

# Private equity companies purchase nursing homes, but care does not suffer

September 10 2008

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In recent years, private equity investors have increasingly targeted nursing homes as investment opportunities. Spurred by investigative reports and anecdotal evidence that these deals led to worsened quality of care, many companies have found themselves under increased federal scrutiny.

But according to a new study, such conclusions may be premature. Private equity purchases of nursing homes—many of which result in administrative and corporate restructuring—have not caused quality of care to decline significantly to date. In fact, in some aspects, the quality of care has improved.

"This is an early look at what happens after these purchases," says Harvard Medical School assistant professor David Stevenson, who co-authored the paper with associate professor David Grabowski. "Many of the transactions we looked at were just a few years old, so it's hard to draw definitive conclusions about these types of deals. However, our results paint a more positive picture than had emerged previously."

These findings appear in the September/October issue of the journal *Health Affairs*.

Starting around 2000, a number of private equity groups began purchasing nursing home chains, mostly in states like Florida and Texas, where litigation was more common than in other states. As a result of these transactions, and to buffer themselves against costly litigation

expenses, many of the nursing homes were divided into sub-companies, decentralizing ownership so that, for example, the same "company" didn't own both the property and operations. As a result, if a patient were to sue for medical negligence, it would be more difficult to pursue property assets.

Investigative reporting, such as a 2007 front page article in the *New York Times*, looked at patient care in these homes both before and after these corporate purchases. It concluded that such restructuring had weakened patient care, which in turn led to increased attention and Congressional hearings on the topic.

"We wanted to study this issue in a quantitatively rigorous way, for example controlling for broader trends within nursing home markets and particular facilities over time," says Grabowski. "The attention to these transactions and the issues they raise is important, and we hoped our study would provide a comprehensive and accurate view of what was happening."

Stevenson and Grabowski examined a range of nursing home outcomes and compared the quality of care in private equity purchased nursing homes to those that had not undergone these transactions.

The researchers looked at various indicators including nurse and aide staffing, survey deficiencies, and a range of resident outcomes including the prevalence of catheter use, urinary tract infections, weight loss, restraint use, pressure ulcers, residents' ability to take care of their own daily needs, and range of motion loss.

When the data were analyzed, the researchers found scant evidence to suggest that the overall quality of resident care had declined substantially following these purchases. Some factors, such as RN staffing, did in fact decline. But others, such as aide staffing, catheter use, UTIs, weight loss,

and pressure ulcers, actually improved.

"After taking facility and market trends into account, we did not find a substantial drop in the quality of care delivered in these nursing homes overall," says Stevenson.

The researchers caution that these findings are preliminary, given the recent nature of many of these transactions. In addition, they emphasize that it is still important to consider a range of issues around ownership transparency and accountability that extend beyond private equity investment.

"Our study provides an initial snapshot that is somewhat reassuring," says Stevenson. "But the attention on these deals and the corporate structures that emerge from them still has broader value. Most of all, we need to be confident that residents are positioned to receive high quality care and that there is sufficient recourse in cases where they do not—regardless of who owns the nursing home."

Source: Harvard Medical School

Citation: Private equity companies purchase nursing homes, but care does not suffer (2008, September 10) retrieved 5 May 2024 from <https://medicalxpress.com/news/2008-09-private-equity-companies-nursing-homes.html>

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