

Concerns grow over quality of care as investor groups buy not-for-profit nursing homes

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Shelly Olson's mother, who has dementia, has lived at the Scandia Village nursing home in rural Sister Bay, Wisconsin, for almost five

years. At first, Olson said, her mother received great care at the facility, then owned by a not-for-profit organization, the Evangelical Lutheran Good Samaritan Society.

Then in 2019, Sanford Health—a not-for-profit, tax-exempt hospital system—acquired the nursing home. The COVID-19 pandemic struck soon after. From then on, the facility was regularly short of staff, and residents endured long wait times and other care problems, said Olson, a [registered nurse](#) who formerly worked at the facility.

Now Scandia Village has a new, for-profit owner, Continuum Healthcare. Olson said she was reassured when Continuum hired two locals as the facility's new administrator and nursing director.

But Kathy Wagner, a former Scandia Village nursing director, is not optimistic. "The for-profit owner will face the same problems," said Wagner, who is now retired and serves on an informal task force that monitors the facility's quality of care. "No one has articulated what the for-profit owner will bring to the table to change the picture."

The sale of Scandia Village this year is part of a trend of for-profit companies, including private equity groups and real estate investment trusts, snapping up struggling not-for-profit [nursing homes](#), many of which were operated for decades by Lutheran, Catholic, Jewish, and other faith-based organizations.

The pace of sales has ticked up, reaching a high last year, according to Ziegler Investment Banking. Since 2015, 900 not-for-profit nursing homes and senior living communities nationwide have changed hands, with more than half of them acquired by for-profit operators.

For-profit groups own about 72% of the roughly 15,000 nursing homes in the United States, which serve more than 1.3 million residents.

While overall for-profit ownership percentage hasn't notably increased in recent years, the type of for-profit companies that own these facilities has shifted toward private equity, real estate investment trusts, and complicated ownership structures, said David Grabowski, a professor of health care policy at Harvard Medical School.

Consumer advocates, researchers, and regulators are leery about this trend. They point to studies showing that nursing homes owned by for-profit companies—particularly investors in [private equity](#) and real estate—tend to have skimpier staffing, lower quality ratings, and more regulatory violations. Motivated by these concerns, the Biden administration issued a rule last fall that requires nursing homes to disclose more information about their owners and management firms.

Executives at not-for-profit organizations, as well as researchers who study nursing homes, wonder how for-profit companies can accomplish what the previous not-for-profit owners could not: reviving financially struggling nursing homes.

"I don't know where these investor groups can see savings without cutting back on the level of quality," Grabowski said.

Part of the problem is that to boost profits, many for-profit operators set up a network of related companies to provide fee-based services such as management, physical therapy, and staffing. They also may sell a nursing home's real estate to a sister company, which then charges high rent. These payments cut into the available operating funds to provide adequate staffing and quality care.

Last year, New York Attorney General Letitia James sued the for-profit owners of four nursing homes for financial fraud and resident neglect, alleging that they used more than \$83 million in public funds to enrich themselves through a complex network of related companies while

providing horrendous care.

"When nonprofits are sold, you start to see a precipitous decline in quality," said Sam Brooks, director of public policy for National Consumer Voice for Quality Long-Term Care. "Nonprofits generally staff well above for-profits. When churches and nonprofits divest these homes, for-profits move in, and the care gets really bad."

The leaders of not-for-profits that have sold facilities to for-profit operators cite a variety of reasons for exiting or downsizing. Those reasons include state Medicaid payment rates that are too low to cover operating costs and a shortage of nursing and other staffers that makes it hard to maintain quality care. In addition, they say their facilities have seen fewer admissions, at least partly because Medicare Advantage plans have tightened coverage policies for rehabilitation care in nursing homes.

Susan McCrary, chief executive of St. Ignatius Community Services in Philadelphia, said her organization sold its nursing home because it was losing money. She said low state Medicaid rates forced their hand, even after the state bolstered its Medicaid payments by 17.5% in January 2023.

McCrary said the St. Ignatius board worried the losses would jeopardize the organization's ability to continue its mission of serving low-income seniors, for whom it also operates three independent-living and assisted living buildings.

At the same time, "our board definitely had concerns about selling to a for-profit because we're aware of the research that shows the quality of care is not the same as with a nonprofit," McCrary said. "But we knew we needed to move forward with this process to continue our services in West Philadelphia."

Nate Schema, CEO of the Evangelical Lutheran Good Samaritan Society, said his organization decided to sell some of its long-term care facilities to Continuum Healthcare, a New Jersey-based corporation, and a second company, Idaho-based Cascadia Healthcare, as part of its strategy to better serve its communities. Good Samaritan now operates in seven Midwestern states, down from 22 states. Consolidating markets better enables his organization to launch programs for nursing home residents in conjunction with Sanford's hospitals and clinics.

"We've been very intentional about finding quality partners to carry on our mission," Schema said. "Unfortunately, we haven't seen a lot of nonprofit providers coming to us."

Continuum, which took over Scandia Village nursing home in January, will address staffing shortages by improving wages, benefits, and career opportunities, said Tim Hodges, the corporation's communications director. Continuum, which is owned by private investors and commercial lenders, owns eight nursing homes in four states.

Similarly, Steve LaForte, Cascadia's executive vice president, said his company has revived the finances of the nine Good Samaritan nursing homes it took over in the Pacific Northwest partly by attracting more patient referrals and strengthening relationships with state policymakers, in the hope it "leads to more realistic Medicaid rates." He said Cascadia has also focused on workplace culture—such as by not using workers from staffing agencies—and on empowering those who run the individual facilities to select vendors for pharmacy, rehabilitation, and other services.

Cascadia, he said, does not use tactics like contracting with sister vendors to boost its profits. "That type of organization gives the whole industry a bad name," LaForte said.

The overall perception of for-profit corporations is unfair, said Zach Shamberg, CEO of the Pennsylvania Health Care Association, because all nursing homes are struggling under inadequate Medicaid rates and high labor costs due to a shortage in workers.

He said he hopes that Pennsylvania's Medicaid rate increase—plus a new minimum staffing requirement and a mandate that 70% of total costs be dedicated to resident care—will address the financial and quality issues. Nursing homes in Pennsylvania and across the country are also lobbying state lawmakers and the federal government to offer extra payments tied to quality outcomes for residents.

"If there aren't for-profit entities to buy these facilities, these facilities are closing, which would exacerbate the existing access to care crisis as the population gets older," Shamberg said.

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