

Marketization: The Growth and Impact of Large For-Profit Nursing Home Chains

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Marketization of Long Term Care

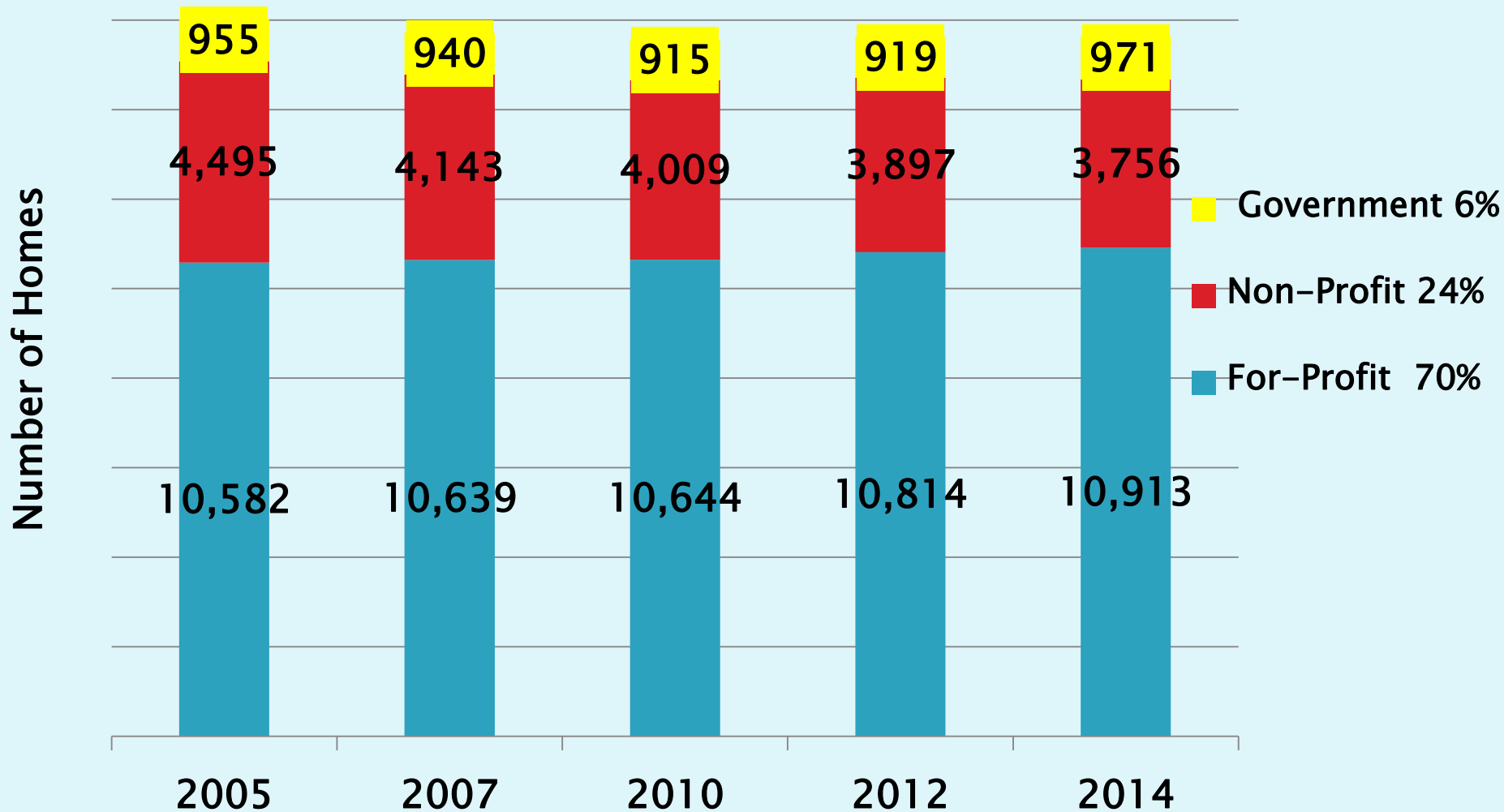
- ▶ **Marketization trend occurring in industrialized countries**
- ▶ **Focus on the 5 largest for-profit nursing home chains --U.S., Ontario, U.K., Norway & Sweden**
- ▶ **Chains - Owners/managers with 2+ facilities**
- ▶ **Recognize wide differences in countries**
- ▶ **Describe the growth trends and the complexity of ownership and financing models**
- ▶ **Examine the impact of these trends on quality, access and cost of LTC along with economic, political, regulatory, and social policy issues**

Ownership, Financing and Quality in the Five Largest US Nursing Home Chains

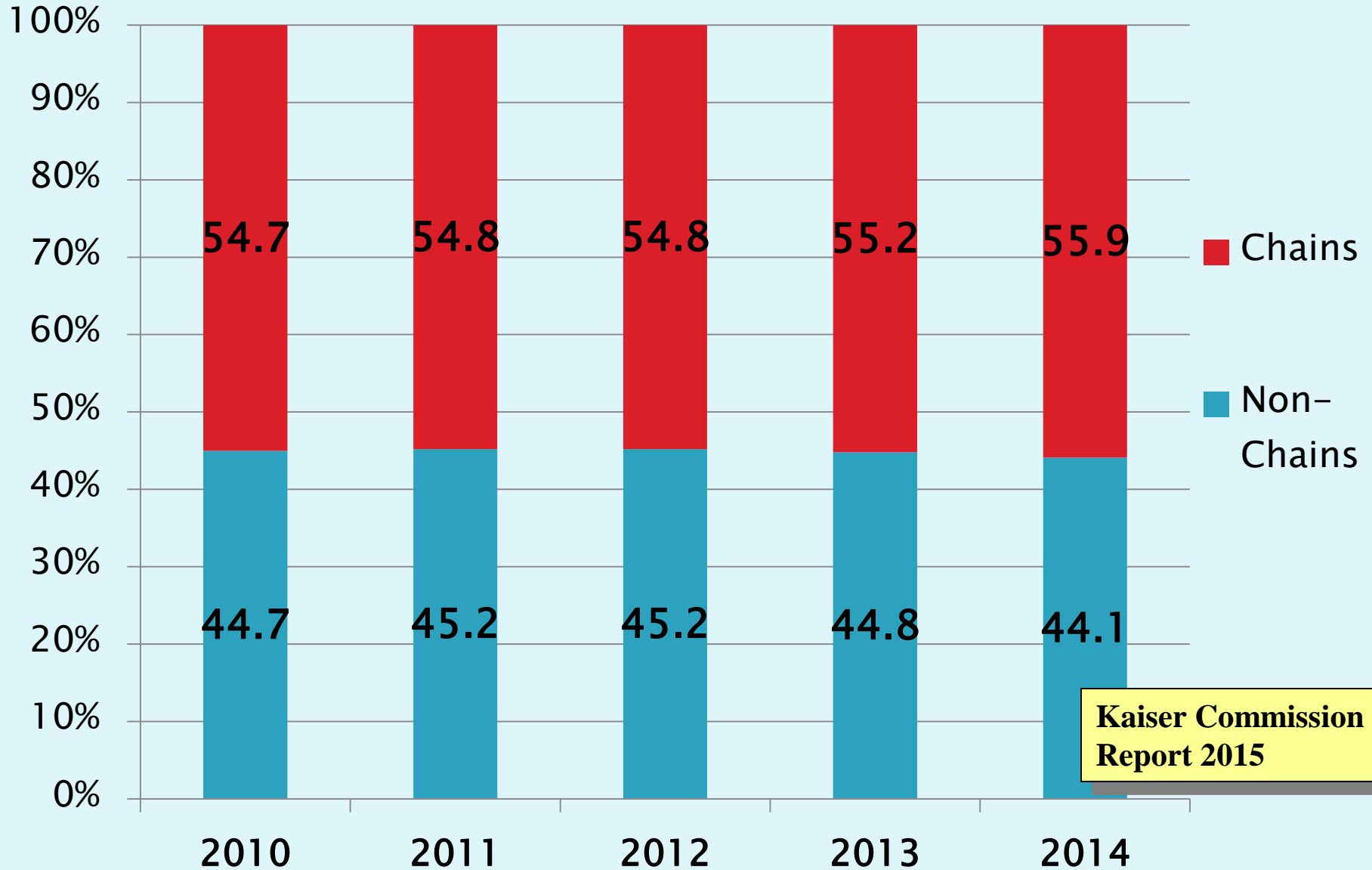
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Percent of U.S. Nursing Homes by Affiliation 2010-14

(Declined from 16,032 to 15,640)



Percent of U.S. Nursing Homes by Affiliation 2010–14



U.S. Study Aims

- ▶ **Examine the ownership and financing of the largest for-profit nursing home chains**
- ▶ **Compare the staffing and regulatory violations of the five largest US nursing home chains with:**
 - **Other for-profit chains**
 - **For-profit non-chains**
 - **Non-profit chains**
 - **Non-profit non-chains**
 - **Government facilities**

Hypothesis

- ▶ **Large for-profit chains will have lower nurse staffing levels and lower quality than other types of ownership groups**

Study Design

- ▶ **Descriptive study comparing nursing home ownership groups for the 2009–2014 period**
- ▶ **Data Sources:**
 - Public documents
 - Federal staffing and deficiency (violations) data from the Centers for Medicare and Medicaid Online Survey, Certification, and Reporting system (OSCAR) and Certification and Survey Provider Enhanced Reports (CASPER)
- ▶ **Data Analysis: Descriptive statistics using Bonferroni adjusted t-tests**

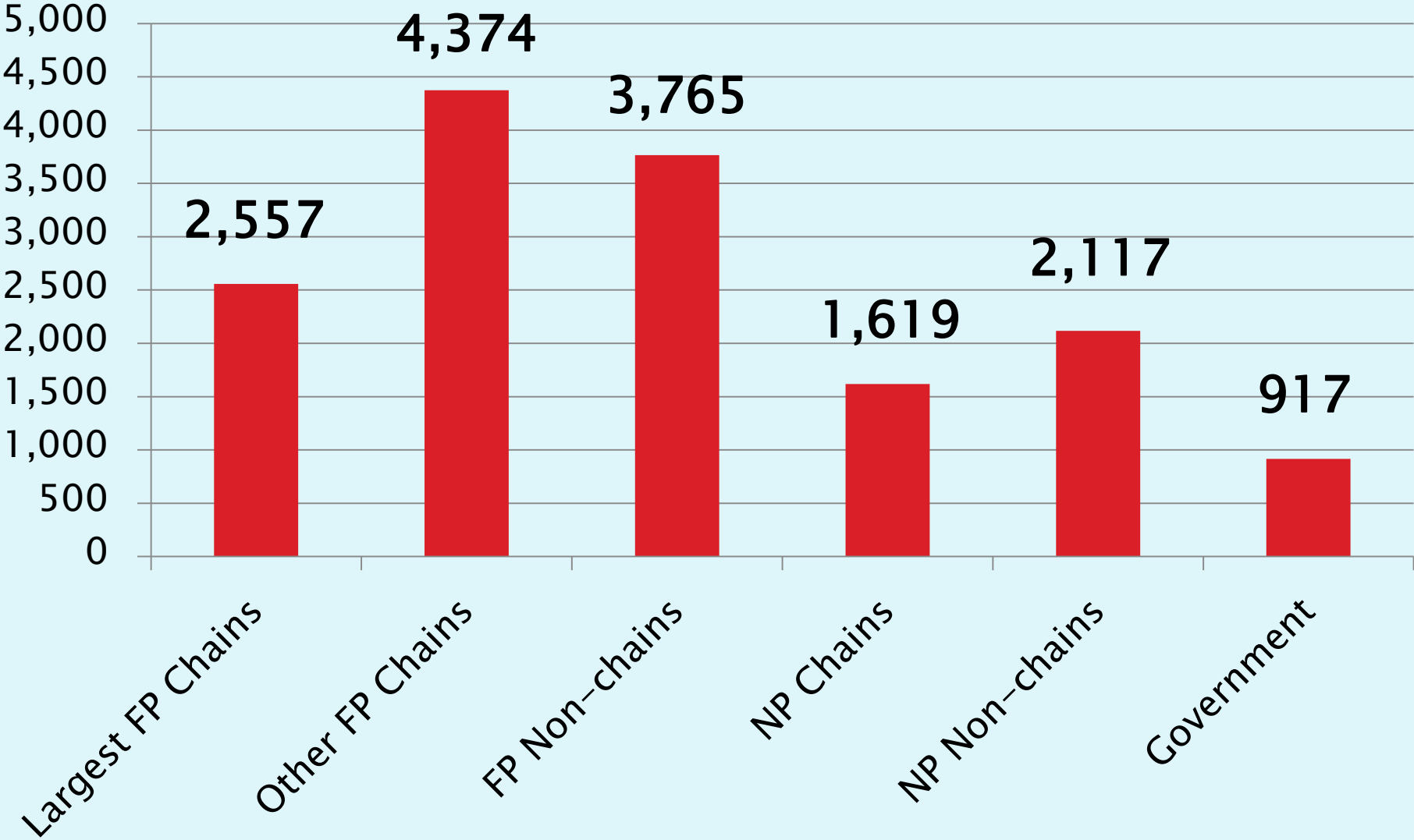
US For-Profit Nursing Home Chains

- ▶ Top 5 for-profit NHs control 9–10% US facilities and beds – mostly owned by private equity companies
- ▶ Diversified –
 - assisted living, rehabilitation centers, therapy services, pharmacy services, home health agencies, hospices, medical offices, mental health centers and others
- ▶ Multiple complex layers of ownership and corporate structures – prevent litigation
- ▶ Separate companies for management & property
- ▶ Use real estate investment trusts (REITs) to reduce taxes
- ▶ Heavily debt financed

Largest For-Profit US Nursing Home Chains, 2014

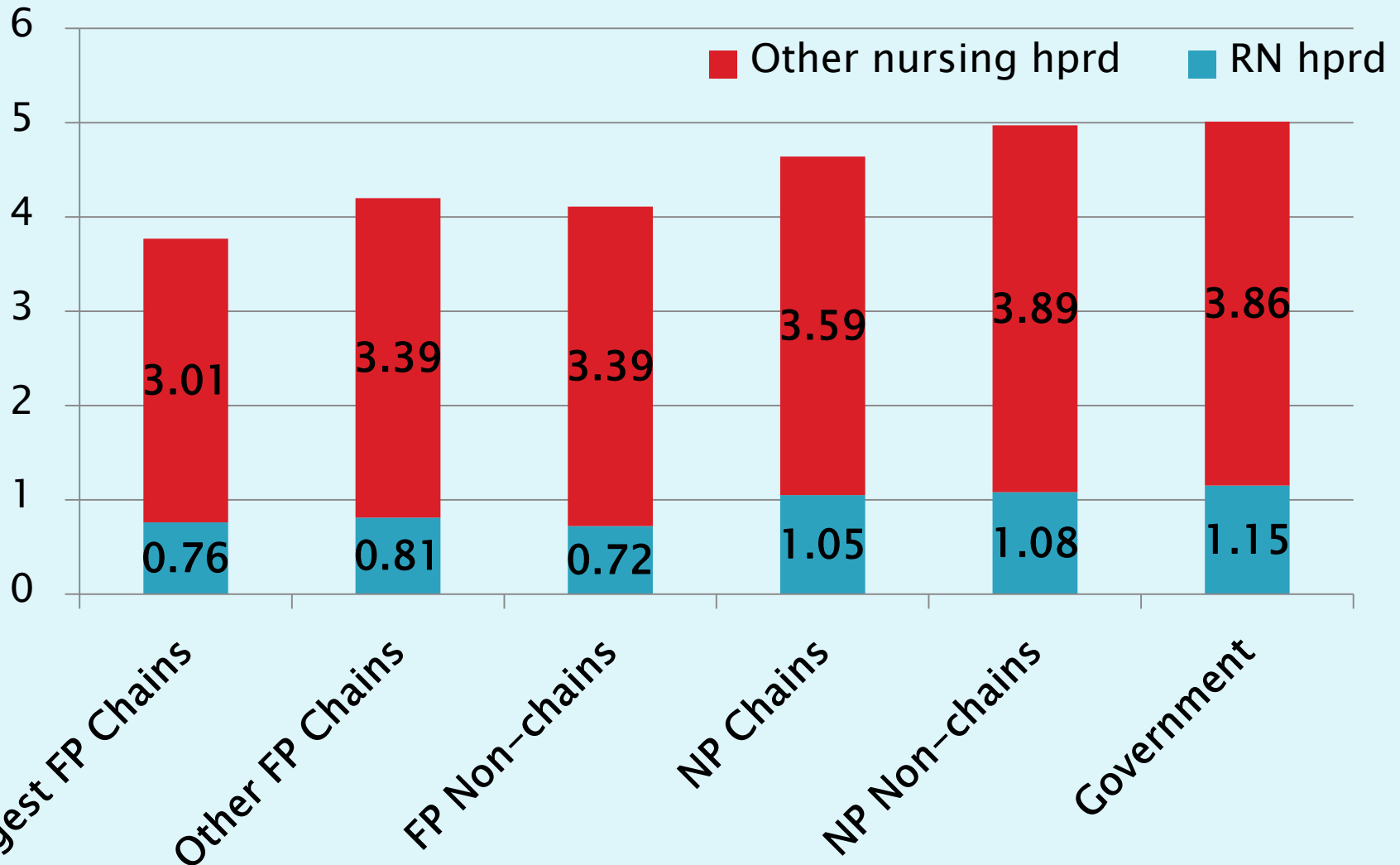
Corporation	Beds	Facilities	States	Total Revenue
1. Genesis HealthCare –Formation Capital	55,267	543	34	\$5.6 bil
2. HCR Manor Care – Carlyle Group	38,027	280	30	\$4.0
3. Golden Living – Fillmore Capital Partners	30,267	295	21	\$2.5
4. Life Care Centers of America – LCCA	29,338	223	28	\$2.1
5. SavaSeniorCare LLC –National Senior Care Inc.	24,154	200	22	\$1.3

Number of Nursing Homes By Ownership Group 2009–2014



Nurse Staffing by Ownership Group

2009–2014 (hours per resident day)

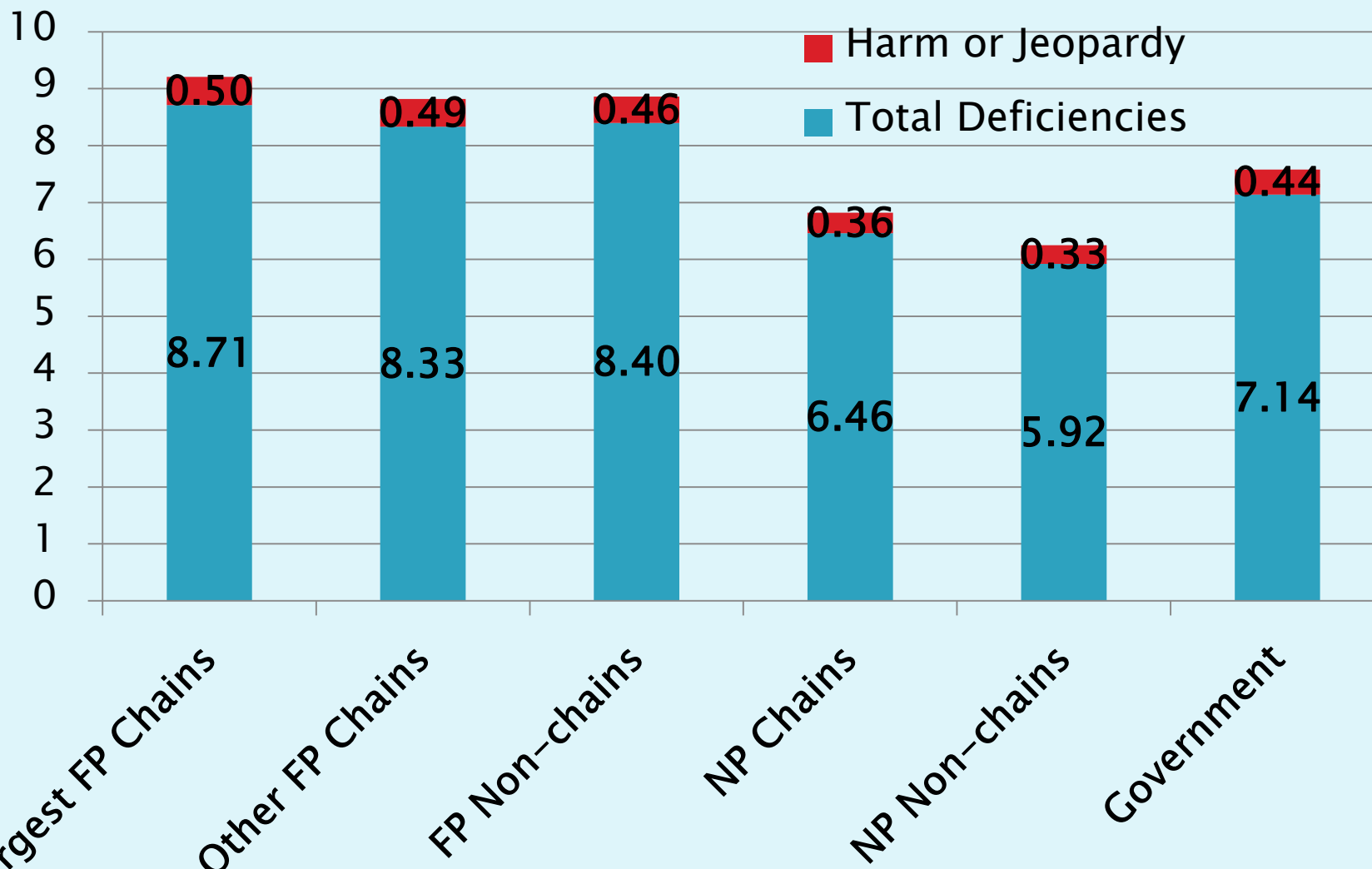


Largest FP chains significantly lower total staffing than all other ownership types

For-Profit NH Companies


- ▶ **Federal and staff minimum staffing standards are lower than government and expert recommendations**
- ▶ **Penalties for low staffing are rare**
- ▶ **For-profit chains are able to contract and network with health plans & hospitals based on price not staffing/quality**
- ▶ **Low staffing levels, wages, and pensions increase investor profits and result in worse quality**

Average Deficiencies by Ownership Group 2009–2014



Largest FP chains significantly higher total deficiencies than all other ownership types

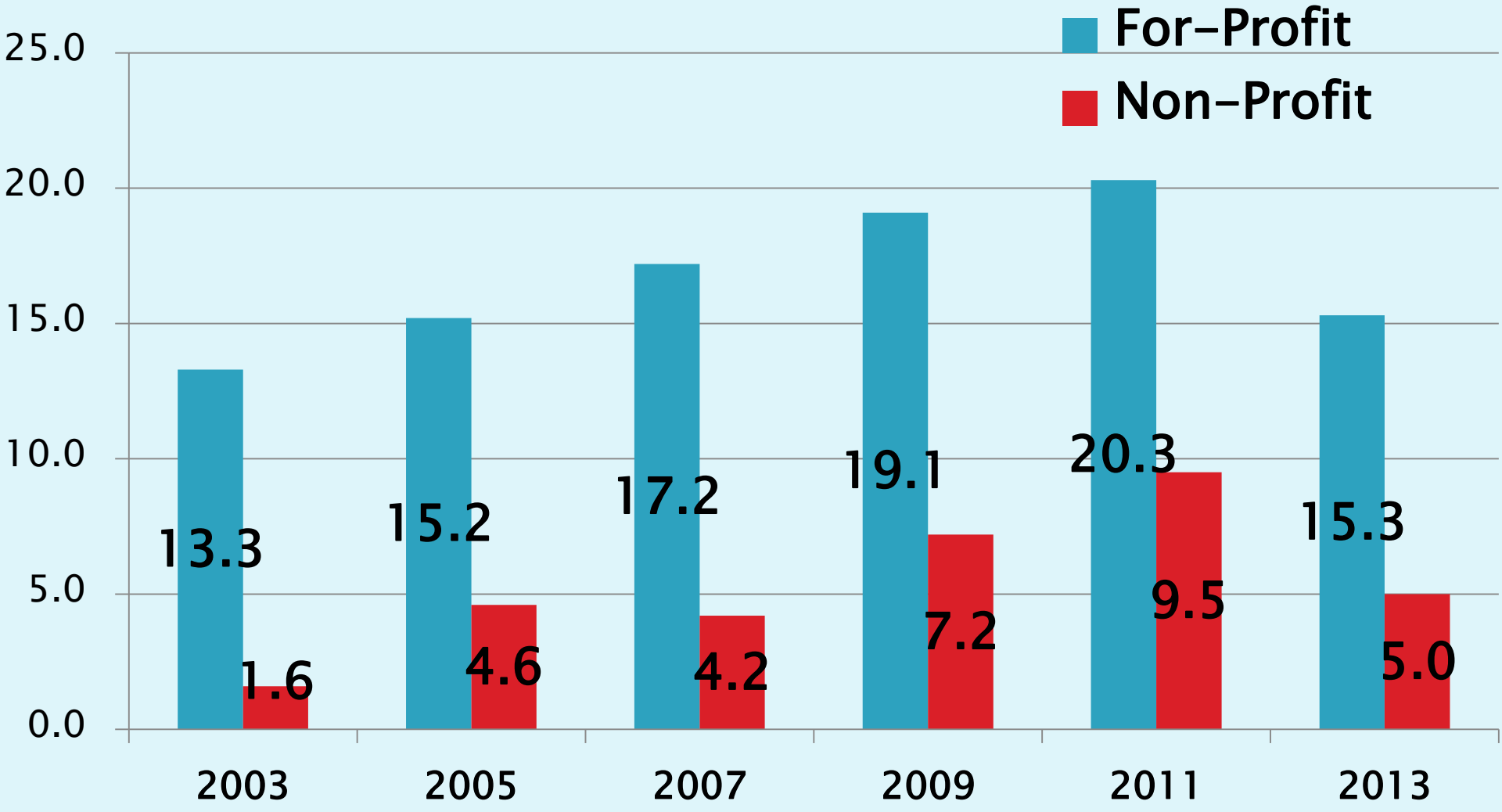
For-Profit NH Companies

- ▶ **Twenty percent of NHs cause harm or jeopardy**
 - ▶ **Many large for-profit chains have been charged with fraud by the government**
 - ▶ **Regulatory sanctions and litigation costs are normal business expenses in chains**
 - ▶ **For-profit chains have political power and able to capture the regulatory agencies**
 - ▶ **Once established, for-profit chains cannot politically & practically be removed**
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Lack of Financial Accountability

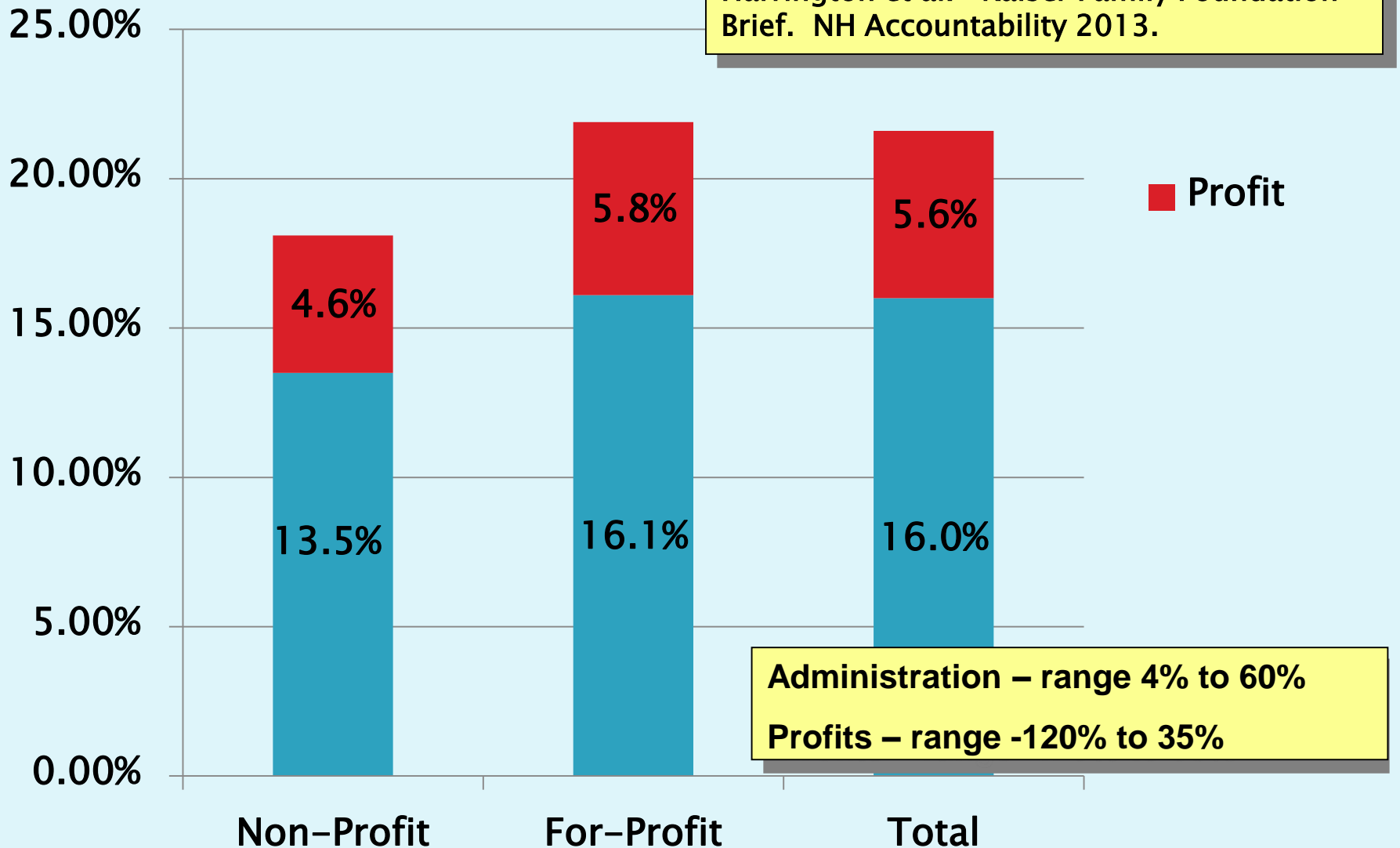
- ▶ **Established Medicare prospective payment – 1997**
- ▶ **Pays higher rates for higher self-reported casemix**
- ▶ **Encourages inflation of casemix for higher payments**
- ▶ **No audits of casemix data reports**
- ▶ **NHs elect how to spend their payments and can shift money from care to administration & profits**

Medicare Nursing Home Profit Margins By Ownership



California Nursing Home Profits and Administrative Expenditures 2010

Harrington et al. Kaiser Family Foundation Brief. NH Accountability 2013.



Policy Changes Needed

- ▶ **Reduce reliance on private for-profit providers and especially chains**
- ▶ **Increase financial accountability**
 - **Conduct financial audits**
 - **Place ceilings on profits and administration**
- ▶ **Enforce existing quality regulations**
 - **Increase penalties for inadequate care**
 - **Increase funding for regulatory oversight**
 - **Increase staffing requirements**