

Why GAO Did This Study

Since 2007, attention has been focused on nursing home ownership by private investment (PI) firms. Nursing home providers are required to disclose parties with an ownership or control interest in order to participate in Medicare or Medicaid. CMS, the HHS agency responsible for managing these two programs, maintains ownership and chain data in its Provider Enrollment, Chain, and Ownership System (PECOS). GAO examined (1) the extent of PI nursing home ownership and firms' involvement in homes' operations, (2) whether PECOS reflects PI ownership, and (3) how HHS and states use ownership data for oversight. GAO identified PI ownership using a proprietary database and analyzed data from six PI firms about their interest and involvement in nursing homes. GAO examined PECOS data for selected PI-owned nursing home chains and discussed ownership data with officials from HHS, CMS, and six states that also collect data.

What GAO Recommends

GAO recommends that the Secretary of HHS and CMS Administrator consider requiring the reporting of certain information to make nursing home ownership structures more understandable and take other actions to improve the accuracy and dissemination of these data as HHS implements new ownership reporting requirements in the 2010 Patient Protection and Affordable Care Act. HHS concurred with all of GAO's recommendations.

[View GAO-10-710 or key components.](#)

For more information, contact John E. Dicken at (202) 512-7114 or dickenj@gao.gov.

NURSING HOMES

Complexity of Private Investment Purchases Demonstrates Need for CMS to Improve the Usability and Completeness of Ownership Data

What GAO Found

GAO found that 1,876 unique nursing homes were acquired by PI firms from 1998 through 2008. While some of the acquisitions involved entire nursing home chains, which included both the operations and any owned real estate, other acquisitions involved only the real estate. Sometimes the same nursing homes were acquired more than once. Ten PI firms accounted for 89 percent of the 1,876 unique nursing homes acquired by PI firms during this period. Of the six PI firms from which GAO collected information, those that acquired a chain reported being more involved in nursing home operations than those that only acquired the real estate. These firms had representatives on the nursing home chain's board of directors, but they generally characterized their involvement as related to the chain's strategic direction rather than day-to-day operations. PI firms that acquired real estate only had no representation on the boards of the operating companies, but officials at one PI firm observed that some leasing arrangements have the potential to affect operations.

PECOS provided a confusing picture of the complex ownership structures and chain affiliations of the six PI-owned nursing home chains GAO reviewed. The database did not provide any indication of the hierarchy or relationships among the numerous organizational owners listed for PI-owned nursing homes. Further, PI ownership was often not readily apparent in the data, which could be the result of (1) PI firms not being required to be reported because of how they structured their acquisitions, (2) provider confusion about the reporting requirements, or (3) related entities that were reported but were not easily identifiable with the PI firms. Finally, PECOS chain information was not straightforward and was sometimes incomplete, making it difficult to link all the homes in a chain. Compounding these shortcomings, CMS's ability to determine the accuracy and completeness of the reported ownership data is limited.

HHS has made limited use of PECOS ownership data. The only CMS division with routine access to PECOS data has been largely focused on populating the database and has not developed any standardized reports on nursing home ownership that it could share with interested parties. Some states collect their own ownership information but it can be limited to owners that operate in their state. As a result, tracking compliance problems among commonly owned homes or multistate chains can be ad hoc. State officials and others expressed interest in nationwide ownership data, such as PECOS, to improve nursing home oversight. Recognizing the growing interest in PECOS data, CMS has established a workgroup to consider how to accommodate the PECOS interests of other groups within the agency and is considering whether and how to provide access to external parties such as states. The implementation of the Patient Protection and Affordable Care Act provides CMS with an opportunity to address shortcomings in the current PECOS database and to make ownership information available to states and consumers in a more intelligible way.