

Taking the Pulse of the Nursing Home Industry in Rhode Island

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ABSTRACT

INTRODUCTION: Nursing home facilities in Rhode Island face unprecedented challenges today. Most facilities find themselves in a difficult financial position with thin – or negative – operating margins. In addition, Rhode Island enacted new minimum staffing regulations for nursing homes in 2021. Facilities that fail to meet the new staffing requirements would incur significant financial penalties. The persistent shortage of direct care staff, however, limits administrators' ability to hire the workers needed to meet the required staffing levels.

METHODS: We conducted an online survey of nursing home administrators at all of the licensed nursing facilities in Rhode Island over 30 days from September to October 2023. We received responses from 53 out of 77 nursing home administrators, for an overall response rate of 69%.

RESULTS: A majority of respondents reported numerous vacancies for clinical staff at their facilities. Most administrators felt that it was difficult to hire new staff, despite a variety of financial incentives to recruit workers. As a result, nursing homes were unable to comply with Rhode Island's new minimum staffing requirements.

CONCLUSION: Nursing homes in Rhode Island continue to experience a chronic staffing shortage. Furthermore, since a majority of nursing homes in Rhode Island have a negative operating margin, enforcing the state's minimum staffing requirements would impose significant financial hardship on the state's nursing facilities.

KEYWORDS: nursing homes, staffing requirements, nursing shortage, certified nurse assistants, financial performance

INTRODUCTION

Nursing homes in Rhode Island face unprecedented staffing challenges. Turnover among registered nurses (RNs), licensed practical nurses (LPNs), and certified nurse assistants (CNAs) increased in recent years, leading to chronic staffing shortages. In 2021, the passage of the Nursing Home Staffing and Quality Care Act established the nation's

strictest minimum staffing requirements for nursing homes. Under § 23-17.5-32 of the RI General Laws, nursing homes must provide residents with an average of 3.58 hours of direct care per resident day (HPRD) beginning on January 1, 2022, and 3.81 HPRD beginning on January 1, 2023.¹ The new law, however, created a Catch-22 for nursing facilities. While failure to meet the new staffing requirements would result in significant financial penalties, the ongoing shortage of nurses and certified nurse assistants (CNAs) left nursing homes unable to hire the staff needed to meet the new required ratios. Nursing homes argued that they could not comply with the new law because of ongoing staffing constraints.²

Soon after the law was scheduled to take effect in 2022, Rhode Island Governor Dan McKee issued an executive order that suspended its enforcement. The Rhode Island Department of Health continued its administrative rulemaking process, issuing final regulations to implement the law in December 2022.³ To date, the Department of Health has not imposed any fines on facilities that failed to meet the new requirements. However, the looming threat of significant financial penalties became a major topic of conversation during the 2022 and 2023 legislative sessions.² In December 2023, McKee declared that a state of emergency existed in the state's nursing home industry and suspended the monetary penalties for nursing homes that failed to meet the state's minimum staffing requirements under §23-17.5-33 of the RI General Laws.⁴ In his latest executive order, the governor noted that "Rhode Island nursing homes have lost over 2,000 employees since December of 2019, and Rhode Island nursing homes have lost 20% of their workforce since 2020."⁴ The "estimated net costs of enforcing the minimum staffing levels... would be approximately \$60 million, further straining nursing home resources and potentially resulting in additional closures and forcing the relocation of residents."⁴

In addition, nursing homes also face the prospect of new federal staffing requirements. On September 1, 2023, the Centers for Medicare & Medicaid Services (CMS) proposed to establish minimum staffing requirements for the nation's 15,000+ nursing homes. Under the proposed rule, Medicare and Medicaid-certified long-term care facilities must provide 0.55 hours per resident day (HPRD) for registered nurses (RNs) and 2.45 HPRD for certified nursing assistants

(CNAs). All facilities must also ensure that an RN is always onsite.⁵ A recent study prepared by Abt Associates for the Centers for Medicare and Medicaid Services, however, found that “no single staffing level that would guarantee quality care,” undercutting the Biden administration’s regulatory initiative just days before it was announced.⁶

A recent survey by the American Health Care Association – an industry trade association – found that 54% of facilities operated at a loss in 2023 and an additional 34% had a total margin between 0–3%.⁷ Furthermore, 45% of facilities surveyed reported that they “can’t sustain operations at the current pace for more than one year.”⁷ The potential of nursing home closures, consolidations, or limits on admissions due to staffing constraints threatens access to care for vulnerable patients. To gauge the potential impact of new staffing requirements on nursing homes in Rhode Island, we surveyed all nursing home administrators in the state to gather information about their financial position, current staffing levels, and strategies to recruit and retain clinical staff. In addition, we also inquired about how regulations under consideration in other states (such as California’s recent decision to raise the minimum wage for healthcare workers to \$25/hour) would impact their facilities.

METHODS

Our survey explored the ability of nursing home facilities to comply with new regulations in the context of the current healthcare job market. Our survey instrument was modeled after a semi-annual survey of nursing home administrators conducted by the American Health Care Association.⁷ We assembled a list of all 77 nursing home administrators in the state with the assistance of the state’s two long-term care associations – the Rhode Island Health Care Association (RIHCA) and Leading Age RI. Based on feedback from Leading Age RI and the Rhode Island Health Care Association, we adjusted our instrument to better differentiate staffing levels for CNAs, LPNs, and RNs. We also modified the AHCA survey’s questions to incorporate more detail about facilities’ financial position. We incorporated new questions to gauge the impact of Rhode Island’s staffing regulations, the adequacy of Medicaid reimbursement, and recent proposals to raise the minimum wage for healthcare workers and penalize facilities with lower occupancy rates. We do not report data on individual facilities or institutions. No identifying information about patients or staff was collected. Our survey methodology and questionnaire were reviewed by the Providence College Institutional Review Board and found exempt from IRB review.

The survey was administered electronically; administrators received an email that included a link to an anonymous web survey form. Each email invitation also included a consent form for participants. Responses were collected over one month, from September 5 to October 5, 2023. In

addition to sending out weekly reminders to our email distribution list, the executive directors of both the RIHCA and LeadingAge RI also encouraged their member facilities to complete the survey. Our survey had an overall response rate of 69%. This is a much higher response rate than is typically obtained in online surveys, where the average response rate is 44%.¹³ Participating facilities are located in each of the state’s five counties, including 30 in Providence, six each in Bristol and Washington, and five each in Kent and Newport. Most (N=45) participants worked at for-profit nursing homes, while eight represented non-profit institutions. For-profit nursing homes had a higher response rate (70%) than non-profit providers (57%).

RESULTS

Most nursing homes in Rhode Island experienced staffing shortages in 2023 (**Table 1**). Since January 2023, facilities reported that their staffing situation had improved more for CNAs and LPNs than for RNs (**Table 2**). A majority of facilities reported that it was either ‘very difficult’ or ‘somewhat difficult’ to hire new nursing staff (**Table 3**).

Table 1. Current Levels of Nurse Staffing by Position Type

Staffing level	CNAs No. (%)	LPNs No. (%)	RNs No. (%)
Fully staffed	1 (2)	15 (28)	3 (6)
Some unfilled positions	21 (40)	26 (49)	29 (55)
Many unfilled positions	28 (53)	8 (15)	14 (26)
Severely understaffed	3 (6)	3 (6)	7 (13)
Preferred not to answer	0 (0)	1 (2)	0 (0)

Table 2. Change in Nurse Staffing Since January 2023 by Position Type

Staffing situation	CNAs No. (%)	LPNs No. (%)	RNs No. (%)
Much worse	2 (4)	3 (6)	5 (9)
Somewhat worse	12 (23)	11 (21)	17 (32)
Stayed the same	17 (32)	24 (45)	23 (43)
Somewhat better	15 (28)	12 (23)	8 (15)
Much better	7 (13)	2 (4)	0 (0)
Prefer not to answer	0 (0)	1 (2)	0 (0)

Table 3. Difficulty of Hiring New Staff by Position Type

Level of Difficulty	CNAs No. (%)	LPNs No. (%)	RNs No. (%)
Very difficult	19 (36)	9 (17)	32 (62)
Somewhat difficult	29 (55)	32 (60)	18 (35)
Somewhat easy	5 (9)	9 (17)	2 (4)
Very easy	0 (0)	2 (4)	0 (0)
Prefer not to answer	0 (0)	1 (2)	0 (0)

Administrators cited a variety of factors that influenced staff turnover at their facilities. The most frequent sources of employee turnover included understaffing (17/53; 32%) and dissatisfaction with salary/wages (15/53; 28%). Nursing homes employed several strategies to recruit and retain workers in the context of the state's tight healthcare labor market. Over the past six months, facilities used financial incentives such as increasing wages (49/53; 92%), signing bonuses for new staff (42/53; 79%), additional benefits (24/53; 45%), and providing retention bonuses for existing staff (20/53; 38%). In addition, most facilities also sought to strengthen their workplace culture (42/53; 79%) and invested more in staff training and education (36/53; 68%). Our survey revealed that most providers struggle to hire workers in the current job market; administrators cited a lack of interested candidates (45/53; 85%) and the inability to meet applicants' salary demands (41/53; 77%) as the principal obstacles they faced in hiring new employees.

In response to ongoing staffing shortages, nearly all (51/53; 96%) of facilities asked current staff to work overtime or extra shifts in recent months. Most facilities (37/53; 70%) also reported hiring temporary agency staff to fill staffing shortfalls. More than a third of nursing homes (20/53; 38%) limited new admissions or closed a unit, wing, or floor (11/53; 21%) in recent months due to staffing shortages.

Nearly two-thirds (34/53; 64%) of Rhode Island nursing homes reported a negative total operating margin (calculated by dividing operating profit by its total revenue and expressing it as a percentage) and almost half of respondents (25/53; 47%) reported a negative total margin of greater than 5%. In contrast, only three facilities (6%) reported a positive operating margin. This question had the highest non-response rate in our survey, with nearly one-third of participating facilities (16/53; 30%) electing not to answer.

Most (35/53; 66%) nursing homes reported that they would be unable to meet the new staffing levels established by the 2021 Nursing Home Staffing and Quality Care Act; only 12 facilities (23%) reported that they could comply with the minimum staffing requirements. Furthermore, administrators indicated that the implementation of the state's new staffing requirements would have a significant impact on their facilities' financial position (Table 4). A majority of administrators were either 'very concerned' (11/53; 21%) or 'somewhat concerned' (18/53; 35%) that they might have to close their facilities as a result of ongoing workforce shortages.

Our survey also explored the impact of potential policy changes on nursing homes in Rhode Island. California's SB 525, for example, raised the minimum wage for healthcare workers to \$25 per hour.⁸ Industry groups estimated that the implementation of a similar requirement in Connecticut could cost facilities \$700 million annually.⁹ Legislators in Connecticut also recently considered a bill that would

Table 4. Impact of Enforcing Rhode Island's New Minimum Staffing Requirements

Response	No. (%)
No impact	0 (0)
My facility would limit admissions	4 (8)
My facility would close units, wings, or floors	3 (6)
My facility would increase the use of temporary staff	7 (13)
My facility would run an operating deficit	14 (27)
My facility would explore a merger/acquisition	5 (10)
My facility would close	13 (25)
Prefer not to answer	6 (11)

Table 5. Impact of Potential Policy Changes on Nursing Homes

Response	Financial Penalties for Facilities with Occupancy Rates Below 90%	Raising the Minimum Wage to \$25/hour
No impact	4 (7.5)	0 (0)
My facility would limit admissions	9 (17)	8 (15)
My facility would close units, wings, or floors	12 (23)	9 (17)
My facility would increase the use of temporary staff	11 (21)	8 (15)
My facility would run an operating deficit	23 (43)	26 (49)
My facility would explore a merger/acquisition	11 (21)	14 (26)
My facility would close	19 (36)	21 (40)
Other	4 (7.5)	3 (6)
Prefer not to answer	10 (19)	9 (17)

impose financial penalties on facilities that have occupancy rates below 90% over a twelve-month period.¹⁰ Both policies would have a significant impact on nursing homes in Rhode Island that could lead to facility closures, mergers, limits on new admissions, operating deficits, and the closure of units, wings, or floors (Table 5).

Limitations

Since our survey only includes responses from 53 of the state's 77 licensed nursing home facilities, our results may not reflect the views of all nursing home administrators. Non-participating facilities may differ in significant ways from those who responded to the survey. In addition, our survey presents a snapshot of the nursing home industry in Rhode Island at a point of time in the Fall of 2023. Changing labor market conditions and public policies could affect administrators' views since we administered our survey.

CONCLUSION

Policymaking does not occur in a vacuum. Our study demonstrates that efforts to improve nursing home staffing must consider the economic impact of the new regulations on providers. Understaffed nursing homes struggle to recruit direct care workers in a competitive labor market where hospitals and other providers often offer higher wages and better working conditions. The AHCA's mid-year survey of nursing homes in 2023 found that a 'lack of interested or qualified candidates' was a significant obstacle to hiring.⁷ While hiring new staff appears to be a greater concern for Rhode Island's nursing homes in the current environment without new initiatives to retain workers, the ongoing staffing challenges facing long-term care providers are likely to remain. As noted above, only 38% of nursing home facilities in Rhode Island offered longevity or retention bonuses to existing employees – in contrast to the 79% of facilities that provided bonuses for new hires.

Rhode Island's experience is not unique. Neighboring states are struggling with similar challenges that led policymakers to delay the implementation of higher staffing requirements for nursing home facilities.¹¹ As the president of the Connecticut Health Care Association noted, "The supply of workers for hire is simply insufficient in this environment. Compliance with a higher standard would not be achievable due to the shortage of workers."¹¹ In October 2023, the Connecticut Association of Health Care Facilities sued the state to block the implementation of higher staffing ratios for nursing homes, "arguing that state officials went beyond the intent of the legislature in enacting specific requirements."¹² In New York, the Department of Health issued notices of noncompliance to nursing homes in August 2023; facilities that do not meet the state's 2022 staffing mandate can be fined \$2,000 per day. The fines, however, remain 'in limbo' since the New York Department of Health acknowledged that a shortage of healthcare workers hinders compliance with the law, which could allow nursing homes to appeal any penalties.¹² Furthermore, it remains unclear what staffing level would lead to significant improvements in patient care outcomes.⁶

Both the Biden administration's proposed staffing mandate and the staffing requirements established by Rhode Island's 2021 nursing home reform legislation have far-reaching impacts on the nursing home industry. Our study found that most nursing homes are unable to comply with Rhode Island's new staffing requirements. Furthermore, most facilities are currently operating in the red. Without additional funding, hiring more workers to comply with the new staffing requirements will further weaken the financial position of the state's nursing homes. Since most nursing home patients are covered by Medicaid, most facilities are price-takers, not price-setters. Low Medicaid reimbursement limits the ability of nursing homes to offer more competitive wages and benefits. A recent study of nursing

homes in Pennsylvania, for example, found that "low Medicaid reimbursement rates are a key contributor to quality shortfalls in this industry."¹⁴ Following a 10% increase in Medicaid spending, nursing homes increased the number of skilled nurses by 8.7%.¹⁴ Higher Medicaid reimbursement rates, in short, are an essential element of a long-term strategy to address the ongoing staffing shortage in Rhode Island nursing facilities.

John Gage, the president of the Rhode Island Health Care Association, noted that if Governor McKee had not suspended the enforcement of the staffing mandate, "fines of more than \$65 million resulting from the staffing mandate would have been issued to seventy-three (73) Rhode Island nursing facilities for the period of July 1, 2022 through September 30, 2023."¹⁵ Since several facilities have recently closed in Rhode Island or now operate under court-ordered receivership, any effort to penalize nursing home facilities for failure to meet the state's staffing mandates is likely to diminish access to care for patients and place more facilities at risk of closure. Nursing home closures, in turn, could have significant side effects for hospitals in Rhode Island. If nursing homes close or are forced to limit admissions because of an inability to meet higher staffing requirements, patient discharges to post-acute care settings could be impacted. In Massachusetts, for example, hundreds of patients remained hospitalized awaiting discharge to skilled nursing facilities in November 2023 because of a shortage of available beds.¹⁶

Until the labor market for CNAs, LPNs, and RNs improves, imposing fines on facilities that cannot hire enough staff will only exacerbate the financial challenges facing long-term care providers in Rhode Island. Before requiring nursing homes to hire additional staff to meet higher staffing ratios, policymakers must first explore options to train more clinical staff in a competitive job market.¹⁷ Training and recruiting new direct care staff, however, will do little to address the ongoing shortage unless facilities have more resources to offer higher wages and improved working conditions to their employees.

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Disclosures

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