

Nursing Home Closures: Causes and Solutions

Nursing home closures are not a new phenomenon. Nursing home owners, executives, and their trade associations, however, treat closures like a new problem that threatens residents and predict that many more facilities will close if they are not given more money.¹ They also blame workforce shortages. As shown below, some closures have been the result of facilities' closing due to their exceptionally poor quality and consistently low occupancy rates. Other closures have been the deliberate result of states choosing to “rebalance” their long-term care systems to increase non-institutional, home and community-based alternatives to nursing homes. While closures often raise serious issues for residents who are displaced from their homes, solutions set out by nursing home owners, executives, and trade associations are stale and predictable. A more comprehensive and effective approach to the nursing home industry would stabilize the nursing home workforce, effectively address the poorest quality facilities, and ensure that reimbursement is used for resident care.

Studies of Closures

A 2009 article studying **1,789 nursing home closures** in the six-year period between 1999 and 2005 finds that 8% of facilities in operation in 1999 closed between 1999 to mid-2005, reflecting a 2% closure rate each year.² The study found “Nursing homes with higher rates of deficiency citations, hospital-based facilities, chain members, small bed size, and facilities located in markets with high levels of competition were more likely to close.”³ It also found “High Medicaid occupancy rates were associated with a high likelihood of closure, especially for facilities with low Medicaid reimbursement rates.”⁴ In other words, 20 years ago, facilities closed, typically, because they provided poor quality care, had low occupancy, were small facilities or hospital-based, as well as because Medicaid rates were low.

Eleven years later, a report by LeadingAge, the trade association of not-for-profit nursing facilities, describes 555 nursing home closures between June 2015 and June 2019, representing about 4% of the facilities in operation in June 2019.⁵ Nine states⁶ accounted for more than half the closures and closures in three states⁷ were concentrated in rural areas. LeadingAge also reports that nursing home occupancy declined nearly two percentage points over the four-year period it studied, “despite more than 550 nursing homes closing.”⁸

The report describes a significant policy change at the state level – rebalancing of long-term services and supports (LTSS) – that has resulted in a higher percentage of Medicaid dollars going to home and community-based services (HCBS).⁹ In fact, LeadingAge reports, since fiscal year 2013, “the majority of Medicaid LTSS dollars have gone toward HCBS across all populations.”¹⁰

Describing Current and Future Population Trends, LeadingAge writes:

The closure of nursing homes over the last four years may be reflective of market trends given the current population of older adults. With changes and increased availability of HCBS, older adults who may have otherwise gone to nursing homes are staying home. In addition, there is some indication from survey research that older adults prefer to live in their own homes and communities, particularly when they do not face a physical or cognitive impairment.¹¹

State Initiatives

Some states have specifically designed programs to reduce reliance on institutional care and to expand access to home and community-based services. For example, Connecticut's Medicaid program has implemented a rebalancing initiative for more than a decade,¹² with key strategies identified in 2015 as including Money Follows the Person (transitioning more than 3,000 people from nursing homes to the community); State Balancing Incentive Payments Program (\$72.8 million award from CMS in 2012 to help people remain in the community); Community First Choice (self-direction of services in the community, 2015); Nursing Home Diversification (\$40 million in grant and bond funds to nursing homes to diversify their services to include home and community-based services); Waiver Services; and more.¹³

Other states call for more, not fewer, nursing home closures. A legislatively-mandated *Nursing Facility Task Force* in Massachusetts, in its January 31, 2020 report, describes a changing long-term care environment, with fewer residents in nursing facilities (a 2% decline in residents) and more Medicaid beneficiaries receiving home and community-based services (an 11% increase) between the state's fiscal years 2016 and 2018.¹⁴

The Task Force finds that 18 facilities (5% of the state's total) are chronically low quality (one or two stars on CMS's Five-Star Rating System or Special Focus Facilities) and have low occupancy (less than 80% in 2019).¹⁵ It concludes that low-occupancy facilities are "not sustainable" and "cannot independently generate sufficient income to offset fixed and variable costs."¹⁶ The Task Force documents its finding that "Because of declining occupancy and rising labor costs, nursing facility margins have declined over the last few years."¹⁷

The Task Force's recommendation to the State: reduce excess bed capacity, "directing funding spent on empty beds to support the direct care workforce in remaining facilities and the expansion of community based services."¹⁸ Since "rates and market forces" are not sufficient to preserve quality and reduce low quality beds, the State needs to consider "incentives, assistance and sanctions to achieve those goals."¹⁹

The first of four options proposed by the Task force going forward is "right-sizing" the nursing home industry to "Establish incentives for high occupancy and high quality facilities that result in the closure or repurposing of chronically low occupancy and low quality nursing facilities"²⁰ and "Provide DPH [Department of Public Health] with more explicit statutory authority to revoke the licenses of chronic underperformers in quality and occupancy."²¹

Closures During the COVID-19 Pandemic

The American Health Care Association (AHCA), the nursing home trade association, reports that 1,000+ nursing facilities have closed since 2015, including 327 facilities that have closed during the pandemic.²² These closures do not appear inconsistent with historical closure rates. AHCA projects that an additional 400 facilities will close, due to cuts in Medicare reimbursement proposed by the Biden Administration²³ and the anticipated end of the public health emergency, which will end states' enhanced Medicaid funding.

Concerns About Nurse Staffing Levels

In addition to complaining about reimbursement rates, nursing home owners, executive, and trade associations argue that closures are also caused by their inability to hire sufficient staff. This argument is unavailing. Health care providers, but not nursing facilities, have generally seen their staffing levels rebound since the beginning of the pandemic. Citing April 2022 data from the federal Bureau of Labor Statistics, AHCA reports that home health care providers, outpatient care providers, and physicians' offices have all increased their employment and now exceed February 2020 staffing levels, but that staffing levels in nursing homes have rebounded and, in fact, nursing homes have lost 241,000 workers.²⁴

Trella Health, an Atlanta-based health analytics company, reports, "The skilled nursing industry, already experiencing declining admissions before the pandemic, continues to struggle with no clear end in sight."²⁵ It suggests, "To gain more admissions, the skilled nursing industry must rebuild its reputation of delivering safe and effective care while immediately targeting inpatient discharges with skilled nursing instructions to gain more admissions."²⁶ Countering the advice to "rebuild its reputation," the nursing home industry repeatedly claims that virtually all facilities lack sufficient staff.²⁷ Such claims do not inspire confidence in either families looking for long-term care or potential workers and help explain low occupancy rates.

Many Facilities That Close Provide Poor Care

Many, but not all, facilities that are closing now have provided poor care to residents, often fitting the long-standing pattern of facilities closing when they are small, have low occupancy, and provide exceptionally poor care.

For example, Avantara Ipswich, one of 13 South Dakota nursing facilities owned by the Illinois company Legacy Health Care,²⁸ announced it would close on May 31, 2022, citing staffing shortages and challenges related to COVID-19.²⁹ The facility does not describe resident care concerns. However, in April 2021, the state survey agency cited 13 deficiencies, in a 104-page survey report.³⁰ Deficiencies at the 40-bed facility that had only 28 residents included lack of staffing; significant resident weight loss (one resident lost 19 pounds in three weeks; another lost 18 pounds in three weeks); inadequate care for incontinence (residents were found soaked in urine); "and one elderly man had catheter problems that caused his penis to begin 'eroding away,'" among other serious deficiencies. Surveyors cited failures to develop care plans for all residents, to implement toileting plans, and to document skin conditions and other issues. Unsafe or unsanitary conditions were also cited. As of July 8, 2022, the facility has one-star

ratings (the lowest rating on a five-point scale) in each category reported by CMS – health inspections, staffing, quality measures, and overall rating. The facility was cited with 14 deficiencies in the prior year, nearly three times South Dakota’s statewide average of 5.3 deficiencies.

Similarly, Parkmoor Village Healthcare, a one-star facility in Colorado that announced plans in late June 2022 to close in a month, has a poor record of resident care.³¹ The building will be “repurposed” “for a non-nursing home use.” The vice president of ancillary services for Vivage Senior Living, which has run the facility for Integrated Health Services, said in a news release:

“The facility owners and operators have made this hard decision based upon the documented severe financial constraints on long-term care facilities caused by a ‘perfect storm’ between the pandemically caused staff shortages and increased supply costs coupled with the long-standing chronic underfunding of these facilities by government program reimbursement. . . . It is simply not fiscally feasible to continue to operate and provide a high quality of care to our residents given the current environment.”

The federal website *Care Compare* tells a different story about the quality of care in the facility. According to *Care Compare*, as of July 7, 2022, Parkmoor Village Healthcare Center had one star in health inspections (the lowest of five ratings) and was cited with 20 deficiencies in the past year, nearly three times the statewide average in Colorado of 7.7 deficiencies. The most recent standard survey on February 25, 2021 cited two actual harm deficiencies.³² The actual harm range of motion deficiency was based on the facility’s failure to provide range of motion to three residents, including a severely contracted resident. The deficiency for failure to provide sufficient food and fluids was based on a 90+-year old resident with severe cognitive impairment and multiple medical conditions who needed extensive assistance with eating, which she did not receive, and who lost significant weight, as a result. The 94-page deficiency report cited additional deficiencies in lack of cleanliness of the facility, verbal abuse of residents by staff, and additional failures by the facility – to protect female residents from sexual encounters, to develop comprehensive care plans, to assist residents with activities of daily living (eating, nail care), to provide activities, to provide appropriate pressure ulcer care, to maintain range of motion, and to provide appropriate incontinence care.

A complaint survey on March 17, 2022³³ cited an actual harm deficiency in pressure ulcers, among other deficiencies. The pressure ulcer deficiency was based on the failure to provide care to prevent the formation of pressure ulcers for four of 11 residents in a sample. One of the residents, who had quadriplegia and “could not sense or move his extremities,” entered the facility without any wounds but developed six wounds when staff failed to put a pillow between his legs. The resident could explain his needs, but staff, often agency staff, ignored him.

Facilities that provide poor quality care and have low occupancy are the types of facility that have historically closed and that close today, during the pandemic.

Conclusion

Nursing home owners, executives, and trade associations blame closures on inadequate reimbursement. Consultants tell them that they must regain public trust to see their occupancy rates restored. Instead, the industry reports insufficient staffing levels nationwide. These arguments do not restore public trust. Owners, executives, and trade associations cite their inability to hire sufficient staff as a second cause of closures, although staffing levels in other health sectors have been restored to pre-pandemic levels. Again, they blame low reimbursement rates for facilities' inability to hire staff. They ignore the grossly inadequate wages and benefits and poor working conditions that have plagued the industry, and resulted in insufficient staffing levels, for decades.³⁴

Advocates need to ask questions about nursing home closures and must be skeptical when the nursing home industry blames low Medicaid rates. It cannot be assumed that Medicaid reimbursement is too low to hire sufficient staff and to provide high quality care and that raising rates will automatically improve quality of care and staffing levels.³⁵ Policy-makers need to address nursing home closures comprehensively – by stabilizing the workforce, “right-sizing” the nursing home industry, and ensuring that reimbursement is used for resident care.

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¹ AHCA, “AHCA/NCAL Highlights Growing Nursing Home Closures” (Press Release, Apr. 21, 2022), <https://www.ahcancal.org/News-and-Communications/Press-Releases/Pages/AHCANCAL-Highlights-Growing-Nursing-Home-Closures.aspx>; Closures Report, at <https://www.ahcancal.org/News-and-Communications/Fact-Sheets/FactSheets/SNF-Closures-Report.pdf> (predicting 400+ potential closures from 5% cut in Medicare reimbursement and end of public health emergency)

² Nicholas G. Castle, John Engberg, Judith Lave, and Andrew Fisher, “Factors Associated with Increasing Nursing Home Closures,” *Health Services Research* 2009 Jun; 44(3): 1088-1109, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2699923/>

³ *Id.* Abstract (Results)

⁴ *Id.*

⁵ LeadingAge, *Nursing Home Closures and Trends June 2015-June 2019*, p. 3,

<https://leadingage.org/sites/default/files/Nursing%20Home%20Closures%20and%20Trends%202020.pdf>

⁶ *Id.* 1, listing California, Illinois, Kansas, Massachusetts, Nebraska, Ohio, Oklahoma, Texas, and Wisconsin

⁷ *Id.* 2, identifying Kansas, Montana, and Nebraska

⁸ *Id.* 1. 3

⁹ *Id.* 12

¹⁰ *Id.* 12

¹¹ *Id.* 13

¹² Connecticut Long-Term Care Planning Committee, *Balancing the System: Working Toward Real Choice for Long-Term Services and Supports in Connecticut*, A Report to the General Assembly (Jan. 2013), https://www.cga.ct.gov/age/related/20130101_Reports,%20Briefings%20&%20Updates/2013%20Long-Term%20Care%20Plan.pdf; See “Gov. Malloy Announces \$9 Million in Nursing Home ‘Rebalancing’ Grants” (Press Release, Mar. 21, 2014), <https://portal.ct.gov/Malloy-Archive/Press-Room/Press-Releases/2014/03-2014/Gov-Malloy-Announces-9-Million-in-Nursing-Home-Rebalancing-Grants>; State of Connecticut, Department of Social Services, *Strategic Rebalancing Plan: A Plan to Rebalance Long Term Services and Supports* (Jan. 29, 2020), https://portal.ct.gov/-/media/Departments-and-Agencies/DSS/Health-and-Home-Care/Medicaid-Long-Term-Care-Demand-Projections/strategic_rebalancing_plan-2020.pdf

¹³ Connecticut Medicaid Rebalancing of Long-Term Services and Supports (Oct. 8, 2015), https://www.cga.ct.gov/hs/tfs/20151008_Medicaid%20Rates%20for%20Home%20Health%20Care%20Working%2

[0Group/Other%20Information/CT%20Medicaid%20Rebalancing%20of%20Long-Term%20Svcs%20and%20Supports.pdf](#)

Connecticut Department of Social Services, “Rebalancing Long-Term Supports and Services in Connecticut” (Dec. 2, 2020), <http://www.advancingstates.org/sites/nasquad/files/u24453/Rebalancing%20Intensive%20CT%20Slides.pdf>

¹⁴ *Nursing Facility Task Force* (Jan. 31, 2020), <https://www.mass.gov/doc/nursing-facility-task-force-final-report/download>

¹⁵ *Id.* 8

¹⁶ *Id.* 10

¹⁷ *Id.* 12

¹⁸ *Id.* 20

¹⁹ *Id.* 21

²⁰ *Id.* 23

²¹ *Id.* 23

²² AHCA, “Nursing Home Closures: By the Numbers,” <https://www.ahcancal.org/News-and-Communications/Fact-Sheets/FactSheets/SNF-Closures-Report.pdf>

²³ CMS, “Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities; Updates to the Quality Reporting Program and Value-Based Purchasing Program for Federal Fiscal Year 2023; Request for Information on Revising the Requirements for Long-Term Care Facilities to Establish Mandatory Minimum Staffing Levels,” CMS-1765-P (Notice of Proposed Rulemaking), 87 Fed. Reg. 22720 (Apr. 15, 2022), <https://www.govinfo.gov/content/pkg/FR-2022-04-15/pdf/2022-07906.pdf>

²⁴ AHCA, “BLS March 2022 Jobs Report,” <https://www.ahcancal.org/News-and-Communications/Fact-Sheets/FactSheets/BLS-MARCH2022-JOBS-REPORT.pdf>

²⁵ Trella Health, Post-Acute Care Industry Trend Report, 2021, p. 14, available by completing a form at <https://www.trellahealth.com/2021-industry-trend-report-medicare-data-analytics/>

²⁶ *Id.*

²⁷ AHCA reported that 87% of facilities report “moderate or high staffing shortages” only 2% of facilities are fully staffed. 73% express concern that staffing issues may force them to close. AHCA, “State of the Nursing Home Industry: Survey of 759 nursing home providers show industry still facing major staffing and economic crisis” (Jun. 2022), <https://www.ahcancal.org/News-and-Communications/Fact-Sheets/FactSheets/SNF-Survey-June2022.pdf>

²⁸ In 2019, Legacy took over 16 nursing facilities in South Dakota from the Skyline receivership, which was created in May 2018. Cory Allen Heidelberger, “Chicago Financiers Save Sixteen South Dakota Nursing Homes, Use Nonsense Brand Avantara,” *Dakota Free Press* (Jul. 17, 2019), <https://dakotafreepress.com/2019/07/17/chicago-financiers-save-sixteen-south-dakota-nursing-homes-use-nonsense-brand-avantara/#:~:text=Cascade%2FLegacy's%20South%20Dakota%20properties,of%20operations%20for%20Legacy%20Healthcare>; Legacy is an affiliate of Cascade Capital Group, a private health care real estate investment and management company, overseeing more than 135 facilities in 23 states. Erin Ballard, “Legacy Healthcare takes control of SD nursing homes in receivership.” *Aberdeen News* (Jul. 14, 2019), <https://www.aberdeennews.com/story/news/2019/07/14/legacy-healthcare-takes-control-of-sd-nursing-homes-in-receivership/44252339/>

²⁹ Elisa Sand, “Avantara will close nursing home in Ipswich by the end of May,” *Aberdeen News* (Mar. 31, 2022), <https://www.aberdeennews.com/story/news/local/2022/03/31/avantara-announces-closing-ipswich-nursing-home/7233143001/>; Bart Pfankuch, “Pending closure and poor care at Ipswich nursing home latest outcomes of staffing crisis,” *South Dakota News Watch* (Apr. 17, 2022), <https://www.keloland.com/news/local-news/pending-closure-and-poor-care-at-ipswich-nursing-home-latest-outcomes-of-staffing-crisis/>

Bart Pfankuch, “Pending closure and poor care at Ipswich nursing home latest outcomes of staffing crisis,” *South Dakota News Watch* (Apr. 12, 2022, updated Apr. 28, 2022), <https://www.sdnewswatch.org/stories/pending-closure-and-poor-care-at-ipswich-nursing-home-latest-outcomes-of-staffing-shortage/>

³⁰ Bart Pfankuch, “Pending closure and poor care at Ipswich nursing home latest outcomes of staffing crisis,” *South Dakota News Watch* (Apr. 17, 2022), <https://www.keloland.com/news/local-news/pending-closure-and-poor-care-at-ipswich-nursing-home-latest-outcomes-of-staffing-crisis/>

³¹ Jessica Snouwaert, “Colorado Springs long-term-care facility lays off 144 workers, relocates 79 residents amid challenges caused by pandemic,” *The Gazette* (Jun. 29, 2022), https://gazette.com/premium/colorado-springs-long-term-care-facility-lays-off-144-workers-relocates-79-residents-amid-challenges/article_65dcc0be-f7e4-11ec-8ef2-ebb47748696.html

³² <https://www.medicare.gov/care-compare/inspections/pdf/nursing-home/065252/health/standard?date=2021-02-25>
In 2021, only 3.43% of deficiencies were called “actual harm;” 94.19% were called “no harm.” See CMA, “What

Happened to Harm and Jeopardy Deficiencies Cited – and Penalties Imposed – at Nursing Facilities?” (CMA Alert, Feb. 24, 2022), <https://medicareadvocacy.org/what-happened-to-harm-and-jeopardy-deficiencies-cited-and-penalties-imposed-at-nursing-facilities/>

³³ <https://www.medicare.gov/care-compare/inspections/pdf/nursing-home/065252/health/complaint?date=2022-03-17>

³⁴ “What Can and Must Be Done About the Staffing Shortage in Nursing Homes” (CMA Special Report, Aug. 2021), <https://medicareadvocacy.org/wp-content/uploads/2021/08/Report-Staffing-Shortages-in-Nursing-Homes-07.2021.pdf>; “Nursing Home Industry is Heavily Taxpayer-Subsidized” (CMA Special Report, Jul. 9, 2021), <https://medicareadvocacy.org/wp-content/uploads/2021/07/Special-Report-SNF-Subsidies.pdf> (describing needs-based public benefits used by nursing home workers)

³⁵ See CMA, “New York State’s For-Profit Nursing Facilities’ Related Party Transactions Hide High Profits” (CMA Alert, Jul. 14, 2022), <https://medicareadvocacy.org/new-york-states-for-profit-nursing-facilities-related-party-transactions-hide-high-profits/>