

# Future of skilled nursing facilities

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While being employed in Corporate America for over 20 years and in the United States Air Force for over 10 years has been extremely valuable experience, I don't feel like I'm fulfilling my purpose in life. After losing my grandmother 2.5 years ago, it finally dawned on me what my purpose is, and that is to care for our aging population. I am one of 65 grandchildren. My grandmother and I always had a special bond. She raised me for a big part of my childhood, and was more of a mother-figure to me.

My grandmother resided with one of my aunts for the last 15 years of her life. As her health started to fail her, she became more and more dependent. My grandmother was always a very independent woman and the rock of our family. She had always been the caregiver in the family, now she was the one in need of care. I was very involved in her care during the last 10 years of her life. However, I was more involved in her quality-of-life efforts as oppose to her medical care. I remember on some days she would be so sad.

She would always tell me that because she required so much assistance from my aunt and other relatives, she was made to feel as if she was burden to them. She would sometimes talk about going to a skilled-nursing facility, but because of the horrible stories that our family had heard and/or witnessed regarding the quality of care for the residents while working in some of those facilities. This paper will provide a strategic management analysis of the future of skilled nursing as it relates to the medical (traditional) model versus the social model.

The United States (U. S. ) entered into a recession in December 2007 (Leonhardt). However, according to U. S. Treasury Secretary, Tim Geithner, “

the U. S. economy is rebounding ..., but the recovery will be slow and uneven” (<http://english.chosun.com>). Many different social, economic, and technological changes in the U. S. and around the world has affected the U. S. economy. The U. S. population is becoming older and more racially and ethnically diverse. The U. S. population will likely grow much more slowly, while the world population is expected to continue to grow at a rapid rate.

World trade will almost certainly continue to expand rapidly if current trade policies and rates of economic growth are maintained, which in turn will make competition in the production of many goods and services increasingly global in scope ([theusaonline.com](http://theusaonline.com)). Technological progress will either remain consistent, or will most likely grow faster. Over the next century, average standards of living in the United States will almost undoubtedly rise; therefore, people living at the end of the 21st century are likely to have more in terms of materials than people have today.

Technological progress, business investments in capital goods, and people’s investments in greater education and training (which are often subsidized by government programs) will most like remain the primary reasons for the increase in living standards in the United States. While the U. S. economy is to likely remain the world’s largest national economy for decades to come, the certainty that U. S. households will continue to enjoy the highest average standard of living among industrialized nations is questionable. However, most U.

S. workers and families will most likely be better off than other economies, as the U. S. economy continues to grow and improve. An even more

important problem for the U. S. economy in the next couple of decades is the unequal distribution of gain from growth in the economy (Madrack). In recent decades, the prosperity created by economic growth has not been as evenly distributed as was the wealth created in earlier periods. In addition, the demand for highly educated and trained workers has risen sharply in recent decades.

Incomes for highly educated and trained workers have risen faster than average, while incomes for workers with low levels of education and training have not increased and have even fallen for some groups of workers (Goldin & Katz). This has happened in part because many kinds of jobs now require higher skill levels, but other factors were also important. New production methods require workers to frequently and rapidly change what they do on the job. Other industrialized countries have also experienced rising disproportion between high and low-income families, but wages of low-income workers have not actually fallen in real terms in those countries as they have in the U. S. (Simms, Fortuny, and Henderson).

Several other factors help explain why the position of low-income workers has fallen more in the U. S. than in other industrialized nations. The increase of college graduates has slowed in the U. S. but not in other nations (encarta.msn.com). The U. S. immigration policies have been loose in terms of the job-market requirements compared to immigration policies in many other countries have been (Woods).

Also, government assistance programs for low-income families are usually not as generous in the United States as they are in other industrialized

nations. Changes in the make-up of the U. S. population are likely to cause continued growth income disparity. The U. S. population is growing most rapidly among the groups that are most likely to have low incomes and experience some form of discrimination. Children in these groups are less likely to attend college or to receive other educational opportunities that might help them acquire higher-paying jobs. The U. S. population will also be aging during this period.

As people born during the baby boom of 1946 to 1964 reach retirement age, the percentage of the population that is retired will increase sharply, while the percentage of the population that is working will fall. The demand for medical care and long-term care facilities will increase, and the number of people drawing Social Security benefits will rise sharply. These demands will most likely increase pressure on government budgets. Eventually, taxes to pay for these services will need to be increased, or the level of these services provided by the government will have to be cut back.

Neither of those approaches will be politically popular. A few economists and political leaders have called for radical changes in the Social Security system to deal with these issues. One recommendation that has been made is to allow workers to invest in private retirement accounts rather than pay into Social Security (Garrett & Rhine). Thus far, those approaches have not been considered politically feasible or equitable. Many of the baby boomers strongly oppose changing the system, as do people who fear that they will lose future benefits from a program they have paid taxes to support all their working lives.

Others worry that private accounts will not provide adequate retirement income for low-income workers, or that the government will still be called on to support those who make bad investment choices in their private retirement accounts. In 2005 President George W. Bush proposed privatizing Social Security (Heys), and it failed to gain political support. The Obama administration is once again trying to make a push to reform healthcare. Once again, their efforts are met with a considerable amount of opposition.

#### Exhibit 1b - Future Trends in the Long-Term Care Sector

Two simple facts are helping shape America's demography: people are living longer and having fewer children. The outcome of these two trends is that the percentage of older people in the United States is increasing. Medical technology is also playing a vital role in the quality of health care delivered and patient outcomes through earlier diagnosis, less invasive treatment options and reductions in hospital stays and rehabilitation times. Two areas in which the age wave is already affecting state governments are rising health care costs and the need to ensure adequate caregiving systems for seniors.

According to an article entitled "Senior Care Industry Sees Big Growth Spurt" written by Tainese Arceneaux in The Business Journal, the senior care industry in the U. S. and abroad is expected to experience an outburst as members of the Traditionalist and Baby Boomers begin to age. When it comes to the elderly preparing for their long-term care, they have several options to consider as it relates to where they would like to spend the latter years of their lives. Some of their options would be at-home care, assisted

living facilities, skilled nursing facilities (aka nursing homes), or continuing care facilities.

It is almost impossible to say that one facility is better than the other. The decision will depend on the type of services needed and affordability. In the U. S. , seniors are just about the only group of citizens whose health care is universally insured as an entitlement. However, elders who need long-term care have much less protection. Medicare, the federal program for the elderly and disabled, covers most of the costs of acute medical care but only agilely covers some long-term care services.

Medicaid, the federal/state health program, covers long-term care but only for people who are poor or who become poor paying for long-term care or medical care (Ignagni). Who receives what kind of services under Medicaid varies from state to state. Although long-term care receives far less U. S. policy attention than health care does, long-term care is a concern to many Americans of all ages and affects public spending. Approximately 20% of all Medicare beneficiaries accounted for more than two-thirds of the Medicare program`s costs in 2004 (Ignagni).

Problems in America`s current long-term care system thrive, ranging from unmet needs among the impaired population to debate between state and federal governments about who bears responsibility for meeting them. As the population ages, the pressure to improve the system will grow, raising key policy issues that include the balance between institutional and non-institutional care, assurance of high-quality care, the integration of acute and long-term care, and financing mechanisms to provide affordable protection.

While over the past decades, America's health care policies has focused primarily on medical acute care, the nation needs to broaden the health care discussion to focus on the continuum of health care services that people need throughout their lives. It is estimated that two-thirds of people age 65 today will need some long-term care in their lifetimes (Bunderson).

Considering the fact that Medicaid only covers approximately 45 percent of all long-term care expenditures and recipients must meet certain conditions in order to be covered (medicare. ov), the time is now for us to make major adjustments to address 21st-century realities as it relates to our aging population. The government believes that " long-term care" is to assist people with support services such as activities of daily living like dressing, bathing, and using the bathroom. Medicare doesn't pay for this type of care which is known as " custodial care". Custodial care (non-skilled care) is care that helps you with activities of daily living. It may also include care that most people do for themselves, for example, monitoring diabetes (Carlson, Hsiao 6-10).

Today, the average American is so consumed with trying to figure out how to fund the basic, everyday needs of their families, that they are not giving much thought to their future needs. However, it is essential that we plan ahead to ensure that when the time comes, we are prepared to ensure we get the best care available during our " golden years. " As we age, and our body and mind start to dwindle, and our health starts to fail us, the need for 24-hour medical care may crucial. However, does that mean that the elderly should be treated like medical cases rather than human beings?

Absolutely not! Exhibit 1c - Future Trends in the Skilled Nursing Sector What is skilled nursing? The definition provided by RN Angela Morrow on the about.com website states " Skilled nursing is a term that refers to a patient's need of care or treatment that can only be done by licensed nurses. Examples of skilled nursing needs include complex wound dressings, rehabilitation, tube feedings, or rapidly changing health status. Skilled nursing facilities, often times referred to as nursing homes, are residential facilities where patients can receive skilled nursing services 24 hours a day.

Medicare will certify and pay for skilled nursing facility services if a physician has deemed that a patient requires skilled nursing care and the facility have the staff and the equipment that is needed. Skilled nursing does not include palliative or hospice care services or long-term care needs. " Skilled nursing facility (SNF) services can be delivered in freestanding nursing homes, in separate certified hospital-based units, or in hospital routine care beds in certain qualifying rural hospitals that can be used for either acute or long-term care.

Most SNF admissions are covered by Medicare (Dalton, Slifkin, Park, and Howard 2). Of the 10 million Americans who need assistance with daily activities, 1. 7 million live in the nation's 16, 000 SNF's and approximately 520, 000 live in assisted living facilities. 2 Nearly seven in 10 nursing home residents are women. The median age of nursing home residents is 83 years, and residents had an average annual income of \$12, 000.

Among minorities, whereas African-Americans occupy nursing homes in similar proportion to the total population, Hispanic and Asian Americans do

not, accounting for nearly 20 percent of the United States population, but just 5 percent of the nursing home population. 8 According to the report released by the American Health Care Association (AHCA) and the Alliance for Quality Nursing Home Care (Alliance), skilled nursing and rehabilitation facilities has evolved to meet the special demands and needs of today's aging population. There is a much greater focus on post-acute care, and the length of stay of most patients is now less than 90 days (1).

However, while the SNF's may be evolving in terms of meeting the demands of our aging population, the inability to pay for these services still remains a major problem for the elderly population and their families in America and abroad. The majority of our aging population depends solely on Medicaid and/or Medicare benefits to cover the costs of their long-term care. However, what most of them do not realize is, as stated above, Medicare does not cover custodial services. In addition, Carlson and Hsiao states that most medical insurance coverage follows Medicare guidelines.

Private insurance and Medicare pay for nursing home care only for limited time periods following a hospitalization, and the following criteria must be met:

- Must have been hospitalized for at least 3 days
- Must enter the nursing home within 30 days of the hospitalization
- Only the first 20 days are 100% covered; then there is a daily deductible
- There's a 100-day maximum related to any one hospitalization and diagnosis
- Must be making regular progress as documented by medical professionals. If progress toward independence is no longer occurring, insurance coverage ends (31-42)

Even though the future of Medicaid/Medicare is very uncertain, a relatively small number of people purchase long-term care insurance. <sup>17</sup> Although it seems entirely logical to minimize the risk of impoverishment from the high cost of long-term care, long-term care insurance has not had broad market appeal. Younger people don't yet recognize the need for long-term care insurance, although the cost of it for them is low. When people are closer to the age when they might need long-term care, many cannot afford the then-high priced insurance premiums.

Another trend facing the skilled nursing sector is quality of care. States are facing a growing demand to develop new alternatives and services to meet the needs of the growing aging population and reduce state spending. In 2007, nearly 17 percent of nursing homes inspected by state regulators were cited for serious deficiencies. <sup>28</sup> Some say the inspection system is broken. <sup>29</sup> Others say quality of care is the issue, and that nursing home ownership is a contributing factor<sup>30</sup> (with most of the criticism lodged against certain for-profit chains).

Lawmakers have proposed bills that, if passed, would improve transparency of ownership. <sup>31</sup> If you monitor the national media, you will continuously see horrific stories of neglect, abuse, and poor care in America's nursing homes. It's getting worse. While it may be a reflection of the labor shortage, there are other complex issues affecting quality. It's going to be a problem that continues to grow. Some nursing home administrators would argue that low reimbursement and regulation are to blame. However, quality can't be

ensured simply through regulations, reimbursement, or more stringent background checks.

It takes stronger leadership, better management, and a real sense of mission in working with elders to reduce, minimize, and eliminate crises of care, abuse, and neglect. The horror stories are not related to the economy, but to the values of our society. National polls consistently show that 80 percent of Americans prefer to age at home, and doing so is cheaper than staying in a nursing home. 9 On average, community-based long-term care is about one-third the cost of comparable nursing home care.

Finding ways to care for the elderly and disabled in their homes is a win-win situation for families and state budgets, and states are taking note. While staying home is definitely an option, what are some of the other alternatives to skilled nursing facilities? For years, nursing homes were the only choice that the aging population had to choose from. However, in the 21st century, the demands for alternative care for our elderly have changed significantly. With the baby boomers approaching retirement, their desires are much different from the previous generations.

Going forward, Baby Boomers will not tolerate an environment of care where nursing homes are forever tied to “ passing the inspection. ” The best thing that is going on is that Boomers are getting in touch with these issues. They are better consumers. They want more choices. They desire to live in their own households, independent of children and other relatives and are less likely to use informal caregivers and more likely to purchase the services and products they desire to assist them in this independent life style (11).