

2007 Extended Care Market Report



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NURSING HOMES

1.0 INTRODUCTION

1.1 Overview

Nursing homes are no longer only for the elderly and infirm. As an increasing number of people move away from using skilled-nursing facilities when they age and opt instead for assisted living, the nursing home industry has found a new source of income-rehabilitation care. In doing so, it has filled a gap in subacute care, a stage when a patient needs more care than he/she can receive at home but less care than is provided at a hospital.

Partially because of recent Centers for Medicare and Medicaid Services rulings, more short-term post-acute care patients who need rehabilitation therapy are coming to long-term care facilities. As a result, this class of patients is providing operators with valuable Medicare Part A revenues. These dollars are helping providers to bolster their businesses while creating new revenue streams in the form of short-stay units.¹ In fact, nursing homes today are caring for even more people than in the past, but ever-increasing numbers receive short-term rehabilitation and ultimately return home.

With billions of dollars of revenue at stake, nursing homes across the nation are rushing to reinvent themselves to compete with hospitals and affiliated rehabilitation facilities for short-term, higher-paying patients. They are spending hundreds of millions of dollars on renovations, additions and new features such as aromatherapy, brightly colored decor, spacious therapy gyms and internet cafes to try to create a new, warmer and less institutional image.

Most often they are providing postoperative rehabilitation for knee and hip joint patients, but heart attack and stroke victims are also coming in for therapy. Though many are retirees, others are still in the work force, and some patients are even in their 20s. The nation's largest nursing home chains have taken notice, and they have been actively pursuing this market, with many providing short-term rehabilitation therapy at their facilities in addition to operating separate contract therapy service divisions.

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