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SPECIAL REPORT

Nursing Home Industry is Heavily Taxpayer-Subsidized

It is well-known that Government health care programs, Medicare and Medicaid, are the primary payers for nursing home care. The two federal programs paid facilities tens of billions of dollars for providing care to residents[1] and were the primary payer for nearly 80% of residents.[2] Far less known is that, in addition to receiving these direct payments, the nursing home industry also benefits from the extensive subsidies, through income-related public benefit programs – Medicaid, food assistance, housing assistance, heating assistance, cash payments, tax credits, and more – that help support its underpaid staff. The Government subsidizes the nursing home industry by billions of dollars each year by providing needs-based public benefits and earned income tax credits to its many low-wage nursing home workers.

Public Benefit Programs that Low-Wage Nursing Home Workers Are Eligible for and Use

PHI (formerly Paraprofessional Healthcare Institute) reports that 42% of direct care workers (including nursing assistants in nursing homes as well as home care workers and residential care aides) "require some form of public assistance due to low earnings and high rates of poverty."[3] Although PHI reports that nursing assistants in nursing facilities are the highest paid direct care workers – earning $13.38 per hour in 2018, with an annual salary of $22,200 in 2017,[4] according to the federal Bureau of Labor Statistics – PHI finds that 36% of nursing assistants nevertheless rely on public assistance – Medicaid, food and nutrition assistance, and cash assistance.[5]

Within the direct care workforce, racial and gender disparities in income exist. Men earn more than women and women of color earn the least. PHI reports:

> In nursing homes, median wages are higher for all men ($13.00 per hour) than for white women ($12.50) or women of color ($12.30). Across the board, women of color in the direct care workforce are also more likely to live in poverty or low-income households and to require public assistance than white women or men.[6]

In 2018, nursing facilities employed 581,140 nursing assistants (a decline from the 599,350 nursing assistants employed in 2008).[7]

LeadingAge, the trade association of not-for-profit health and social services providers, including nursing facilities, reports the poverty status of nearly 10% of low-paid aides in care facilities (including nursing facilities)[8] and workers' even higher rates of reliance on public programs or tax credits, or both, in 2018 than reported by PHI: 51.0%.[9]

Other workers employed by nursing facilities earn less than nursing assistants. Marcum's *Five Year Nursing Home Statistical Analysis (2015 to 2019)*,[10] reviewing Medicare cost reports for the five-year period, reports

- Dietary staff earned an average hourly wage of $13.88 (with a high of $16.75 in the Rocky Mountain states and a low of $12.10 in the Southwest).

- Laundry staff earned an average hourly wage of $11.92 (with a high of $14.13 in the Northeast and a low of $9.83 in the Southwest).

- Housekeeping staff earned an average hourly wage of $12.16 (with a high of $14.43 in the Northeast and Pacific and a low of $10.57 in the Southwest).

The federal Bureau of Labor Statistics (Department of Labor) identifies various categories of workers in nursing facilities and their average hourly and annual wages:

Category of Worker	Number of Workers	Hourly Wage	Annual Wage	Year of Report
Housekeeping	68,850	$12.65	$26,310	2020[11]
Food preparation	17,610	$12.24	$25,450	2020[12]
Cooks	46,850	$14.07	$29,270	2020[13]
Recreation	36,650	$14,83	$30,840	2020[14]
Laundry	22,140	$10.94	$22,750	2016[15]
Food servers	54,120	$12.90	$26,820	2020[16]

What Do These Numbers Mean?

Nursing facilities employed at least 1,610,650 people in 2018.[17] It appears that at least half of them are low-wage workers. The 581,140 nursing assistants and six categories of workers (246,220 workers) identified above from the Bureau of Labor Statistics data equal 827,360 workers. A conservative estimate would be that 830,000 low-wage workers work in nursing homes, although there may be far more.

According to PHI, between 36% and 42% of direct-care workers rely on public benefit programs for themselves and their families. Of the 42% direct care workers using public benefits, 26% receive Medicaid and 24% receive food and nutrition assistance.[18] LeadingAge reports that 51% of certified nurse aides in nursing homes and other residential care settings rely on public benefit programs or tax credits.

Assumptions

Let's assume, conservatively, that 26% of 830,000 low-paid nursing home workers (nursing assistants and others) receive Medicaid. That number would be 215,800 people.

- **Medicaid**: In 2016, Medicaid paid an average of $3,555 per child up to age 19 and $5,159 per adult between the ages of 20 and 64.[19] Let's next assume that a low-paid nursing home worker receives Medicaid for herself and two children; the total per family is a Medicaid cost of $12,269 (two times $3,555 + $5,159).

  The result ($12,269 times 215,800 workers) is $2,646,650,200 – more than two and a half billion dollars just for Medicaid for 215,800 low-paid nursing home workers and their families.

- **Food assistance**: the Supplemental Nutrition Assistance Program (SNAP) gave each household an average of $246 per month in fiscal year 2020.[20] For a family of three, the benefit is $2,952 per year.

  For 199,200 nursing home workers receiving SNAP benefits (24% of 830,000 low-wage workers), the result ($2,952 times 199,200 workers) is $588,038,400.

- **Earned Income Tax Credit**: Working families with children and annual incomes below $41,000 to $56,000 are eligible for the federal earned income tax credit (EITC) (with the amount determined by income, marital status, and number of children); childless workers receive considerably lower tax credits.[21] For 2019, for a family with a married couple and two children and total earnings of $20,000,

the EITC was $5,828.[22] In the tax year 2019, more than 25 million tax filers applied for the federal EITC and received almost $63 billion; the average earned income tax credit for the 2019 year was $2,476.[23]

For 215,800 nursing home workers receiving the EITC, the result ($2,476 times 215,800 workers) is $534,320,800 – more than half a billion dollars. Low-paid nursing home workers likely received more than the average EITC of $2,476.

All of these numbers and estimates are extremely conservative – they are unlikely to count all low-paid workers in nursing homes and the proportion of low-paid workers who rely on public benefits (PHI reports that the lowest paid workers rely the most on public benefits) and they do not account for all the types of public benefits and tax credits that low-wage workers qualify for and receive.

If we assume, a little less conservatively, that a higher proportion of low-wage workers (dietary and housekeeping staff) use public benefits (since PHI finds a higher proportion of lower-paid direct care workers than certified nurse assistants in nursing homes use public benefits and LeadingAge estimates that more than 50% of low-paid workers use benefits), the subsidy to the nursing home industry may be far higher.

Let's assume that 35% of 830,000 low-paid nursing home workers (290,500 workers) use Medicaid. The result ($12,269 times 290,500 workers) is $3,564,144,500 – more than three and a half billion dollars. For SNAP benefits, the result ($2,952 times 290,500 workers) is $857,556,000 – nearly a billion dollars. For earned income tax credit, the result ($2,476 times 290,500 workers) is $719,278,000 – nearly three-quarters of a billion dollars. (Note, again, that nursing home workers are likely to receive more than the average EITC of $2,476.)

Regardless of the assumptions used, however, there can be no question that the United States is subsidizing the nursing home industry with billions of dollars per year by supplementing the low wages paid to workers through needs-based public benefit programs and tax credits.

Discussion

PHI's analysis of low-wage workers' reliance on public benefit programs is similar to analyses by the Government Accountability Office (GAO), which has described public subsidies for low-wage workers. In 2017, the GAO reported that 22-25% of health care workers are low-wage workers[24] and that in 2016, 29% of families with workers earning the federal minimum wage used Medicaid, 31% of workers earning above the federal minimum wage to $12 an hour used Medicaid, and 21% of workers earning $12.01-16 an hour used Medicaid.[25] An October 2020 GAO report reiterated the findings about low-wage workers, who work primarily for private sector employers, and reported that 12 million workers nationwide rely on Medicaid and nine million workers rely on federal food assistance.[26]

PHI's analysis is also similar to the Keystone Research Center's 2015 report about Pennsylvania nursing facilities, which found that low-wage nurse aides and dietary workers rely on public benefits to support their families.[27] Based on information released in 2011 by the Department of Human Services about Medicaid enrollees, the Keystone Research Center estimated that 5,000 workers relied on Medicaid,[28] even as workers surveyed in 2015 reported that food stamps and food banks were the major public benefits they used.[29] The report described a single worker whose child-care subsidy and health insurance totaled $20,472 annually.[30]

Even during the pandemic, the nursing home industry has done well financially. An analysis by David E. Kingsley and Charlene Harrington, "COVID-19 had little financial impact on publicly traded nursing home companies,"[31] documents that nine of 11 publicly traded companies that it reviewed "reported higher net incomes in 2020 compared to 2019." They found "the cash-related metrics reported by publicly listed companies including the REITS, except for three companies, improved in 2020 in relation to 2019."

The Medicare Payment Advisory Commission (MedPAC) reported in March 2021, as it has reported annually for more than two decades, that skilled nursing facilities' margins under Medicare exceed 10%.[32] MedPAC issued the unanimous recommendation of its members that CMS "eliminate the update to the 2021 Medicare base payment rates for skilled nursing facilities."[33]

In May 2021, the trade press *Skilled Nursing News* reported the "'voracious appetite' for skilled nursing facilities" among private company buyers[34] and found that prices per bed rose nearly 22% from 2020 to the first quarter of 2021, "reaching the second-highest price point for the sector ever recorded."[35] The average price per bed is now $90,700. *Skilled Nursing News* attributes facilities' financial performance during the COVID-19 pandemic to the $100 billion given to facilities under the CARES Act and the $4.9 billion from the Department of Health and Human Services.[36]

And on June 15, 2021, in an article entitled "Pandemic Offers Opportunity for Private Investors in Skilled Nursing," *Skilled Nursing News* reports that Laca Wong-Hammond, managing director of mergers and acquisitions at Lument Corporation in New York, explained investors' interest in long-term care: "'If we take a step back and really assess why this sector is so attractive to private equity, the answer is simply in my mind an opportunity for returns.'"[37]

There is some reason for hope that salaries and benefits for low-wage workers will be increased. In the Fall 2020, LeadingAge issued a report, *Making Care Work Pay: How Paying at Least a Living Wage to Direct Care Workers Could Benefit Care Recipients, Workers, and Communities*,[38] that calls for paying direct care workers "at least a living wage." Improving wages as the report proposes would give raises to more than three-quarters of direct care workers in residential care settings, including nursing homes, and in home health.

Using economic simulations, the LeadingAge report finds that raising wages of direct care workers would reduce staff shortages, reduce staff turnover, improve health care quality, improve worker productivity, improve the financial security of direct care workers, **reduce workers' reliance on needs-based public benefit programs**, and improve state and local economies.

The LeadingAge report finds that "The emerging literature suggests that cost savings flowing from improvements in care quality may, alone, be enough to pay for wage increases."[39] In other words, **raising direct care workers' wages could pay for itself, just by improving care for residents. No increase in Medicare and Medicaid payments to facilities would be needed to pay for increasing wages for all nursing home workers to a living wage.**

Some low-paid workers' wages are now increasing across the country. *Skilled Nursing News* reports that "Nursing home operators across multiple states have raised wages for certified nursing assistants and licensed practical nurses, thanks to a combination of union actions, post-pandemic market dynamics and public policy shifts."[40] In April 2021, Avamere, Oregon's largest nursing home chain, with 33 skilled nursing facilities in four states, signed a new contract with Service Employees International Union. The contract starts certified nurse aides' wages at $18 per hour. Since the Avamere contract, other nursing home chains in Oregon have raised wages for workers. In May 2021, Connecticut's iCare Health Network agreed to a $20 per hour minimum wage for certified nurse aides.[41] A county-owned nursing home in New York State raised its aides' salaries from $13.98 per hour to $20 to $23 an hour.[42]

The increase in low-paid nursing home workers getting increased salaries is part of a national pattern, as workers across the country are demanding higher-than-minimum-wage salaries.[43]

Conclusion

Change is beginning to happen in wages for low-wage workers, but until all nursing home workers' wages are raised to (at least) living wages and until all workers receive health benefits and paid time off,[44] the Government

will continue to subsidize nursing homes by billions of dollars by providing needs-based public benefits and earned income tax credits to the nursing home industry's low-paid workers. The nursing home industry is a heavily taxpayer-subsidized industry.

The Center for Medicare Advocacy (the Center) is a national, non-profit, law organization that works to advance access to comprehensive Medicare coverage, health equity, and quality health care for older people and people with disabilities. Founded in 1986, the Center focuses on the needs of people with longer-term and chronic conditions. The organization's work includes legal assistance, advocacy, education, analysis, policy initiatives, and litigation of importance to Medicare beneficiaries nationwide. Our systemic advocacy is based on the experiences of the real people who contact the Center every day. Headquartered in Connecticut and Washington, DC, the Center also has attorneys in CA, MA, and NJ.

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[1] The Georgetown University Long-Term Care Financing Project reported that in 2005, Medicare covered 20.4% of national spending for long term care ($42.2 billion) and Medicaid, 48.9% ($101.1 billion), 69.5% of a total of $206.6 billion spending on long-term care. Judith Feder, Harriet L. Komisar, Robert B. Friedland, *Long-Term Care Financing: Policy Options for the Future*, p. 5, Figure 1 (Jun. 2007), reached through a link at https://hpi.georgetown.edu/archive/ltc/papers/

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[3] PHI, *Caring for the Future: The Power and Potential of America's Direct Care Workforce*, p. 16 (Jan. 2021), (reached through a link at https://phinational.org/resource/caring-for-the-future-the-power-and-potential-of-americas-direct-care-workforce/

[4] *Id.* 16.

[5] *Id.* 17.

[6] *Id.* 17.

[7] *Id.* 18.

[8] *Making Care Work Pay: How Paying at Least a Living Wage to Direct Care Workers Could Benefit Care Recipients, Workers, and Communities*, pp. 10, 12, Table 2, https://leadingage.org/sites/default/files/Making%20Care%20Work%20Pay%20Report.pdf?_ga=2.118488393.1154178586.1601481977-1021098696.1598989890

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[10] Marcum, *A Five Year Nursing Home Statistical A*nalysis (2015 to 2019), pp. 36-39 (dietary staff), 42-45 (laundry staff), 48-5 1 (housekeeping staff), https://www.marcumllp.com/wp-content/uploads/marcum-five-year-nursing-home-statistical-analysis-2015-2019.pdf?utm_campaign=Healthcare&utm_medium=email&_hsmi=111773502&_hsenc=p2ANqtz--U5xVFDg8PXWtjUSfFOYR2oWQ8e9zqgIE-XE6y7yA6EQctsaW6t https://www.bls.gov/oes/current/oes352021.htm YTvDYJzGg1rEaklSthc0Y2dndMy1SSpQIuAPixY4TEfWOpPcvIan_8sqWVSRbo&utm_content=111773502&utm_source=hs_email

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