LONG TERM CARE COMMUNITY COALITION
Advancing Quality, Dignity & Justice

Center for Medicare Advocacy
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THE NEW YORK TIMES REPORTS ON HUD-BACKED NURSING HOMES

Nursing home financial arrangements are important issues of public policy. Failures by state and federal governments to ensure nursing home financial accountability and integrity have an increasingly devastating impact on nursing home residents and their families across the country.

According to a recent report by *The New York Times*, the U.S. Department of Housing and Urban Development (HUD) administers a government-backed mortgage program for residential care facilities. Under what is known as a Section 232 loan agreement, HUD has the authority to guarantee bank loans made to nursing homes for the purposes of purchasing, refinancing, constructing, or substantially rehabilitating a facility. However, the financial guarantee is not without conditions. Nursing home owners must adhere to certain requirements, such as reporting problematic surveys and fines, as well as working with HUD to establish an action plan for removing a nursing home from the Special Focus Facility list.

The Times reports that the program currently guarantees $20 billion in mortgages for 2,300 nursing homes—or about 15 percent of nursing homes nationwide. *The Times'* analysis shows that these nursing homes are "more likely to receive one-or-two-star ratings from Medicare than other nursing homes." Unfortunately, *The Times* also notes that, "[b]y the government's own admission, the federal agency's stewardship of the program has been haphazard." Reports on the program spanning several decades indicate poor oversight. For example, *The Times* identifies a 1995 Government Accountability Office (GAO) report which documents that staff do not focus on "nursing home loans unless financial trouble appears imminent or a default occurs." *The Times* also points to a recent report by the HUD Inspector General finding that HUD failed to "penalize operators that did not submit accurate and complete data in a timely manner."

As *The Times'* report highlights, the recent collapse of a Chicago-based nursing home operator demonstrates the program's problems. The owners stopped making payments on the mortgage of "their crown jewel, the Rosewood Care Centers, barely a year after buying it in 2013 . . . some money meant for the 13 nursing homes and assisted-living facilities went to prop up another investment." Ultimately, the business defaulted on $146 million in HUD-backed loans in 2018—the biggest failure in the history of the program. *The Times* adds that, in addition to covering the defaulted mortgages, HUD has spent $15 million since August 2018 keeping the facilities operating.

Consumers deserve transparency and quality. When nursing homes depend on public funds through HUD, the public, in turn, has the right to expect that the nursing homes will use the funds appropriately and provide care that meets federal standards. The Section 232 program needs greater transparency and recognition of quality standards. The Center for Medicare Advocacy and the Long Term Care Community Coalition hope to work with HUD to ensure that the government holds nursing homes accountable for both taxpayer funds and resident care.