Quality of Care and Profitability in Non Profit versus For Profit Nursing Homes

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Introduction

- What is a nursing home?
  - A facility that provides service to the elderly with skilled nursing care with the help of aides 24 hours of the day

What are the differences between Non-Profit (NF) and For profit (FP) nursing homes?
Introduction

- There are a variety of quality of care standards that are measured
  - The Donabedian Model
    - Comparing dimensions of performance
  - Quality of care
    - Recent study shows that FP nursing homes are more fraudulent and abusive
  - Lower FP staff
Introduction

**Profitability**

- Hospital rates are considerably lower for NF homes than FP nursing homes
- FP primary Prominences are to increase revenues and expand facilities

**Cost Efficiency**

- NF had 20% more discharges than FP nursing had
- FP nursing home costs surpass NF nursing home cost in RN hours per resident
Purpose

The purpose of this research was to examine the effect of why NF nursing homes provide better quality of care, as well to analyze the effect of why NF nursing homes are more profitable than FP nursing homes.
Methodology

- Primary hypothesis of the study was: profitability and quality of care within a nursing home is greater than that of a for profit nursing home.

- The literature review was separated into three stages
  - Literature Recognition
  - Literature Analysis and Evaluation
  - Literature categorization
For-Profit financial trends

- Questionable billing by FP nursing homes
- The act of classifying patients as needing the highest level of care ensures the largest reimbursements from Medicare for FP homes
- The rate of classifying and obtaining reimbursements for ultra-high therapy RUGs increased from 17% to 28% from 2006 to 2008
- In 2009 25% of Medicare claims were billed in error
For-Profit Financial trends

- Increased billing not associated with change in beneficiary age and diagnosis

- Financial Burdens
  - Unnecessary Treatment
  - Extended Days
  - Additional Therapies

- Avoidable admissions exposed patients to harm and disruptive transitions
NF Financial Statements

Overton County NH
- $10M balance sheet- $4.5M in liabilities
- Balance payer/credit mix

Alice Byrd Tawes NH
- Financial stability: operating profit of $214,219
- $150,383 improvement in cash and cash equivalents
- NH subject to Maryland Medicaid Policy
Ownership Effects on Structure and Performance

Empirical Comparisons based on NH Ownership type

NF home trends

- Overall higher quality of care for NF homes in all outcomes
- NF homes support resident well being over profit maximization
Staffing levels and quality of Care

- Staffing levels in FP and NF homes are considered the strongest predictor of care quality
- 2011 UCFS Analysis
  - 2003>2008: FP chain owned homes had lower staffing levels 30% lower combined total nursing hours
  - FP homes cited 36% more deficiencies and 41% more severe deficiencies than NP homes
  - FP Chain owned homes kept labor costs at a minimum in order to maximize profits
For-Profit Homes and Chain Status

- Chain participation allows cost of network participation to be distributed over multiple NH homes
- Profit advantage and available resources for other purposes
- Financial priority at the expense of care quality
- FP homes have greater access to attorneys and funds to battle sanctions and deficiencies
Discussion

Financial aspects contribution to the quality of care by nursing homes

- FP nursing home objectives
- Fp nursing home additional resources
- How do FP nursing homes attract future residents?
Discussion

Who’s more profitable?

• FP nursing homes dependency on residents that have ultra-high RUGS

• Impact of Medicare on profitability

• NP nursing homes tax exemption
Discussion

- Cost efficiency
- This study has shown that NP nursing homes are more cost efficient than the FP nursing homes.
- FP spends unnecessary money that can lead to residents departure
- U.S. health system implications effect on billing
Limitations

- Numbers of databases searched
- Researchers and Publication bias
  - Limited access to research
- Lack of financial statements
Conclusion

Just as most effects, there are benefits and barriers to both non-profit and for profit nursing homes. Although it is impossible for an entity to survive without making profit, there are other factors that make a company successful than just money. Non-profit nursing homes have learned to effectively balance all aspects of business, which has reflected on the great profitability and quality of care they offer.
Questions?