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)

CMS NH Compendium 2015
Percent of U.S. Nursing Homes by Affiliation 2010–14

Kaiser Commission Report 2015
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
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
<table>
<thead>
<tr>
<th>Corporation</th>
<th>Beds</th>
<th>Facilities</th>
<th>States</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Genesis HealthCare – Formation Capital</td>
<td>55,267</td>
<td>543</td>
<td>34</td>
<td>$5.6 bil</td>
</tr>
<tr>
<td>2. HCR Manor Care – Carlyle Group</td>
<td>38,027</td>
<td>280</td>
<td>30</td>
<td>$4.0</td>
</tr>
<tr>
<td>4. Life Care Centers of America – LCCA</td>
<td>29,338</td>
<td>223</td>
<td>28</td>
<td>$2.1</td>
</tr>
<tr>
<td>5. SavaSeniorCare LLC – National Senior Care Inc.</td>
<td>24,154</td>
<td>200</td>
<td>22</td>
<td>$1.3</td>
</tr>
</tbody>
</table>

Provider Magazine 2015
Number of Nursing Homes By Ownership Group 2009–2014

- Largest FP Chains: 2,557
- Other FP Chains: 4,374
- FP Non-chains: 3,765
- NP Chains: 1,619
- NP Non-chains: 2,117
- Government: 917
Largest FP chains significantly lower total staffing than all other ownership types.
For-Profits 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
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

For-Profit
Non-Profit

MedPac Reports
California Nursing Home Profits and Administrative Expenditures 2010


- Administration: range 4% to 60%
- Profits: range -120% to 35%

Non-Profit: 13.5% Profit
For-Profit: 5.8% Profit
Total: 5.6% Profit
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