

The West Report

Charting Pathways to Excellence

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STAYING AHEAD OF ISSUES EXPECTED TO IMPACT THE NURSING HOME INDUSTRY IN 2005... Results from M. H. West & Co., Inc.'s Random Survey of Nursing Homes in Seven States

Background Information and Introduction

The elderly population continues to increase significantly around the world and while an increasingly large percentage of this population leads productive lives well into their 80s, nursing home care represents the most appropriate alternative and the only choice for many individuals, irrespective of their income levels. The demand for nursing home care is expected to continue due to the growing ranks of baby boomers and extended life expectancy. Life expectancy at age 65 increased by only 2.4 years between 1900 and 1960, but has increased by 3.3 years since 1960. **These facts are creating significant challenges and the purpose of this report is to review some of the issues and offer solutions, strategies and possible next steps for nursing home industry leaders and other interested parties to consider in addressing these.**

In reviewing the history of nursing homes, it is apparent that many are responsible for the significant improvements in their overall performance. Nursing homes have come a very long way over the past century and to indicate otherwise would be a gross understatement. (Linda Zinn, Dec. 1999-A Good Look Back Over Our Shoulders)

The history of nursing homes in America has been one of constant change as evidenced in a report prepared by the Maryland Health Care Commission in 2000 entitled "Environmental Assessment: Nursing



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Home Industry Issues and Trends.” This report indicates that “The public saw nursing homes as a terrific invention in the 1960s and ’70s, but now the industry faces questions regarding its reputation for providing care and its financial viability. Consumers have become more informed, and the nursing home industry must be able to compete in this realm to survive. Successful nursing homes will be those who create the right mix of services, giving the public what it wants while retaining the revenues they need to survive.” (HCIA and Arthur Andersen, *The Guide to the Nursing Home Industry*, 2000.)

Another factor that will help distinguish nursing homes and help them to survive is how much and how well quality is integrated into the culture of the organization. **FOCUS**, a publication of the Virginia Hospital and Healthcare Association, through a recent article, *Virginia Nursing Homes Take a Quality Pledge*, written by the Virginia Healthcare Association for the VHHA emphasizes the importance of “putting a face on quality (in nursing homes) by demonstrating it in every aspect of the care they provide. ” (FOCUS, Virginia Hospital and Healthcare Association, January 2005, Issue 5)

M. H. West & Co., Inc.’s project work and other research substantiate the vast positive changes in the nursing home industry as previously discussed as well as the degree to which nursing homes are challenged by reoccurring factors in their internal and external environments that impact their performance. Those nursing homes that are sensitive to and understand the issues and trends in the industry are likely to overcome barriers that impede performance. **See more about these issues and trends below.**

2005 Survey Research and Findings

Research undertaken by M. H. West & Co., Inc. in early January 2005 provides insights to what the leadership of 175 nursing homes in seven states felt would be the top issues affecting them this year. The following highlights the methodology and some of findings from the firm’s survey research:

-- **The firm selected nursing homes at random from directories found on the Internet and other resources**



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readily available about the industry in Virginia, Maryland, Delaware, Tennessee, North Carolina, West Virginia and Pennsylvania.

-- Conducted by five senior analysts of the firm, approximately 35% of the nursing homes responded to the one-question survey: "Please identify the three key issues that will affect your operation in 2005."

-- Survey results indicate that the three top issues that will affect nursing homes are:

1. Reimbursement
2. Staffing
3. Regulatory Compliance

-- Other issues identified follow, but they are not rank-ordered as listed.

4. Competition and its impact
5. Costs of Insurance/Workers Compensation
6. Risk Management
7. Employee Benefits
8. Union Activity
9. Relationships with Families

-- Respondents provided the following additional comments about the top three issues:

- The costs of nursing home care exceed the payment provided.
- Individuals now entering nursing homes are older and require/consume more care. This care is labor intensive and requires costly medications.
- Also affecting costs are difficulties in maintaining census due to the growing number of nursing home alternatives and the increasing attractiveness of payment for these alternatives.



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- ❑ Insurance rates and costs are increasing across the board and this reduces financial resources available to invest in facility upgrades, expanded employee benefits and service expansion.
- ❑ The talent pool of credentialed and competent nursing staff that coincides with the standards of excellence acceptable to the nursing homes and regulators is not growing and in some instances is reducing in size. This adversely impacts staffing flexibility and excellence.
- ❑ The nursing shortage increases staff burnout and lowers morale.
- ❑ Competition for the best and brightest nursing staff is keen.
- ❑ Staff shortages are present in both urban and rural areas.
- ❑ Patient safety and quality initiatives of regulators and nursing home executives and owners are desirable but increase exposure to non-compliance when financial resources, intellectual capital and technical support are in short supply.
- ❑ Developing acceptable responses to regulators is a challenge due to new regulations, regulatory staff who are still building knowledge about the nursing home industry and regulators' varying interpretation of the regulations.
- ❑ Facility surveys cover only one or only several days of operation of the nursing home and oftentimes the site visits don't reflect the norm for the facilities throughout the remaining 360 or more days of the year.



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- The facility survey process is becoming increasingly adversarial as opposed to cooperative and there are opportunities to work together to improve this.
- Positive relationships with families are felt to be essential in promoting acceptable customer service. Many times, there are significant differences between the facilities' standards and the family's expectations.
- Legislators and elected officials must be kept informed of the challenges that nursing homes face in balancing their own high standards of excellence, the demands and expectations of families for high quality, affordable and customer friendly care, and the high costs of care.

Solutions, Strategies and Next Steps

M. H. West & Co., Inc. offers the following guidance for nursing home owners, executives, and interested parties to consider in developing/finalizing their plans of actions for performance improvement in 2005. The firm did not address in this report solutions, strategies and next steps for the other six significant issues identified from its survey work:

REIMBURSEMENT

- Document disparities between costs of care and payments and identify those areas where the disparities are most challenging. Use this to assist in bringing about changes needed. These may be nursing home driven or used to support legislative or regulatory changes.
- Identify new revenue streams to help offset the payment shortfall for care.
- Carefully examine expenses and find innovative ways to contain costs, using input from staff and research on staffing models that have worked in other areas.



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- Monitor changes in legislation and regulations affecting reimbursement of the nursing home industry. Also conduct demographic studies of the service region of the nursing home in order to gain a better understanding of future nursing home users.
- Leverage association memberships to help bring about changes felt to be needed in reimbursement policies, regulations and laws.
- Build relationships with regulators, legislators and public officials to help them understand how the nursing home business works and the factors that challenge operation and survival.
- Arrange for training sessions of nursing home staff to insure that the finance office understands payment policies of third party payors. Informing staff of consequences to the facility of not understanding payment policies should be shared as well.

STAFFING ISSUES

- Establish and maintain a profile of all staff, monitoring carefully turnover rates and other staff characteristics.
- Conduct salary and compensation studies at least once annually and revise throughout the year when warranted.
- Conduct employee satisfaction surveys and act on findings.
- Introduce incentive programs to attract and retain staff – such as reward and recognition programs.
- Research staffing models and borrow from these to customize an approach that corresponds to facility needs.
- Allocate sufficient resources to train staff and offer career ladders for staff that improve their credentials.
- Monitor contract agency usage and establish targets that indicate when usage adversely affects continuity of care and financial performance. Take action to correct findings.
- Conduct and attend job fairs to attract nursing staff.
- Provide tools to promote employee performance and retention, such as:
 - Electronic medical records
 - Personal Computers at each nursing station
 - Hand-held computers



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- Equipment and other technology to promote patient care such as patient lifts
- Make available employee assistance, stress management and conflict resolution programs.
- Develop alternative transportation for staff that has difficulty traveling to work.
- Consider providing on-site day care for senior family members and/or children of employees to help with employee absenteeism and tardiness.
- Develop flexible work schedules.
- Create a culture and environment that insures employees are adequately paid, not overworked, appreciated, recognized, treated professionally/fairly, and work in safe working conditions.

REGULATORY ISSUES

- Build relationships with regulators, legislators and public officials in order to understand actions taken.
- Designate both a compliance officer and a HIPPA privacy officer.
- Understand current regulations and seek interpretations from regulators as well as the nursing home's legal counsel when in doubt.
- Provide a timely and thorough survey plan of correction to compliance and other regulatory reviews, and when necessary seek advice from legal counsel and others with expertise in this area.
- Leverage association memberships to help bring about changes in regulations that are adverse to the industry and individual nursing homes that may have special needs.
- Involve advisory and policy boards in regulatory matters as appropriate.
- Maintain regulations in a central file accessible to all that they affect.
- Notify staff of regulation changes and conduct in-service training in a timely manner.



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- Use improvements in survey findings as one of the factors to support employee bonuses and pay increases.
- Prepare for regulatory reviews by conducting mock surveys, compiling a matrix of past survey citations and focus attention on reoccurring deficiencies. In fact, **LIVE EVERY DAY AS IF THE LICENSURE INSPECTOR IS EXPECTED.**

Conclusions

The 2005 Nursing Home Issues Survey conducted by M. H. West & Co., Inc. provides current information about factors that impact nursing home operations and performance. There are many similarities in the issues identified by the nursing home leadership in the surveyed states. The list of identified issues is relatively small although they cut across all aspects of the nursing home and are interrelated.

The three top issues that will be encountered by nursing homes based on survey results are reimbursement, staffing and regulatory matters. The 37% response rate of the 175 nursing homes is respectable and helps to increase the validity of the results.

The survey results also correspond to M. H. West & Co., Inc.'s research on the history of the nursing home industry and project work for its health care clients. The intent of the recommended Solutions, Strategies and Next Steps identified by this report is to provide guidance and direction to the firm's clients and other parties interested in the nursing home industry.

Look for updates to this study on M. H. West & Co., Inc.'s website at www.mhwest.com or contact Marilyn West, Tom Wilkinson or Edmond Conway at 804.782.1938. Please also inquire about updates and other information by using Email addresses at mhwestcon@aol.com, TomWilkinson@mhwest.com and NedConway@mhwest.com.



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ABOUT M. H. WEST & CO., INC.

M. H. West & Co., Inc. is a 14 year-old planning and consulting firm specializing in management, training and planning services. Results from the consultation and technical assistance offered to its nursing home clients demonstrate that the firm:

- ❖ Understands the issues and factors that impact nursing home operations and performance.
- ❖ Maintains and uses current information, trends and issues in its consults on health regulatory, staffing, financial and operations issues.
- ❖ Knows how to transform substandard nursing homes into profitable enterprises.
- ❖ Builds employee morale and provides direction to retain employees through employee satisfaction surveys and other approaches for team building.
- ❖ Creates positive relationships between family members, volunteers and the nursing home through guidance and participation with family councils and volunteers.
- ❖ Provides technical assistance to respond effectively to plans of correction from licensure and related surveys
- ❖ Builds financial resources by developing business plans and feasibility studies for new service lines, increasing census and diversifying funding sources

Contact the West Team when you need assistance in **“Moving from Good to Great”** and taking action on challenges and opportunities that present throughout the year. **Take Advantage of our Special Rates to Celebrate the New Year and the Start Up of Our 15th Year in Business on February 1.**



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