Editorial

Nursing Home Termination, Nursing Home Closure, and Many Unanswered Questions

The article in this issue by Yue Li, Charlene Harrington, William Spector, and Dana Mukamel, “State regulatory enforcement and nursing home termination from the Medicare and Medicaid programs,” provides a timely opportunity to examine current questions about nursing home closures and the future shape of long-term care. Li and colleagues are to be congratulated for their careful attention to the differences between nursing home termination and closure, and between voluntary and involuntary termination. Their paper examines how variation across states in the stringency of state quality regulations and enforcement can influence decisions of nursing homes to voluntarily terminate their participation in Medicare and Medicaid programs. They frame their analyses within neoclassical economics, thus assuming there is a tipping point at which point the cost of compliance with state regulations exceeds the benefits of Medicare and Medicaid program participation, and once reached, nursing homes will voluntarily terminate their participation. They used 2 years of OSCAR data to measure facility termination status (2006 and 2007), and 2005 survey information from directors of state agencies of licensing and certification. This focus on state-level regulatory stringency is particularly appropriate given the need to capture variation across states in standards of care and enforcement penalties, over and above federal standards and deficiencies as captured by the OSCAR (Harrington et al. 2004). The model tested by Li et al. (2010) is appropriately multilevel, considering facility, market- and state-level covariates.

This article is valuable, too, for the questions it raises, some quite directly and some only indirectly. What follows in this brief essay is a nonexhaustive list of issues deserving more direct attention in both our research and policy discussions on the future of long-term care and the role of nursing homes in that future.

1. *Who decides to voluntarily close a nursing home?* As framed by Li et al. (2010), termination is a decision made by NH management/owners to

avoid penalties associated with providing substandard care: “for the majority of nursing homes the optimal operating point, i.e., the point of balance between the costs of compliance with quality standards and the benefits of participation in Medicare and Medicaid, was achieved at a level of less than full compliance” (p. XX from Li et al. 2010). In an economic formulation, then, high-quality nursing home care is never fully realized. Further, the location of those decisions is often somewhat removed from the location of the nursing home; of particular relevance here are nursing homes owned by chains or diversified health care systems. This suggests that a gap in levels (or a disconnect between levels) may exist between the decision to terminate and/or close, and the expected impact of nursing home closure.

2. *When does termination convert to closure?* Nearly always, as confirmed by Li et al.’s (2010) examination of 2008–2009 OSCAR data that 90 percent of their terminated facilities had closed by 2009. Nonetheless, actual closure may not be simultaneous with termination, and these may in fact represent two separate decisions, possibly involving different sets of stakeholders. A longitudinal examination of both termination and closure decisions, and a longer research time frame, would help clarify this question.
3. *What are the consequences of closure?* We know that the effects of nursing home closures are also felt at multiple levels, disrupting care for displaced residents, and possibly straining the long-term care service system in local communities. Additional analyses are needed, however, of the impact on closure on nursing home bed supply, and on access to nursing homes by minority and Medicaid-dependent elderly. Some argue that nursing home closures help to purge the market of underperforming/less efficient facilities; eliminating poor-quality homes helps to improve the overall level of quality among remaining nursing homes. We also know, however, that access to high-quality nursing homes is not evenly distributed, and that African American and Hispanic elderly are far more likely to be placed in poor-quality homes (Mor et al. 2004; Smith et al. 2008; Fennell et al. 2010). And it is exactly those subgroups of elderly who are expected to grow the fastest in the near future (Angel and Hogan 2004). It is possible that continued loss of nursing homes—even lower quality homes—will exacerbate disparities in access.
4. *Where are closures most likely to be located?* Nursing home terminations and closures are not distributed randomly across states; this is also

likely to hold true at the community or local market level. Li et al.'s (2010) data on state regulatory stringency captures state-level activities and effects, and clearly shows variation by state in regulatory intensity. However, the effects of closure accrue at a more local level of analysis, such as the community and local market. Within certain communities, it is quite possible that multiple closures can occur over a finite period of time, thus multiplying the negative impact of termination and closure decisions.

5. *Where are home and community-based care alternatives located, and will these new providers be able to "fill the gap" left by nursing home terminations and closures?* This question is crucial, but we are far from having a reliable answer. Previous work has shown that elderly residents of lower quality nursing homes face a "triple jeopardy": they are more likely to be placed in substandard facilities, in areas that provide even poorer and more limited home and community-based service alternatives to nursing home care, and they are more likely to live in areas plagued by multiple nursing home closures (Smith and Feng 2010). Assisted living facilities comprise one of the important alternatives to nursing home care that has developed over the past decade. However, assisted living facilities are more likely to be for-profit, locate in areas of higher SES, and target a private-pay clientele (Stevenson and Grabowski 2010). Complicating the research and planning picture even more is the fact that there is no standardized national database on either assisted living or other home or community-based service providers, comparable with the OSCAR data on nursing homes. Without complete data on multiple long-term care service providers at the level of local markets, we will be seriously hampered in efforts to determine the joint impact of nursing home closures, new provider entries, and increased numbers of minority elderly on care access and quality of care available to frail elderly.

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