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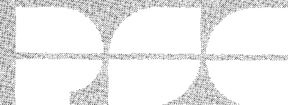

HEALTH POLICY BULLETIN

FOCUS: NURSING HOME BEDS

A recent study covering 1978 to 1989 shows that the rate of increase in the number of skilled and intermediate care facility nursing home beds is not increasing as rapidly as the population that uses those beds. Particularly noticeable is the gap between the number of beds per 1,000 population aged 85 and older, the heaviest users of nursing home care, and the rate at which that population is growing. The exhibits below show the number of beds per 1,000 population aged 65 and older and the "older old," the group aged 85 and older, and the average occupancy rates from 1978 to 1989 in the eight Great Lakes states compared to the United States average.

A number of observations can be made based on the data in the exhibits. First, only New York consistently has fewer beds per 1,000 population aged 65 and older than does Michigan. Second, Michigan has the fewest beds per 1,000 population aged 85 and older, the age group that uses nursing home services at a rate 16 times greater than do those aged 65 and older. Third, Michigan's average occupancy rate is consistently second only to that of New York. And last, occupancy rates for Michigan, New York, and Wisconsin are above the national average for the entire period (excluding those years for which occupancy data were not available).

One of the hottest issues in Michigan's health planning process in recent years has been nursing home beds and the certificate of need process. Legislators, responding to complaints from constituents, have introduced bills in the past three legislative sessions to (1) remove nursing home beds from CON restrictions, (2) create pools of nursing home beds for special populations, (3) allow hospitals to convert their unused medical-surgical beds to long-term care beds, (4) require all nursing home beds to be Medicaid-certified, (5) force nursing homes to maintain single waiting lists and to admit patients in order from the lists, (6) prohibit the discharging or relocating of residents based on the source of payment, and (7) require all nursing homes to participate in the Medicaid program. Nursing home operators successfully sued the state to increase the rate of reimbursement for Medicaid patients; the operators claim that the current rate leaves half of them providing care at a loss for Medicaid patients.

The Michigan Department of Public Health (MDPH) has steadfastly maintained that the state has enough long-term care beds, but that there might be shortages in some rural areas and the Upper Peninsula. The state's Certificate of Need Commission received $36,000 from the legislature to develop demographic information and a methodology to determine nursing home bed need that would take into account the state's changing demographics, especially the rate of increase in the population aged 85 and older. The

Occupancy Rates by State, 1978–88

	1978	1981	1984	1987	1988
Illinois	—	89.60%	90.60%	88.80%	89.00%
Indiana	89.40%	88.90	—	82.30	81.80
Michigan	—	95.40	95.30	94.60	94.70
Minnesota	92.00	93.40	93.50	94.10	93.80
New York	—	—	98.10	98.50	98.50
Ohio	91.00	90.30	91.40	97.40	90.10
Pennsylvania	79.10	80.60	92.60	93.40	92.90
Wisconsin	91.30	92.10	92.50	93.00	91.70
U.S. average	89.54%	90.75%	92.24%	91.59%	91.18%

SOURCE: Institute for Health and Aging, University of California, San Francisco, printed in *Health Affairs*, Summer 1992, p. 178.

Great Lakes States, Number of Licensed Beds Available per 1,000 Population Aged 65 and Older and 85 and Older

	1978		1981		1984		1987		1988		1989	
	65 +	85 +	65 +	85 +	65 +	85 +	65 +	85 +	65 +	85 +	65 +	85 +
Illinois	71.18	7.56	70.04	8.52	67.27	9.19	67.77	10.23	67.27	10.42	67.54	10.74
Indiana	73.33	7.27	74.63	8.46	81.14	10.62	81.49	12.07	81.30	12.46	82.57	13.09
Michigan	52.54	4.23	49.36	4.82	48.46	5.64	47.65	6.03	47.22	6.19	47.10	6.41
Minnesota	85.97	12.51	86.65	14.36	86.33	16.08	84.27	16.48	83.15	16.43	81.89	16.45
New York	42.52	5.67	42.91	6.73	42.95	7.32	43.74	8.05	43.65	8.21	43.83	8.40
Ohio	57.58	5.83	60.59	7.22	61.82	8.54	63.38	9.72	63.19	10.00	63.28	10.37
Pennsylvania	45.20	6.00	46.81	7.36	49.46	8.99	48.53	9.90	48.33	10.25	48.37	10.62
Wisconsin	92.74	12.28	91.02	14.11	88.54	15.71	80.82	15.77	76.90	15.39	76.80	15.79
U.S. average	53.42	6.00	53.12	5.71	52.57	5.44	52.75	5.37	52.72	5.31	52.48	5.24

SOURCES: Institute for Health and Aging, University of California, San Francisco, and U.S. Department of Commerce, Bureau of the Census, *Population Reports*, various years, printed in *Health Affairs*, Summer 1992, pp. 175–76.

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new methodology, which was studied by the Ad Hoc Long-Term Care Advisory Committee, is supposed to take into account and incorporate demographic considerations. To date, the MDPH has held back and has not sent the new methodology to the CON Commission.

Don Bentsen, president and chief executive officer, Michigan Nonprofit Homes Association, was not at all surprised by the data shown in the exhibits. He says, "Our data shows that under the current [nursing home bed need] methodology, the next year a bed becomes available in Ingham County is 2160; in Kent County, sometime after 2300, and, my favorite, in Detroit, sometime after 2600." In his view, the current process is dishonest; he would like the state to be more candid: "Tell us what they are willing to pay for, and any beds you want to build, go ahead, but no Medicaid payment [for those beds built without a CON]." He notes that the average age of residents in his association's homes is 85.

Charles Harmon, executive vice-president, Health Care Association of Michigan, feels that comparing states is tricky. He notes that there may be factors in play in another state that are not operative in Michigan; for example, some of the factors in Michigan may be the bed need methodology, the kind of competition that exists (the presence of alternatives to nursing home care), and who nursing home patients are. He says, "The bed need criteria need to take into account the population distribution, ... the current criteria do not reflect the way the world really operates." In his view, the state has not paid very much attention to the lack of availability of nursing home beds.

One solution to the bed shortage problem supported by the governor's Human Services Directors Interagency Work Group (the directors of the MDPH, Department of Social Services, Department of Mental Health, and the Office of Services to the Aging) was presented to the CON Commission at its July 13 meeting. Nursing home beds would be freed from CON requirements, and new beds could be built wherever an operator wanted. The state would control how many beds were allowed each year to be enrolled in the Medicaid program. New beds would be entered into the Medicaid program in a county when the Medicaid occupancy rate reached 97 percent. Enough new beds would be allowed to bring the Medicaid occupancy rate down to 94 percent. The CON Commission declined the opportunity to take up the recommendations of the Human Services Directors Interagency Work Group on nursing homes.

Under this plan all beds in nursing homes enrolled in the Medicaid program would have to be certified for Medicaid patients. Currently, nursing homes are allowed to have a mixture of private pay only beds, Medicare-certified only beds, Medicaid-certified only beds, and dually certified beds in the same structure.

What is the current situation in Michigan? Is there a shortage of Medicaid beds? Anecdotal evidence from hospital administrators, the Michigan Hospital Association, and people who have encountered difficulties in placing relatives in nursing homes suggests that there is: In 1991, however, according to figures provided by the Medical Services Administration, 20,171 beds were dually certified and 26,876 were certified only for Medicaid patients; thus, slightly more than 47,000 of the state's 51,000 nursing home beds are legally available for Medicaid patients. This would suggest that the principal reason for the shortage of nursing home beds for Medicaid patients is that private-pay patients are occupying these beds; hence, the problem is really an overall shortage of beds.

Dennis Paradis, group vice-president, governmental relations, Michigan Hospital Association, comments, "The hospital industry has long noted a shortage of long-term care options. We definitely have to take some action to take care of our senior citizens."

This approach has some problems, however, especially in a state like Michigan. For example, almost everyone agrees that discharging residents from a nursing home because of the source of payment is not good public policy; conversely, to a limited extent, even with our restrictive CON program, such discharges can and do happen now. The suggestion has been made that nursing homes be required to post their policies clearly, thus converting a public policy issue over entitlement to care to a consumer protection issue, in the sense that consumers would know what they were getting into before they entered a particular home. This approach shifts the burden of providing care from the state to individuals and probably does not offer a great deal of protection to consumers.

Another point raised in discussions is overbuilding and location. Sara Johnson, assistant executive director, Citizens for Better Care, observes that operators are probably more likely to build facilities in areas where they can operate profitably (such as suburbs) rather than where facilities may be needed, such as inner city and rural areas: "People are not going to want to move out of their element to rural or inner city areas."

Frances L. Faverman, Editor

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