Finances and Capital Investments in Nursing Homes

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Acknowledgements

National Institute on Aging, (PI, Braun; #1K01AG075246-01)

Arnold Ventures, (PI, Braun; #21-05529)

Agenda

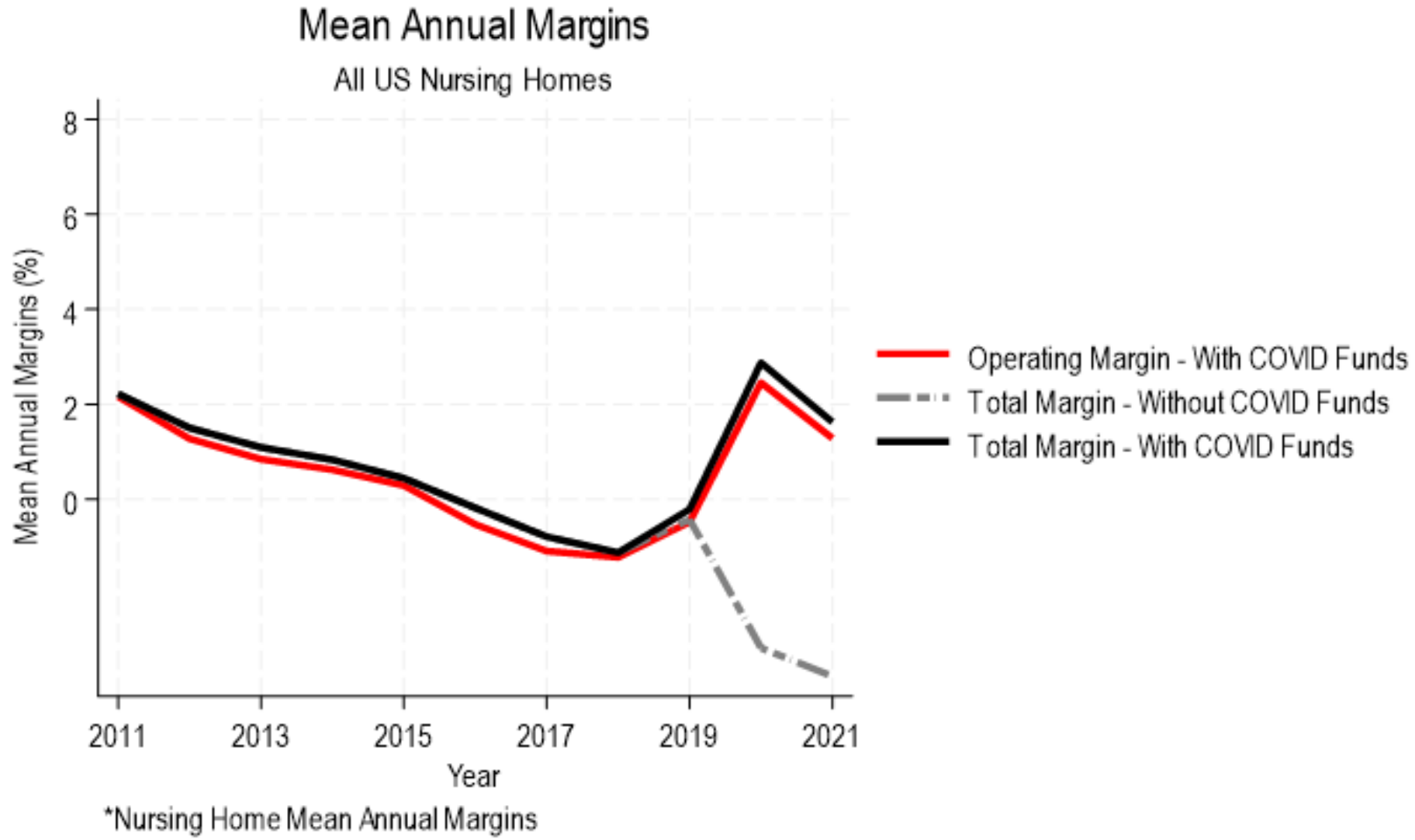
- Financials and Capital Structure in Nursing Homes: An Overview
- A Brief History of Mergers and Acquisition in the US
- Merger Strategy
- Private Equity and REITs: An Overview
- Evidence

What makes nursing homes different from other healthcare settings?

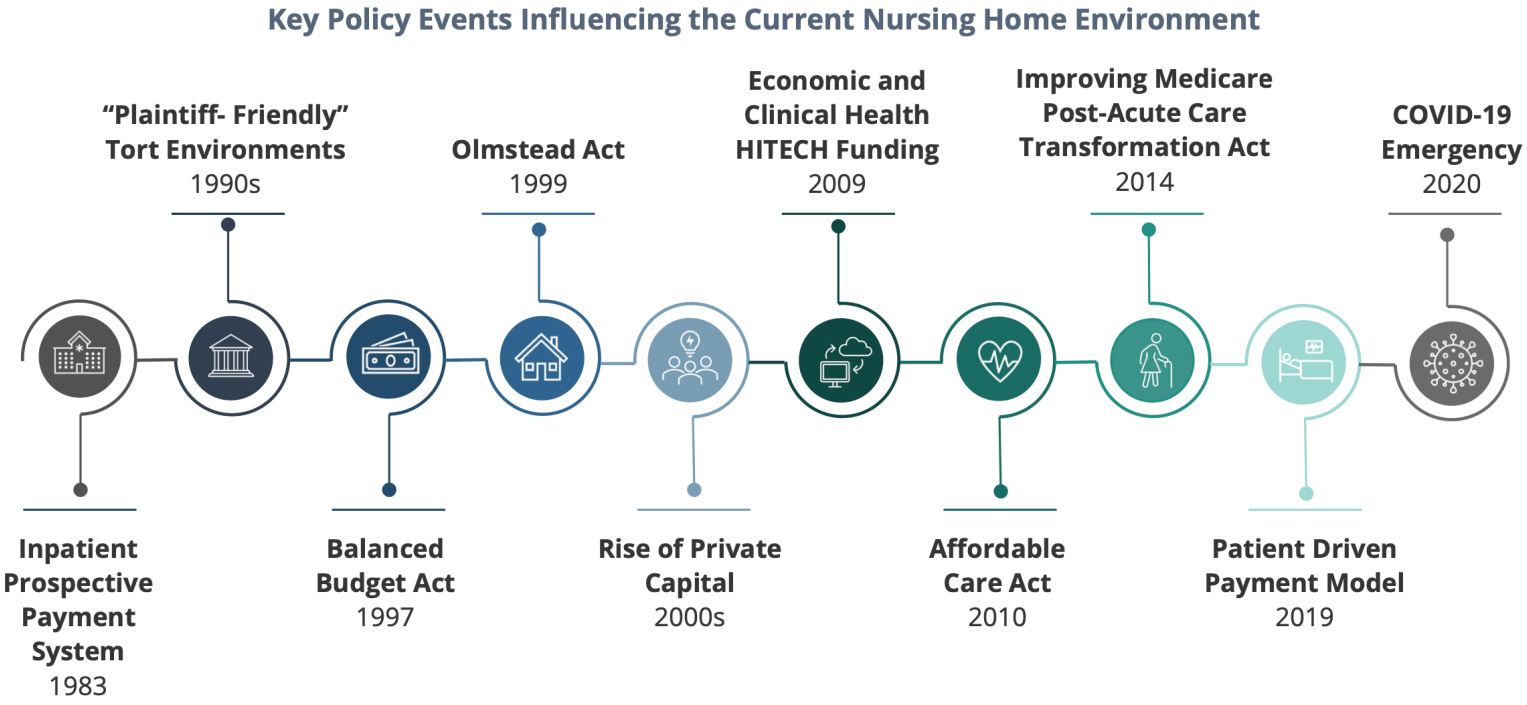
- Only Medicaid long-term care benefit that federal law requires state Medicaid programs to offer
- Only care environment in which healthcare dollars (through Medicaid) fund housing
- More than half of their revenue from federal and state government sources (Medicare via fee-for-service (FFS) and Medicare Advantage, and Medicaid) and deliver medical and long-term care benefits within the same building

Challenges

- Increasingly serving a more complex patient population
- Battling increasing hiring and retention costs
- Struggling amidst an increasingly tighter reimbursement environment


Mean Annual Margins
All US Nursing Homes
Mean Annual Margins (%)
8
6
4
2
0
2011
2013
2015
2017
2019
2021
Year
Operating Margin - With COVID Funds
Total Margin - Without COVID Funds
Total Margin - With COVID Funds
*Nursing Home Mean Annual Margins

Nursing Homes—How did we get here?



ATI Advisory Services: Key Characteristics of U.S. Nursing Homes – A Databook , June 2022

International Journal of Social Determinants of Health and Health Services

Impact Factor: **3.4** / 5-Year Impact Factor: **2.7**

Open access | Research article | First published online December 19, 2023

United States' Nursing Home Finances: Spending, Profitability, and Capital Structure

Charlene Harrington, Richard Mollot, Robert Tyler Braun, and Dunc Williams, Jr. View all authors and affiliations

OnlineFirst | https://doi.org/10.1177/27551938231221509

	Mean	S.D.	Total
Facility Utilization and Payer Mix			
Number of facilities			11,752
Number of beds	115	59	1,355,309
Total Medicaid days	18,184	13,544	213,699,471
Total Medicare days	3,767	3,303	44,267,319
Total other days	12,158	13,885	142,872,368
Total inpatient days	34,108	18,835	400,839,158
Average occupancy rate			81.03%
Revenues			
Net inpatient revenues	$ 10,020,635	$ 6,591,251	$ 117,702,380,393
Total other income	$ 727,722	$ 2,592,511	$ 8,552,187,841
Total net revenues	$ 10,748,729	$ 7,467,940	$ 126,254,568,234
Expenses			
Total operating expenses	$ 10,692,678	$ 7,394,659	$ 125,660,354,113
Disallowed expenses	$ (546,183)	$ 735,163	$ (6,418,813,477)
Allowable expenses	$ 10,147,834	$ 7,035,739	$ 119,237,045,030
Depreciation	$ 337,813	$ 732,912	$ 3,969,975,556
Allowable expenses without depreciation	$ 9,812,068	$ 6,604,950	$ 115,252,546,400

Net Income			
Net income from inpatient services	$ (627,305)	$ 2,585,083	$ (7,372,085,255)
Net income from all services	$ 62,205	$ 1,201,683	$ 730,102,193
Net margin			0.58%
Net income excluding disallowances	$ 598,696	$ 1,862,254	$ 7,148,915,670
Net margin excluding disallowances			5.66%
Net income excluding disallowances and depreciation	$ 936,502	$ 2,023,545	$ 11,118,891,226
Net margin excluding disallowances and depreciation			8.84%

US Nursing Home Capital Structure: Assets, Liabilities, Fund Balance, and Financial Ratios, 2019				
Assets, Liabilities, and Fund Balance				
Account	Mean	S.D.	Total	Number
Total Assets	$ 13,100,000	$ 30,900,000	$154,481,713,378	11,752
Cash on hand and in banks	$ 874,857	$ 2,442,672	$ 10,281,316,322	
Total Liabilities	$ 11,500,000	$ 32,400,000	$135,383,761,992	
Total Fund Balance	$ 1,600,000	$ 606,000	$ 19,089,286,797	
Debt to capitalization ratio	52.45%	28.07%		N= 6,889
Debt to equity ratio	3.20	6.07		N= 7,073

Capital Options

- Banks
- Tax-exempt bonds (non-profits)
- HUD 232 loans
  - Often lender of last resort
  - Slow, laborious process
- Institutional investment: Private equity and Real Estate Investment trusts (REITs)

“As Wall Street firms take over more nursing homes, the quality in those homes has gone down and costs have gone up. That ends on my watch.”

-Joe Biden, President of the United States at the State of the Union

THE WHITE HOUSE

and safety of vulnerable seniors and people with disabilities. **Recent research has found that resident outcomes are significantly worse at private equity-owned nursing homes**:

- A recent study ↗ found that residents in nursing homes acquired by private equity were 11.1% more likely to have a preventable emergency department visit and 8.7% more likely to experience a preventable hospitalization, when compared to residents of for-profit nursing homes not associated with private equity.

Private Equity

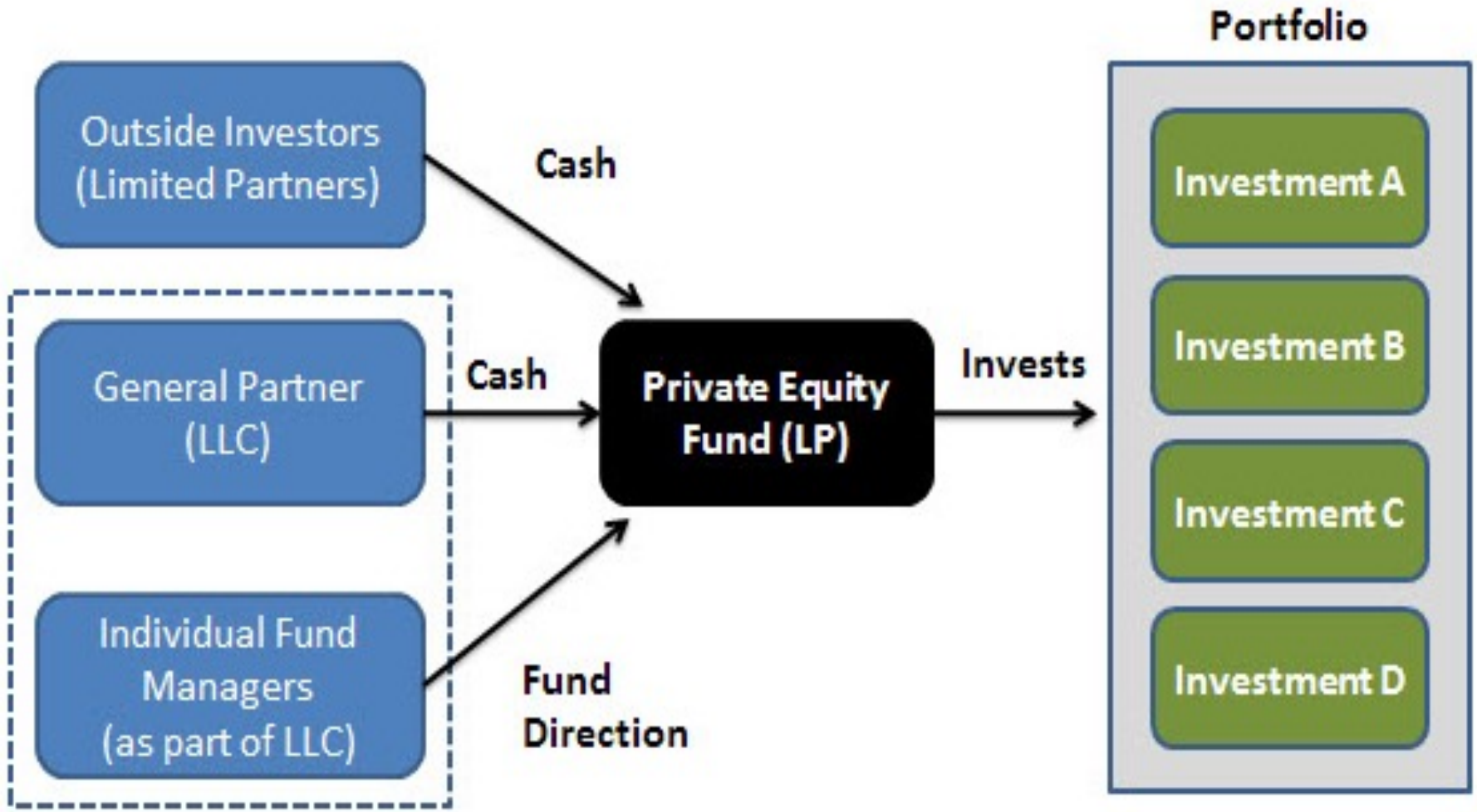
- Private investors that invest capital in private companies
- Receive controlling equity stake that is not tradeable on a public stock exchange
- How does it work?

PE Goals

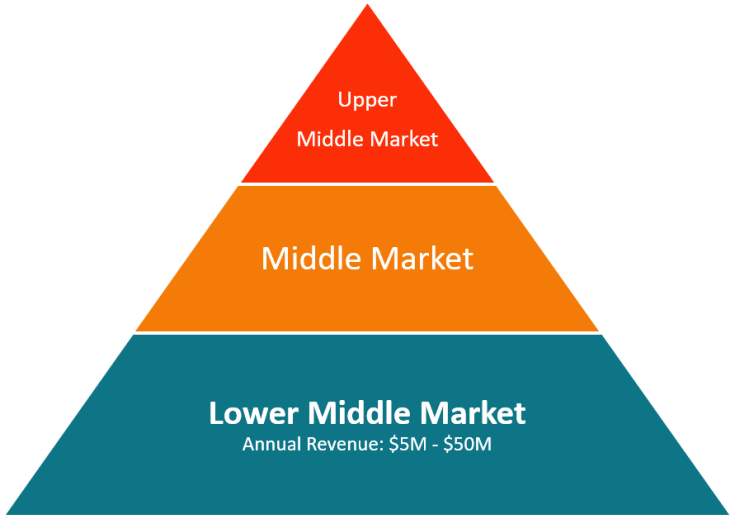
- Control majority of economic and voting interest
- Restructure financial, governance, and operational characteristics to increase profit
- Sell in 3 to 7 years
- ROI of around 20%

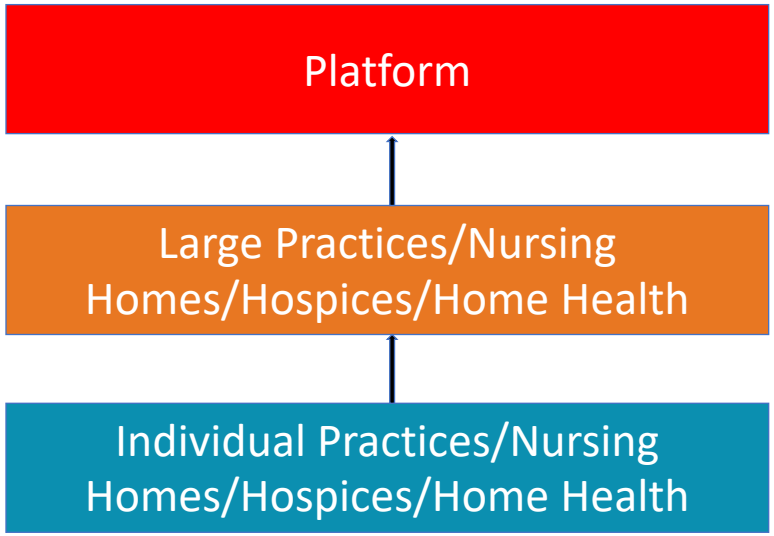
Private Equity Structure

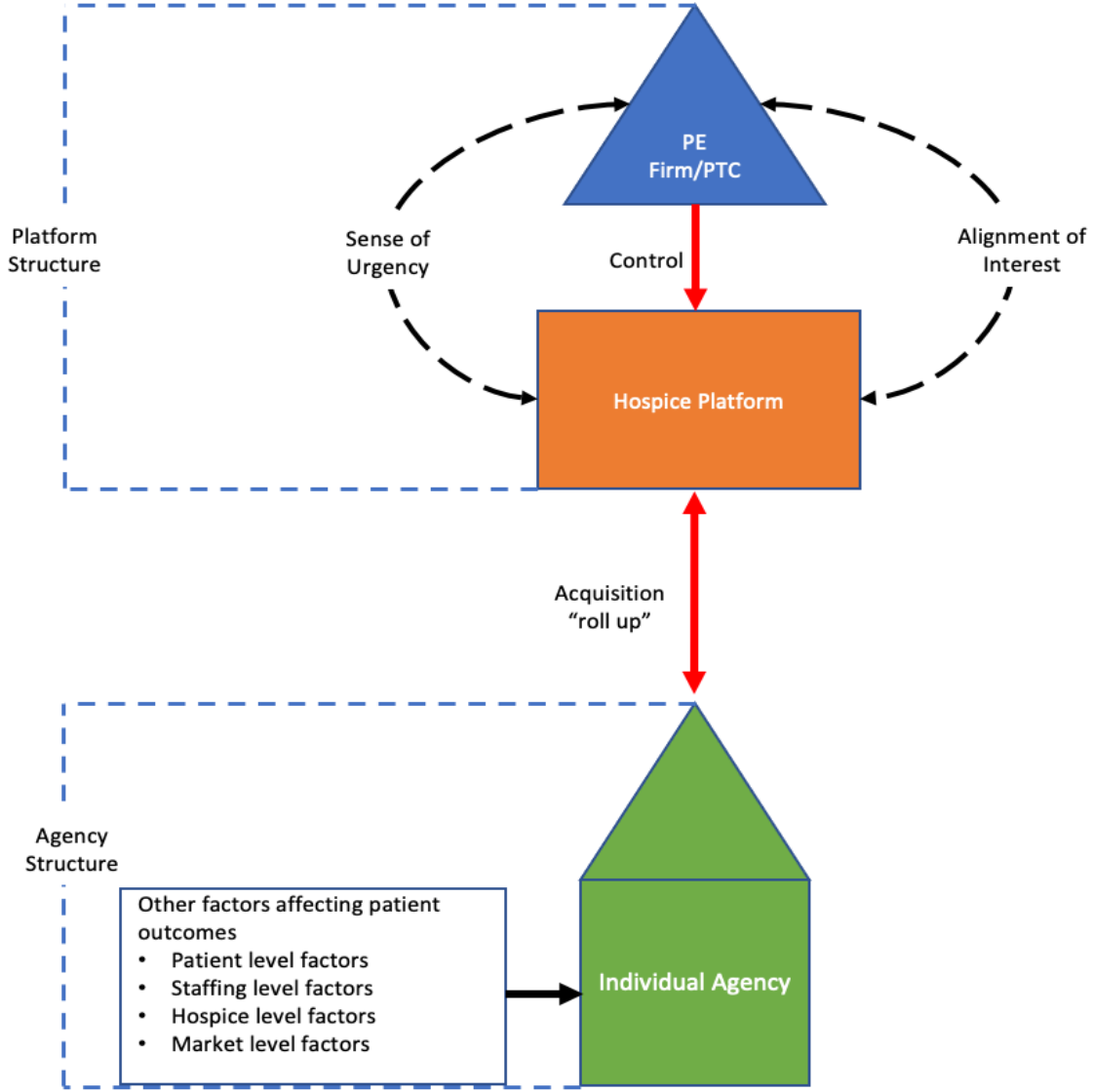
What Does Each Party Bring to the Table?



PE Markets

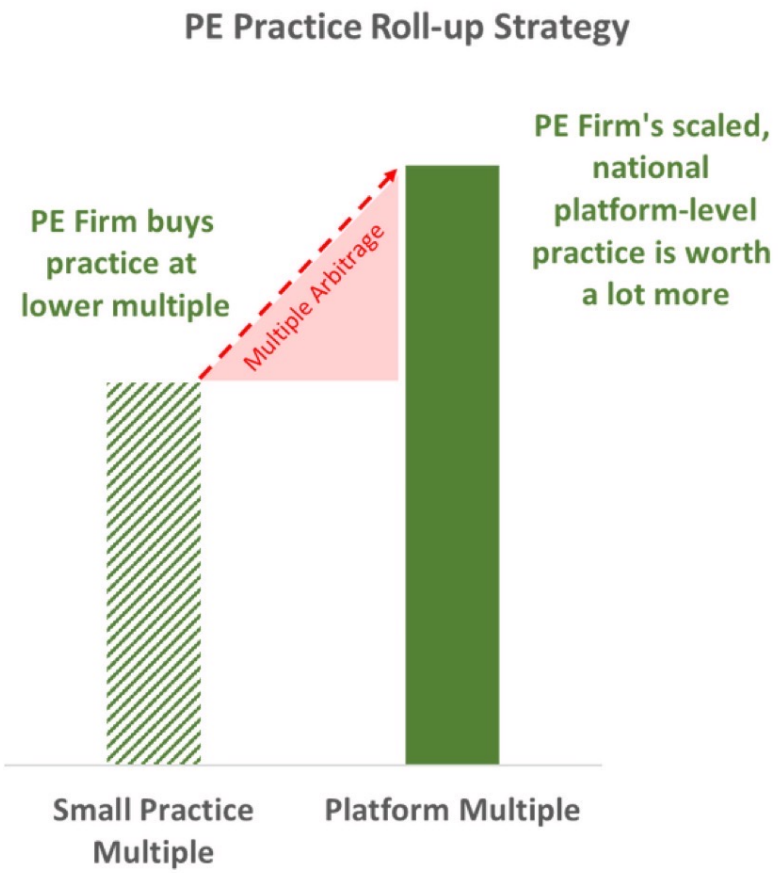

Upper
Middle Market
Middle Market
Lower Middle Market
Annual Revenue: $5M - $50M


Platform
Large Practices/Nursing Homes/Hospices/Home Health
Individual Practices/Nursing Homes/Hospices/Home Health

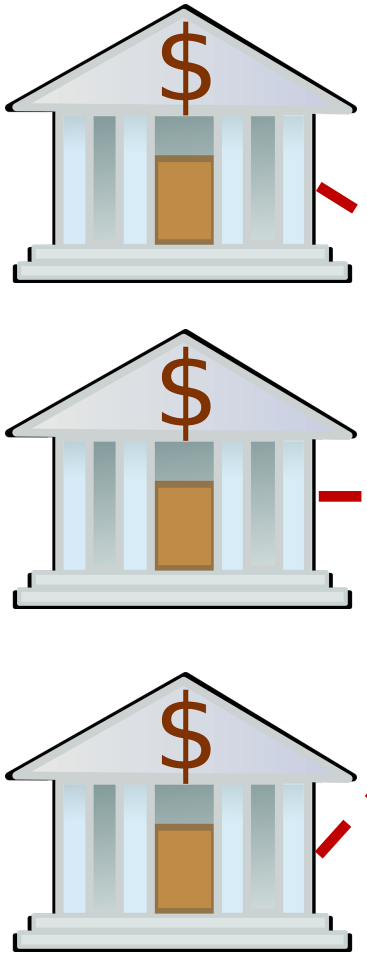

PE
Firm/PTC
Platform
Structure
Sense of
Urgency
Control
Alignment of
Interest
Hospice Platform
Acquisition
"roll up"
Agency
Structure
Other factors affecting patient outcomes
• Patient level factors
• Staffing level factors
• Hospice level factors
• Market level factors
Individual Agency

Roll-up Acquisitions

- EBITDA (earnings before interest, taxes, depreciation, and amortization)
  - proxy for operating cash flow
- PE focuses on fragmented markets to consolidate
- Generally, acquires a "platform practice" first
  - PE firms usually pay 8 to 12 times EBITDA for a platform practice
  - Uses the platform practice to recruit new clinicians and acquire smaller practices
  - Smaller practices 2 to 4 times EBITDA
  - Smaller practice now becomes the value of the platform practice



How Are Deals Financed?



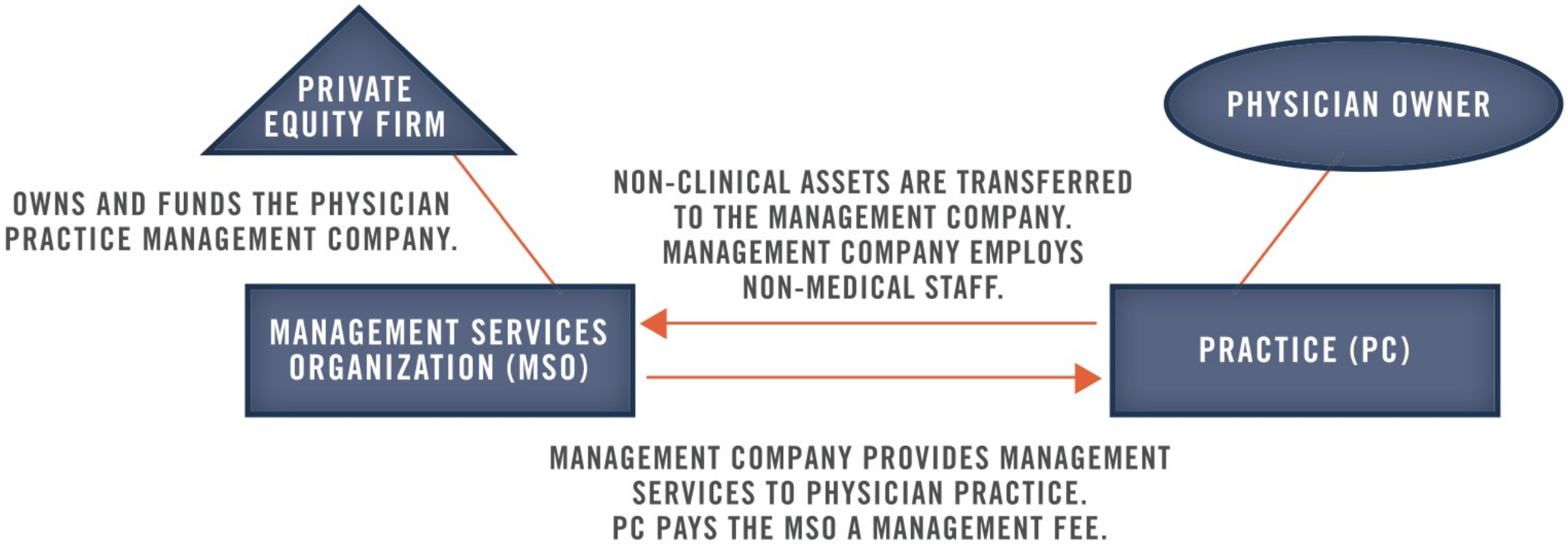
Lender(s)

Investment Bank (Arranger)

Target's Valuation:	$1.0 B
Private Equity's Equity:	$500 M
Capital Needed to Raise:	$500 M
Target Sold:	$2.0 B
Returned to Lender(s):	$500 M
Private Equity's Profit:	$1.5 B

Private Equity Firm (Sponsor)

Target for Acquisition


PRIVATE EQUITY FIRM
PHYSICIAN OWNER
OWNS AND FUNDS THE PHYSICIAN PRACTICE MANAGEMENT COMPANY.
NON-CLINICAL ASSETS ARE TRANSFERRED TO THE MANAGEMENT COMPANY. MANAGEMENT COMPANY EMPLOYS NON-MEDICAL STAFF.
MANAGEMENT SERVICES ORGANIZATION (MSO)
PRACTICE (PC)
MANAGEMENT COMPANY PROVIDES MANAGEMENT SERVICES TO PHYSICIAN PRACTICE. PC PAYS THE MSO A MANAGEMENT FEE.

A Little Bit of History Repeating (Maybe)?

- Publicly Traded Physician Management Companies (PMCs)
- "Finance Gimmickry" in the 1990s
- Suppose a larger platform wants to acquire a smaller practice and they have a price to earnings ratio of 25:1 with annual earnings of $1 M and 1 M shares outstanding. Each share sells for $25.
- The target practice trades at a price to earnings of 10 to 1 and annual earnings of $100,000 and 100,000 shares outstanding. Each share sells for $10.
- Platform offers stock-to-stock option: 1 share of platform practice is offered at $25 in exchange for 2 shares of target practice at $20. The platform then issues 50,000 shares to finance the deal.
- This increases the earnings per share (EPS) from $1 ($1M/1M) to $1.05 (($1M+100,000)/(1.05M Shares)) and this the price to earnings ratio (25 x $1.05 = 26.5)
- What happens when there are no more targets?

Controversy

- **Young physicians** may work for decades at an income level discounted from preacquisition levels
  - They face significant buy-ins to profit from second sale
  - High turnover
- **Market failures and loopholes**
  - Surprise billing
  - Led to the No Surprise Billing Act
  - Medicare's payment for physician-administered drugs under Part B is tied to a percentage of the drug's average sales price
    - Incentives for physicians to prescribe the more expensive drug among competing options
  - Ophthalmology drugs to treat wet macular degeneration are very expensive and comprise of 15% of Part B's total costs
- **Stealth Consolidation**
  - Hart-Scott-Rodino Act mandates that all mergers and acquisitions must be reported to the federal government if the deal value is above $101 M
  - Anti-trust concerns
- **Increased risks of overutilization, overbilling, or upcoding**
- **Replacement of physicians with advanced practitioners**

JAMA Health Forum

Original Investigation

Association of Private Equity Investment in US Nursing Homes With the Quality and Cost of Care for Long-Stay Residents

Robert Tyler Braun, PhD; Hye-Young Jung, PhD; Lawrence P. Casalino, MD, PhD; Zachary Myslinski, MD; Mark Aaron Unruh, PhD

Abstract

IMPORTANCE Private equity firms have been acquiring US nursing homes; an estimated 5% of US nursing homes are owned by private equity firms.

OBJECTIVE To examine the association of private equity acquisition of nursing homes with the quality and cost of care for long-stay residents.

DESIGN, SETTING, AND PARTICIPANTS In this cohort study of 302 private equity nursing homes with 9632 residents and 9562 other for-profit homes with 249 771 residents, a novel national database of private equity nursing home acquisitions was merged with Medicare claims and Minimum Data Set assessments for the period from 2012 to 2018. Changes in outcomes for residents in private equity–acquired nursing homes were compared with changes for residents in other for-profit nursing homes. Analyses were performed from March 25 to June 23, 2021.

EXPOSURE Private equity acquisitions of 302 nursing homes between 2013 and 2017.

MAIN OUTCOMES AND MEASURES This study used difference-in-differences analysis to examine the association of private equity acquisition of nursing homes with outcomes. Primary outcomes were quarterly measures of emergency department visits and hospitalizations for ambulatory care–sensitive (ACS) conditions and total quarterly Medicare costs. Antipsychotic use, pressure ulcers, and severe pain were examined in secondary analyses.

Key Points

Question Is private equity acquisition of nursing homes associated with the quality or cost of care for long-stay nursing home residents?

Findings In this cohort study with difference-in-differences analysis of 9864 US nursing homes, including 9632 residents in 302 nursing homes acquired by private equity firms and 249 771 residents in 9562 other for-profit nursing homes without private equity ownership, private equity acquisition of nursing homes was associated with higher costs and increases in emergency department visits and hospitalizations for ambulatory sensitive conditions.

Meaning This study suggests that more stringent oversight and reporting on private equity ownership of nursing homes may be warranted.

Locations of Nursing Homes Acquired by Private Equity Firms, 2013-2017

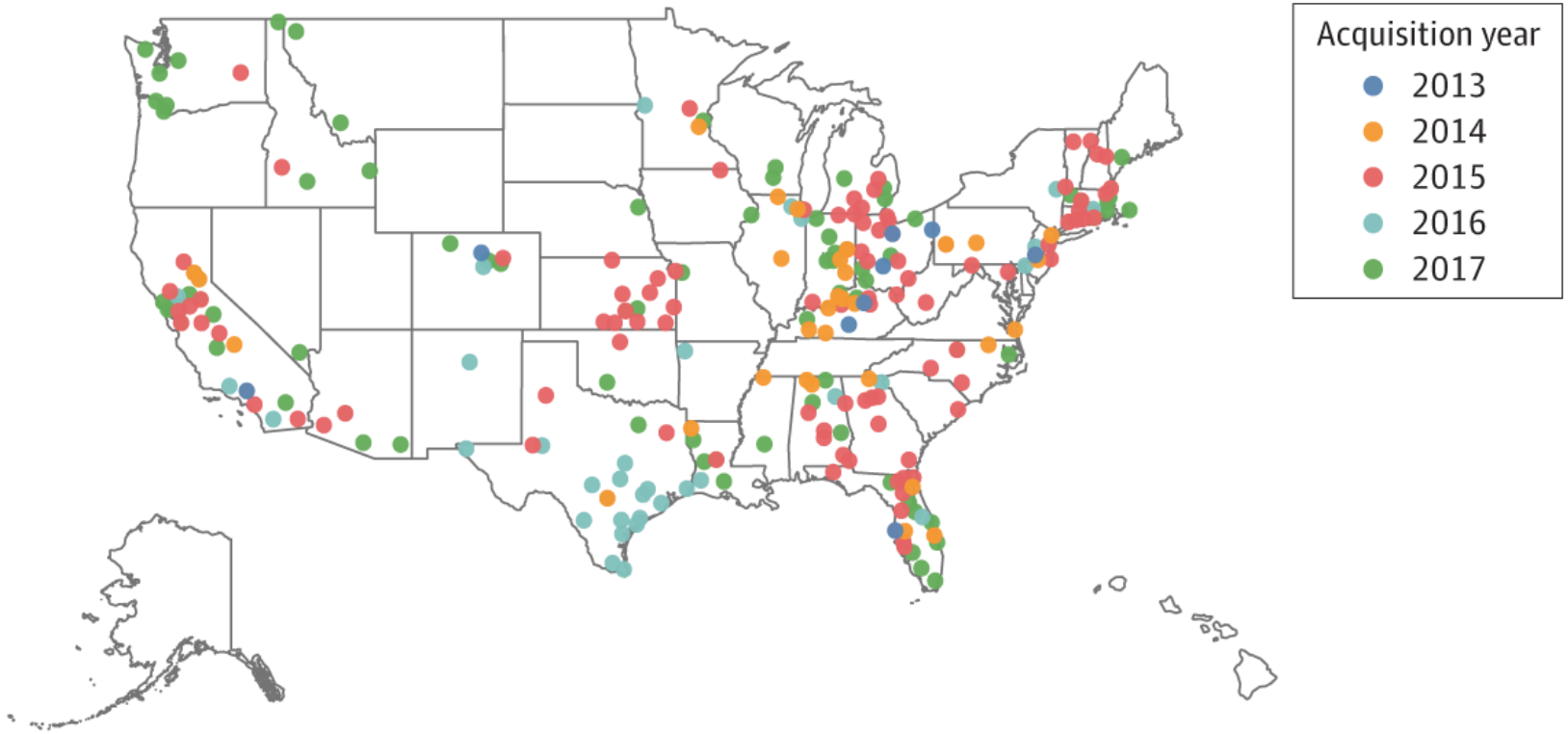


Table 2. Changes in Quality and Costs for Long-Stay Nursing Home Residents After PE Firm Acquisition Compared With For-Profit Nursing Homes Without PE Firm Ownership[a]

Outcome	Pooled sample, 2012-2018, No. (%)[b]	Preacquisition period, 2012				Postacquisition period, 2018			Differential change				Relative change, %[c]
		All	PE	For-profit	Unadjusted difference	PE	Non-PE	Unadjusted difference	Unadjusted (95% CI)	*P* value	Adjusted (95% CI)	*P* value	
Quality measures													
Emergency department visit (n = 2 383 491)	336 072 (14.1)	15.3	15.3	15.3	0	20.1	18.1	2.0	2.0 (1.0 to 4.0)	.01	1.7 (0.3 to 3.0)	.02	11.1
Hospitalization (n = 2 383 491)	412 344 (17.3)	11.5	10.4	11.5	−1.1	14.6	14.5	0.1	1.2 (0.01 to 2.3)	.04	1.0 (0.2 to 1.1)	.003	8.7
Cost measure													
Total costs (n = 2 383 491), mean (SD), $	8050.00 (9.90)	6972.04 (39.60)	7066.26 (208.72)	6968.43 (40.30)	97.83 (212.60)	8818.60 (126.30)	8626.75 (24.84)	191.85 (28.72)	94.02 (−392.42 to 580.50)	.85	270.37 (41.53 to 499.20)	.02	3.9

Abbreviation: PE, private equity.

[a] Linear regressions were used for estimation. All models included the following covariates: age group (65-69, 70-74, 75-79, 80-84, and ≥85 years), race and ethnicity (Black, White, other non-White race [Asian, Hispanic, North American Native, and other]), sex, dual eligibility for Medicare and Medicaid, indicators for 66 chronic and disabling conditions used for risk adjustment (see eTable 2 in the Supplement for a list of the chronic conditions), activities of daily living score at initial assessment (range, 1-28, where a higher score indicates a greater need for assistance with activities of daily living)), and severe cognitive impairment (scores >3 on the 4-point Cognitive Function Scale). Nursing home characteristics included occupancy rate, an indicator for multifacility affiliation, total number of beds, and terciles of the distributions of the percentage of patients covered by Medicare and the percentage covered by Medicaid. Other covariates included fixed effects for quarter, year, nursing home, Hospital Referral Region, and Hospital Referral Region interaction with year. The unit of analysis is at the resident-quarter level. Standard errors were adjusted for clustering at the level of the nursing home.

[b] The pooled sample consists of all resident observations from 2012 to 2018.

[c] Relative changes were derived from the sample by dividing the adjusted estimates for all outcomes by the unadjusted mean of the outcomes in the preacquisition period (2012).

RESEARCH ARTICLE | AGE-FRIENDLY HEALTH

HEALTH AFFAIRS > VOL. 42, NO. 2: BEHAVIORAL HEALTH, NURSING HOME WORKFORCE & MORE

The Role Of Real Estate Investment Trusts In Staffing US Nursing Homes

Robert Tyler Braun, Dunc Williams, David G. Stevenson, Lawrence P. Casalino, Hye-young Jung, Rahul Fernandez, and Mark A. Unruh

AFFILIATIONS

PUBLISHED: JANUARY 25, 2023 No Access https://doi.org/10.1377/hlthaff.2022.00278

Abstract

In 2021 real estate investment trusts (REITs) held investments in 1,806 US nursing homes. REITs are for-profit public or private corporations that invest in income-producing properties. We created a novel database of REIT investments in US nursing homes, merged it with Medicare cost report data (2013–19), and used a difference-in-differences approach within an event study framework to compare staffing before and after a nursing home received REIT investment with staffing in for-profit nursing homes that did not receive REIT investment. REIT investment was associated with average relative staffing increases of 2.15 percent and 1.55 percent for licensed practical nurses (LPNs) and certified nursing assistants (CNAs), respectively. During the postinvestment period, registered nurse (RN) staffing was unchanged, but event study results showed a 6.25 percent decrease in years 2 and 3 after REIT investment. After the three largest REIT deals were excluded, REIT investments were associated with an overall 6.25 percent relative decrease in RN staffing and no changes in LPN and CNA staffing. Larger deals resulted in increases in LPN and CNA staffing, with no changes in RN staffing; smaller deals appeared to replace more expensive and skilled RN staffing with less expensive and skilled staff.

Population Health Sciences

What is a REIT?

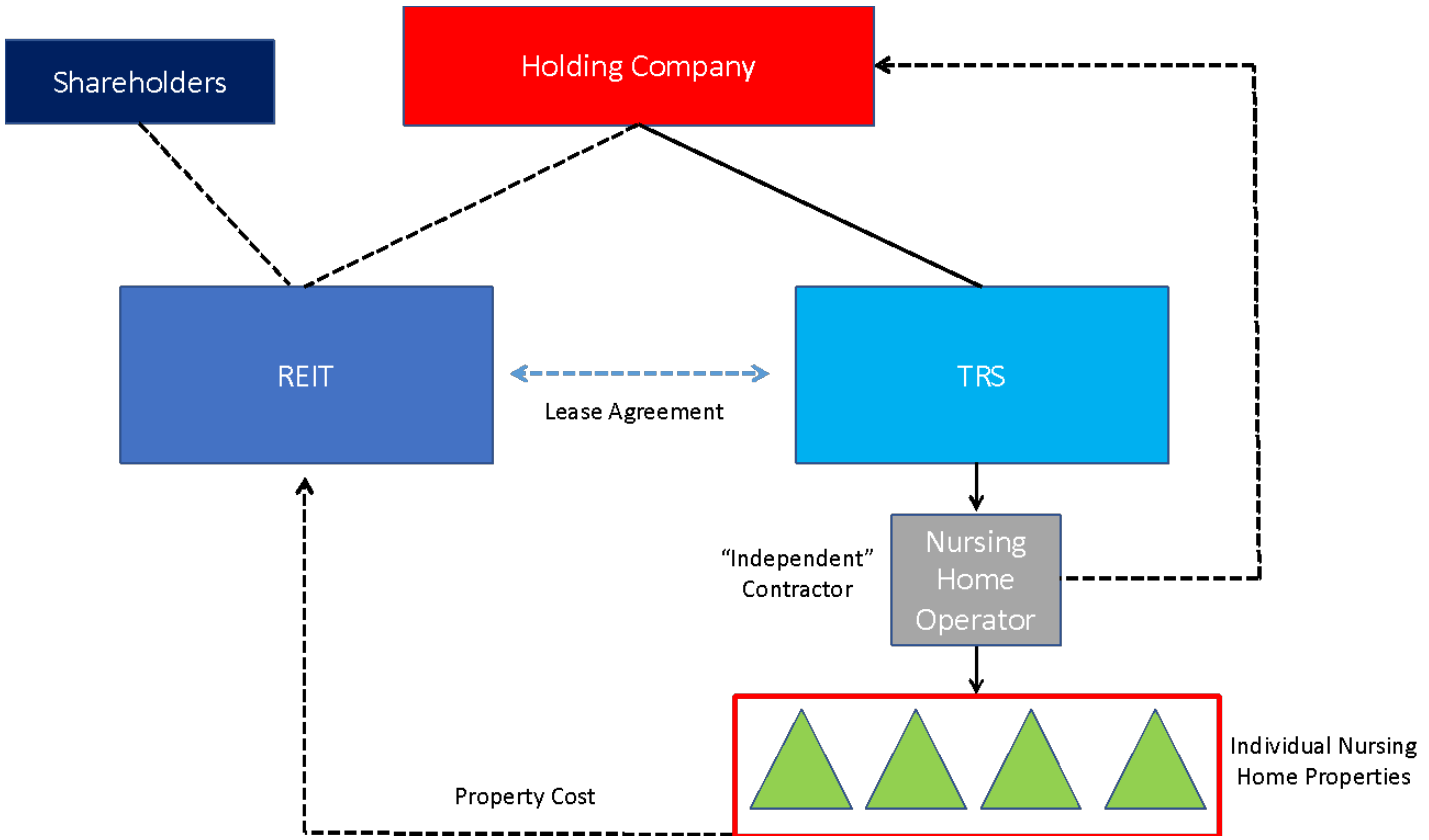
- For-profit public or private corporation
- Invests in or fully owns income-producing properties
- Pass-through entities
  - Tax exemptions if REITs satisfy a series of requirements related to sources of income and assets
  - This includes disbursing 90% of taxable income to shareholders annually in the form of dividends
  - If requirements not met, they may lose tax-preferred status
- What if a facility is not affiliated with a REIT?
  - What is the most valuable asset of a nursing home?

REIT Structure

- **Triple-Net Leasing Agreement (NNN)**
- REIT acquires the nursing home operator's property and then rents it back to the operator under a long-term lease (landlord-tenant relationship)
- More traditional model
- Operator pays all expenses of the property, including taxes, building insurance, and maintenance
- In addition to rent and utility costs paid to the REIT by the operator
- Prohibited from directly operating and collecting revenue from nursing home operations

- **REIT Investment Diversification and Empowerment Act of 2007 (RIDEA)**
- Used to generate additional management contracting revenue for the REIT
- Allowed to collect TAXABLE revenue from nursing home operations
- REIT leases it property at "arms-length" to a Taxable REIT Subsidiary (TRS), which the REIT owns
- The TRS then contracts with an "independent nursing home operator"
- Like in NNN, operator pays all property expenses
- REIT/TRS receives management fee for dedicating employees and time managing the property and providing operational guidance.
- Operator typically receives a fixed operating fee and can receive incentive payments if profitability targets are achieved.

Simplified RIDEA Structure



Leases

- Rent Escalators
  - Typically, 2%-6% a year or tied to an inflation index

Impact of Inflation

Our rental income in future years will be impacted by changes in inflation. Several of our lease agreements provide for an annual rent escalator based on the percentage change in the Consumer Price Index (but not less than zero), subject to minimum or maximum fixed percentages that range from 1.0% to 5.0%.

Inflation

During the years ended December 31, 2015 and 2014, and for the period from January 11, 2013 (Date of Inception) through December 31, 2013, inflation has not significantly affected our operations because of the moderate inflation rate; however, we expect to be exposed to inflation risk as income from future long-term leases will be the primary source of our cash flows from operations. We expect there to be provisions in the majority of our tenant leases that will protect us from the impact of inflation. These provisions will include negotiated rental increases, reimbursement billings for operating expense pass-through charges, and real estate tax and insurance reimbursements on a per square foot allowance. However, due to the long-term nature of the anticipated leases, among other factors, the leases may not re-set frequently enough to cover inflation.

An appealing investment

- Tax advantages
- Demand for nursing home care services
- Relatively predictable reimbursement from Medicare and Medicaid
- Related parties? A topic for another day.

Advantages for Nursing Homes

- Master Lease Agreement
  - Reduces operator's financial risk
- REITs can help create efficiencies
  - Proprietary IT infrastructure
  - Layers of quality performance monitoring
  - Facilitate group purchasing
  - Operational expertise
- Infusion of Capital—to conceivably improve quality of care
- Operator can focus on brand strength, market-share growth, customer experience, and clinical care
  - Does not have to focus on real estate


OPERATORS
WE OFFER MORE THAN JUST CAPITAL; WE ARE A PARTNER IN OUR OPERATORS' SUCCESS
We Improve Operating Efficiencies:
Share best practices
Facilitate group purchasing
Share operational expertise
We Invest In Our Mutual Success:
Redevelopment
Expansion
Strategic development

OPERATORS

“[redacted] PROVIDES MORE THAN JUST CAPITAL; IT IS A PARTNER IN OUR SUCCESS BY PROVIDING INDUSTRY METRIC INTELLIGENCE, PURCHASING LEVERAGE AND AN IMPORTANT HEALTH CARE PERSPECTIVE.”

Disadvantages that put operators at risk

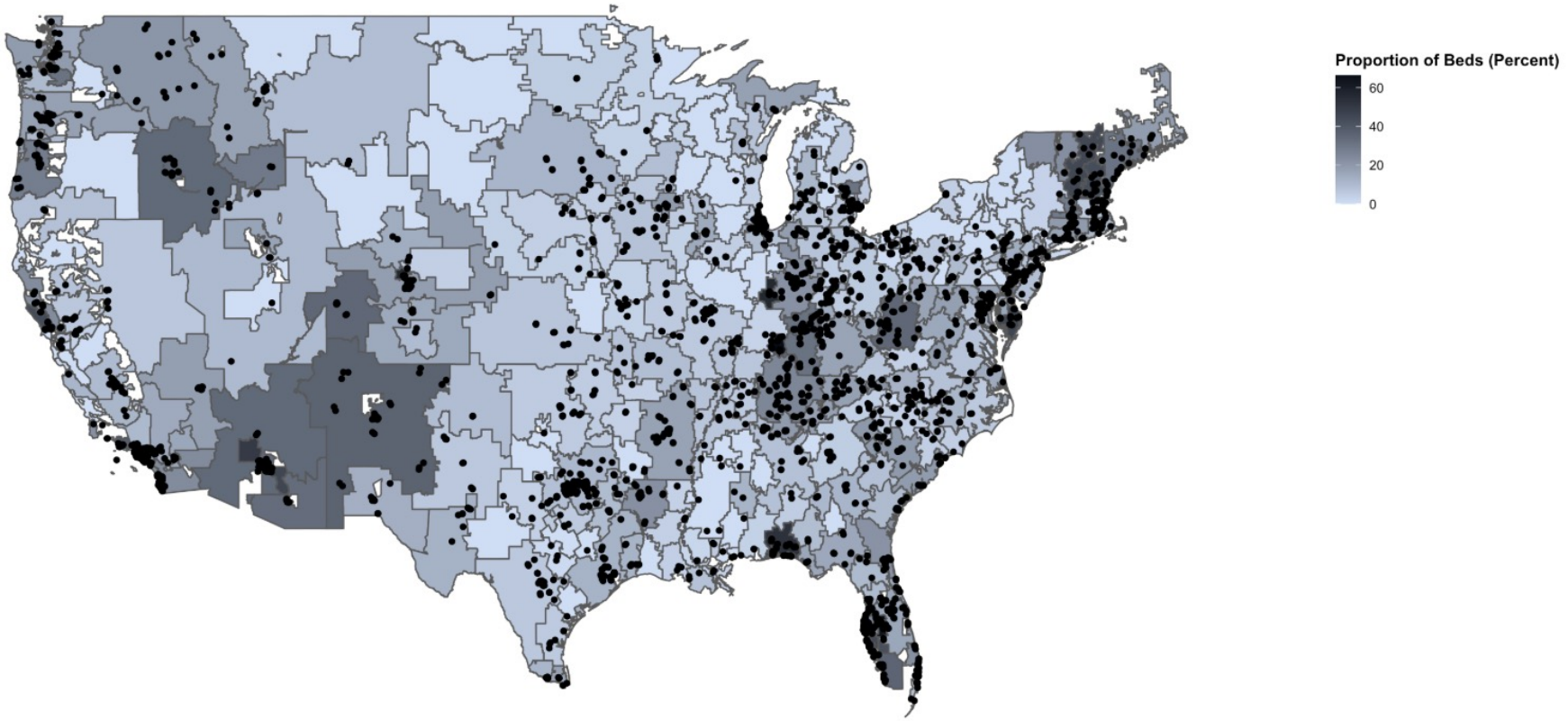
- Rent escalations
- Rising cost to operate
- Poor reimbursement
- NNN structure minimizes risk to REIT—lease revenue remains consistent regardless of operator's financial performance and inflation
- Under RIDEA structure—financial incentives may not align with resident care
- Critics argue these complex ownership structures limit REIT liability
  - Piercing the corporate veil

NEWS

Senior Care Centers Files for Bankruptcy, Blaming ‘Expensive Leases’

By **Maggie Flynn** | December 4, 2018

Nursing Homes with Active REIT Investment and Proportion of Beds by Hospital Referral Region (2021)



Top 5 Nursing Home Operators in REIT-owned Facilities	Unique Facilities	Percent
Genesis Healthcare LLC	275	14.36
Ensign Group INC	120	6.27
Trilogy Management Services LLC	103	5.40
HCR Manor Care Services LLC (now ProMedica)	78	4.07
Consulate Health Care LLC (CMC II LLC)	70	3.70

Top 5 REITs
Omega Healthcare Investors Inc (n=835)
Welltower Inc (n=307)
Caretrust REIT Inc (n=207)
Sabra Health Care REIT Inc (n=170)
Griffin-American/Northstar (n=103)

EXHIBIT 2

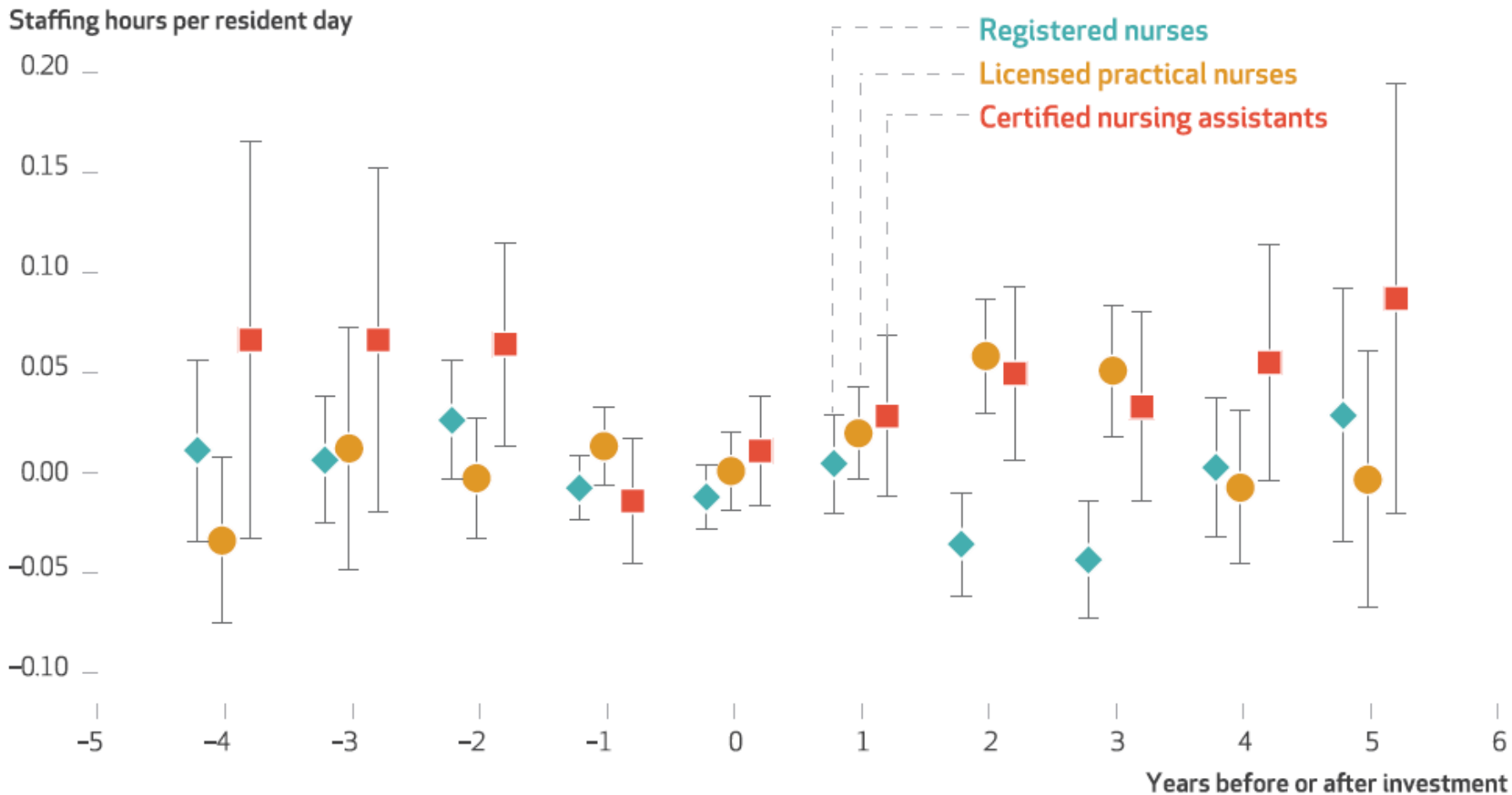
Effect of real estate investment trust (REIT) investment on nurse staffing in US nursing homes, difference-in-differences results, 2013–19

	Hours per resident day		
Staffing type	**Preinvestment (2013)**	**Difference-in-differences estimate[a]**	**Relative change**
Registered nurses	0.64	−0.02	−3.13%
Licensed practical nurses	0.93	0.02**	2.15
Certified nursing assistants	2.58	0.04**	1.55

SOURCE Authors' analysis of Medicare cost reports data and LTCFocus data, 2013–2019. **NOTES** REITs are for-profit public or private corporations that invest in income-producing properties. Estimates were generated from a Callaway and Sant'Anna difference-in-differences estimator, which accounts for multiple periods with staggered treatment to decompose a two-way fixed effects model to individual 2×2 difference-in-differences estimations. The estimates reflect the average treatment effect on nursing homes with REIT investment. Relative changes were derived by dividing each adjusted estimate by its unadjusted mean in the preinvestment period (2013). [a]There were a total of 48,425 nursing home–year observations during 2013–19 (638 REIT nursing homes and 7,936 non-REIT nursing homes). **$p < 0.05$

EXHIBIT 3

Effect of real estate investment trust (REIT) investment on nurse staffing in US nursing homes, by year before or after investment, 2013–19



Implications

- An estimated 12% of nursing homes have REIT investment
- Substitution of labor after REIT-investment
  - Unknown whether this impacts resident care at this time
- Not all deals are the same
- Organizational-level ownership
  - CMS currently focuses only on facility-level (just as important)
- A need for longitudinal CMS ownership data
  - Needs to be regularly audited
- A standard way to define institutional investors (i.e., private equity, REITs, venture capital, etc.)
  - SEC filings of Form D may be a standardized way
  - Rule 503 of Regulation D of the Securities Act of 1933

ASPE
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

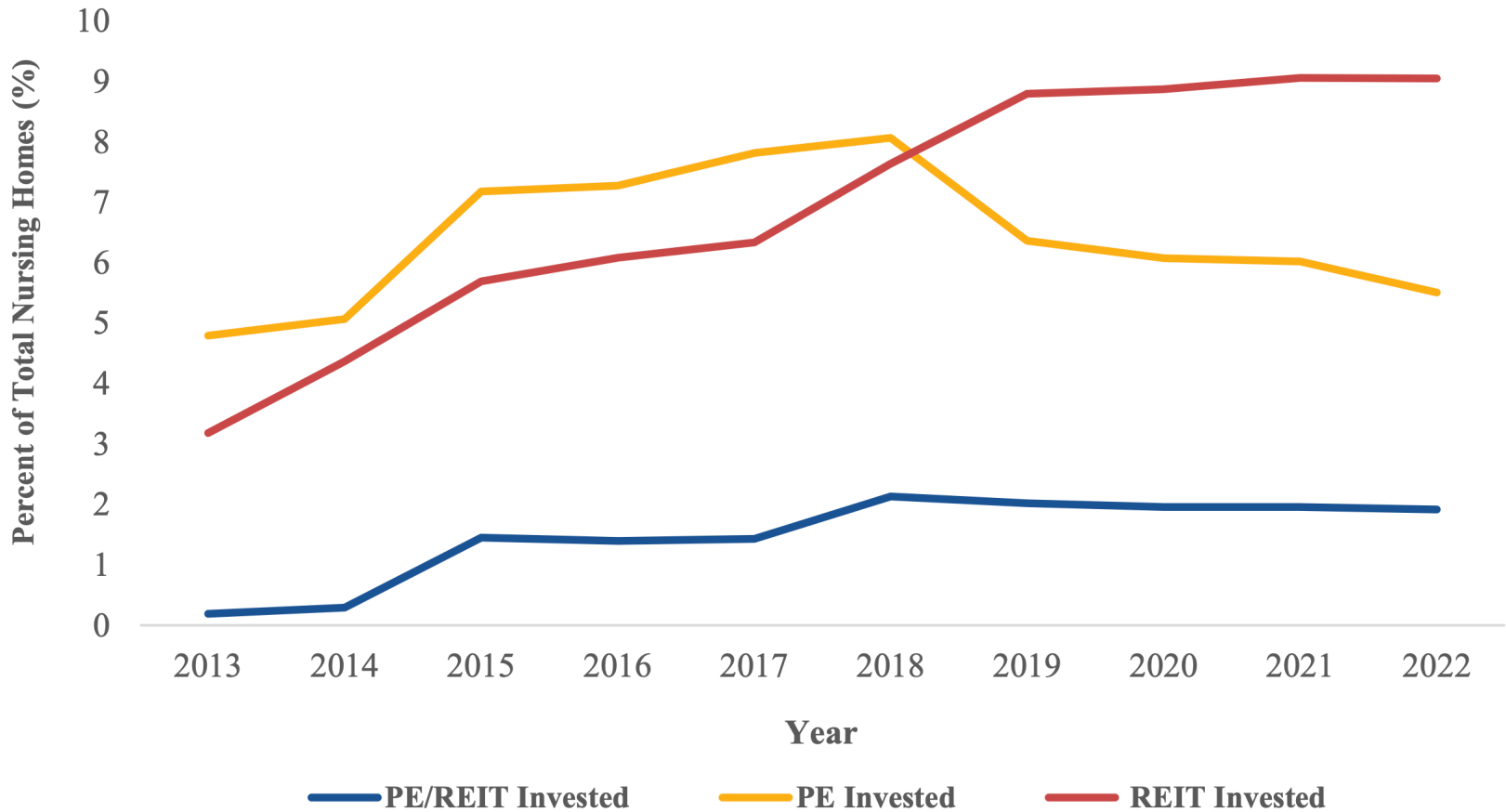
OFFICE OF BEHAVIORAL HEALTH, DISABILITY, AND AGING POLICY

RESEARCH BRIEF

November 13, 2023

TRENDS IN OWNERSHIP STRUCTURES OF U.S. NURSING HOMES AND THE RELATIONSHIP WITH FACILITY TRAITS AND QUALITY OF CARE (2013-2022)

Exhibit 1: PE, REIT, and PE/REIT Invested Facilities by Year, 2013-2022



*Data sourced from CASPER, S&P Capital IQ, and Irving Levin Associates Health Care M&A Transaction Data. Categories are not mutually exclusive, meaning that PE/REIT facilities (where there is joint PE and REIT investment) are also counted in the PE and REIT categories.

Outcome	Unadjusted		Adjusted		
	Unadjusted Difference from Pre- and Post-acquisition (95% CI)	P-Value	Difference-in-Difference* (95% CI)	Relative Change, %	P-Value
Health Deficiencies (Score) (n=36,869)	0.21 (-0.01, 0.43)	0.06	0.14 (0.01 to 0.26)	14.20%	0.03
RN Hours/Resident Day (n=38,276)	-0.13 (-0.23, -0.03)	0.01	-0.09 (-0.12 to -0.06)	-11.85%	0.00
LPN Hours/Resident Day (n=38,150)	0.01 (-0.11, 0.13)	0.86	-0.03 (-0.07 to 0.01)	-3.62%	0.11
CNA Hours/Resident Day (n=38,289)	0.05 (-1.31, 1.41)	0.94	-0.06 (-0.26 to 0.13)	-2.62%	0.53
Total Hours/Resident Day (n=38,451)	-0.03 (-1.42, 1.35)	0.96	-0.14 (-0.35 to 0.07)	-3.64%	0.20

*Data sourced from LTCFocus, CMS Care Compare, CASPER, S&P Capital IQ, and Irving Levin Associates Health Care M&A Transaction Data. Sample sizes differ slightly based on missingness in variables of interest.

Exhibit 3.2: (*continued*)					
Outcome	Unadjusted		Adjusted		
	Unadjusted Difference from Pre- and Post-acquisition (95% CI)	P-Value	Difference-in-Difference* (95% CI)	Relative Change, %	P-Value
Health Deficiencies (Score) (n=48,179)	0.13 (-0.05, 0.31)	0.17	0.15 (0.05, 0.26)	14.48%	0.01
RN Hours/Resident Day (n=49,847)	-0.03 (-0.10, 0.04)	0.45	-0.04 (-0.07, -0.01)	-6.67%	0.00
LPN Hours/Resident Day (n=49,697)	0.03 (-0.06, 0.12)	0.56	-0.00 (-0.04, 0.04)	0.00%	0.94
CNA Hours/Resident Day (n=49,819)	0.07 (-0.87, 1.02)	0.88	-0.08 (-0.22, 0.06)	-3.40%	0.29
Total Hours/Resident Day (n=50,033)	0.08 (-0.89, 1.05)	0.87	-0.11 (-0.28, 0.05)	-2.89%	0.19

*Data sourced from LTCFocus, CMS Care Compare, CASPER, S&P Capital IQ, and Irving Levin Associates Health Care M&A Transaction Data. Sample sizes differ slightly based on missingness in variables of interest.

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DOI: 10.1377/hlthaff.2023.01110
HEALTH AFFAIRS 43,
NO. 3 (2024): 318–326

New CMS Nursing Home Ownership Data: Major Gaps And Discrepancies

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ABSTRACT **Nursing home ownership has become increasingly complicated, partly because of the growth of facilities owned by institutional investors such as private equity (PE) firms and real estate investment trusts (REITs). Although the ownership transparency and accountability of nursing homes have historically been poor, the Biden administration's nursing home reform plans released in 2022 included a series of data releases on ownership. However, our evaluation of the newly released data identified several gaps: One-third of PE and fewer than one-fifth of REIT investments identified in the proprietary Irving Levin Associates and S&P Capital IQ investment data were present in Centers for Medicare and Medicaid Services (CMS) publicly available ownership data. Similarly, we obtained different results when searching for the ten top common owners of nursing homes using CMS data and facility survey reports of chain ownership. Finally, ownership percentages were missing in the CMS data for 82.40 percent of owners in the top ten chains and 55.21 percent of owners across all US facilities. Although the new data represent an important step forward, we highlight additional steps to ensure that the data are timely, accurate, and responsive. Transparent ownership data are fundamental to understanding the adequacy of public payments to provide patient care, enable policy makers to make timely decisions, and evaluate nursing home quality.**

Summary of Major Policy Reforms Needed

1. Establish adequate, evidence-based federal staffing minimums with adjustments for resident acuity
2. Strengthen enforcement, especially on chains
3. Increase ownership transparency and set federal certification criteria for ownership
4. Require greater financial transparency and accuracy
5. Improve financial accountability with direct care spending requirements and return of excess payments

Dr. Braun's Final Thought

- Include policies that incorporate capital market dynamics—policymaking focused on a small percentage of the industry (private equity) can unintentionally sever access to capital

Thank you!

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