

Memo

Date: July 2025

To: NHWSB Waivers and Variances Workgroup

From: Leah Solo

RE: Risk of closure due to compliance

As the Nursing Home Workforce Standards Board processed the first application for a waiver from any standards, there was a recognition the board needed to further understand the phrases “risk of closure” and “due to compliance with all or part of an applicable standard,” as they are used in Minnesota Statutes § 181.213, subdivision 4.

Variance and waiver. The board shall adopt procedures for considering temporary variances and waivers of the established standards for individual nursing homes based on the board’s evaluation of the risk of closure or receivership under section [144A.15](#), due to compliance with all or part of an applicable standard.

This memo will summarize the discussion so far and provide some information for next steps.

Summary of discussion and issues identified

The initial discussion about the board’s process for determining risk of closure or receivership due to compliance with the standards focused mostly on finances and clearly dire circumstances. The board discussed circumstances where nursing homes would be delinquent on paying vendors, have little in savings or other financial situations that would give them little financial wiggle room to even temporarily absorb the additional costs created by the standards and their increased wages for nursing home workers.

However, the first waiver application led the board to understand there might be additional situations that could lead a nursing home to potentially be at risk of closure as a result of the standards. For instance, a system that a nursing home is part of could be losing money overall and considering closing the nursing home as a business choice, rather than absorb any additional costs.

These types of questions led to the board to decide to further explore what additional processes there could be in determining if there is a “risk of closure.” Staff members also recommend exploring the adjacent phrase “due to compliance with all or part of an applicable standard,” because that has also come up in conversation.

The Nursing Home Workforce Standards Board Act does not expressly define “risk of closure” or “due to compliance with all or part of an applicable standard,” and an initial search of Minnesota law does not point us to a set definition of these phrases. Previously, the workgroup examined how “risk of closure” is mentioned as a prerequisite for the granting of a long-term services and support loan pursuant to Minn. Stat. 256.4792, though

that language was struck in 2025. Additionally, Minn. Stat. 136A.675, requires the Office of Higher Education to develop and use financial and nonfinancial indicators to evaluate the administrative and financial responsibility, including the risk of closure, of a postsecondary education organization. The staff is investigating to see if any further insight can be gained from these sources of authority.

While the Nursing Home Workforce Standards Board Act does grant the board the authority to “adopt procedures” to grant waivers and variances based on its “evaluation” of the facility’s situation, the board may want to consider putting some or all of the process into rules in the future.

Searching for why nursing homes close

A simple Google search for “why do nursing homes close?” will yield a significant number of articles. In these articles, one can find a number of studies referenced, many of which cite reasons that they believe a nursing home would be at an increased risk of closure. Below is a compilation of some of these articles.

Table 1: Outline of some studies found through researching online

Study	Dates	Reasons cited for nursing home closures	Notes
[2025-06-27] Wyden, Warner, Merkley and Schumer Highlight Threat to Nursing Homes if GOP Approves Medicaid Cuts	June 2025	<p>“In some states, Brown found, dozens of nursing homes would be at elevated risk because more than 85% of their residents are covered by Medicaid — making them financially vulnerable already — their occupancy rates are below 80%, and they only have 1- or 2-star ratings on the CMS Five-Star Quality Rating System.”</p> <p>“Mor also identified 1,749 SNFs nationwide with a Medicaid payer share greater than 85% that could be at risk and noted they are “disproportionately located in urban areas and are concentrated in states like Illinois, Texas, California and Georgia.” UPDATED: Nearly 600 nursing homes named at high risk of closure if Medicaid cuts approved</p>	<p>Study lists five nursing facilities in Minnesota at risk: table 4 at-risk snf in 2023 jun 17.xlsx.</p> <p>Study was commissioned by U.S. Senate Democrats to study the risk of the “One Big Beautiful Bill” for nursing homes.</p>
Factors Associated with Increasing Nursing Home Closures - PMC	Published in 2009 about closures from 1999 to 2005	<p>“One thousand seven hundred and eighty-nine facilities closed over this time period (1999–2005). The average annual rate of closure was about 2 percent of facilities, but the rate of closure was found to be increasing. Nursing homes with higher rates of deficiency citations, hospital-based facilities, chain members, small bed size, and facilities located in markets with high levels of competition were more likely to close. High Medicaid occupancy rates were associated with a high likelihood of closure, especially for facilities with low Medicaid reimbursement rates.”</p>	<p>Cited in other articles.</p> <p>Special Report nursing home closures 07.2022 (00556367.DOCX;1).</p> <p>What's Causing Nursing Home Closures?.</p> <p>(These are both from the same organization.)</p>

Study	Dates	Reasons cited for nursing home closures	Notes
Nursing Home Closures and Trends 2020	Published 2020, about 2015 to 2019	Showed a wide variety of reasons for closure not tied to one specific thing. The study also tracked the decrease in occupancy percent, even as closures of nursing homes accelerated. Points to Medicaid reimbursement.	<p>Done by Leading Age.</p> <p>Minnesota was in tier two out of three for the number of closures and was the second highest in decreased occupancy. Seventy-one percent of closures in Minnesota were in rural areas.</p> <p>Cited in Why Are So Many Nursing Homes Shutting Down?</p> <p>Another study cited by the <i>Forbes</i> article also points to decreasing occupancy: 3Q19 SNF Report.</p>
Data shows nursing home closure often linked to care issues - Roll Call . (The study is in CQ Roll Call. I couldn't get a link. This is an article about it.)	2023	<p>"In fiscal 2023, 188 nursing homes, also known as skilled nursing facilities, closed in the U.S., according to a CQ Roll Call analysis of government data.</p> <p>"Overall, facilities that closed were more likely to have had severe inspection violations, had racked up fines for providing poor care, were rated poorly by state and federal governments and were on lists for extra monitoring.</p> <p>"Some were facing wrongful death lawsuits or had stopped paying their bills.</p> <p>"While some 40 percent of those closed facilities were four- or five-star facilities, 31 percent of closed facilities were one star or part of the special focus facility program, compared with 23 percent of facilities overall."</p>	

Themes from sampled studies

Looking through these articles, there seem to be a couple of factors that are mentioned as potentially putting a nursing home at a higher risk of closure. Those include:

- Occupancy rates below 80%.
- Low ratings such as one- or two-star ratings in the CMS five-star quality rating system (this could be adapted for Minnesota's nursing home report card). Specifically, looking at severe inspection violations, fines for poor care and on lists for extra monitoring.

- Occupancy with Medicaid payer share at greater than 85%.
- Hospital-attached facilities.

Additionally, the Leading Age study noted Minnesota had a high closure rate in rural areas and the Health Services Research study (which looked at closures from 1999 to 2005) noted chain members, small bed size and location in markets with higher levels of competition as increasing the risk of closure.

Next steps

Understanding some of these factors, which some studies have shown can lead to a higher risk of closure, might be helpful for the board in defining whether a nursing home is at risk of closure. However, some of these factors are not substantively impacted by a facility's compliance or noncompliance with the standards. Statute requires that the granting of a waiver or variance be tied with the risk of closure due to compliance with the standards. The workgroup and the board should also further consider the statutory language "due to compliance with all or part of an applicable standard" and whether any factor increasing the risk of closure or receivership would be impacted by the implementation of a standard created by the board.