

1-25-1985

# The Demand for Nursing Home Care in South Dakota

Charles E. Lamberton  
*South Dakota State University*

Follow this and additional works at: [http://openprairie.sdstate.edu/econ\\_comm](http://openprairie.sdstate.edu/econ_comm)

 Part of the [Agricultural and Resource Economics Commons](#), and the [Regional Economics Commons](#)

---

## Recommended Citation

Lamberton, Charles E., "The Demand for Nursing Home Care in South Dakota" (1985). *Economics Commentator*. Paper 213.  
[http://openprairie.sdstate.edu/econ\\_comm/213](http://openprairie.sdstate.edu/econ_comm/213)

This Newsletter is brought to you for free and open access by the Economics at Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange. It has been accepted for inclusion in Economics Commentator by an authorized administrator of Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange. For more information, please contact [michael.biondo@sdstate.edu](mailto:michael.biondo@sdstate.edu).



Editor: Donald C. Taylor

Economics Department SDSU, Box 504A Brookings, SD 57007

Tele: (605) 688-4141

No. 217

January 25, 1985



The Demand for  
Nursing Home Care  
in South Dakota,

by

Charles E. Lamberton

In a recent thesis, Mr. Kenneth Spear studied the factors influencing the demand for nursing home care in South Dakota. Because of the need to include Census data in the analysis (e.g., those on the elderly population), 1980 was the latest year which could be studied. The large amount of data required for each of the 117 skilled and intermediate care nursing homes in the state also limited the study to a single month, August. The study considered nursing home residents in two groups, those eligible for Medicaid and those (private payers) not so eligible.

Spear found that the average daily charge for nursing home residence was \$24 for those eligible for Medicaid and \$27 for private payers. These translate into \$179,000 per day or \$65 million per year to provide for the state's 7,165 nursing home residents. The average home provided service to 4.1 percent of the elderly population (over age 65) in its home county.

### Economic Influences

For private paying residents, economic factors were significant determinants of nursing home use. On average, a 10 percent price increase would reduce private use by 7.5 percent. This implies that with no change in the availability of Medicaid or other income or

service substitutes, nursing homes can increase their revenues through increased charges to private payers. Using Social Security payments and the average value of farms in the county as proxies for the financial status of the elderly, Spear estimated that 10 percent increases in these measures would increase private payment nursing home use by 10 and 4 percent, respectively. The first part of this outcome implies that, on average, increased social security income is spent entirely on nursing home services.

The availability of substitute services, measured by the number of physicians and home visits by health professionals in the county, reduced the private demand for nursing home service significantly. For residents eligible for Medicaid, the substitutes' availabilities were the only economic variables significantly influencing nursing home use.

### Demographic Influences

Several demographic factors influenced the demand for nursing home service by both private patients and those eligible for Medicaid. The greater the share of the elderly over age 85, the greater was the private demand. Medicaid demand increased with the share of elderly in the 70-74 age group. For both private and Medicaid residents, demand fell as the share of elderly in the 75-84 age group increased.

Both private and Medicaid nursing home demand increased with the number of days the average elderly person was hospitalized, thereby suggesting a complementarity between hospital

and nursing home services. Also, as the percentage of county population which was disabled increased, both private and Medicaid use of nursing homes increased. Medicaid demand per elderly person also tended to be greater in more rural counties as measured by the share of county population residing outside of towns. The rural nature of a county, however, did not appear to influence the use of nursing homes by private payers.

Surprisingly, nursing home use declined as the share of the county population which was widowed increased. This may be because widowed individuals tend to have been the healthier member of a marriage prior to the death of their partner and were, therefore, more self-sufficient both physically and financially after the death. Nursing home use also tended to be less in counties with a larger share of the female population actively participating in the labor force. Those counties experiencing a net out migration of

population also had a greater use of nursing home per elderly person than growing counties.

### Conclusions

The Spear study thus suggests how the demand for nursing home services may change as the demography of South Dakota counties evolves. It also indicates how private paying residents' use of nursing homes responds to price and income changes and the availability of physician services. It is a beginning look at how policies might affect expenditures in this growing sector of the state's economy. Further research needs to be conducted into such topics as the response of both private payer and Medicaid demand to changes in Medicaid eligibility rules as well as the cost structure of the nursing home industry.

\*\*\* Copies of the report from which this Newsletter is drawn are available from the Department of Economics for \$3.50 to cover reproduction and mailing costs.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the USDA, Richard A. Battaglia, Director of CES, SDSU, Brookings. Educational programs and materials offered without regard to age, race, color, religion, sex, handicap, or national origin. An Equal Opportunity Employer

Cooperative Extension Service  
U.S. Department of Agriculture  
South Dakota State University  
Brookings, SD 57007

OFFICIAL BUSINESS  
Penalty for Private Use \$300

**Economics Newsletter**

**BULK RATE  
POSTAGE & FEES PAID  
USDA  
PERMIT NO. G 268**

**Address Correction Requested**