

UNDERSTANDING THE FINANCIAL PERFORMANCE OF OHIO'S NURSING HOMES DURING AND AFTER THE COVID-19 PANDEMIC



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BACKGROUND

Many businesses in Ohio were hit hard by the pandemic. Restaurants, travel and leisure, retail, and a host of other industries experienced financial impacts that in some cases continue today. Nursing homes were one of the most severely affected sectors of the economy. Occupancy rates plummeted as a result of individual and family concerns about the spread of COVID-19 and facility lock downs limiting family and friend visitation. With many potential caregivers working remotely, care availability at home increased, even for those experiencing high levels of physical and cognitive disability. The pandemic also included a time period when hospital elective procedures were curtailed, and the number of referrals to nursing homes for rehabilitation services dropped dramatically. At the height of the pandemic Ohio's nursing home occupancy rates fell to the mid-sixties, down from 81% prior to the pandemic. At the same time, a profound shortage of direct care workers, both nurse aides and nurses, increased the cost of operations. In combination, the industry faced major financial challenges. In response, the federal government included the nursing home industry in its COVID-19 financial rescue plan. In this brief, we examine the financial performance of nursing homes during and after the pandemic and discuss what these results mean for the industry moving forward.

Using data from the Medicare Cost Reports from all payment sources (e.g. Medicaid, Medicare, and private) from fiscal year 2018 to 2023, we analyzed 5,210 full-year cost reports for Ohio's non-hospital-based nursing homes. For each nursing home, we calculated three measures of financial viability: net operating income, overall net income, and overall net income excluding COVID-19 Public Health Emergency funds. To account for the size of each nursing home, the financial viability measures were converted to income per resident day by dividing the measure by the number of residents.

Net operating income reflects the amount of money a nursing home makes solely from patient/resident care and is defined as total patient revenue (after discounts) minus total operating expenses. Nationally, nursing homes experienced a median net operating income loss of \$3.84 per resident day in 2018 (Table 1). Nursing homes in Ohio followed a similar trend, starting with a median net operating loss of \$2.99 per resident day in 2018, which increased to a loss of \$31.84 per resident day in 2022, but then went to a loss of \$16.90 in 2023. Compared to neighboring states in 2023, Ohio nursing homes' net operating income losses place them in a better financial position than Pennsylvania and Michigan nursing homes and a worse financial position relative to West Virginia, Indiana, and Kentucky nursing homes.

Table 1: Net Operating Income Per Resident Day for Ohio's Nursing Homes Compared to the Nation and Border States (In Dollars)

State	2018	2019	2020	2021	2022	2023
Nation	-3.84	-3.93	-15.38	-25.84	-23.36	-13.51
Ohio	-2.99	-4.53	-21.35	-27.91	-31.84	-16.90
Indiana	-0.75	-1.56	-12.36	-12.23	-2.80	4.00
Kentucky	-4.48	-7.98	-12.52	-12.29	-16.80	-3.76
Michigan	-6.56	-7.88	-28.67	-44.98	-38.33	-25.86
Pennsylvania	-22.92	-21.60	-39.30	-62.25	-63.21	-42.05
West Virginia	29.30	8.73	16.81	15.38	14.39	33.59

Note: The table reports the median financial performance for nursing homes with full-year Medicare Cost Reports based on their fiscal year end date. Net operating income reflects the amount of money a nursing home makes solely from patient care and is defined as total patient revenue (after discounts) minus total operating expenses.

In addition to revenue from patient/resident care, nursing homes also many receive revenue (and pay expenses) from other aspects of their operations such as through a gift shop, investment income, or donations. Overall net income includes the net operating income and revenue/expenses from all sources. Table 2 shows that Ohio nursing homes recorded median overall net losses per resident day of \$10.60 in 2020, \$20.52 in 2021, \$26.06 in 2022, and \$9.33 in 2023. The overall net income median for the nation was a loss of \$1.87 per resident per day in 2023. A review of neighboring states showed wide variation, as Michigan and Pennsylvania nursing homes had a net loss of just over \$16 per resident day, while West Virginia recorded positive net income of \$35.38 per resident day.

Table 2: Overall Net Income per Resident Day for Ohio's Nursing Home Compared to the Nation and Border States (In Dollars)

State	2018	2019	2020	2021	2022	2023
Nation	0.94	1.58	-4.73	-9.26	-11.41	-1.87
Ohio	0.28	0.05	-10.60	-20.52	-26.06	-9.33
Indiana	1.32	5.54	-6.88	-3.97	1.11	13.71
Kentucky	0.85	-3.66	-7.01	-2.91	-10.45	3.62
Michigan	1.07	-1.27	-18.44	-23.57	-27.06	-16.04
Pennsylvania	-7.69	-4.33	-14.62	-27.72	-47.50	-16.75
West Virginia	29.58	10.38	17.86	23.69	20.48	35.38

Note: The table reports the median financial performance for nursing homes with full-year Medicare Cost Reports based on their fiscal year end date. Overall net income reflects the money a nursing home makes after also including revenue from non-patient sources (e.g., gift shop, donations) and subtracting other nursing home expenses.

During the pandemic, there was additional government financial support in the form of COVID-19 public health emergency funding. This temporary funding was available primarily from 2020 through 2022, but some nursing homes also received public health emergency funding in 2023. The median overall net income per resident including public health emergency funding is shown in Table 3. Nationally and in Ohio, nursing homes experienced positive net income in 2018 which grew in 2020 and 2021, and became negative in 2022 as the public funds were reduced. By 2023, as nursing home census rebounded, even with more limited COVID-19 public health emergency funds, nationally nursing homes recorded an overall median net profit of \$1.98 per resident day. Ohio nursing homes reported net income per day resident of \$14.46 in 2020, comparable to the national number of \$11.76 and similar or greater to neighboring states except for West Virginia (\$27.86). By 2023, as public

health emergency funds were ending, Ohio nursing homes reported a net per resident day profit of \$1.36, slightly below the national median of a net profit of \$1.98 per resident day.

State	2018	2019	2020	2021	2022	2023
Nation	0.94	1.58	11.76	11.32	-2.08	1.98
Ohio	0.28	0.05	14.46	0.86	-8.24	1.36
Indiana	1.32	5.54	14.73	4.26	5.27	14.67
Kentucky	0.85	-3.66	9.12	15.56	-4.85	3.79
Michigan	1.07	-1.27	5.58	12.18	-8.89	-3.87
Pennsylvania	-7.69	-4.33	2.08	0.00	-31.54	-12.71
West Virginia	29.58	10.38	27.86	29.51	21.31	37.09

Note: The table reports the median financial performance for nursing homes with full-year Medicare Cost Reports based on their fiscal year end date. Overall net income, plus COVID 19 public health emergency funds, reflects the money a nursing home makes after also including revenue from non-patient sources (e.g., gift shop, donations) and subtracting other nursing home expenses, as well as the amount received through the special COVID-19 PHE funds.

To gain a better understanding of nursing home costs that may be driving these financial performance trends, we also examined direct care staffing levels over the course of the pandemic as measured by hours per resident day. Despite the staffing challenges faced by the industry the median staffing levels did not significantly change over the course of the pandemic. This indicates that the financial position of nursing homes nationally and in Ohio did not appear to be the result of changes in staffing levels.

To examine ongoing financial performance challenges faced by Ohio's nursing homes we looked at results by facility characteristics (Table 4). Because the COVID-19 public health emergency funds are now no longer available, in this final section we present overall net income per resident day from ongoing revenue sources, which does not include the public health emergency funds. The median net operating income of Ohio's nursing homes was a loss of \$9.33 per resident day in 2023 (Table 2), but this varied by type and location of nursing home. Nursing homes located in urban areas of the state reported higher per resident day operating losses than rural nursing homes (\$9.77 vs. \$7.51 in 2023). Not-for-profit nursing homes recorded net operating losses that were considerably higher than for-profits (\$32.94 vs. \$7.32). In looking at payment status of residents, results showed that nursing homes with a lower proportion of Medicaid residents reported higher losses (\$10.49 vs. \$7.79, for high Medicaid nursing homes). Nursing home with a lower Medicaid census had higher staffing levels, and with increasing labor costs this appears to be a contributing factor to the higher losses for these nursing homes.

Implications for Ohio

Even before the pandemic the long-term services industry had experienced dramatic changes. The expansion of home and community-based services, both in-home care and assisted living, through both the private and public sector has been considerable. The new opportunities have allowed more individuals to receive care outside of the nursing home setting and while this is a positive outcome, it has impacted nursing home occupancy rates and their financial viability. Nursing homes today serve

Table 4: Overall Net Income per Resident Day from Normal Revenue Sources of Ohio's Nursing Homes by Select Facility Characteristics (In Dollars)

Category	2018	2019	2020	2021	2022	2023
Rural	3.13	1.31	-4.03	-15.65	-17.82	-7.51
Urban	-1.76	-0.58	-13.29	-22.95	-28.48	-9.77
For-Profit	2.38	1.30	-7.35	-16.24	-18.85	-7.32
Not-for-profit/Government	-13.13	-9.29	-25.42	-42.25	-65.99	-32.94
Medicaid Payer-mix: 0-50%	-1.23	0.44	-14.90	-22.58	-30.00	-10.49
Medicaid Payer-mix: 51-70%	1.69	0.63	-7.39	-19.30	-20.48	-9.05
Medicaid Payer-mix: 70+%	0.98	-1.02	-8.35	-17.43	-23.76	-7.79

Note: The table reports the median financial performance for nursing homes with full-year Medicare Cost Reports based on their fiscal year end date. Overall net income reflects the money a nursing home makes after also including revenue from non-patient sources (e.g., gift shop, donations) and subtracting other nursing home expenses. COVID-19 public health emergency funds are not included in this table.

many individuals for a short period of time, as they receive rehabilitation care following a hospitalization. As hospitals attempt to release patients as quickly as possible, nursing homes have an additional role in the health care system. More than eight in ten Ohioans admitted to nursing homes come from a hospital and often for short-term care. At the same time, many long-stay residents experience high levels of disability, including many individuals with some type of dementia, and their circumstances often outweigh the ability of one's family to provide the needed support. For some individuals, residential long-term services might be the most likely care option. With a projected 25% increase in the population age 85 and older between now and 2050, the need for residential long-term services will continue.

If we assume that Ohio will continue to need residential long-term services, what does this review of the financial performance of nursing homes mean for the future? Industry occupancy rates have rebounded from the height of the pandemic, but they remain below pre-pandemic rates. Additionally, staffing shortages, while slightly improved, remain and the costs of staffing have increased substantially. Both higher wages for direct care staff and a higher use of temporary staffing agencies, with considerably higher hourly costs, have increased operational costs, such that overall the industry without public health emergency funds is at a cross-road. Because the majority of Ohioans do not have private long-term care insurance coverage, many individuals will ultimately rely on the Medicaid program for long-term care. In 2024, as in 2023, Medicaid payment rates increased and in conjunction with improving occupancy rates should result in a better financial performance. However, as Medicaid is such a large part of the overall state budget, the emphasis on controlling Medicaid expenditures continues to be a major state policy issue. This indicates that efforts to increase nursing home reimbursement through Medicaid will face continued political pressure as Ohio strives to balance the array of needs to be addressed by public officials. This analysis indicates that the nursing home industry, particularly the not-for-profit sector is facing substantial financial challenges. For Ohio to address these issues it will be critical for the state to both determine the role and position of nursing homes in the overall health and long-term services system and to develop a strategy to ensure that the industry will be a viable component of the long-term services system in the future.