

# **Options for County Nursing Homes In New York State**

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## **Executive Summary**

County-run nursing homes have a long and honored tradition of providing high quality care to the elderly throughout upstate New York. In spite of being prized assets in the communities they serve, the future viability of county homes is uncertain. As the long-term care industry undergoes rapid and significant change, county homes must seek out new and innovative ways of providing high quality service at the lowest possible cost.

To address current challenges and identify strategic opportunities, county home administrators and labor leaders, with the assistance of Cornell University, collaboratively designed and administered three surveys on the current status of New York State's 43 county homes. Broadening the range of services, marketing the home to the community and other health care providers, strengthening working relationships between labor and management, and renovating existing facilities are all viewed as top priorities for county homes to remain competitive in the industry.

In addition to assessing market trends, we focused on two key findings. First, staff turnover rates are significantly lower at county homes compared to their private-sector competitors. Research suggests that low staff turnover is strongly correlated with high quality care, and therefore turnover rates constitute a key comparative advantage that county homes should market to their advantage.

Second, we assessed county homes' interest in organizational restructuring. Contrary to popular wisdom, we find that interest in restructuring is unrelated to either fiscal stress or pressure from county government. Rather, we contend that interest in restructuring should be viewed as a signal of managers' willingness to innovate, and that management and labor can work together to improve the competitiveness of public nursing homes.

## **Acknowledgements**

This project is the product of several months of collaborative planning between County Nursing Facilities of New York, Inc. (CNFNY), the Civil Service Employees Association (CSEA), and the Department of City and Regional Planning at Cornell University. The authors of this report thank Executive Director Katy Connolly and President Jack Pease of CNFNY, and Steve Alviene, Deputy Director of Labor Relations at CSEA for the significant time and resources they dedicated to this project. We at Cornell hope that this report is just the first of many collaborative projects between CNFNY and CSEA, and wish both organizations many years of continued success.

## **Introduction**

In New York State, county governments own and operate over 10,000 nursing home beds in 43 of the state's 63 counties. County-run nursing homes have a long and honored tradition of providing high quality care to older persons throughout upstate New York. In spite of being prized assets in the communities in which they operate, the future viability of county homes is uncertain. Continued financial support at both the local and national level is always tenuous as governments face continued pressures to reduce expenditures and hold the line on property tax increases. At the same time, county homes must compete with private-sector and non-profit nursing homes that are allowed to operate under considerably less restrictive rules and procedures.

The future of county homes is complicated by the rising costs of health care in the United States. The price of health care continues to grow significantly faster than national inflation rates, and long-term care is not immune to this larger trend. In New York State alone, Medicaid spending on long-term care totaled \$5.7 billion in 1995, and annual increases in expenditures of ten percent or more are not uncommon (Weiner and Stevenson, 1998: 85). The high costs of long-term care have compelled many counties to consider getting out of the nursing home business. Yet some of these bolder initiatives entail significant risks. In Dutchess County, for example, privatization of the county home resulted in its eventual closure, forcing many elderly residents to seek care outside their home community.

An alternative to privatization is internal innovation through labor management cooperation. These innovations often succeed, resulting in small but significant improvements in the lives of county home residents and employees. All too frequently, though, innovative programs at one facility go on unnoticed by others, even though all county homes face similar challenges. To address this problem, labor and management leaders, with the assistance of the Department of City and Regional Planning at Cornell University, engaged in a collaborative strategic planning effort at the statewide level in spring 1999. Leaders from the County Nursing Facilities of New York State (CNFNY), the Civil Service Employees Association (CSEA) and Cornell collaboratively designed and administered three surveys for nursing home administrators and union representatives. The surveys assessed the financial health of county homes, the status of labor-management relations in these facilities, and the degree of interest in redesigning established service delivery models.

In addition to questions about the general characteristics of county nursing homes, we focused on two key issues. First, we were interested in learning more about problems with high staff turnover in the industry in general and in county homes in particular. In

Section II of this report we examine the link between nursing home turnover and the quality of care in county facilities. We find that staff turnover is lower in county facilities, but the evidence linking lower turnover and higher quality care is inconclusive. Nevertheless, existing research suggests that low turnover is strongly correlated with higher quality care, and we believe this characteristic is one of the key strengths of county homes.

The second major issue addressed in this report is county homes' interest in undertaking organizational change. In Section III we look at management and labor's perspectives on the likelihood of restructuring, and attempt to explain why some counties may be more interested in restructuring than others. Contrary to popular wisdom, we find that interest in restructuring is unrelated to either fiscal stress or pressure from county government. Rather, we view interest in restructuring as a signal of managers' willingness to innovate. In our discussions with county home administrators, the message was clear: managers want their homes to be the market leader in their communities, but all too often lack the economic resources and legal framework required to do so.

## **Project Methodology**

To gain a better understanding of conditions in and challenges to New York county homes, CNFNY and CSEA worked with Cornell University to design and administer three surveys of New York State's forty-three county nursing homes in March and April 1999. Two of the surveys targeted nursing home administrators and one was directed to labor officials.

Members of the CNFNY Executive Board reviewed drafts of the administrator surveys and provided feedback. All three survey instruments were fine-tuned with the assistance of a professional polling firm retained by CSEA. Each organization was responsible for administering its own surveys.

For the initial survey of nursing home administrators, which focused on restructuring and fiscal health, 35 of 43 homes responded. Twenty of 43 homes answered the second administrator survey, which asked questions about the service mix and quality of the physical facility. The survey of labor officials had the lowest response rate, with 14 of 43 homes responding. While the results in this report cannot be generalized across all county homes in New York State, they do provide a solid foundation from which to build future research on county homes. The results also raise several important but unanswered questions.

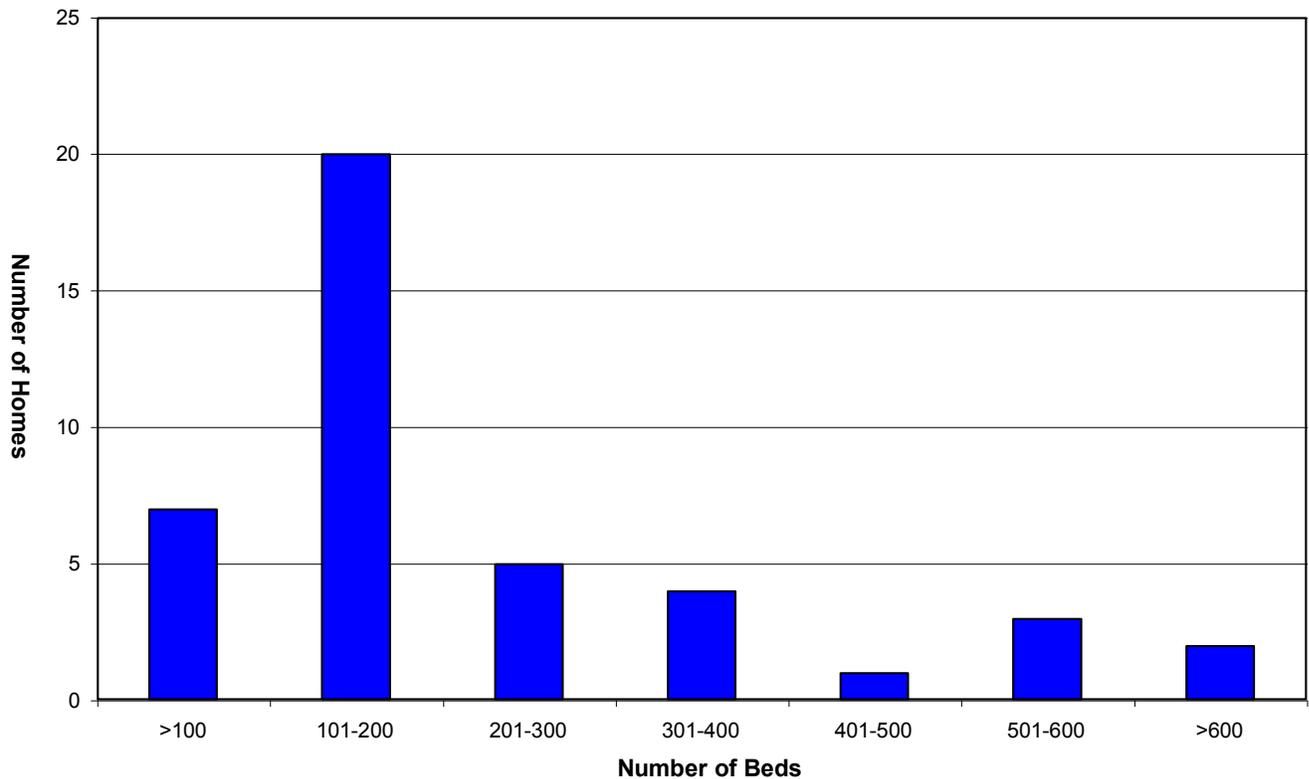
To supplement the survey results we conducted additional research on trends in the long-term care industry both in New York State and across the country. All sources are listed near the end of this report.

## I. GENERAL CHARACTERISTICS OF COUNTY HOMES

### **County homes are larger than the competition**

County homes are significantly larger than their non-profit and for-profit counterparts, averaging 233 beds per facility versus 148 beds. However, the county home average hides significant variation among facilities, as Figure 1 shows.

**Figure 1. Distribution of Beds in New York County Nursing Homes, 1999**



Source: HCFA Nursing Home Compare, online at <http://www.medicare.gov/nursing/search.asp?State=NY>. Accessed May 1, 1999.

### **Half of county homes surveyed have not been renovated this decade**

From a sample of fifteen responding county homes, we found that seven homes had undergone no renovation within the last nine years. According to a report issued by the Center for Governmental Research (CGR), changing architectural standards and expectations can play a critical role both with respect to the attractiveness of a facility and how functional the building proves to be for service delivery (CGR 1997: 12). Lack of recent renovations not only can give the home an “image problem,” but may also reduce worker efficiency. For example, simple changes such as the location of nursing stations can have a substantial impact on the time required to perform routine tasks. For these reasons, renovation of older homes should be a high priority for all county facilities.

## **Competition in the industry is on the rise in New York State**

According to survey respondents, strong competition exists in 85 percent of New York counties. Some of that increased competition has come from area hospitals offering similar services, and that form of competition is expected to increase in the future, according to 58 percent of administrators. A similar proportion of respondents (60 percent) indicated that hospitals are currently competing with the nursing home for long term care, compared to just 40 percent in the past.

One way of responding to increased competition is to develop contacts with other health care and social service agencies in the county, which may serve as a referral point for care for the county home. Eighty percent of county homes view themselves as a referral point for nursing care, and 61 percent of homes are referral points for rehabilitative care. These figures suggest that most county homes are competing successfully with other nursing homes in their service area, but that a few homes could work harder at developing long-term relationships with other service providers.

## **Interest in marketing is strong, yet only half of county homes market their services**

Half of all respondents market the services of the county home to the wider community. Newspaper ads, radio spots, and community events are the most common forms of advertising, whereas only one home has used television to convey its message. Print ads and community events are perceived to be the most effective ways of reaching out to the community. Radio ads, in contrast, are viewed as the least effective form of marketing the county home. Building public interest, educating the public, developing public support, and filling beds were the most important reasons why county homes chose to advertise. Attracting paying clients was the least popular reason for marketing. This response should be expected, however, given that the central mission of the county home is to serve clients regardless of their ability to pay.

Another form of marketing that can reap significant rewards is “internal” marketing to other health care providers in the home’s market area. For example, establishing personal contacts with administrators at area hospitals or managers of home health care agencies can result in sharp increases in patient referrals to the county facility.

Regardless of whether the nursing home has marketed its services in the past or not, 90 percent of respondents indicated an interest in additional training in marketing. As competition for residents increases, so does the importance of an effective marketing strategy. This includes “non-traditional” marketing strategies such as networking with regional health care providers.

## **Client satisfaction with services a priority across the state**

Ninety percent of respondents have mechanisms in place that monitor residents' satisfaction with the services they receive. Resident council meetings are used in every home where services are monitored, followed by resident surveys (95 percent), family council meetings (72 percent), and the use of a suggestion box (56 percent).

## County homes offer fewer services than the competition

As Table 1 indicates, county homes offer fewer services, on average, than their competitors. Differences between county homes and the private sector are particularly striking for head injuries, licensed adult home care, assisted living, long-term home health care, and adult day care. While private sector provision of these services suggests that many of these services are in high demand, legal constraints prevent county homes from offering many of these services. In spite of strong consumer preference for assisted living facilities, for example, New York State law prohibits public nursing homes from establishing assisted living units.

**Table 1. Service Mix for New York County Homes and Competition**

Service	County Homes *	Competition *
	(Percent of homes offering)	
Skilled Nursing	100	100
Alzheimer's Unit	35	69
AIDS Unit	15	15
Behavior Unit	10	25
Head Injury	10	42
Licensed Adult Home Care	10	68
Respite Care	30	30
Hospice Care	74	88
Assisted Living	0	50
Long-Term Home Health Care	0	78
Adult Day Care	16	80
Children's Day Care	6	13

N = 20

*\*Data on services offered by competitors are based on county home administrators' knowledge and due to the low response rate should be approached cautiously.*

## Labor and management relationships are strong, but still room for improvement

County home administrators view management-labor relations in a favorable light. Of the managers surveyed, eighty percent characterized labor-management relations as "cooperative", compared to 64 percent of responding labor leaders. Labor-management committees represent one way to resolve workplace conflicts, and approximately 60 percent of homes use these committees. In our survey 62 percent of labor respondents believe these committees are effective at solving problems.

## **II. GAINING A COMPETITIVE EDGE THROUGH LOW STAFF TURNOVER**

Academic research suggests that nursing homes with stable staffing patterns are far more likely to provide consistent quality and continuity of care (Anderson *et al.*, 1997; Burnfeind and O'Connor 1992; Halbur and Fears 1986). In other studies, low staff turnover has been correlated with fewer bedsores problems and lower incidence of aggressive and disruptive behavior by home residents (Rudman 1994). From a managerial perspective, low staff turnover correlates with greater cost efficiency (Bonn 1997, Banaszak-Holl and Hines 1996, Alexander, Bloom, and Nichols 1994 in Anderson *et al.*, 1997).

In spite of the benefits of attracting and retaining quality employees, staff turnover in the nursing home industry is a serious problem. In the private sector, non-profit homes average annual turnover rates between 48 and 86 percent, and for-profit homes' rates range from 72 to 118 percent annually. (Serrow *et al.* 1993, cited in Anderson *et al.*, 1997).

Our survey results show that New York county homes have very low rates of staff turnover compared to their private-sector counterparts nationally. In 80 percent of responding homes, annual turnover rates for RNs, LPNs, and support staff were 25 percent or less. In 60 percent of responding homes, annual turnover for CNAs was 25 percent or less. Only five homes reported turnover rates greater than 50 percent for any category of nursing staff.

Low levels of staff turnover in county facilities suggest that quality of care should be higher in county homes compared to their non-profit and for-profit competitors. When we compared quality of care in inspection report data available from the New York State Department of Health (Nursing Homes Compare 1999), we found that on average county nursing homes register fewer health deficiencies per bed than their private sector counterparts. County homes average 1.83 deficiencies per 100 beds, compared to 2.04 in proprietary and 1.86 in the non-profit sectors (see Table 2 below).

If county homes are evaluated according to the number of deficiencies reported *per facility* rather than *per bed*, because county facilities are larger, on average, than their private sector counterparts (233 beds versus 148 beds in privately-run homes), it should be expected that county homes have higher incidences of deficiencies. When deficiencies are measured on a per-facility basis, county homes have the highest number of deficiencies.

**Table 2. Summary Table of Reported Deficiencies by Sector, According to New York State Department of Health Data, May 1999**

	Average Number of Beds	Average Deficiencies Reported Per Facility	Deficiency Rate Reported Per 100 Beds
Proprietary Homes	148	2.34	2.04
Voluntary Homes	148	2.32	1.86
County Homes	233	2.88	1.83
Average NYS-wide, excluding NYC, Bronx and Queens counties	157	2.40	--

Source: "Nursing Home Compare, Nursing Home Search, Nursing Homes in New York," <<http://www.medicare.gov/nursing/search.asp?State=NY>>. Accessed 1 May 1999.

One possible explanation for the mixed results is the data gathering methodology used by the Health Care Finance Administration (HCFA) to rate nursing homes. The number of deficiencies per facility reported by the HCFA varies widely across counties. This suggests that the variation in reported deficiencies may have as much to do with variations in inspection practices from place to place as it has to do with the quality of care provided at individual homes.

The one firm conclusion we can draw from the data is that staff turnover at county facilities is significantly lower than the competition. Both academic research and common sense suggest that low turnover rates result in higher quality care. Having loved ones cared for by the same people day after day not only increases residents' comfort levels but also helps build strong friendships between residents and staff which are priceless. We believe that county homes should capitalize on this unique strength by highlighting the quality of staff in marketing and promotional materials.

### **III. RESTRUCTURING COUNTY HOMES IN NEW YORK STATE: CHANGING THE STATUS QUO**

Workplace restructuring in the private sector has been a constant theme for much of the past two decades. More recently, restructuring has become a big issue in the public sector as well. Efforts to privatize or "reinvent government" are taking place in many state capitals across the country, and New York State is certainly part of this larger trend. For public nursing homes, restructuring comes in a variety of forms.<sup>1</sup> While the first part of this report discussed *internal* restructuring (through marketing, labor management cooperation, service expansion), we now turn our attention to *external* forms of restructuring – namely privatization. While most nursing homes already operate on an enterprise budget basis (24 of 35 respondents), only five are considering other internal market incentives such as performance based budgeting. External market restructuring was assessed in four areas: privatization to a for profit entity, obtaining voluntary or non-profit status, forming a public benefit corporation (PBC), or closing the home.

<sup>1</sup> The Center for Governmental Research report (1997) details a much broader array of restructuring options than we examined in our study. For a more extensive discussion of these options and their implications, see the CGR report.

### **About one quarter of homes are considering external restructuring**

Of the thirty-five responses we received, nine administrators indicated that they are considering at least one form of external restructuring at the nursing home. Public benefit corporations are by far the most popular option (with all nine homes considering) because they allow homes to offer a wider range of services while keeping the home public. Privatization to for profits is only being considered by three homes, and privatization to non-profits only by one home. No home is considering closure.

The survey results tell us how many administrators are presently thinking about external restructuring but it does not tell us *why* the county home might be interested in restructuring. However, informal conversations with labor leaders and nursing home administrators suggest that fiscal stress is the leading cause of an administrator's decision to restructure. The typical scenario is one where the nursing home faces increasing pressure from hard-nosed county officials who see the nursing home as an opportunity to cut costs for local government.

To see if these perceptions mirror reality, the survey asked nursing home administrators questions about the level of fiscal stress at the home, as well as questions regarding their relationship with county officials.

### **Neither fiscal stress nor poor relationships with county officials explain interest in restructuring**

If the decision to restructure were the result of poor financial performance by the home, then one might expect the nine homes that are considering external restructuring to be under fiscal stress. Yet in every case, the survey results indicate these homes ran budget surpluses, not deficits. Thus fiscal stress does not appear to be driving administrators to consider external restructuring.

A related argument is that the pressure to restructure comes from county-level officials. Either the county is under fiscal stress and is looking to cut costs, or county representatives are looking to shrink the size of government for ideological reasons. However under each restructuring option, home administrators indicated county interest in restructuring was even lower than home administrators'.

When nursing home administrators were asked about their relationship to county government, 97 percent of respondents stated that the county legislature sees the nursing home as "essential" to the mission of local government. In addition, 94 percent of administrators felt that their relationship with the county legislature was either "cooperative" or "very cooperative" and only 6 percent of respondents characterized their relationship as adversarial. One possible conclusion from these data is that county governments value the important role that the nursing home plays in the community. Another conclusion is that most county homes have strong relationships with their local representatives, and therefore the threat of heavy-handed change being imposed from above is unlikely.

A less optimistic interpretation of the data is that the current friendliness between county homes and local governments is a result of additional financial support in the form of intergovernmental transfer payments (IGT funds) from Washington. During the 1997-1998 fiscal year county homes received over \$63 million in payments, and 20 counties received payments of \$1 million or more for their nursing homes. Yet the future of IGT monies remains uncertain. Were these funds to be taken away, a majority of county homes would return to running budgetary deficits. In this survey, 11 homes reported a deficit with IGT, but 27 homes predicted a deficit if IGT monies were removed. If IGT were removed, administrators believe that many more nursing homes would face increased pressures from county governments to consider restructuring.

### **Entrepreneurial leadership may explain interest in restructuring**

If neither fiscal stress nor poor relations with the county explain administrators' interest in restructuring, what does? Our survey can only provide clues to this puzzle. Other than the fact that the nine homes considering restructuring have budget surpluses, these homes are indistinguishable from other nursing homes in the survey. Turnover rates, measures of fiscal stress at the county level, and range of services offered are no different at these nine homes than at any other county home in New York State that responded to our survey.

An alternative explanation for administrators' interest in restructuring has to do with the management and staff that run the most profitable homes. Since all the homes that are considering restructuring are also the homes in the best financial shape, a strong case could be made that the administrators in these homes are innovators. As industry leaders, these homes may be open to exploring new ways to increase productivity, lower costs, and improve service availability and quality. For example, the public benefit corporation option may allow county homes to offer a wider range of services without losing their public employee status. Gaining access to a wider range of more profitable services (especially assisted living) is key to public sector nursing home viability. Simply *considering* a variety of options, however, does not mean that a home will act on any one of them. Rather, interest in restructuring may stem from knowledge of industry trends and a strong desire to remain at the forefront of this highly competitive industry. Performance based budgeting and expanding the range of offered services are important in that regard.

The extent to which county nursing homes in New York State are pursuing innovation is of major interest to both management and labor. Nursing home administrators can learn a lot from what their colleagues in other counties are doing, so as to improve service in their own facilities. Employees too have an interest in promoting innovation. Not only can education help employees better understand the industry, but cooperation can empower employees to participate as equal partners in discussions of change with management. While privatization is not a likely or preferred option, marketing, labor-management cooperation, and service expansion appear to offer great potential.

#### **IV. PROJECT SUMMARY AND DIRECTIONS FOR FUTURE ACTION**

The purpose of this project was twofold. First, our goal was to collect baseline data on the current status of New York State's county-run nursing homes. We were especially interested in learning more about the fiscal health of county homes, the status of labor-management cooperation, and the degree of interest in redesigning existing service delivery systems. Second, we wanted to start a conversation between labor and management about what steps need to be taken to ensure the long-term viability of county homes. To that end, labor leaders and nursing home administrators met in Albany to discuss the future of publicly-provided long-term care in New York State in May 1999. During that meeting participants suggested a number of proactive measures that county homes could pursue to make them stronger institutions. These include:

- Increasing investments in the physical plant
- Developing stronger ties with feeder institutions
- Broadening the range of services offered at the county home
- Marketing aggressively the home's services to the community
- Determining best practices and developing programs for their dissemination
- Facilitating communication between labor and management
- Developing new programs to retain employees, especially CNAs
- Creating opportunities for employee training and skills enhancement
- Increasing resident satisfaction with existing services, and
- Building partnerships with advocacy groups and other stakeholders.

Each of these measures can go a long way towards making county homes better places for both county home residents and the people who work there. Their success, however, depends on the ability of labor and management to address these challenges in new and innovative ways.

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## APPENDIX

### **A. Data and Methodological Limitations on Use of Quality of Care Data**

The "health deficiencies" measured by the New York State Department of Health cover a wide range of factors with varying degrees of severity. While some have significant health implications (e.g., incorrect medical dosage for patients) others do not (e.g., failure to post the most recent inspection report in a public place). Due to time limitations, we assessed the homes only according to incidence of reported deficiencies. We made no effort to track the relative scope or severity of these deficiencies and compare them across sectors. (For further information on the scope, severity and definitions of these data, see the source web page at [http://www.medicare.gov/nursing/define.htm#reg\\_def](http://www.medicare.gov/nursing/define.htm#reg_def).)

In our brief overview of inspection data, we noted an apparent wide variance in number of deficiencies reported by county. We speculate that some variation in reported deficiencies is attributable to differences in inspection practices from one team to another.

### **B. Survey Instruments (insert link)**

### **C. CGR Report Summary (insert link)**