

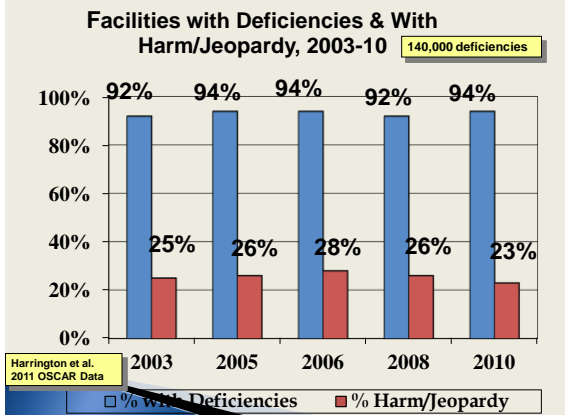
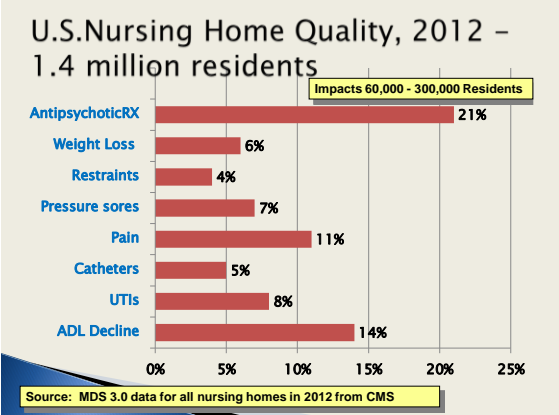
**UCSF** School of **Nursing**

**US: Quality Differences in For-Profit and Not-for-Profit Nursing Homes**

**Charlene Harrington, Ph.D., R.N.**  
**Professor of Nursing and Sociology**

**Poor Quality & Weak Enforcement in the US Since 1974**

- ▶ US Senate Committees, 1974, 1998-2007
- ▶ Institute of Medicine, 1996, 2001, 2003
- ▶ Centers for Medicaid/Medicare, 2000, 2001
- ▶ US General Accountability Office, 1997- 2012 (30 reports)
- ▶ US Office of the Inspector General, 1999 - 2012 (2280 reports)



**Causes of Poor NH Quality in US**

1. **Commercialization of NHs**
2. **Lack of financial accountability**
3. **Weak regulatory oversight/ enforcement**
4. **Inadequate nurse staffing levels, education & training, and wages/benefits**

**Commercialization of Nursing Homes**

## US Nursing Home Industry

- ▶ 16,500 facilities
- ▶ 1,400,000 residents
- ▶ 67% for-profit companies
- ▶ 54% chains (2 or more facilities)
- ▶ Private equity companies have purchased many NH chains
- ▶ \$143 billion for NHs in 2010
  - 63% paid by government

## Top US Nursing Home Chains, 2008

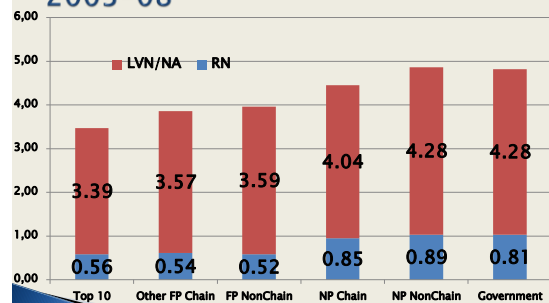
Corporation	Beds	Facilities	Total Revenue
1. HCR Manor Care*	38,140	277	\$4.1 billion
2. Golden Living*	33,351	324	\$2.5
3. Life Care Centers	29,367	223	\$1+
4. Kindred Healthcare (NYSE)	28,525	228	\$4.1
5. Genesis HealthCare*	27,947	227	\$2.2
6. Sun Health Care Group Inc (NASDAQ)	23,345	207	\$1.8

Harrington et al. HSR 2012.

## Top 10 Chains, 2008

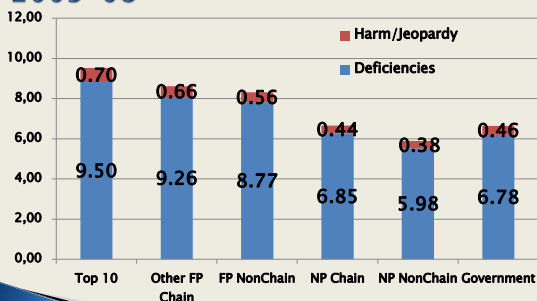
- ▶ Control 13-14% US facilities and beds
- ▶ Diversified –
  - own nursing homes, assisted living, rehabilitation centers, therapy services, pharmacy services, home health agencies, hospices, medical offices, mental health centers and other related programs
- ▶ Multiple complex layers of ownership and corporate structures – prevent litigation
  - difficult to identify corporate owners
- ▶ Developed real estate investment trusts (REITs)
- ▶ Keep labor costs low
- ▶ Many purchased by Private Equity Companies

## Nurse Staffing by Ownership 2003-08



Harrington, Olney, Carrillo, & Kang. 2012 HSR

## Deficiencies & Serious Deficiencies 2003-08



Harrington, Olney, Carrillo, & Kang. 2012 HSR

## Top 10 For-Profit NH Chains

GEE panel Regression Models for 2003-08 controlling for facility characteristics, resident acuity, market factors, and states

### Findings

- ▶ RN and total staffing significantly lower
- ▶ Higher resident acuity
- ▶ Higher deficiencies and serious deficiencies
- ▶ Higher deficiencies in private equity companies after purchase

### Conclusions

- ▶ Lower staffing enhances investor profits
- ▶ Lower quality not viewed as problematic

Harrington, Olney, Carrillo, & Kang. 2011 HSR

## Lack of Financial Accountability

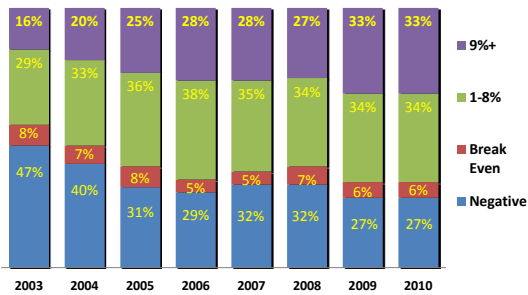
## 1997 - Medicare Prospective Payment System for SNFs

- ▶ Established a prospective payment system
- ▶ Pays higher rates based on self-reported casemix/ acuity (need for nursing and therapy services)
- ▶ Encourages inflation of casemix/acuity
- ▶ Administratively complex -- 53 groups
- ▶ No audits of casemix data reports

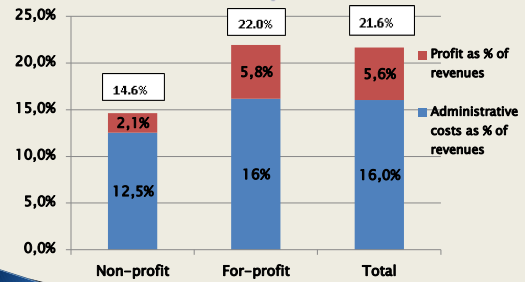
GAO, 2002

## Profit Levels for California Nursing Homes 2003-2010

Source: California Cost Report Data 2011



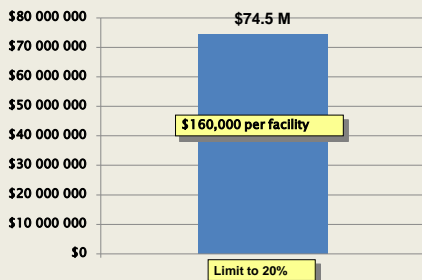
## California Nursing Home Profits and Administrative Expenditures 2010



Source: California Cost Report Data 2011

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

## \$2.5 Potential Savings in 2010 With Limit on Profits/Administration



Source: California Cost Report Data 2011

## Weak Regulatory Oversight and Enforcement

## NURSING HOME REFORM ACT -- OBRA 1987

- ▶ Quality of Life & Residents' Rights
- ▶ Quality of Care
- ▶ Comprehensive Resident Assessment
- ▶ Improved Survey Process
- ▶ Tough Enforcement With Monetary Sanctions

## Survey Agency Oversight is Weak

- ▶ Decentralized inspection system with weak oversight of states
- ▶ Infrequent and inadequate surveys and inexperienced state surveyors
- ▶ Surveyors reluctant to issue deficiencies and understate the seriousness of deficiencies
- ▶ Inadequate funds for regulatory oversight

GAO, 2003; 2007; 2008; Walshe & Harrington, 2002

## Inadequate Nurse Staffing, Education and Training, Wages and Benefits

## Average US NH Staffing 2010

### Inadequate nurse staffing standards and actual levels

- NA -- 1 to 10 residents - 2.4 hours per resident day (hprd)
- LVN -- 1 to 34 residents - .8 hprd
- RN -- 1 to 40 residents - .7 hprd
- Total 3.9 hprd in 2010

Should be 4.1-4.55 hprd minimum and adjusted upward for high casemix

Harrington et al 2009 OSCAR data

## Direct Care Workers

- ▶ Low wages (\$10 per hour)
  - below poverty level
  - work more than one job
- ▶ High worker turnover -- 50-70%
- ▶ Often lack health insurance
- ▶ High injury rates
- ▶ Inadequate training requirements
  - Nursing assistants have 75 hours training
  - Hair stylists have 1500 hours

## Policy Strategies

## US Nursing Home Report Card With 5-Star Rating System

- › [www.Medicare.gov/NHCompare/home.asp](http://www.Medicare.gov/NHCompare/home.asp)
- › Quarterly for All nursing homes
  - Facility characteristics
  - Federal deficiencies
    - Quality surveys & complaints
    - Shown by scope and severity
  - Staffing hours
  - 18 Quality Measures (e.g. pressure sores)
  - Has 5 star rating system

Established in 1999 by HCFA/CMS

## New Health Reform (ACA) Provisions 2010

- › Nursing home ownership reporting
- › Financial reporting by cost center including nursing
- › Staffing reporting from payroll records (in 3 years)
- › Standardized complaint form
- › New report card information on deficiencies, complaints, staffing, and quality measures, ownership

## Policy Changes Needed

- › Increase staffing requirements
- › Enforce existing regulations and staffing standards
- › Increase penalties for inadequate care
- › Increase regulatory funding to states
- › Increase financial audits
- › Place a ceiling on profits and administrative expenses