Financial gain from good report cards in nursing homes

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Nursing homes that improve their quality of care - and thereby score high on public report cards - might see financial gains.

If the facilities receive a high or middle quality ranking by the report cards after making improvements, they can experience higher revenues and profit margins, a new study concludes.

Yet, improvements in quality are not always enough to boost a facility's fortunes, the researchers found. Nursing homes that increased their score on the report cards, but still ranked as low quality, did not get the same financial benefits.

The study, published online in the journal *Health Services Research*, is one of the first to examine the business case for quality reporting and health facilities, according to lead author Jeongyoung Park, Ph.D., of the American Board of Internal Medicine and colleagues.

The researchers analyzed the financial performance of nursing homes before and after the Centers for Medicare and Medicaid Services publicly began reporting the quality of care at more than 6,000 Medicare and Medicaid-certified nursing homes throughout the United States.

The Nursing Home Compare (NHC) report card, introduced in 2002, measures how well the facilities do in controlling their patients' pain, preventing bedsores, keeping their residents active and other care concerns.

"Nursing homes want solid evidence that quality pays," before spending money on quality improvements, said Park, who noted that for-profit companies own or operate most U.S. nursing homes.

Park and colleagues wanted to answer the question: Does a good grade on a quality report card mean more money for a nursing home?

The short answer is 'yes.' "Nursing homes that improve on NHC measures are likely to increase revenues under public reporting," they concluded.

Public reporting might help people choose high-quality nursing homes, which could in turn drive the homes to improve their quality to attract more residents, the researchers suggest.

In the current study, Park and colleagues found that the improved facilities received most of their financial gains from an increase in Medicare and private-payer patients, who yield higher profits to the facilities than Medicaid patients do.

"Performing well or improving on NHC measures may give nursing homes an extra tool in attracting the more desirable residents," Park said.

Unfortunately, this trend could further open up the gap between high-quality and low-quality nursing homes, the researchers said, since fewer resources will go to the low- quality homes that need the money to improve their care.

In a 2009 systematic review of 82 studies, McMaster University professor of medicine Gordon Guyat, M.D., and colleagues concluded that nonprofit nursing homes are more likely to deliver quality care than for-profit homes.

Guyat said in a release that for-profit nursing homes might "cut corners" when it comes to spending money on quality care. "The reason patients' quality of care is inferior in for-profit nursing homes is that administrators must spend 10 percent to 15 percent of revenues satisfying shareholders and paying taxes," he said.

Few studies have looked at whether patients use report cards such as the NHC to choose a nursing home, but one recent survey suggested that 12 percent of new nursing home residents or their families consulted the NHC Web site before deciding on a facility.

More information: Park J, Konetzka T, Werner RM. Performing well on nursing home report cards: does it pay off? *Health Services Research* online, 2010.

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