Producing Health Measuring Value Added of Nursing Homes

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We develop a stylized model that allows us to estimate a value-added measure for nursing homes (“SNFs”) which accounts for patient selection both into and out of a SNF. We use the model, together with detailed data on the physical and mental health of about 6 million Medicare SNF patients between 2011 and 2016, to estimate the value added for about 14,000 distinct SNFs. We document substantial heterogeneity in value added. Nationwide, compared to a 10th percentile SNF, a 90th percentile SNF is able to discharge a patient at the same health level about a week sooner, which is about one third of the median length of stay. Heterogeneity in value added within a market is almost as large as it is nationwide. Our results point to the potential for substantial gains through policies that encourage reallocation of patients to higher-quality SNFs within their market.