


ORCID

William James Deardorff  <https://orcid.org/0000-0002-7947-3008>

Todd James  <https://orcid.org/0000-0003-4474-6392>

TWITTER

William James Deardorff  @wjdeardorff

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“I don't know how many nursing homes will survive 2021”: Financial sustainability during COVID-19

INTRODUCTION

Nursing homes (NHs) have been severely challenged during the COVID-19 pandemic as they manage outbreaks among residents and staff, respond to rapidly evolving policies and requirements, and cope with the devastating loss of residents to the virus, all while continuing to provide care.¹ These difficulties have been compounded by substantial financial challenges. NH operational costs are significantly impacted by decreased revenue from fewer admissions and increased expenditures on staff wages and overtime, personal protective equipment (PPE), screening and testing, and fines for inspection deficiencies.²⁻⁴ Although Federal CARES Act funding provided short-term relief to NHs during the pandemic,⁵ it is not expected to guarantee long-term financial sustainability. In this qualitative study, we examine the financial implications of COVID-19 on NH sustainability.

METHODS

This letter reports early findings from the qualitative arm of a large, mixed-methods study. About 160 in-depth,

semistructured interviews are being conducted with administrators at 40 NHs in eight diverse healthcare markets across the United States using the unique study design of four repeated interviews at 3-month intervals. Interviews explore the impact of COVID-19 on NHs over this past year, and reveal real-time facility responses, including infection control practices, strategies to maintain staffing and address staffing shortages, ideas to improve staff and resident morale, changes over time, and novel responses to challenges. Each 1-h telephone interview is audio-recorded with participants' consent, then transcribed, reviewed, and de-identified. NVivo (version 12)⁶ was used to facilitate data analysis. Our rigorous thematic analysis systematically codes the data; a detailed audit trail records team discussions and analytic decisions.

RESULTS

To date, 115 interviews have been conducted with administrators at 40 NHs. These repeated interviews include round 1 ($n = 40$), round 2 ($n = 38$), round 3 ($n = 28$), and round 4 ($n = 9$) interviews. Themes across interviews

TABLE 1 Example quotes

| Concept | Quote, participant ID, nursing home characteristics |
|---|--|
| Decreased revenue | |
| Stopping admissions during COVID outbreak | “We did stop admissions for a month. We did not have any income and revenue for a month just so we could clean up and get our residents that were COVID-positive...you know, stable.” (S4N2.1) <i>Midwest, 5 star, nonprofit, 50–100 beds</i> |
| Reductions in admissions for elective procedures | “We’re usually very, very busy. And all of a sudden admissions stopped. We stopped seeing people going into the hospital, the elective surgeries were off. I think people stopped going to the hospital to get any kind of treatment.” (S4N5.1) <i>Midwest, 4 star, nonprofit, 150–200 beds</i> |
| Reductions in census due to need to isolate | “Our occupancy took a severe hit. Because we really, to this day, are having to take that service to quarantined residents, it ends up being as many as 11 beds out of the 120 that are out of service...So that is basically 10%, ballpark of our revenue that’s just gone overnight as of last March.” (S6N2rep1) <i>Southeast, 5 star, for profit, 100–150 beds</i> |
| Increased costs | |
| Higher staffing expenses | “Our census really was down and then our expenses were way up and I just was able to quantify some of this. We did \$64,000 in special hero pay...We spent \$63,000 in COVID, not worked, quarantine pay. So, that is people who either tested positive and had to stay home for 10 or 14 days, or they had a known exposure and still had to quarantine....Then we spent \$62,000 in pool [agency staffing]...And then we spent \$34,000 in pickup bonuses in January. So, all said and done at the end of the month, we lost \$426,000. In one month. Which is just devastating. My panic button is around 50,000. I’ve never approached anything like that before.” (S4N5.3) <i>Midwest, 4 star, nonprofit, 150–200 beds</i> |
| Higher staffing expenses, without increase in reimbursement | “We’re rolling out a new wage scale...I have no idea how we’re going to pay for that. We’re already not even breaking even right now, but it’s just the move that we had to make for survival sake, to be honest with you. It’s tough because the state just...the legislature just ended their session in the last month or two and they did not increase our rates at all, so we’ve got to digest a 20% increase. It’s probably going to be a few hundred thousand a year minimum that we’re going to pay in CNA wages, maybe up to a half a million, and there’s no increase in reimbursement, so it’s going to be a massive challenge....To say it’s a tough business is like cliché. It’s a pretty unprofitable one right now and with no relief on the reimbursement side.” (S6N2rep.2) <i>Southeast, 5 star, for profit, 100–150 beds</i> |
| Inability to pay more than what is received in unemployment | “Staff is an issue, because you can’t keep staff.... My employees got between \$7000 and \$10,000 on this last stimulus. That’s more than they make in a while, so they’re not going to work. They can draw an extra \$300 in unemployment to stay home.” (S4N3.2) <i>Midwest, 1 star, for profit, 50–100 beds</i> |
| Testing expenses | “...if they [the Department of Health] find free testing for employees and residents, I would love to have that information. These labs are charging us up the wazoo.” (S3N1.3) <i>Mid-south, 1 star, for profit, 150–200 beds</i> |
| PPE expenses | “I mean, the amount of PPE that we burned through every day, I can’t even begin to convey that to you. I mean, multiple dumpsters full of gowns and gloves and face shields and masks...every single day thousands and thousands and thousands of dollars of PPE exiting the building.” (S5N5.1) <i>Northwest, 4 star, for profit, 50–100 beds</i> |
| Fines resulting from survey deficiencies | “Because the financial recourse if you get fined is significant. So it’s a nearly impossible...even if you’re late getting your information in, you’re subject to a huge fine, up to \$20,000. That’s a lot of money.” (S1N4.3) <i>Northeast, 3 star, for profit, 50–100 beds</i> |
| Value of CARES act funding | |
| Using CARES Act funds to retain staff | “HHS [U.S. Department of Health and Human Services] funds did help, with some of the additional funds we received...We have not let anyone go. We still have all of our full staff, and we’re able to keep everybody on.” (S7N5.1) <i>Mid-south, 5 star, nonprofit, 50–100 beds</i> |
| Value of CARES Act funding | “Without the CARES Act and the extra supplemental...funds that was given by the US government, we would have had a very difficult time...When you don’t have enough patients, we still have to pay our bills and...we shrink our staff because we don’t have enough patients.” (S8N3.1) <i>Southwest, 4 star, for profit, 150–200 beds</i> |

TABLE 1 (Continued)

| Concept | Quote, participant ID, nursing home characteristics |
|---|--|
| Strategies to cut costs | “As the census goes down, of course, so do the opportunities to make any kind of revenue...What the organization that I worked for did was as they looked back, and they realized, ‘Wow, we haven’t even made this budget or that budget’ I think they lost like 3.4 million in a three month period. And so what they opted to do was to offer early retirement...for quite a few of their employees, including the employees in my facility. I had a total of nine people accept those early retirement packages. So now, I’m also then short nine people.” (S6N1.2) <i>Southeast, 4 star, nonprofit, 100–150 beds</i> |
| Hopes and recommendations | |
| Need for regulation regarding agency salary | “I think there needs to be, because of COVID, some regulatory engagement in what agencies can target for staff. Because we’re all going to go bankrupt soon enough if the government doesn’t get involved.” (S6N3.2) <i>Southeast, 4 star, nonprofit, 100–150 beds</i> |
| Hope for additional funding | “Even though we’ve received quite a bit of stimulus money, I can tell you, with what I’ve been spending this past fall, and what I’ve spent over the last month, and what I’ve lost in revenue over the last month, every single penny of stimulus funds that I have received is spent, is gone. I’m hoping...there’ll be more stimulus funds available, because there’s no end in sight right now for COVID.” (S1N5.2) <i>Northeast, 4 star, for profit, 50–100 beds</i> |
| Expectations for when support stops, staff cuts | “I don’t know how many nursing homes will survive 2021. When the stimulus money stops, I don’t know how many nursing homes will actually survive...We are going through a little staff cut...From a financial standpoint, I see exactly what’s going on and what they’re doing and why, because we’re not going to get the stimulus money forever and we’ve got to learn to start standing on our own two feet and know that COVID is just part of the new norm.” (S3N5.1) <i>Mid-south, 5 star, for profit, 50–100 beds</i> |
| Need for further support | “If we had another massive crisis like COVID, I think nursing homes would go out of business...Nursing homes already kind of get a bad rap even though really good things are happening in them, and I think everybody still feels very defeated. We feel like we don’t have any partners, we don’t have people lobbying for us...And so I don’t know that long term care could [continue], 1) with staffing shortages that are still out there and, 2) people can’t work under these conditions.” (S6N1.4admin 2) <i>Southeast, 4 star, nonprofit, 100–150 beds</i> |

highlight the difficult financial implications of COVID-19 for NHs. Substantial decreases in revenue have resulted from the need to set aside beds for isolation and quarantining, and reduced or halted admissions, especially for rehabilitation, as elective procedures declined. Participants report that occupancy remains below pre-pandemic levels, and enormous expenditures on staffing, testing, PPE, and fines from survey deficiencies continue. Participants discuss their need for additional supplemental funding due to diminished revenue and increased costs. They struggle to recruit and retain staff in the context of unemployment compensation, and express concern about the high cost of agency staff. Their concerns raise doubts about the sustainability of nursing homes and the industry as a whole as a result of COVID-19. Example quotes are included in Table 1.

DISCUSSION

Interviews with NH administrators revealed significant financial challenges resulting from the COVID-19 pandemic and concerns about the long-term survival of the NH industry. Although our study is limited as our sample is comprised of

facilities from eight U.S. healthcare markets, our findings provide critical insights that may aid policymakers in improving NH quality. Additionally, our findings have implications for future discussions around infrastructure support for NHs, especially during times of crisis. Participants explicitly express a need for additional stimulus funding and leniency from penalties resulting from staffing shortages, suggest regulation and oversight of agency staffing fees, and emphasize the necessity for NH representation in future discussion around relevant legislation. Culture change and hospice may be delivery models that could improve care and outcomes, even with declining occupancy.

Several questions must be considered in response to administrators’ concerns about their financial sustainability. First, will facility occupancy and revenue eventually return to pre-pandemic levels? As family caregivers return to work, there will likely be increased demand for short- and long-stay NH services, but it is unclear whether occupancy will return to pre-pandemic levels in the foreseeable future. Second, will NH costs decline to pre-pandemic levels? Although some costs associated with testing and PPE may decline in the post-pandemic period, labor costs will likely not decrease. Finally, if NH shortfalls continue, what are the implications if some NHs close or downsize? Although

closures due to poor performers downsizing or exiting the market may be a positive outcome, if higher-quality or safety-net facilities leave the market, older adults will have reduced access to high-quality services.

As our reports from NH administrators convey, the crisis of this pandemic compels us to fundamentally reimagine long-term care delivery for vulnerable older adults now to prepare for the unforeseen future. Although provision of care in the community will likely expand in the coming years, some older adults will nonetheless require NH services. In the context of an evolving and uncertain financial outlook, policymakers must adequately fund the provision of high-quality NH care.

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The authors have no conflict of interest to report.

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The corresponding author has listed everyone who contributed significantly to the work. Drs. Gadbois and Shield were responsible for the study concept and design. All authors contributed to data collection and analysis and interpretation of data. Dr. Gadbois was responsible for manuscript preparation.

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Emily A. Gadbois PhD¹  

Joan F. Brazier MS¹

Amy Meehan MPH¹

David C. Grabowski PhD²

Renee R. Shield PhD¹

¹Health Services, Policy, and Practice, Brown University School of Public Health, Providence, Rhode Island, USA

²Department of Health Care Policy, Harvard Medical School, Boston, Massachusetts, USA

Correspondence

Emily A. Gadbois, PhD, Health Services, Policy, and Practice, Brown University School of Public Health, 121 S. Main St. Providence, RI 02903, USA.
Email: emily_gadbois@brown.edu

ORCID

Emily A. Gadbois  <https://orcid.org/0000-0003-1643-2732>

TWITTER

Emily A. Gadbois  @emily_gadbois

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Secrets to longevity: The Methuselahs that survived COVID-19

To the Editor: The coronavirus disease-2019 (COVID-19) was declared a global pandemic on the March 11, 2020, resulting to date in more than 197 million cases and 4.2

million deaths around the world. Since the early phases of the pandemic, old age was identified as a major risk factor for morbidity and mortality, along with comorbidities.¹