

**SUMMARY: An Overview of Nursing Homes  
and the Economic Impact of Rural Nursing Homes**

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**Background**

Nursing homes are typically one of the large employers in rural communities, particularly in rural communities without a local hospital. Nursing homes supply jobs and labor income to their rural economies. With increasing life expectancies and increasing elderly population (from the aging of the Baby Boomers), demand for nursing homes may increase in the future. This increased demand will drive growth in the nursing home industry, which will, in turn, stimulate additional economic activity. Nursing homes must thrive economically to provide high quality care to residents and good jobs to local workers.

**Objective**

The objective of this study is to provide an overview of nursing homes and to illustrate the economic impact of rural nursing homes on local economies.

**Data Review**

National health and nursing home expenditures are projected to increase over 75.0 percent from 2012 to 2022, due to the aging of the population and increased life expectancies. The data illustrate the future demand for nursing homes.

The literature review supports the need for illustrating the economic impact of rural nursing homes on local economies. Economic impact studies are available illustrating the importance of nursing homes at the state and national level, but

none were available showing the economic impact at the local level.

Nursing homes are one of the larger employers in rural communities and are increasingly important in the future due to the increasing life expectancies and the aging of the population. Rural nursing homes are critical to these local economies, not only in terms of local jobs and payroll, but in terms of providing quality care for the growing elderly population.

**Methodology**

The Official Nursing Home Compare Data, available from the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services, were reviewed. The data include nursing homes certified by Medicare, Medicaid, or both, which represent the majority of the nursing homes in the U.S. A rural nursing home sample was identified from the Official Nursing Home Compare Data (nursing home database). To determine this rural nursing home sample, a random selection of critical access hospitals (CAHs) was identified. Utilizing the zip codes of the CAH random selection, all nursing homes with these same zip codes were identified from the nursing home database. This became the rural nursing home sample with 313 identified nursing homes, representing 2.0 percent of the database nursing homes. The rural nursing home sample was compared to the nursing home database.

Utilizing the nursing home database as compared to the rural sample, supplemented from rural results from the literature review, three rural nursing home scenarios were developed with economic impacts measured utilizing a widely recognized input-output analysis model and data from IMPLAN Group, LLC. Results are shown in the table on the next page.

## Results

Given three rural nursing home scenarios, a rural nursing home with 50 or 100 beds, with or without SNF, may have employment impact from 65 to 137 employees, with wages, salaries and benefits (labor income) impact from \$3.0 million to \$6.7 million.

### Limitations and Other Considerations

The presence of a nursing home in a rural community contributes directly to the local economy and also contributes secondary impacts through the multiplier effects. There can be other significant effects on nearby hospitals. If the nursing home is owned by the hospital, profit from the nursing home can subsidize hospital operations and services that are not financially self-supporting (including primary care, emergency and urgent care services). Further, hospital expenditures could be reduced by sharing services with the nursing home; i.e. dietary and nutrition, food services, housekeeping/janitorial, maintenance/upkeep, etc. The operation of the nursing home can make all health services more robust and more valuable to the community.

Beyond this, the presence of a nursing home may have the following effects:

- 1) Expanded utilization of the hospital associated with referrals of nursing home patients

- 2) Expanded work for local physicians and other primary care providers in the nursing homes, that in turn supports the sustainability of rural practices
- 3) Better ability for the hospital to reduce uncompensated days of care in the hospital (e.g., reduction of days waiting placement)
- 4) Complimentary interaction with a hospital's swing beds (skilled nursing) to form a better continuum of care
- 5) Improved continuum of care to decrease readmissions
- 6) Contribution to a greater critical mass of locally available health provider talent
- 7) Greater political clout to support the sustainability of the local health care system

### Template Available

A template is available for rural communities to develop the economic impact of their local nursing home. An economic impact study may become very important in illustrating the contributions of a rural nursing home to the local economy.

**Employment and Labor Income Impacts of Three Rural Nursing Home Scenarios**

	<b>Scenario 1</b> 50 Beds No SNF	<b>Scenario 2</b> 100 beds No SNF	<b>Scenario 3</b> 100 beds With SNF
<b>EMPLOYMENT IMPACT</b>			
Direct Employment Impact	56	112	118
Employment Multiplier	1.16	1.16	1.16
Secondary Employment Impact	9	18	19
Total Employment Impact	<b>65</b>	<b>130</b>	<b>137</b>
<b>LABOR INCOME IMPACT</b>			
Direct Labor Income Impact*	\$2,648,401	\$5,245,712	\$5,820,689
Labor Income Multiplier	1.15	1.15	1.15
Secondary Labor Income Impact	<u>\$397,260</u>	<u>\$786,857</u>	<u>\$873,103</u>
Total Labor Income Impact	<b><u>\$3,045,661</u></b>	<b><u>\$6,032,569</u></b>	<b><u>\$6,693,792</u></b>