

Pennsylvania is an "old" state—and getting older. The Commonwealth ranks fourth in the nation by percentage of population age 65 and older (behind Florida, West Virginia and Maine), with nearly one in five residents age 65 and older. Pennsylvania also ranks fourth in the nation in the number of residents over age 85, a segment of the population that is the most intensive users of nursing home and other long-term care services.

Pennsylvania has almost 2 million residents over age 65. By 2020, one in four Pennsylvanians will be 60 or older—that's more than 3 million people. By 2020, the number of people age 85 or older is expected to increase 10 percent to more than 360,000 residents.

- ✓ **Nearly 70 percent of those turning 65 this year will need long-term care in their lifetime.**
- ✓ Pennsylvania has 705 licensed nursing homes (also called nursing facilities) with more than 88,000 beds.
- ✓ Pennsylvania nursing homes, on average, are more than 91 percent occupied.

The Changing Face of Nursing Home Residents

A decade ago, a typical nursing home resident was likely to be female, over the age of 85, widowed, have some form of dementia and require long-term care. Today, nursing homes care for a higher number of patients who need short-term rehabilitation following a hospital stay. They may be recovering from a heart attack or stroke, surgery, joint replacement, accident or other illness.

Nearly 50 percent of the residents in a nursing home today will return home, and nursing homes are the most cost efficient way to transition them safely from the hospital to home.

Advances in care have been one of the reasons for the change in nursing home resident demographics, with economics being the other.

- ✓ On an average day, 65 percent of the residents are in the Medicaid program, and **Medicaid dramatically under-reimburses for their care.** Most Medicaid residents are there for long-term care.
- ✓ Another 15 percent are **short-stay rehab patients, often in the Medicare program. Medicare pays a higher amount for care.** Until recently, Medicare revenues allowed nursing homes to weather their Medicaid losses. However, the federal government has drastically cut Medicare payments over the past few years. **The combination of Medicaid losses coupled with Medicare cuts threatens the financial sustainability of Pennsylvania nursing homes.**

The gap between what Medicaid pays for care and the true cost of care continues to widen. This gap is called the "Medicaid shortfall." A recent national study demonstrated that Pennsylvania's shortfall grew to \$26 per resident per day in 2013. With 65 percent of all nursing home residents relying on Medicaid to pay for their care, nursing homes now sustain an average loss of \$9,500 a year on two-thirds of the residents in their care. The shortfall for 2014 alone was estimated at \$471 million.

Pennsylvania Nursing Home Margins Are Dangerously Low, Hovering Near One Percent

Avalere Health, a respected Washington, D.C. research company, released a study in January 2014 that revealed Pennsylvania nursing facility margins have dropped by more than 60 percent between 2007 and 2012, from 3.2 percent to 1.2 percent.

Those margins dip 80 percent for the same time frame—to 0.3 percent—for facilities in which the Medicaid population is 75 percent or higher.

Nursing homes have already cut staff and benefits, shelved much-needed renovations, delayed purchases of technology and equipment that could enhance patient care, and now some have no choice but to turn away seniors on Medicaid because they cannot afford to care for them, and families have to leave their community to find care for a loved one.

Pennsylvania Nursing Facility Profit Margins, 2007-2012



Gains In Quality Care Are Now Threatened

Pennsylvania boasts some of the highest quality nursing homes in the country, and national data shows that the commonwealth's facilities have made major strides in quality care, including significant reductions in:

- ✓ Residents with pressure ulcers
- ✓ Use of antipsychotics
- ✓ Use of restraints
- ✓ Pain reduction for both short-stay and long-stay residents

Additionally, **Pennsylvania nursing homes have a lower average number of deficiencies than facilities nationwide, and rank third best for their very low number of serious deficiencies.** Without adequate funding—necessary for adequate staffing—quality will suffer.

Nursing Homes Are A Major Economic Driver

- ✓ In 2011, Pennsylvania's nursing homes generated \$23.5 billion in economic activity, or 4.2 percent of the state's overall economic activity.
- ✓ Nursing homes employed, directly and indirectly, nearly 193,000 individuals, and supported \$10.5 billion in labor income.
- ✓ The long-term care profession ranks 8th in the number of jobs it provides, and 10th in labor income.