



Client Alert



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GAO Releases Report on Quality of Care in Private Investment Nursing Homes

On August 15, 2011, the U.S. Government Accountability Office (GAO) published its July 2011 report entitled *Nursing Homes: Private Investment Homes Sometimes Differed from Others in Deficiencies, Staffing, and Financial Performance*. This report follows a September 2010 report to investigate the extent of nursing home purchases by private investment (PI) firms, after the acquisition of several large nursing home chains by PI firms triggered concerns about whether quality of care would be adversely affected by the lack of financial transparency and business strategies of PI firms, which was covered in a previous AGG Client Alert (to access, please click [here](#)¹).

The GAO report analyzes quality of care issues in nursing homes based on ownership type and compares PI nursing homes to other for-profit and non-profit homes by focusing on citations for deficiencies noted on state surveys, nursing staff levels and financial performance. The GAO's study centered on those nursing homes purchased by PI firms between 2004 and 2007 and compared data on these homes from the Center for Medicare & Medicaid Services from 2003 (before the targeted acquisition period) and 2009 (after the targeted acquisition period). The GAO found that:

- PI and other for-profit homes had more total deficiencies on average when compared to nonprofit homes both before and after the targeted acquisition period; however, there was no difference in the likelihood of serious deficiencies (i.e., deficiencies involving actual harm or immediate jeopardy to residents) in a PI home compared to other for-profit and nonprofit homes in 2009 (after the target acquisition period).
- Average total nurse staffing ratios (i.e., amount of nursing hours provided per resident, per day) were lower in PI homes than in other homes both before and after the targeted acquisition period; however, the relative proportion of registered nurses (RNs), licensed practical nurses (LPNs) and certified nurse aides (CNAs) changed differently in PI homes compared to other homes. Overall, a greater increase in RN ratios was seen in PI homes compared to other homes after the targeted acquisition period, whereas other homes had a greater increase in CNA ratios than PI homes.

¹ <http://www.agg.com/media/interior/publications/Rubinger-Grozone-GAO-Issues-Report-on-Private-Investment-Purchases-of-Nursing-Homes.pdf>

- PI homes had cost increases and higher margins financially from 2003 to 2008 in comparison to other for-profit or nonprofit homes, but facility costs and capital-related costs for PI homes also increased more, on average, than in other homes.
- With respect to other quality variables, the performance of PI homes remained mixed, although some PI-acquired homes appeared to adopt business practices designed to attract higher paying residents (e.g., higher acuity patients that qualify for higher reimbursement from Medicare and other payers).
- If the same PI firm acquired both the operations and real estate of the facility, the increase in RN ratios was greater, but the increase in facility costs and capital-related costs was less, in comparison to homes in which the PI firm only acquired the real estate.

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