Nursing Home Quality and Financial Performance: Does the Racial Composition of Residents Matter?

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“Yes,” say Lister Hill scholar Robert Weech-Maldonado and colleagues. “In this study, financial and quality performance differed between nursing homes with high proportions of black residents and nursing homes with no or medium proportions of black residents. Nursing homes with no black residents had higher revenues, higher operating margins and total profit margins and they exhibited better processes and outcomes of care than nursing homes with high proportions of black residents.”

Although overt segregation was outlawed in the U.S. more than 40 years ago, research indicates that nursing home segregation continues to exist and may be due to geographic/residential segregation, which may limit nursing home choice for minorities. The admission process of residents into nursing homes may also contribute to segregation because better performing nursing homes may selectively admit residents based on payer status and/or race. Medicaid reimbursement is generally less attractive than private pay reimbursement and minorities are disproportionately covered by Medicaid. The financial resources available to nursing homes may contribute to racial/ethnic disparities, as the quality of nursing home care has been associated with the availability of resources.

The researchers used four datasets for this study: the On-Line Survey Certification and Reporting (OSCAR) data, Medicare Cost Reports, the Minimum Data Set (MDS), and the Area Resource File (ARF). The data analyzed included more than 11,000 nursing home facilities in each year from 1999 to 2004. Results show that nursing homes with no black residents had higher non-operating revenues per patient day, indicating their ability to secure revenue from other sources (e.g., endowments and investment income), which allows these homes to invest in innovations and quality improvement initiatives to provide better care for residents.

“Nursing homes’ financial viability and quality of care are influenced by the racial composition of residents,” say the researchers. “Policy makers should consider initiatives to improve both the financial and quality performance of nursing homes serving predominantly black residents.”

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