

Would you put a loved one in a nursing home that is owned by a private-equity firm?

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By Jeffrey J. Downey, attorney, serving Maryland, Virginia, and the District of Columbia

It is a question a growing number of us are facing. Over the last two decades, nearly 2,000 nursing homes have been acquired by private-equity firms. The bias at these firms leans toward the stockholder and not to the residents under their care at their owned-and-operated facilities. These firms operate under a business model to quickly and substantially extract profits from the companies they acquire. In many cases, nursing home residents along with the quality of care provided at these private-equity-owned nursing homes suffer immensely.

Private-equity investment in nursing home facilities has increased from \$5 billion in 2000 to over \$100 billion in 2018, according to a study from the National Bureau of Economic Research ([NBER](#)), a private non-profit research organization.

"This comes as no surprise, as the US government has been aware of this trend of private equity firms acquiring nursing homes for over a decade," explains malpractice attorney Jeffrey J. Downey. "As facilities are acquired, complicated corporate structures are set up to siphon money out of the skilled nursing facilities (SNF), as they maximize Medicare billing. Under the limitations of the False Claims Act, it becomes difficult for the government to recoup money once it has been passed to a related private equity company that did not participate in the Medicare fraud," explains Downey.

Lack of regulatory enforcement by the Trump administration in combination with reduced fines for regulatory violations provided a favorable financial climate for equity firms to acquire nursing homes. The Trump administration also dropped a large Medicare fraud case against one of the largest nursing homes, [ManorCare](#), which was owned by a private equity company.

In February 2020, ManorCare sold two of its business lines – Heartland Rehabilitation and MileStone Staffing services to Grant Avenue Capital. In October 2020, Non-profit health system [ProMedica](#) announced it would rebrand its chain of HCS ManorCare nursing homes under the ProMedica Senior Care" banner, in another venture with capital provided from the private equity firm Welltower.

It is interesting to note the conclusion reached by NBER researchers. Their study examined the nursing home industry in the U.S. over the period from 2005 through 2017. They specifically examined the quality of care in 18,485 individual nursing homes, of which 1,674 were acquired by private-equity firms at some point over that period. The researchers had access to a wealth of data about the quality of care in these nursing homes, and they employed several complex econometric tests to focus on the specific effects of private equity ownership.

The most explosive of their findings was that, even though such ownership led to an 11 percent increase in the amount billed per Medicare patient, it also led to a 10 percent increase in the short-term mortality of Medicare patients. The study concludes that every year about 1,000 nursing home residents die at nursing homes as a result of private equity ownership.

The Centers for Medicare and Medicaid Services, the main federal agency regulating nursing homes, says the only way it tracks ownership changes is when those changes are reported by the facilities themselves to Medicare.

Locally, state legislators in Maryland, prompted by media reporting from the Washington Post, are pushing legislation to mandate state inspections after out-of-state owners purchase nursing homes. The Portopiccolo Group, a New-Jersey based investment management group, did not let the pandemic stop its purchase of several nursing homes. Earlier reporting from the same paper indicated that staffers at nursing homes owned and operated by the same private-equity group that the covid-19 virus had spread rapidly through several facilities in North Carolina and Virginia.

https://www.washingtonpost.com/local/md-politics/maryland-nursing-home-bills/2021/02/26/293e9846-76c9-11eb-9537-496158cc5fd9_story.html

https://www.washingtonpost.com/local/portopiccolo-nursing-homes-maryland/2020/12/21/a1ffb2a6-292b-11eb-9b14-ad872157ebc9_story.html

As these companies overbill Medicare, the care of its residents suffers. This information is tracked by the government in the form of adverse event reporting for issues like falls and pressure wounds. The federal government needs to limit or prohibit private-equity firms from owning health care facilities or alternatively, hold them legally accountable for neglect of patients or the overbilling of government programs.

If you have a loved one in a nursing home or assisted living facility who has been injured, contact the law office of Jeffrey J. Downey, P.C., for a free consultation.

The Law Office of Jeffrey J. Downey, PC
Representing clients in Virginia, Maryland and Washington DC
8270 Greensboro Drive, Suite 810
McLean, VA 22102
Phone: 703-564-7318 or 703-564-7357
Email: jdowney@jeffdowney.com

On the web at www.jeffdowney.com

CHRIS ROJAHN

The Law Office of Jeffrey J. Downey

+1 703-564-7336

[email us here](#)

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