participants in or candidates for the special focus program, compared with 3.5 percent of facilities overall.

One of the most powerful tools CMS has to enforce nursing home regulations is Medicare payment denials. That tool is typically used as a last resort when facilities have otherwise failed to fix deficiencies.

Twenty-two percent of facilities that closed in fiscal 2023 had received at least one payment denial, compared with 13 percent overall.

Kelly Hughes, a research economist at RTI International, said despite the narrative that more nursing homes are closing, "the situation is not as dire as you'd think if you look at the data."

The data shows there have been no persistent increases in closure rates from 2011 through 2019, although there were increases in 2018 and 2019, Hughes said.

"We're having less closures than we did a decade ago," she said.

The number of new facilities that open every year typically offsets the closures, Hughes said, though the impacts of the pandemic on closures are still unclear.

"The goal is not to have zero closures. There's always going to be supply and demand. There's going to be some facilities going out of business for reasons like poor quality or oversupply, and there's also a lot of facilities entering [the market]," Hughes said.

More problematic, said David Grabowski, professor of health care policy at Harvard Medical School, is "when it's a high-quality facility in a more rural area without any other options."

Of the 188 nursing homes that closed in fiscal 2023, about 47 percent were in counties defined as rural by the Federal Office of Rural Health Policy.

Efforts to shore up nursing homes should be targeted at those that need it, especially in rural communities, Grabowski said.

"When it's a closure in a more densely populated area of a lower-quality facility, that is actually good for the health of the residents," he said.

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