

Private equity ownership of nursing homes linked to lower quality of care, higher Medicare costs

November 20 2021



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Nursing homes acquired by private equity companies saw an increase in emergency room visits and hospitalizations among long-stay residents

and an uptick in Medicare costs, according to a new study from Weill Cornell Medicine investigators. The findings, published Nov. 19 in *JAMA Health Forum*, suggest that quality of care declined when private equity firms took over the facilities.

"Our findings indicate that [private equity](#) firm-owned facilities offer lower quality long-term care," said Dr. Mark Unruh, an associate professor of population health science at Weill Cornell Medicine. "These residents are among the most vulnerable in our health care system and a lack of transparency in ownership makes it difficult to identify facilities with private equity ownership, which consumers may be interested in knowing."

Private equity investment in nursing homes has soared in recent years, as part of \$750 billion in health care deals between 2010 and 2019. An estimated 5 percent of nursing homes in the United States are owned by private equity firms, according to the research team, which included Dr. Lawrence Casalino, Dr. Hye-Young Jung, Dr. Robert Tyler Braun, and Weill Cornell Medical College alumnus Dr. Zachary Myslinski '21.

The pressure to generate high, short-term profits could lead private equity-owned nursing homes to reduce staffing, services, supplies or equipment, which may have an adverse association with [quality of care](#), Dr. Unruh said, adding that such firms seek annual returns of 20 percent or more.

Using a novel national database developed by Dr. Braun for the study, Weill Cornell investigators identified 302 nursing homes acquired by private equity firms between 2013 and 2017, with a total of 9,632 long-stay residents. The investigators compared [resident](#) outcomes at private equity-owned facilities with resident outcomes at 9,562 other for-profit nursing homes, which included 249,771 long-stay residents during the study period.

For indicators of quality of care, the team looked at ambulatory care sensitive (ACS) visits to the emergency room and hospitalizations. These episodes, such as complications from diabetes or heart failure, can be largely prevented with proper management of the conditions.

Investigators found that residents at private equity-owned facilities were 11 percent more likely to have an ACS emergency room visit and 8.7 percent more likely to be hospitalized. As a result, they had Medicare costs (Medicare covers ED visits and hospitalizations) that were 3.9 percent higher, or \$1,080 more annually, per patient than residents at for-profit nursing homes without private equity ownership.

"The majority of revenue that pays for care in nursing facilities comes from public sources," Dr. Unruh said. "After private [equity](#) acquisition, quality of care declines and Medicare spending goes up for residents, and that should be a concern for policymakers."

The study warrants more discussion about not only the implications of the growth of [private equity firm](#) acquisitions, Dr. Unruh said, but also the importance of making ownership information available on websites that allow the public to compare nursing home providers.

More information: Robert Tyler Braun et al, Association of Private Equity Investment in US Nursing Homes With the Quality and Cost of Care for Long-Stay Residents, *JAMA Health Forum* (2021). [DOI: 10.1001/jamahealthforum.2021.3817](https://doi.org/10.1001/jamahealthforum.2021.3817)

Provided by Weill Cornell Medical College

Citation: Private equity ownership of nursing homes linked to lower quality of care, higher Medicare costs (2021, November 20) retrieved 11 May 2024 from

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