

SENIOR CARE POLICY BRIEF



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LTC BY THE NUMBERS

Despite longstanding industry claims that nursing homes operate on “razor-thin” margins, reports continue to show significant profit-making overall, with increasingly sophisticated operators tunneling money away from care into upfront profits.

- An [investigation by the New Jersey Office of the State Comptroller \(OSC\)](#) found that South Jersey Extended Care (SJEC) misused millions in Medicaid funds to enrich its operators while neglecting residents. The facility, consistently given the lowest, one-star rating by the Centers for Medicare & Medicaid Services (CMS), was run by Michael Konig and Steven Krausman, who funneled Medicaid payments through businesses they controlled, avoiding scrutiny through fraudulent practices.
 - ⇒ Between 2018 and 2023, SJEC received \$35.6 million in Medicaid funds but paid \$38.9 million to related-party businesses owned by Konig and Krausman. The Comptroller found that these entities inflated prices and delivered substandard services, leading to chronic understaffing and dire living conditions for residents, including filthy facilities and delayed medical care.
 - ⇒ New Jersey has suspended SJEC, its related facilities, and the individuals involved from Medicaid.
- The non-partisan Medicare Payment Advisory Commission (MedPAC) [recommended a 3% funding cut for nursing homes under fee-for-service Medicare for the third consecutive year](#). This reflects ongoing concerns over high Medicare profit margins, which reached 21.9% in 2023 and are projected to hit 23% in 2025.
- The senior housing sector is expected to deliver total annual returns of 13% over the next four years, driven by strong rent growth, wage increases, and favorable market dynamics, [according to Capital Economics](#), an economic research firm.

[Register for LTCCC's January 2025 webinar](#), “Weeding Out Medicaid Fraud: Lessons from NJ’s Long-Term Care Ombudsman & State Comptroller’s Collaboration”

UNDERSTAFFED AND BURNT OUT

- A [new study](#) reveals a direct link between nurse burnout and negative patient and facility outcomes, such as medication errors, lower safety culture, and poor care quality.
 - ⇒ Burnout among healthcare workers surged during the pandemic, with 68% of nurses reporting burnout.
 - ⇒ The study also links burnout to higher patient fall rates, delayed care, and increased infections. In nursing homes, burnout was associated with higher rates of urinary catheter and tube feeding use.

FEDERAL AUDIT: SOME NURSING HOMES NON-COMPLIANT WITH REQMT’S FOR REPORTING RELATED-PARTY COSTS

The US HHS [Office of Inspector General audited](#) Medicare cost reports for a sample of 14 nursing facilities. These costs pertain to transactions with entities related to the provider, such as for therapy services. OIG found:

20% failed to disclose related parties
50% inaccurately adjusted related-party costs
\$1,703,734 overstated costs

Furthermore, OIG found that Medicare administrative contractors did not sufficiently oversee related-party reporting.