

# **RISKY BUSINESS: Profitizing Long Term Care in the US**

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# **Trends in the Nursing Home Industry**

- ▶ **15,000 facilities with 1.2+ million residents**
- ▶ **75% occupancy 2023 – excess supply**
- ▶ **70% For-profit**
- ▶ **56% For-profit chains**
- ▶ **5% NHs have private equity (PE) investors**
- ▶ **9% NHs have Real Estate investment Trusts (REITs) investors or owners**

## Conditions Before the Pandemic

- **33% of 2.5 million Medicare NH residents had adverse events or temporary harm during first 20 days** — OIG 2014
- **25% of Medicare NH residents were sent back to the hospital, costing billions**
- **82% of NHs received deficiencies for infection control** - GAO, 2020
- **During the pandemic, 2 million residents and 2 million staff were infected and about 170,000 residents died from COVID and many more from other causes** (CMS 2024)

# Minimum Staffing Standards Are Needed

- **Higher RN, CNA, & Total staffing improves quality:**
  - fewer pressure ulcers, less restraint use, decreased infections, less pain, improved independence with ADLs, reduced weight loss and dehydration, less inappropriate and overuse of antipsychotics, reduced emergency department use and hospitalizations, Infectious disease outbreaks, reduces deficiencies, and morality
- **For-profit NHs have 17% lower staffing** (Abt 2023)
- **Private equity NHs have**
  - 12% RN hprd decline & 14% increase in deficiencies
- **REIT NHs have**
  - 7% lower RN hprd & 14% increase in deficiencies (Stevenson et al. 2023)
- **Private equity NHs had 10% higher mortality rates** (Gupta et al., NBER, 2021).

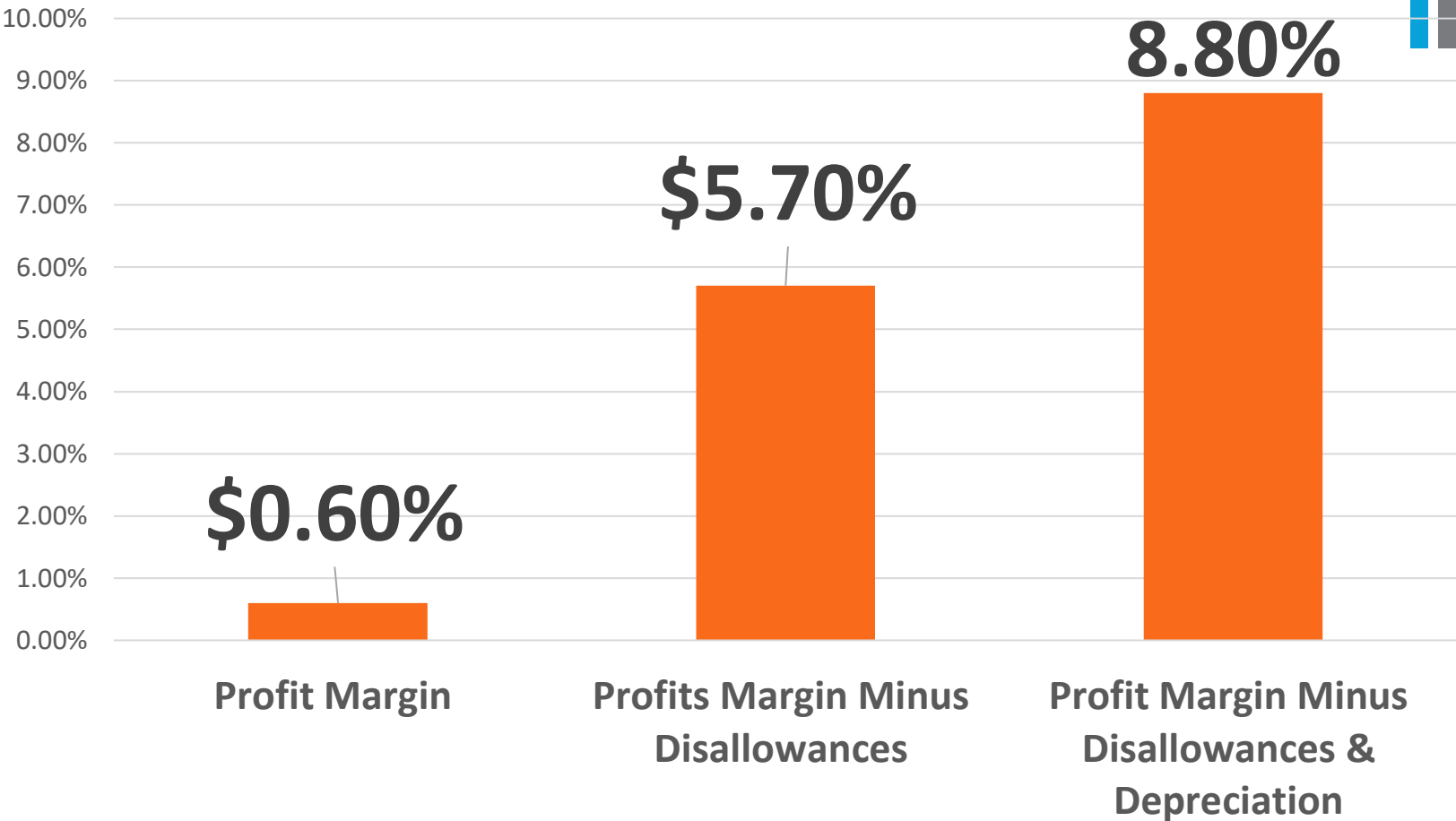
# Causes of Staffing Shortages

- **75% of NHs almost never met CMS expected RN staffing levels based on resident acuity in 2017-18 (Geng et al. Health Aff 2019)**
- **NHs have over 50% nursing turnover rates**
- **NH RNS paid 15% less than hospitals**
- **CNAs paid below other entry level jobs**
- **Many lack benefits**
- **Have high injury rates**
- **Poor work environment**
- **Training is inadequate**



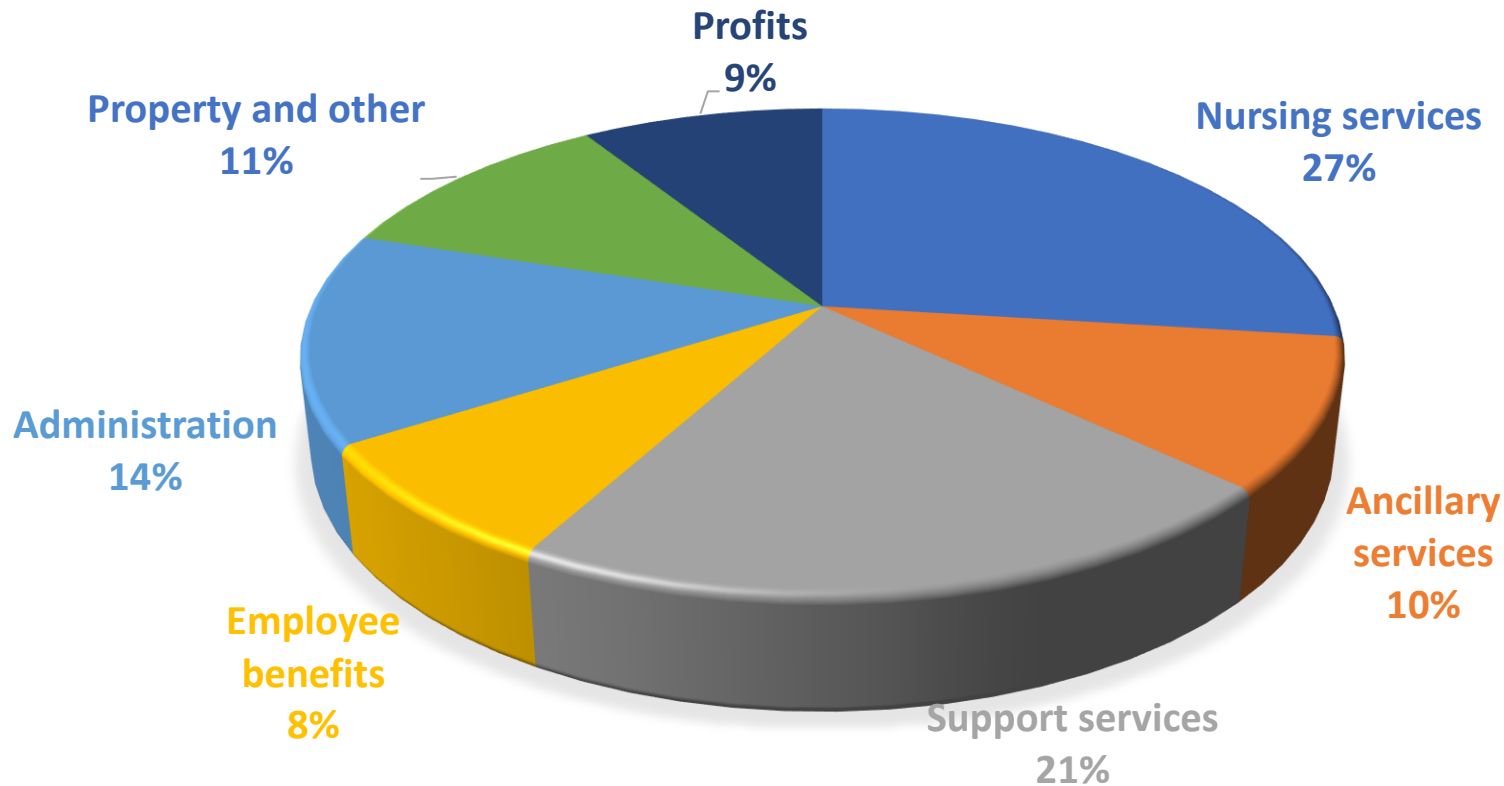
# US NH Profits in 2019

Range from 83% profit to 161% loss



Harrington, Mollot, Braun, & Williams. *US Nursing Home Finances; Spending, Profitability & Capital Structure*. 2023.

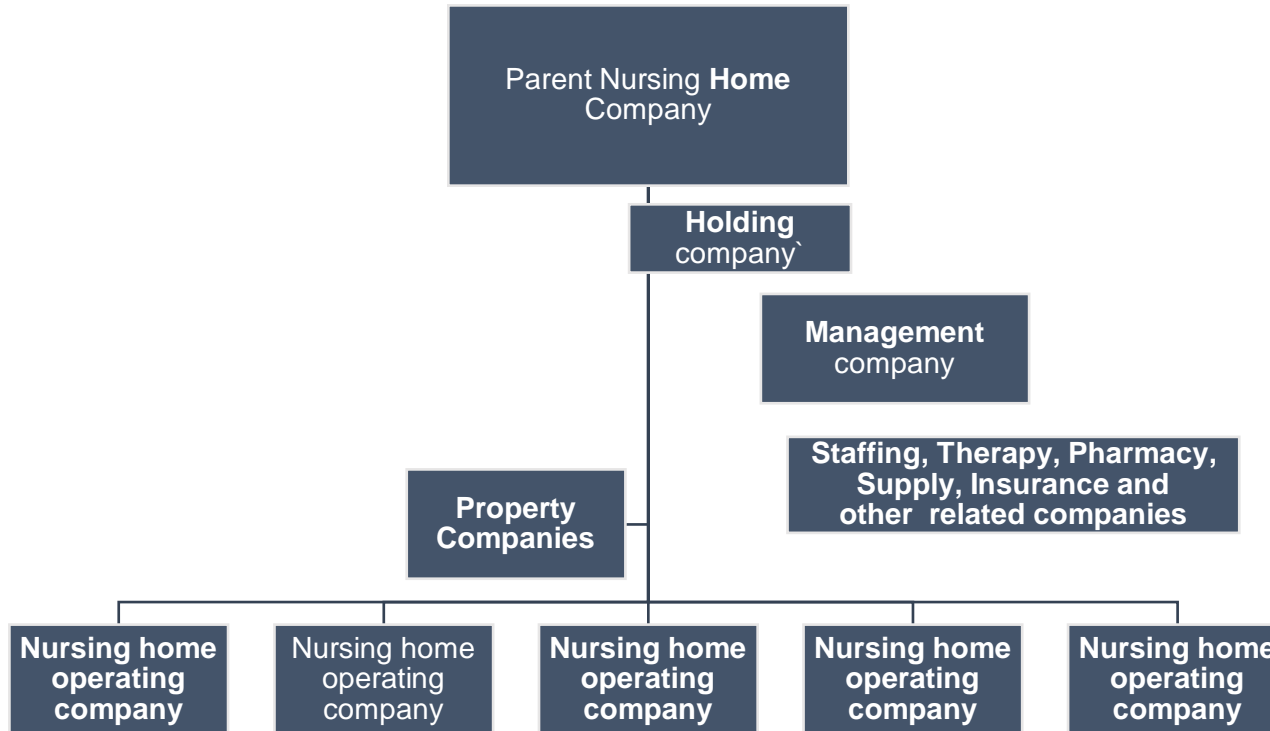
# US NH Expenditures as a Percent of Net Revenues in 2019



**Direct Care Expenses = 66%**  
**Administration, Capital and Profits = 34%**

Harrington, Mollot, Braun, & Williams. US Nursing Home Finances; Spending, Profitability & Capital Structure. 2023.

# NHs hide profits in multiple related party companies

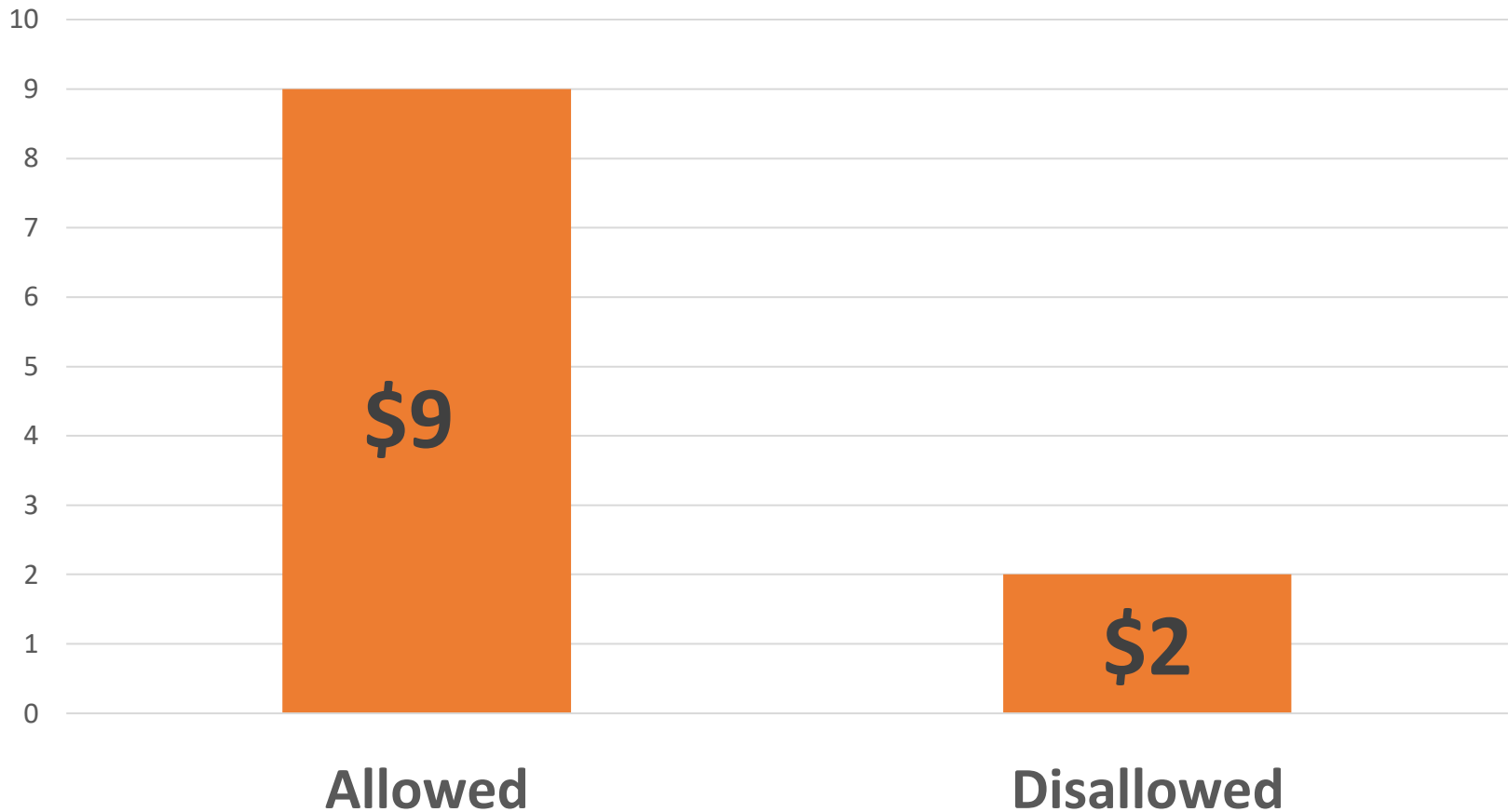


**Related-party organizations are used to hide profits and funnel money away from resident care, reduce taxes, and reduce liability**



# US Related Party Expenses Were \$11 Billion in 2019

(9.5% of revenues)  
(77% of 11,752 NHs)



Harrington, Mollot, Braun, & Williams. US Nursing Home  
Finances; Spending, Profitability & Capital Structure. 2023.

# Hidden Nursing Home Profits

- **Related party transactions**
  - increase total spending by 20.4% and real estate spending by 24.6%
  - reduce malpractice insurance premiums by 32%
- **In 2019, the average total profit per facility was \$370,7888 or a 169% increase over the reported profits for the year.**
- **63% of NHs profits were hidden in related party transfers and 37% were reported.**
- **If these funds were spent on staffing, RN staffing hprd would increase by 28.9% and CNA staffing hours by 21%**

- Gandhi, a and Olenski, A. 2024

# **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**