Push for Profits Left Nursing Homes Struggling to Provide Care

Some with private equity owners, focused on making money, were particularly ill equipped and understaffed to handle Covid-19.

The Burbank Rehabilitation Center in Burbank, Ill. For-profit nursing homes score worse in federal ratings and many are struggling to control the spread of the coronavirus.
Credit...Taylor Glascock for The New York Times

  

By Matthew Goldstein, Jessica Silver-Greenberg and Robert Gebeloff

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When the pandemic struck, the majority of the nation’s nursing homes were losing money, some were falling into disrepair, and others were struggling to attract new occupants, leaving many of them ill equipped to protect workers and residents as the coronavirus raged through their properties.

Their troubled state was years in the making. Decades of ownership by private equity and other private investment firms left many nursing homes with staggering bills and razor-thin margins, while competition from home care attendants and assisted-living facilities further gutted their business. Even so, many of their owners still found creative ways to wring profits out of them, according to an analysis of federal and state data by The New York Times.

In many cases, investors created new companies to hold the real estate assets because the buildings were more valuable than the businesses themselves, especially with fewer nursing homes being built. Sometimes, investors would buy a nursing home from an operator only to lease back the building and charge the operator hefty management and consulting fees. Investors also pushed nursing homes to buy ambulance transports, drugs, ventilators and other products or services at above-market rates from other companies they owned.

These strategies paid off handsomely for investors, but they forced nursing homes to skimp on quality. For instance, for-profit nursing homes — roughly 70 percent of the country's 15,400 nursing homes and often owned by private investors — disproportionately lag behind their nonprofit counterparts across a broad array of measures for quality, The Times found. Also, they are cited for violations at a higher rate than nonprofit facilities.

The toll of putting profits first started to show when the outbreak began. No nursing home could be completely prepared for a pandemic as devastating as Covid-19, but some for-profit homes were particularly ill equipped and understaffed, which undercut their ability to contain the spread of the coronavirus, according to interviews with more than a dozen nursing home workers and elder-care lawyers.

The Burbank Rehabilitation Center has a one-star rating — the lowest ranking in the federal government's five-star rating system for nursing home care. Credit...Taylor Glascock for The New York Times

The pandemic "has brought a lot of these issues to the forefront," said David Grabowski, professor of health care policy at Harvard Medical School. "With this huge health crisis and economic downturn, we are all of a sudden seeing how risky it is to have the ownership split between the real estate side that has the most valuable asset and the operator, who is left with much less."

Controlling the real estate gives investors, including real estate investment trusts, leverage to raise rents. Separating the real estate from the operating business can also help limit liability in wrongful-death lawsuits, because the latter typically has little cash and few assets.

"The structure is designed to keep liability on the company that has the fewest assets and the most debt," said William Murray, a plaintiffs lawyer who specializes in suing nursing homes.

Private equity firms and other investors first gravitated to nursing homes more than a decade ago, betting that aging baby boomers would create demand irrespective of economic cycles and counting on a steady stream of Medicare and Medicaid reimbursements.