

# Profile of Nursing Homes in Rural Minnesota

Nursing homes are important resources in rural communities. In this profile, the term “nursing home” refers to 24-hour skilled nursing care in an institutional setting. The distribution of nursing homes, utilization and occupancy rates in greater Minnesota are the focus of this profile.

## Background

As of April 2003, there are 414 licensed nursing homes in Minnesota and most are located in the urban, southern and western portions of the state. See Map 1. The supply of nursing home beds in Minnesota is high compared to the current national average of 53.6 per 1000 people 65+ years. Regionally, rates range from 62.2 in the Twin Cities metropolitan area to 85.5 in the Southwest. See Figure 1.

In 2000, legislation was passed creating the nursing home bed layaway program, authorizing nursing homes to temporarily take beds out of service. Since its enactment, 2,519 beds have been put in layaway.<sup>1</sup>

Minnesota, like many other states, is experiencing changes in the health care infrastructure serving the elderly. During the last decade,

### Quick Facts:

- ◆ The percentage of all nursing home beds in Minnesota by region ranges from 6 percent in the Northwest and West Central regions to 12 percent in the Central and Southeast regions. The Twin Cities metropolitan area has the highest concentration of all licensed nursing home beds at 39 percent.
- ◆ Four percent of all nursing homes in the Twin Cities metropolitan area are attached to hospitals compared to 16 percent in greater Minnesota.
- ◆ The percentage of nursing home residents among the elderly population (65+ years), often referred to as the “nursing home utilization rate,” was 5.5 in 2000.
- ◆ Ninety-three percent of Minnesota nursing homes participate in both Medicare and Medicaid programs.
- ◆ On October 1, 2002, the federal government cut \$34 million from nursing homes in Minnesota. That is the equivalent of \$30.00 per resident per day.<sup>1</sup>
- ◆ Most nursing homes maintain high occupancy rates throughout the year. In 2001, the statewide average rate was 91 percent. Average occupancy rates by region range from 94.2 percent in the Northeast to 88.5 percent in both the West Central and Central regions.

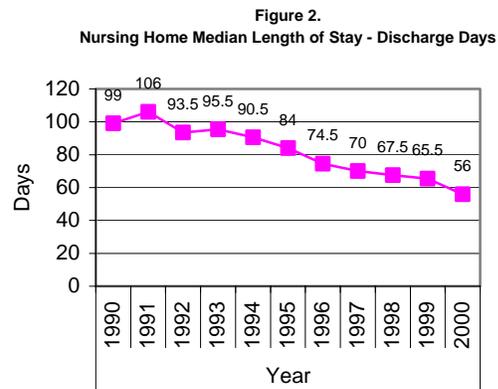
<sup>1</sup> The Long-Term Care Imperative, 2003 Legislative Focus Presentation to Rural Health Advisory Committee, Jan. 2003

**Figure 1.**  
 Nursing Home Beds per 1,000 population 65 years+ - 2001

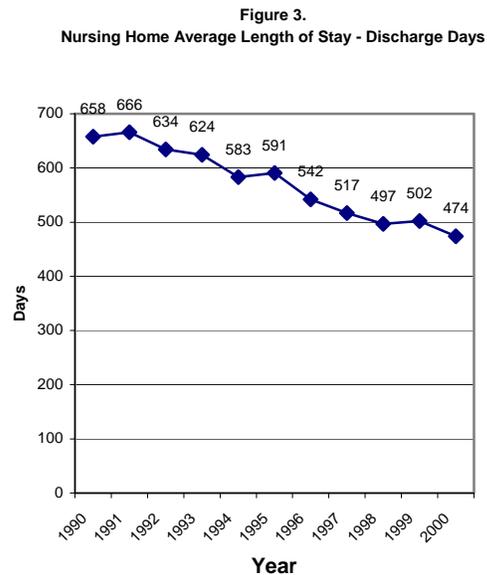
Region	NH Beds	Total 65+	Rate
Metro	15,879	255,245	62.2
Northeast	3,480	53,637	64.9
Central	4,952	73,996	66.9
Minnesota	40,326	594,266	67.9
Southeast	4,455	63,833	69.8
South Central	3,054	42,277	72.2
West Central	2,365	31,143	75.9
Northwest	2,455	31,022	79.1
Southwest	3,686	43,113	85.5

<sup>1</sup> Minnesota Department of Health, Facility & Provider Compliance, as of 12/02.

the average length of a nursing home stay has been declining. In 1990, the median length of stay was 99 days. In 2000, it was down to 56 days. See Figure 2. This measurement of the median length of stay confirms that half the Minnesotans entering nursing homes do so temporarily. In Figure 3, the average length of stay reflects all nursing home residents, including those with severe impairment who often stay much longer in nursing home facilities.



Increasingly, nursing homes are becoming places of transition from hospital to home. They supply health evaluation and treatment for the elderly and disabled who find themselves in need of skilled nursing services, but not at the acute level of a hospital. These services are especially important in rural communities where the closing of a nursing home could mean the additional burden of driving greater distances to obtain such services. Today, nursing homes are being used more for rehabilitation, recuperation or end of life care.<sup>2</sup> In 2001, 43 percent of nursing home discharges in greater Minnesota were either to home or an alternative long-term care facility compared to 55 percent in the Twin Cities metropolitan region. See Figure 4.



Source: Rightsizing the Nursing Home Industry 2001-  
A Report to the Legislature, MN Department of Human Services  
Continuing Care for the Elderly, 04/02.

## Issues

### Changing Expectations of a Growing Elderly Population

Older people comprise an increasing proportion of the population in Minnesota, especially in Southwest, West Central and Northeast regions. According to the Minnesota State Demographic Center, the 65 plus age group is expected to grow in number by 700,000 between 2000 and 2030, a growth rate of 117 percent. Additionally, Minnesota ranks high in life expectancy exceeding the national average of 77 years. This means a 65-year-old woman in Minnesota today on average can expect to live to be 85 years old, while a 65-year-old male on average can expect to live to be 82 years old.<sup>3</sup>

<sup>2</sup> Minnesota Department of Human Services, Continuing Care For the Elderly. *Rightsizing the Nursing Home Industry 2001: A Report to the Legislature*. March 2002, p. 19.

<sup>3</sup> Minnesota State Demographic Center, *Minnesota Life Expectancy 2000*, Population Notes, April 2002.

**Figure 4.**

<b>2001 Nursing Home Discharges To:</b>	Greater Minnesota		Twin Cities Metro	
	Number of Discharges	Percentage	Number of Discharges	Percentage
Homes	8,891	39.7	13,397	50.1
Hospitals	1,877	8.4	3,150	11.8
Nursing Homes	1,650	7.4	2,085	7.8
Boarding Care Homes	325	1.5	568	2.1
Supervised Living Facilities	624	2.8	846	3.2
Deaths	8,746	39.0	6,332	23.7
Other	286	1.3	388	1.4
<b>Total</b>	<b>22,399</b>	<b>100.0</b>	<b>26,766</b>	<b>100.0</b>

Despite the anticipated growth in the elderly population, a trend toward shorter lengths of stay has created declining demand for nursing home beds.<sup>4</sup> Shorter lengths of stay and reduced bed utilization, declining disability rates and increasing preference for home and community alternatives to nursing home care contribute to a declining demand for nursing home beds.

In partnership with the Minnesota Board on Aging, the Minnesota Department of Human Services recently published projections of what can be expected among Minnesota’s aging population. They project that 25 percent of the population, or one in four Minnesotans, will be 65 plus years by 2030 with a majority living alone.<sup>5</sup> Caregiver ratios are already high in some counties, such as Pipestone and Traverse, and are projected to grow higher.<sup>6</sup> As a result, it is predicted that traditional long-care programs will be overwhelmed making existing federal and state programs more essential than ever.

### Reimbursement

Expenditures for nursing facilities totaled \$877 million in fiscal year 2001.<sup>7</sup> Within that same year the average proportion of long-term care money spent by Minnesota on nursing home care, as opposed to other long term care options like home or community based services, was 86 percent. Eleven counties, all in greater Minnesota, spent significantly more ranging from 93 to 96 percent.<sup>8</sup> The cost of providing care to a growing elderly population is a concern for many rural nursing facilities given current the state reimbursement system of fixed rates in the face of rising expenses.

Currently, Medicaid reimbursement limits vary and are based in part on a nursing home’s geographic location within the state. Minnesota is divided into three geographic regions for the purpose of determining nursing facility reimbursement. See Map 2. These geographic groups were part of the cost-based system implemented in 1985. According to the Minnesota House Research/Fiscal Analysis Department, the average per diem reimbursement rate is 25 percent higher (\$119.52) for nursing homes in geographic group 3 (metro) than facilities in group 1 (“deep” rural) (\$95.93), and 17 percent higher than nursing facilities in group 2 (rural)

<sup>4</sup> Minnesota Department of Human Services, *Rightsizing the Nursing Home Industry 2001: A Report to the Legislature*.

<sup>5</sup> Minnesota Department of Human Services, *Aging Initiative: Project 2030: Background*, Jan. 2003.

<sup>6</sup> Ibid.

<sup>7</sup> U.S. Dept. of Health and Human Services, *State Long-Term Care: Recent Developments and Policy Directions*, National Conference of State Legislatures, July 2002.

<sup>8</sup> The Long-Term Care Task Force, *Keeping the Vision: Minnesota’s Long-Term Care Reform 2001*, p. 10.

(\$102.28).<sup>9</sup> The majority of Minnesota nursing homes (81 percent) are in geographic groups 2 or 3.<sup>10</sup>

### Workforce Shortage

Nursing homes in Minnesota are facing a critical workforce shortage. Minnesota differs from the national nursing home picture in several ways. Figure 4 shows the average number of nursing home residents per facility, as well as the full time equivalent registered nurses (RN), licensed practical nurses (LPN), and certified nursing assistants (CNA) serving the residents. A contributing factor to the workforce shortage is the low rate of pay for nursing home employees. For example, the median hourly wage employers offer for certified nursing assistants in

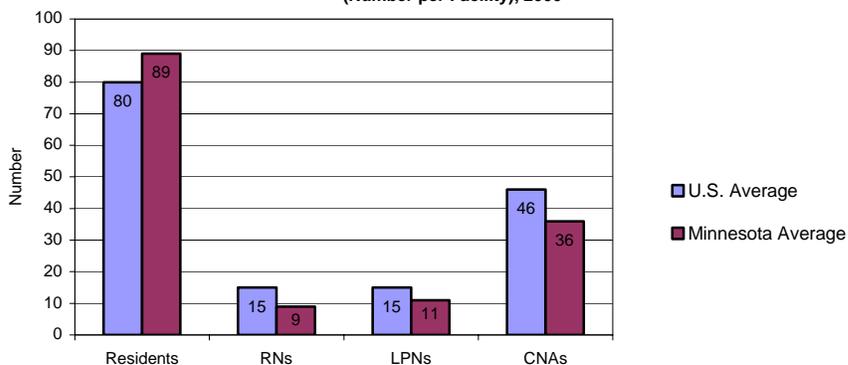
Minnesota is \$9.25.<sup>11</sup> A

2002 survey of RNs in

Minnesota revealed that the average hourly wage for RNs in greater Minnesota is \$24.12 or approximately \$2.50 less than the state average of \$26.70 and almost \$5.00 less than RNs working in Minneapolis and St. Paul.<sup>12</sup> As for RNs employed in nursing homes, estimates released by Minnesota Department of Economic Security found the average hourly wage for RNs working in metro facilities was \$22.46, while the hourly wage for RNs working in nursing facilities in greater Minnesota was \$19.57 in 2002. These wage differences are particularly burdensome for rural facilities competing with their urban counterparts to attract a qualified health care workforce.

Age differences among RNs employed in rural and urban settings are most prominent in nursing homes. Statewide, 25 percent of RNs working in nursing homes are over 55 years of age.<sup>13</sup> Regionally, the average age of an RN in an urban nursing facility was 46 years while the average age for an RN in rural nursing facility was 47.5 years during 1998-2000.<sup>14</sup> With a substantial portion of the health care workforce possibly retiring soon, the supply of RNs working in nursing homes throughout greater Minnesota could be affected.

Figure 4.  
Nursing Home Characteristics, United States and Minnesota  
(Number per Facility), 2000



Source: Centers for Medicare/Medicaid Services

<sup>9</sup> Minnesota House Research Dept./Fiscal Analysis Dept., *Variations in Nursing Facility Rates*, January 2000, pgs.17, 29.

<sup>10</sup> Ibid.

<sup>11</sup> Minnesota Department of Economic Security, Fourth Quarter 2000 *State of Minnesota Job Vacancy Survey*, 2001.

<sup>12</sup> Office of Rural Health and Primary Care (ORHPC), *Findings from the Minnesota Registered Nurse Workforce Survey*, Jan. 2003.

<sup>13</sup> ORHPC, *Registered Nurse Workforce Profile*, Feb. 2001.

<sup>14</sup> Ibid.

## **Long-Term Care Reform**

The Minnesota Long-Term Care Task Force, a tri-partisan group of legislators and commissioners from agencies representing Human Services, Health and Housing Finance, created legislation in 2001 calling for an assessment of the state's long-term care system and strategies for reshaping the state's long-term care system. A final report to the Minnesota legislature, *Reshaping Long-Term Care in Minnesota*, presented an overall vision for restructuring long-term care statewide. Following the recommendations of the Long-Term Care Task Force, the Legislature in 2001, allocated \$183 million in long-term care reforms for fiscal 2002-03. A portion of that amount (\$108 million) was to provide for cost-of-living increases for nursing facilities and long-term care providers. The state expected to offset the increased spending by downsizing the nursing home industry and eliminating 5100 beds, more than 10 percent of current beds. In addition to eliminating excess nursing home beds and generating revenue for long-term care alternatives, other measures in the legislation include creating loan forgiveness and scholarship programs for direct care workers, establishing high school internship programs for work in long-term care and implementing a new system for resident assessment for nursing homes.

As of 2003, a \$4.2 billion state budget deficit has lead to several modifications to the long-term care reform legislation. Spending reductions have been proposed by the Pawlenty administration and by the Minnesota legislature. Some of the proposed changes will likely reduce expenditures for alternative care programs and eliminate reimbursement for training for direct care workers in nursing homes. Despite the decrease in spending, the legislation still maintains the fundamental principles of long-term care reform including support for community-based alternatives, the reduction of institutional use, and the preservation of safety net programs for the most vulnerable populations.

## **Future Expectations**

Changing consumer expectations, reimbursement issues, and the health care workforce shortage are having a significant impact on nursing homes and the care they provide. Projection of bed utilization shows Minnesota's current bed supply is adequate through 2025.<sup>15</sup> However, where the greatest need for nursing home beds will be by 2010 is another matter. While nearly 45 percent of the counties in Minnesota report excess nursing home bed capacity in their county by 2010, about 9 percent of the counties estimated that they would need additional beds in the next ten years.<sup>16</sup>

Although there appears to be geographic access to nursing homes in most of the state, future closures or significant downsizing of nursing homes could have differential impacts depending on the area of Minnesota in which the nursing home is located and current and future population needs.

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<sup>15</sup> Minnesota Department of Human Services, *Aging Initiative: Project 2030: Background*, Jan. 2003.

<sup>16</sup> Minnesota Long-Term Care Task Force, *Keeping the Vision: Minnesota's Long Term Care Reform*, Feb. 2002, p.3.

## Resources:

### Publications:

Minnesota Department of Human Services, Aging Initiative, *Policy Considerations for Nursing Facilities: A Report to the Minnesota Legislature*, February 2000.

Minnesota House Research Department/House Fiscal Analysis Department, *Variations in Nursing Facility Rates*, January 2000.

Minnesota Department of Health, Office of Rural Health and Primary Care, *Senior Health Services in Minnesota*, September 2001.

Minnesota Department of Human Services, Aging Initiative, *Keeping the Vision: Minnesota's Long-term Care Reform 2001*, February 2002.

Minnesota Department of Human Services, Continuing Care for the Elderly, *Rightsizing the Nursing Home Industry 2001: A Report to the Legislature*, March 2002

U.S. Department of Health and Human Services, Office of Disability, Aging and Long-Term Care Policy, *State Long-Term Care: Recent Developments and Policy Directions*, #HHS-100-97-0015, July 2002.

Minnesota Planning, *Fiscal Futures: A Guide to Minnesota Health Care Spending, Critical Issues Series*, January 2003.

### Websites:

<http://www.medicare.gov/NHCompare/home.asp>

A federal Medicare website of the Centers for Medicare & Medicaid Services. Contains information on Medicare & Medicaid certified nursing homes by state, county, city and ZIP code. Provides statistics on quality measures, inspection results, and staff/patient ratios, which can be an invaluable resource tool for consumers. Data is current as of October 1, 2002.

<http://www.health.state.mn.us/divs/fpc/consinfo.html>

An interactive website of the Division of Facility & Provider Compliance at the Minnesota Department of Health. Provides occupancy and discharge statistics for both nursing and boarding care homes licensed by the state of Minnesota. Data is available by county, city and provider. Most reports are for the time period 10/01/2000 to 09/30/2001.

<http://www.health.state.mn.us/divs/fpc/directory/providerselect.cfm>

An interactive website of the Division of Facility & Provider Compliance at the Minnesota Department of Health. Contains data on all provider types, both long-term and non long-term care, licensed and registered with the state of Minnesota.

<http://www.dhs.state.mn.us/agingint/nhdb/default.htm>

An interactive website of the Department of Human Services (DHS). Contains information only on nursing homes that are Medicaid certified. Database information includes the nursing home facility address, phone number, administrator's name, number of beds, and the daily payment rate. Dataset is regularly updated.

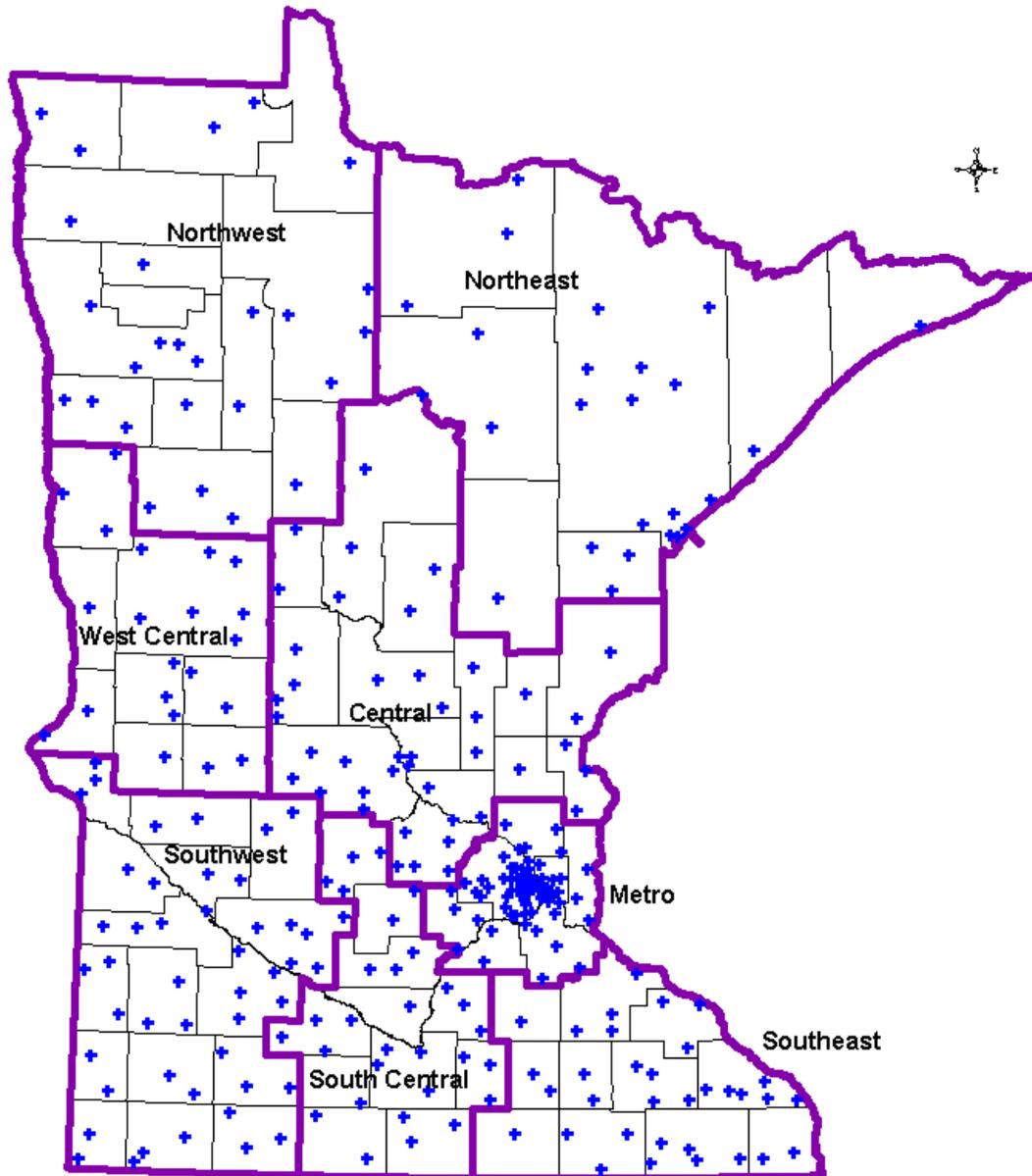
<http://www.dhs.state.mn.us/agingint/Proj2030/report/toc.htm>

The full report from the Aging Initiative Project 2030; prepared by DHS and The Minnesota Board on Aging. Contains the projected results of a 2-year process to identify the impacts of the baby boom generation and begin to prepare a state response to the changes that accompany the aging of the baby boom generation.

<http://www.health.state.mn.us/divs/chs/rhpc.htm>

Reports addressing rural health issues can found at this website managed by the Minnesota Office of Rural Health and Primary Care. Includes health care workforce profiles and quarterly newsletter.

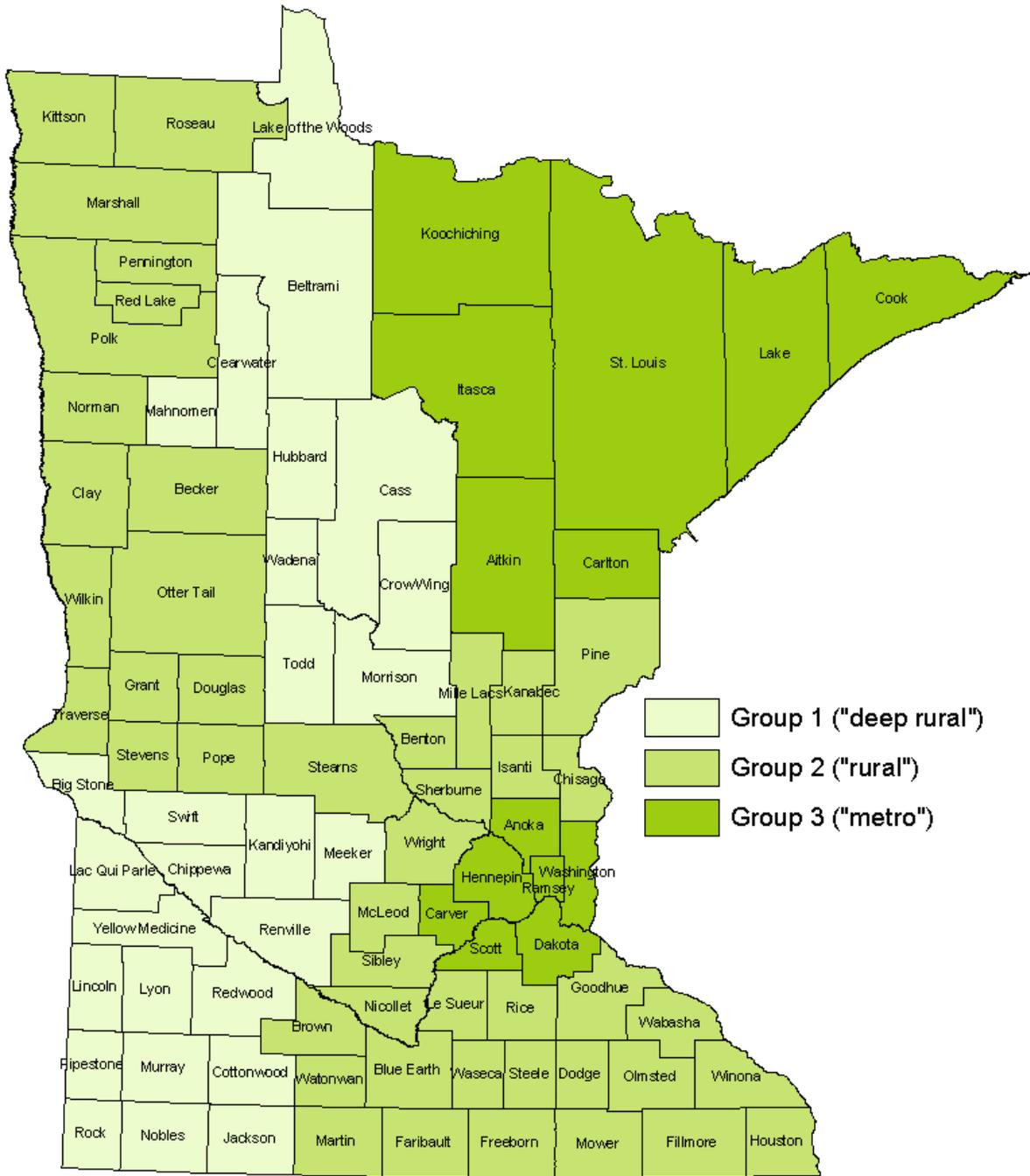
## Distribution of Nursing Homes in Minnesota - 2002



Source: Centers for Medicare & Medicaid Services

## Map 2

### Nursing Facility Geographic Groups



Source: Minnesota House Research Graphics, Jan. 2000