



Client Alert



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GAO Issues Report on Private Investment Purchases of Nursing Homes

On October 27, 2010, the Government Accountability Office (GAO) released its report entitled *Nursing Homes: Complexity of Private Investment Purchases Demonstrates Need for CMS to Improve the Usability and Completeness of Ownership Data* (the Report). The Report, stemming from an inquiry by lawmakers after a 2007 *New York Times* article on nursing homes owned by private investment firms, summarizes the GAO's findings on nursing home ownership structures and transparency of ownership information.

The Report examines the following three issues:

1. The extent of private investment ownership of nursing homes and the private investment firms' involvement in nursing home operations;
2. Whether the Centers for Medicare & Medicaid Services' (CMS) Provider Enrollment, Chain, and Ownership System (PECOS) reflects private investment ownership; and
3. How the US Department of Health and Human Services (HHS) and state regulatory agencies use ownership data for oversight.

In drafting the report, the GAO identified six private investment firms and analyzed data relating to the firms' involvement and interest in nursing homes. According to the Report, private investment firms purchased 1,876 nursing homes from 1998 to 2008. Ten private investment firms accounted for 89 percent of the nursing homes acquired by private investment firms during that same period. Some of the acquisitions involved both operations and real estate, while others involved only real estate.

The Report found that information available on the PECOS "provided a confusing picture of the complex ownership structures and chain affiliations" of the six nursing home chains reviewed by the GAO. According to the Report, the PECOS failed to indicate the relationship among the owners of private investment owned nursing homes. The report also found that the HHS has made only limited use of the ownership data available through the PECOS.

The GAO views the implementation of the Patient Protection and Affordable Care Act (PPACA), which contains provisions that expand the ownership disclosure requirements of nursing homes, as an opportunity for the HHS to improve the reporting and dissemination of ownership information. To read our previous article regarding the ownership disclosure requirements under PPACA, please click [here](#).¹

¹ http://www.agg.com/media/interior/publications/Rubinger_Burgar-Nursing_Home_Own-

The Report provides 11 recommendations to the secretary of the HHS and the administrator of the CMS aimed at improving the reporting and disclosure of nursing home ownership information. The recommendations include the following:

- In developing regulations to implement the expanded reporting and disclosure requirements under the PPACA, the HHS should consider requiring the reporting of the following five types of information:
 1. The organizational structure and the relationships to the facility and to one another of all persons and entities with direct or indirect ownership or control interest;
 2. Whether entities reported as having ownership or control have an operational role;
 3. The percentage of ownership interest in the provider of all entities and individuals with an ownership or control interest;
 4. The names and titles of members of the chain's governing body; and
 5. The organizational affiliation of individuals with an ownership or control interest.
- The CMS should issue guidance as to when the holder of a security interest in a provider may be considered to have a reportable interest.
- The CMS should require each provider to report the identity of other nursing homes that are part of the same chain.
- To improve the usability and accuracy of the ownership and control information collected and stored in the PECOS, the CMS should take the following three actions:
 1. Expand the scope of the existing CMS workgroup intended to make the PECOS data available within the CMS;
 2. Examine state systems to identify best practices for the collection and dissemination of ownership and chain information; and
 3. More closely monitor CMS contractors in their review of ownership information to help ensure accuracy and completeness.
- The CMS should periodically review the reporting requirements included on its provider enrollment to ensure that the form promotes accurate and complete reporting of ownership information.

The HHS concurred with all of the recommendations contained in the Report. To access the full Report, please click [here](#).²

[ership Disclosures Expand.pdf](#)

² <http://www.agg.com/media/interior/publications/Rubinger-Blakely-LINK-GAO-Report-Nursing-Home-Private-Investment.pdf>

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