

STARK, BAUCUS RELEASE GAO REPORT SHOWING PRIVATE- INVESTMENT NURSING HOMES TARGET CARE TO HIGHER-PAYING MEDICARE BENEFICIARIES

Report Finds More Overall Deficiencies, but Not Significant Quality Differences

Washington, DC -- Today, Congressman Pete Stark (D-Calif.) and Senator Max Baucus (D-Mont.) released the GAO Report: *Nursing Homes: Private Investment Homes Sometimes Differed from Others in Deficiencies, Staffing, and Financial Performance*. This report, which looks into the quality of care in nursing homes purchased by private-investment firms, is the second responding to a request from Stark and Baucus regarding these skilled nursing facilities. The first report investigated the extent to which private-investment firms are purchasing nursing homes and the transparency of those ownership relationships. Stark and Baucus requested these GAO reports in response to New York Times reporting of poor performance on quality metrics at private investment firm-owned nursing homes.

Today's GAO report finds that the private-investor (PI) owned homes studied had more total deficiencies than other types of facilities, though quality of care was not significantly different in terms of serious deficiencies that would harm a resident when compared with other for-profit homes or in nonprofit homes. Additionally, the report reveals business practices in PI homes that suggest they are targeting care to patients that receive higher reimbursement from Medicare and other payers, rather than to all patients needing skilled nursing services.

"MedPAC has long advised us to reform the Medicare reimbursement system for skilled nursing facilities. Today's report backs that up," Stark said. **"The system should not overpay for certain patients, which creates incentives for nursing homes to spiff up their buildings and set staffing levels to entice profitable patients. I encourage CMS to continue taking steps to address these issues."**

"Seniors in nursing homes deserve high-quality treatment, regardless of who owns or manages the facility," Baucus said. **"Nursing homes specifically targeting wealthier seniors could leave millions of disadvantaged Americans in the breach when they are most vulnerable. All seniors deserve access to the health care they need – not just the most privileged."**

Compared with other nursing homes between 2003 and 2009, private-investment nursing homes:

- Enjoyed higher financial margins (p. 33-34)
- Spent at a greater rate on appearance and capital improvements to facilities (p. 31)
- Had a greater cost growth as measured by resident per day (p. 27)
- Hired registered nurses (RNs) at a faster clip and had higher RN staffing ratios, though they had lower average total nurse ratios, reflecting a smaller number of less skilled caregivers such as certified nurse aides (p. 23). Such staffing arrangements help nursing facilities attract higher acuity patients and in turn, higher Medicare reimbursement levels.

According to the GAO report: "...homes trying to increase their profitability may staff their homes and renovate their buildings to attract the better-paying Medicare and private insurance residents that will enhance their revenues or profits. We and the Medicare Payment Advisory Commission have reported that for-profit nursing homes have a greater profit on their Medicare line of business than nonprofit homes, on average." (p. 15)