

# Nursing Homes Face Economic Upheaval as They Focus on Care and Recovery: The Financial Impact of COVID-19

Nursing homes throughout the country are experiencing the deleterious financial impact of the field's response to the COVID-19 pandemic. As evidenced by data released June 7 by the Centers for Medicare and Medicaid Services, New Jersey's nursing homes are experiencing this to a greater degree than most states. Garden State nursing homes have experienced the highest median percentage drop in occupancy in the nation – 22 percent – compared to the 4<sup>th</sup> quarter of 2019. Late in 2019, nursing home occupancy in New Jersey was near 83 percent; it plummeted to just under 50 percent at the peak of the pandemic and, as of June 7, now sits at a median of approximately 64 percent. The national median occupancy on June 7 was 75 percent.

COVID-19 crossed the threshold of nursing homes beginning in mid-March, and their clinical teams have taken action to care for their frail elders. Nursing homes faced strained supplies of personal protective equipment, a lack of testing initially, and challenges with staffing. As a result of the pandemic, N.J. nursing homes are on pace to see an estimated 20 percent decline in revenue per month for March through June 2020, according to this analysis. This is due to declines in non-COVID admissions from community-based and hospital referrals and a disruption of outpatient services in New Jersey's healthcare delivery system. These decreases in admissions also are attributable to declines in hospital elective procedures since many Medicare, Medicaid and commercially insured patients who undergo those procedures go to nursing homes for a short recovery stay.

At the same time, New Jersey nursing homes experienced an approximately 20 percent increase in expenses for each month from March through June – or \$100 million per month for each of the four months.

Projecting further out, nursing homes in New Jersey anticipate a projected 12 percent increase in expenses for July through December, or an estimated \$350 million for the last six months of the year. All told, for calendar year 2020, CHART projects an increase of \$750 million in nursing home expenses. To put this in context, annual N.J. nursing home expenses are usually \$5.5 billion; 2020's projected expenses mark a 13 percent increase. Increases in expenses are related to greater reliance on agency staff; overtime or premium pay; procurement of additional PPE at significantly higher prices in the marketplace and other pandemic preparedness activities such as equipment rental costs, telehealth technology, virtual visiting platforms and equipment, physical plant modifications and the cost of weekly testing of residents and staff which began May 20.

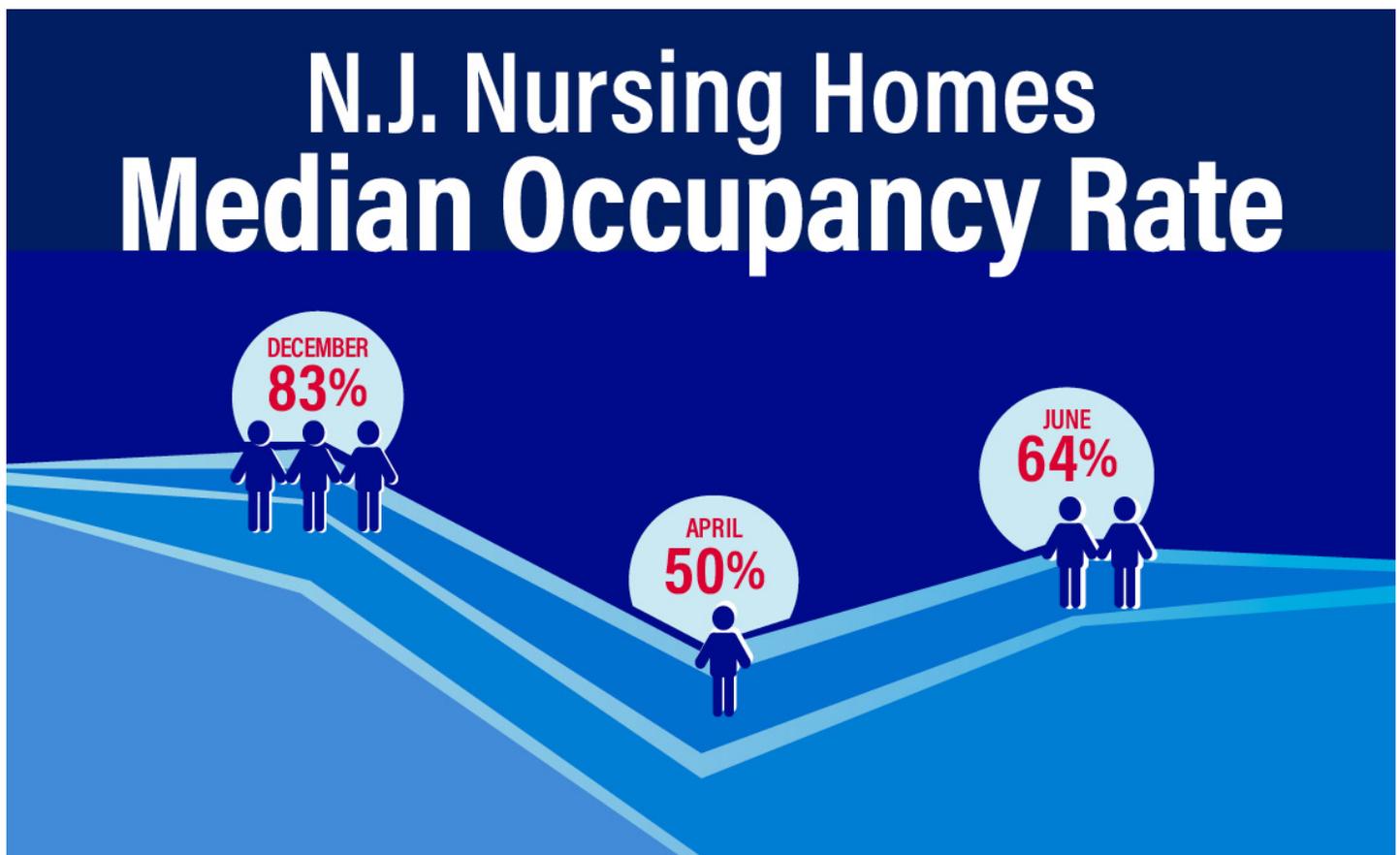
## Background

New Jersey is home to 360 nursing homes that provide both short-term rehabilitative and long-term chronic care for thousands of frail elders annually. For the majority of elders in nursing homes, the facility is both a health care facility and their home. Most long-term residents have multiple chronic illnesses and require assistance with several daily activities like eating, bathing, using the restroom and getting dressed. A significant number of elders also have mild to moderate cognitive impairment which affects how well they can express themselves and take care of their everyday needs and how illnesses manifest themselves.

Medicaid and Medicare make up the lion's share of nursing home revenue nationally; New Jersey is no different. However, New Jersey has the dubious distinction among

other states for having Medicaid rates that hover near the lowest in the nation. While Medicare fee-for-service payments are generally adequate, more and more individuals are choosing Medicare Advantage plans, and those rates are separately negotiated and often fall well short of costs. Federal support does not exist for other key demands on nursing homes, such as electronic health record implementation.

New Jersey's first case of COVID-19 occurred on March 4. From mid-March through May, the N.J. Department of Health issued directives for nursing homes that addressed mandatory screening of all staff; restricting visitors from entering nursing homes, except for end-of-life circumstances; and flexibility in hiring staff. On April 13 The Department of Health provided guidance on admission or readmission of COVID-19 patients so long as the facilities had proper protocols and capabilities related to supplies, cohorting and staffing in place. Many nursing homes informed the Department of Health that they lacked these capabilities; however, throughout the pandemic, there were also nursing homes that played a critical role in addressing the care of COVID-19 patients who could not be discharged safely from hospitals to their homes. There have been many deaths among frail elders and staff in nursing homes during this time; there have also been scores of resident and staff recoveries in nursing homes, with many elders being able to return to their homes in the community following their nursing home stay.



### New Jersey's Experience

To assess the economic impact of the pandemic response on New Jersey's nursing homes, NJHA conducted online surveys of finance directors through June 15 on the losses associated with decreases in admissions, as well as the increase in expenses associated with overtime and premium pay, greater reliance on agency staff, acquiring personal protective equipment at steeply higher cost and physical plant modifications.

Since May 20, nursing homes have been required to conduct weekly testing of all residents and staff who have previously not been tested or who had tested negative for COVID-19. This requirement necessitated new contracts with laboratories specifically to provide testing supplies and test processing, as well as dedicated clinical staff to administer the tests, record results and report the results daily in the DOH data portal. All of this comes at a cost of tens of thousands of dollars for each round of testing, only some of which may be paid for by health plans.

Throughout the pandemic, nursing homes have managed a significant data reporting burden in response to local public health departments, state agencies and the new Centers for Medicare and Medicaid Services' May 17 mandate to report in the CDC's National Healthcare Safety Network (NHSN). These mandates have required nursing homes to pay for the training and supervision of staff responsible for meeting the mandates. Failure to meet the NHSN requirement subjects the facility to fines and penalties.

### **Next Steps**

COVID-19 has taken an immeasurable toll in the loss of lives in the nation's nursing homes, launching numerous reviews of changes needed to prevent future events like this one. Reprioritizing nursing home care for our most frail and elderly residents requires an understanding of the underlying fiscal pressures facing this vital care setting. The financial wounds inflicted on New Jersey's nursing homes by COVID-19 are significant. Federal relief has begun to address a portion of the damage, but because many of the steps put in place are now considered a permanent and necessary part of operations, more relief from federal and state governments will be essential. Testing of residents and staff will continue for the foreseeable future. Nursing homes have already and will continue to improve their pandemic preparedness plans based on the lessons learned thus far. Appropriate personal protective equipment inventories, dedicated spaces and other essential steps are in place for the current and anticipated needs of residents and staff. Special accommodations and procedures for permitting visits and an eventual return to some level of communal activity for residents as directed by the state, and CMS requires different staffing and supply strategies, each with their own associated costs. Incorporation of telehealth and improvements in data-sharing capability have emerged as important factors. Referrals from hospitals are slowly increasing as patients undergoing elective procedures need short-term stays to continue their recoveries. Reopening nursing homes for community referrals is being done thoughtfully. With all of these new realities New Jersey's nursing homes remain committed to their mission of caring for elders in a safe, homelike environment consistent with best practices.

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