

The Cost of Culture Change

Culture change models, implemented effectively, could be attractive alternatives to the traditional settings. But what do they cost?

Capital costs for culture change homes are significantly higher (nearly double per bed) than those of traditional designs which provide much less space per resident, according to a 2011 study on Green House finances.³⁶ However, operating costs between the two models are more comparable, with Green House homes costing 8% higher than traditional nursing homes, according to a 2017 *New York Times* report.³⁷

Though Green House homes have more (and higher paid) direct care staff, they have lower administrative staffing costs because they rely heavily on Shahbazim (direct care assistants) for management duties and performing all personal care and homemaker tasks required to meet the needs of the residents.³⁸ Other models with collaborative work models and empowered direct care staff have similar cost structures. Green House homes (which serve fewer medically complex, short-stay residents) also have lower ancillary costs than traditional nursing homes, according to the 2011 study.³⁹

Department	National Median	Green House Home
Nursing	\$72.42	\$127.08
Dietary	\$15.47	\$9.70
Laundry & Linen	\$2.70	\$1.57
Housekeeping	\$5.17	\$3.02
Plant Operations	\$9.69	\$9.74
Ancillary Services	\$22.23	\$8.30
Administration	\$35.73	\$33.17
Other Expenses* (Excluding Capital)	\$34.10	\$6.54
Total Expenses (Without Capital)	\$197.51	\$199.13

*The "Other Expenses" figure for the national median includes staff benefit costs while Green House staff benefits are included in the departmental expense categories.

Figure 1: Though Green House capital costs are significantly higher than those in traditional homes, the two models have similar operational costs (Source: *The Green House Project*).

Capital costs for Green House homes were subsidized by the Robert Wood Johnson Foundation for several years (from 2005-2011). Since 2011, high occupancy and high number of private pay residents have helped to offset costs at least in the Green House models.⁴⁰ Note that facilities with certain characteristics (more private pay beds; affiliation with a continuing care retirement community; and non-profit, philanthropic missions) have been more likely to implement culture

³⁶ Robert Jenkins et al., "Financial Implications of the Green House Model," *Seniors Housing & Care Journal* 19, no. 1 (2011): 15-16, http://www.chipartners.net/wp-content/uploads/2012/10/Green.House_.Article.pdf. See also:

"Home Economics: The Business Case for The Green House® Model," The Green House Project, <https://icagroup.org/wp-content/uploads/2019/04/Business-Case-for-Green-House-Model.pdf>.

³⁷ Paula Span, "A Better Kind of Nursing Home," *New York Times*, December 22, 2017. <https://www.nytimes.com/2017/12/22/health/green-houses-nursing-homes.html>.

³⁸ Jenkins et al., "Financial Implications," 8-10.

³⁹ Jenkins et al., "Financial Implications," 14.

⁴⁰ Jenkins et al., "Financial Implications," 17-19. For a discussion of why Green House homes serve a mainly white, middle-class clientele, see Rob Waters, "The Big Idea Behind a New Model of Small Nursing Homes," *Health Affairs* 40, no. 3 (March 2021): 381-2, <https://www.healthaffairs.org/doi/10.1377/hlthaff.2021.00081>.

change.⁴¹ These facilities tended to already have higher direct care nursing assistant staffing and fewer health-related deficiencies.⁴²

However, most long-term residents in nursing homes rely on Medicaid to pay for their care. Medicaid-dependent older adults and adults with disabilities, and the disproportionate number of residents of color who are on Medicaid, are most likely to be living in homes that have lower staffing ratios and poor quality of care⁴³ – the least likely to adopt change. Culture change initiatives, particularly those undertaken with government or philanthropic support, should be implemented in an equitable and thoughtful manner.

⁴¹ David C. Grabowski et al., “Who Are the Innovators? Nursing Homes Implementing Culture Change,” *The Gerontologist* 54, no. S1 (2014): S71, <https://pubmed.ncbi.nlm.nih.gov/24443608/>.

⁴² Grabowski et al., “Who Are the Innovators?,” S72.

⁴³ Vincent Mor et al., “Driven to Tiers: Socioeconomic and Racial Disparities in the Quality of Nursing Home Care,” *The Milbank Quarterly* 82, no. 2 (2004): 227-56, <https://onlinelibrary.wiley.com/doi/10.1111/j.0887-378X.2004.00309.x>; Mary L. Fennell et al., “Elderly Hispanics More Likely To Reside In Poor-Quality Nursing Homes,” *Health Affairs (Millwood)* 29, no. 1 (2010): 1-13, <https://www.healthaffairs.org/doi/10.1377/hlthaff.2009.0003>.