Thousands of U.S. Nursing Homes Are Being Forced into Bankruptcy

by Marcia Merry Baker

The 1997 Federal Balanced Budget Act, which cut payments for Medicare and Medicaid recipients to skilled nursing facilities, mostly for the elderly, has in two years thrown thousands of nursing homes across the United States into financial crisis.

From 1999 up to May of this year, 1,857 of these homes have filed for bankruptcy, more than 11% of the national total of 16,967. In some states the percentage is much higher—more than 47% in Nevada and New Mexico, and 20% or more in many states, including Massachusetts (24%), New Hampshire (35%), West Virginia (26%), Georgia (20%), Colorado (23%), Idaho (22%), and Wyoming (24%). In Texas, promoted by Gov. George "Dubya" Bush as the home of "faith-based" and "compassionate" conservative charity, 22% of the nursing homes are now in bankruptcy.

Like Bush, Vice President Al Gore is also not talking about this crisis.

Part of the Medical Infrastructure

The designation "nursing home," or skilled-care facility, refers to the type of institutions providing specialty medical care for the elderly or other category of person needing expert assistance. In recent years, these homes have become an especially vital part of U.S. health care, because hospitals have been forced to adopt an extreme "in-and-out" approach to patient treatment, under pressure from "managed care" and health maintenance organization demands to restrict time on the premises. While many families try (by choice or by hardship) to care for special-need persons at home, nonetheless, it has fallen to nursing homes to care for more and more people who have more complicated conditions. These facilities and hospitals alike, have entered a phase of acute financial crisis.

Figure 1 shows patterns of incidence of bankruptcy filings among nursing facilities, just during 1999-2000. This increased number of bankruptcy filings ensued after the Federal government, in 1998, *began to reduce per-patient payments by 15 to 28%* over a five-year span of 1998 to 2004. In fact, the per-institution cutback has been more extreme even during the first two years.

The sudden plunge into bankruptcy thus does not represent some "winnowing out" of marginal facilities. Nor is it some "mis-application" of an otherwise decent Federal law. The impact of the Balanced Budget Act was predictable. The law was wrongful in its very conception. But, the bipartisan budget-cutters went ahead regardless. The Balanced Budget Act was part of the same lawmaking drive that also implemented the 1996 so-called Welfare Reform Law, which *spread more poverty,* and the 1996 "Freedom to Farm" Act, which is bringing ruin to the farm belt.

Besides skilled nursing homes, community hospitals have been thrown into the red by the Balanced Budget Act. What is under way, in effect, is that persons in the top 20% income bracket in the United States figure on having the means, and have the expectation, that they will have deluxe elderly care, but the rest of the population, the 80%, is to have no institutions, nor means for any care at all. This is otherwise called the "free market" in health care.

Even the token responses by Congress to ameliorate the shameful effects of their recent laws, show that the laws, and the thinking behind them, were incompetent and immoral in the first place. For nursing homes, the Clinton Administration recently proposed a $2 billion restoration of funding specifically for skilled nursing care through the year 2010. The Administration has also moved to relax certain regulatory matters, in deference to the financial crisis gripping nursing homes. For hospitals, a temporary delay on funding cuts was declared this Spring.

(In the case of agriculture, Congress has voted a "one-time" multibillion-dollar safety-net for farmers for each of three years in a row!)

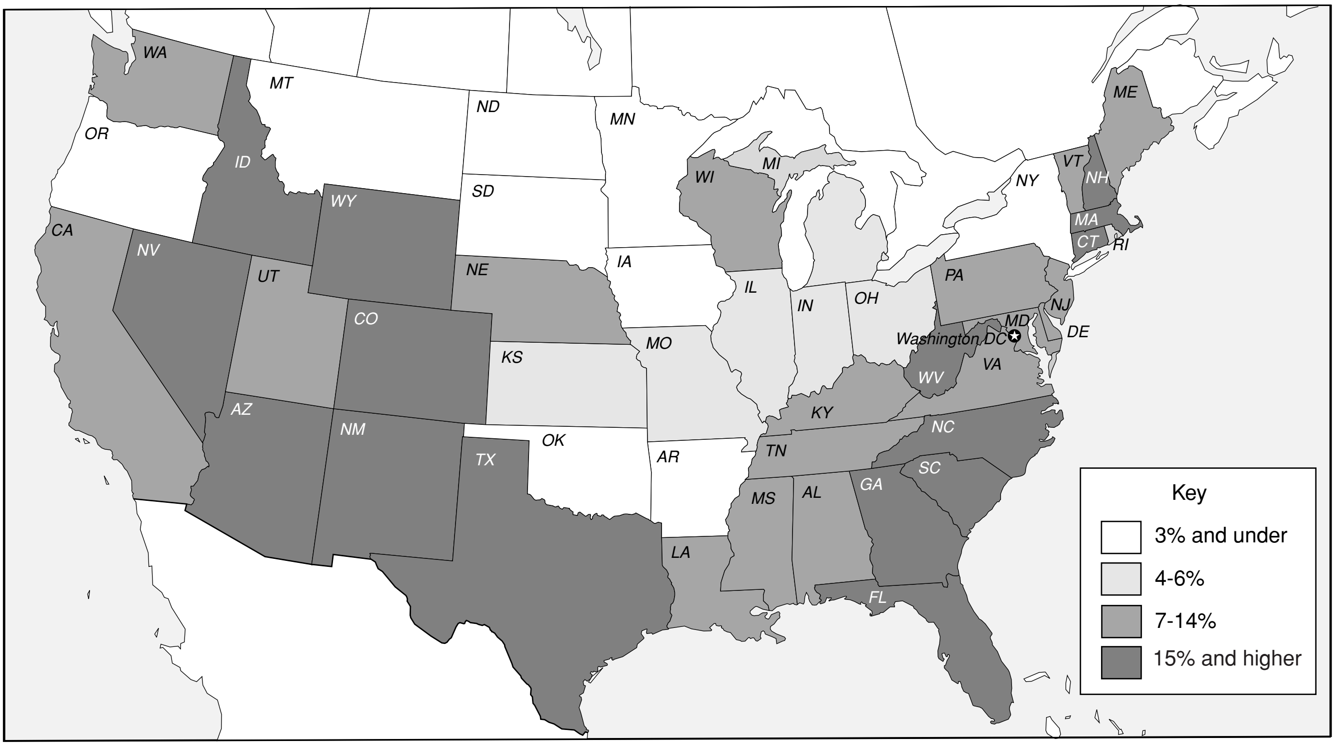
However, what the current crisis of specialty nursing facilities and hospitals shows, is that the Balanced Budget Act must be rescinded. Steps must be taken to build back up the health care delivery infrastructure base of the nation, and all other vital sectors of the economy.

Wave of Bankruptcy

On Aug. 9, the American Health Care Association (AHCA), which represents 12,000 long-term care facilities in the United States, held a press conference in Washington, D.C., to warn that, because of the funding cuts resulting from the 1997 Balanced Budget Act, hundreds of long-term care facilities are in danger of going out of business. A detailed 50-state analysis was released, showing the impact of the 1997 Act, and the 1999 Balanced Budget Refinement Act.

The report's figures show that Federal Medicare payments to skilled nursing homes *dropped by $8 billion during*

FIGURE 1
High Rate of Nursing Facilities Filing Bankruptcy in 1999 and 2000



Source: American Health Care Association—Research and Information Services, June 29, 2000.

1998 to 1999, devastating the operating budgets of skilled nursing facilities, nationally. During 1999 and through May 2000, eleven percent of all the long-term care facilities in the United States filed for bankruptcy.

The impact has varied somewhat from state to state. The steepest cuts have hit California, Florida, Texas, New York, Pennsylvania, Ohio, Illinois, Missouri, Michigan, and New Jersey. But, all 50 states and the District of Columbia have suffered cuts.

Dr. Charles Roadman II, the president and CEO of the AHCA, briefed reporters at the Aug. 9 press conference, saying that the unexpectedly deep cuts resulting from the Balanced Budget Act are cutting into the ability to preserve facilities and to "do what we need to do for patients." He said that the 1.5 million elderly people in long-term care facilities have real needs, and "we have an obligation to keep the promise we made to America's greatest generation." These are people who planned, for most of their lives, on Medicare being available to them, and now that promise "is in real problems."

Dr. Roadman called for increasing the baseline funding level by $9.7 billion this year, and for adjusting the market basket to reflect increased costs of health care. He also called for measures to address the labor crisis in long-term care. "We need to be able to pay for a higher number of hours of care per patient," he said.

The South Dakota Example

A local instance which demonstrates the community impact, for example, is in South Dakota. There, on Aug. 15, a facility for 56 residents, located in the town of Parker, began to shut down, directly because of the Balanced Budget Act, and the venality behind it. "What's happening in the rest of the country in terms of nursing home closings has finally come to roost in South Dakota," Mark Deak, director of the South Dakota Health Care Association, told the *Argus Union Leader* of Sioux Falls.

In Parker, the owner of the Hilltop Home and Courtyard Estates, a nursing home and assisted living center, said that he received $77.31 per day in reimbursement for each patient through Medicaid (Federal and state), but his costs per patient were $112 per person per day. He could not afford to continue racking up losses at this rate, with no end in sight. The facility shut down on Aug. 15, eliminating 44 jobs in the town of 1,000. Some of the other 114 nursing care homes in South Dakota might close soon.