Do Mandatory Overtime Laws Improve Quality?
Staffing Decisions and Operational Flexibility of Nursing Homes

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Abstract:
During the 2000s, over a dozen U.S. states passed laws that prohibit healthcare employers from mandating overtime for nurses. Using a nationwide panel data set from 2004 to 2012, we find that these mandatory overtime laws reduced the service quality of nursing homes, as measured by an increase in deficiency citations. This outcome can be explained by two undesirable changes in the staffing hours of registered nurses: decreased hours of permanent nurses and increased hours of contract nurses per resident day. We observe that the increase in deficiency citations concentrates in the domains of administration and quality of care rather than quality of life, and the severity levels of the increased citations tend to be minor rather than major. We also find that the laws’ negative effect on quality is more severe in nursing homes with higher percentages of Medicare-covered residents. These observations are consistent with the predictions of a stochastic staffing model that incorporates demand uncertainty and operational flexibility. Furthermore, we rule out an alternative hypothesis that the quality decline is induced by an increase in nurse wages.

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