

**THE NATIONAL
IMPERATIVE TO
IMPROVE NURSING
HOME QUALITY**
*Honoring Our
Commitment to
Residents, Families,
and Staff*

Creating a More Rational and Robust Financing System

The way in which the United States pays for and finances nursing home care is ineffective, inefficient, and fragmented. The federal-state Medicaid program is the dominant payer of long-stay nursing home care, while the federal Medicare program pays for short-stay, post-acute care. Hospice care is paid for through a separate Medicare benefit and not well integrated into standard nursing home care. Private insurance is rare, and few people can afford to pay out of pocket for an extended nursing home stay.

The Medicaid program is vulnerable to state budget constraints. Nursing homes often rely on higher Medicare payments for short-stay, post-acute care to

subsidize lower Medicaid payments. This fragmented financing approach creates perverse incentives to maximize post-acute care services in order to recoup higher Medicare payments.

The National Imperative to Improve Nursing Home Quality: Honoring Our Commitment to Residents, Families, and Staff examines the complex and multifaceted challenges nursing homes currently face and outlines goals and recommendations to improve the overall quality of nursing home care. A rational and robust long-term care financing system is urgently needed to meet the demands of an increasingly aging population with complex care needs.

RECOMMENDATIONS

Provide Comprehensive, High-Quality Care

Improvements to enhance the overall quality of nursing home care, while ensuring that care is comprehensive and equitable, requires a more rational and robust financing system. To this end, the report contains a recommendation for the study of the design of a new federal, long-term care benefit. Such a long-term care benefit could offer the potential to ensure adequate coverage of comprehensive care for all nursing home residents, reduce inequities in access to high-quality care, and address differences in resources across nursing homes. Prior to national implementation, the new long-term care benefit should be tested in state demonstration programs.

Ensure Adequacy of Medicaid Payments

States are generally required by law to provide assurances, and often evidence, that Medicaid payments are adequate to provide access to high-quality care. Nursing home payment rates, however, are not subject to such requirements. The committee recommends the use of detailed and accurate nursing home financial information to ensure that Medicaid payments are at a level that is adequate to provide comprehensive, high-quality, and equitable care to every nursing home resident across all domains of care.

Designate Adequate Payment for Direct Care Services

Although extensive research supports the strong connection between spending on direct care for residents and the quality of care, nursing homes are not required by law to devote a specific portion of their payment to direct care, which includes staffing (the number of staff and their wages and benefits), behavioral health, and clinical care. A specific percentage of nursing home payments should be designated to pay for direct-care services as opposed to non-care costs such as interest payments and lease payments.

Expand Value-Based Payment

In an effort to more closely link health care payments to quality rather than quantity of care, Medicare has implemented value-based payment approaches such as episode-based or bundled payments. Such payments hold health care providers accountable for the total costs of a specific episode of care. Research on these payment models demonstrates their impact on reducing health care utilization and cost without adverse consequences on patient outcomes.

To enhance the value of Medicare payments for short-stay, post-acute care in nursing homes, the U.S. Department of Health and Human Services, the Centers

for Medicare & Medicaid Services, and the Center for Medicare & Medicaid Innovation should extend bundled payment initiatives (currently limited to certain conditions) to all conditions and hold hospitals financially accountable for Medicare post-acute care spending and outcomes. As bundled payments are extended to all conditions, close monitoring and rigorous study of the impact on patient outcomes will be required to mitigate any potential unintended consequences.

While the impact of value-based payment on long-stay nursing home care is not known, HHS/CMS should conduct demonstration projects to explore the use of alternative payment models (APMs) for long-term nursing home care, separate from bundled payment initiatives for post-acute care. These APMs would use global capitated budgets, making care provider organizations or health plans accountable for the total costs of care for long-stay nursing home residents. Grouping all services, including post-acute care and hospice care, into one global rate enhances care coordination and improves the management of the total cost of long-term care. Demonstration project design should be tied to broad-based quality metrics, including staffing metrics, residents' experience of care, functional status, and end-of-life care to ensure that APMs maintain quality of care, particularly in areas such as post-acute care, end-of-life care, and hospice care.

CONCLUSION

Fundamental reform of the payment and financing of nursing home care is critical to ensuring high-quality care for all nursing home residents, particularly in light of the growing population of older adults with complex care needs.

To download a free copy of the full report and other resources, please visit <https://www.nationalacademies.org/our-work/the-quality-of-care-in-nursing-homes>.

