

THE DEADLY COMBINATION OF PRIVATE EQUITY AND NURSING HOMES DURING A PANDEMIC

New Jersey Case Study of Coronavirus at Private Equity Nursing Homes

Executive summary

Coronavirus has ripped through U.S. nursing homes, leaving a path of infection and death that has killed more than 50,000 residents. The pandemic has proved especially deadly in facilities owned or backed by private equity firms.

Americans for Financial Reform Education Fund found that private equity owned and backed nursing home chains have higher resident infection and death rates and a larger share of Coronavirus cases and deaths compared to their share of residents relative to for-profit, non-profit, and public facilities in New Jersey.

Nationwide, about 40 percent of all Coronavirus deaths have been at nursing homes. By early July, nearly 30,300 New Jersey nursing home residents and staff have been infected and over 5,500 have died of Coronavirus.¹

Coronavirus has exposed the long-standing failures of the nursing home industry that cares for the most medically vulnerable people — our parents, grandparents, spouses and siblings. Nursing homes have

been chronically understaffed — both as a cost-cutting strategy and because of pitifully low wages and inadequate benefits — and staffing levels are the most critical factor in providing quality care to residents. The industry can often fail to provide basic hygiene and safety to residents; it was entirely unprepared to prevent the spread of a highly infectious and deadly disease.

Coronavirus has hit communities of color especially hard because long-standing racial economic and racial health disparities mean people of color are more likely to become exposed and infected and more likely to have medical conditions that put them at higher risk of death. In New Jersey, the vast majority of workers in nursing homes are women of color, low-paid, essential workers who have been unable to afford to get out of the path of the virus.

Private equity firms have bought up or financed the acquisition of thousands of nursing homes across the country. These Wall Street investment firms slash expenditures that could have provided care and extract value from nursing home chains through fees, dividends, and real estate transfers that imperil the financial stability of

the facilities and their capacity to care for the residents.

More than two-thirds of nursing homes are for-profit operations and a sizeable portion are owned or backed by private equity firms with intense profit maximizing incentives that can compromise the care that residents receive. About 70 percent of all U.S. nursing homes were run by for-profit owners, compared to only 18 percent of hospitals.² In New Jersey, for-profit firms control three quarters of the nursing homes (74.9 percent) and nearly one-quarter of the for-profit nursing homes are owned, operated or financially backed (including loans or investments) by private equity firms.

Americans for Financial Reform Education Fund's detailed analysis of nursing home ownership in New Jersey found that private equity firms owned, operated, or backed 9 nursing home chains with 61 facilities (16.9 percent of facilities with 16.4 percent of certified beds and 15.2 percent of residents) in 2020.

Many peer-reviewed academic studies, government reports, and media exposés have demonstrated that private equity owned nursing homes have lower staffing levels, lower quality ratings, more violations, and worse health outcomes for residents. The structure of private equity nursing home deals insulates the firms from responsibility for repaying the often-heavy debt loads, financial mismanagement, or even legal liability for negligence or failing to provide adequate care.

The private equity profiteering, cost-cutting, and lower quality of care appears to have put New Jersey nursing home residents and staff at higher risk of contracting and succumbing to Coronavirus than those at public, non-profit, or other for-profit facilities. This case study utilizes New

Jersey's facility-level Coronavirus case and death data to examine how private equity ownership impacted nursing homes in a state hard-hit by Coronavirus. The analysis also confirms that private equity nursing homes had important shortcomings in key nursing home quality metrics that could have contributed to greater Coronavirus risks for residents and staff (see Methodology at 14). Key findings include:

Residents at private equity nursing homes have higher Coronavirus

infection and fatality rates: Nearly three-fifths (58.8 percent) of private equity nursing home residents contracted Coronavirus (based on resident cases and average number of residents). This infection rate was 24.5 percent higher than the statewide nursing home average and 57.0 percent higher than at public facilities. The Coronavirus fatality rate (the number of resident deaths divided by the number of cases) was 10.2 percent higher at private equity facilities than the statewide average and higher than at non-profit and for-profit facilities.

Private equity fatality rates were substantially higher in counties where people of color made up the majority of the population than in overwhelmingly white counties:

Staff Coronavirus fatality rates at private equity facilities were seven times higher at facilities in counties where people of color were the majority of the population than in counties where whites made up more than 80 percent of the population (2.1 percent and 0.3 percent, respectively). This is a much larger disparity than at all other, non-private equity facilities where the staff fatality rate was 41 percent higher in counties of color. The resident fatality rate was 9 percent higher at private equity facilities in counties of color than in 80 percent white counties (28.3 percent and 25.9 percent respectively), a resident racial

fatality rate gap that is more than triple that of non-private equity facilities.

Private equity nursing homes have a disproportionate number of resident Coronavirus cases and fatalities: Private equity nursing homes accounted for about 15 percent of nursing home residents but about 20 percent of resident Coronavirus cases and deaths. The private equity nursing home share of cases and deaths is significantly higher than the share of residents. The share of private equity resident cases is 25 percent higher than its share of residents and the share of deaths is 33 percent higher.

Private equity nursing homes have a disproportionate share of staff

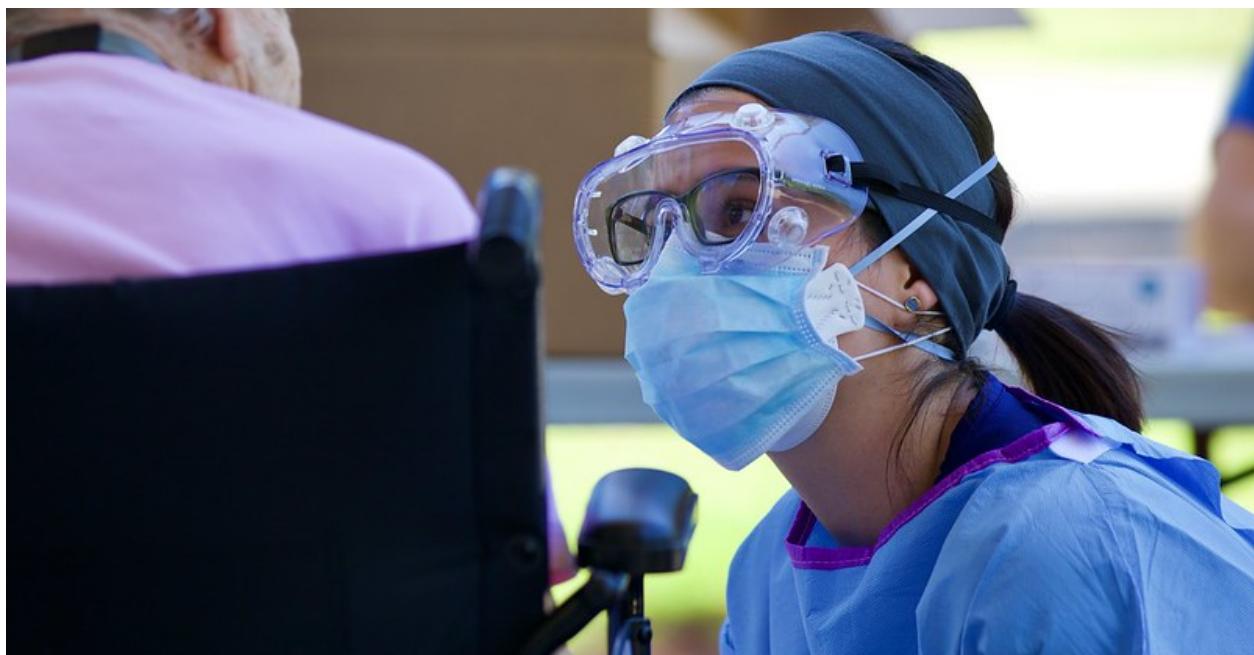
Coronavirus cases and deaths: Although residents at private equity nursing homes make up 15 percent of New Jersey's nursing home residents, staff working at private equity nursing homes made up about 20 percent of the staff cases and deaths. (Average residents are used as a proxy for

nursing home size because there is no facility-level staffing data.)

Private equity nursing homes had lower staffing ratios and more deficiencies:

Private equity nursing homes delivered far fewer hours of nursing care per patient per day responding to the medical needs of residents. Private equity nursing homes provided each resident with only 3.59 risk-adjusted total nursing hours per day, less than all other ownership types and about 20 percent less than was provided at non-profit and public facilities. The total number of deficiency violations over the past three years per 100 residents was more than 60 percent higher at private equity nursing homes than public facilities and about 50 percent higher than at non-profit facilities.

As a nation, we have underinvested in the care of our most medically vulnerable family members and neighbors. Coronavirus has exposed the woefully inadequate federal and state oversight of nursing homes that has



allowed many for-profit operators — especially private equity firms — to siphon money that should have gone towards caring for residents to profits for Wall Street firms and investors. These private equity firms exploit legal, regulatory, and tax loopholes to extract value from nursing homes while dodging responsibility to the residents, workers, or the financial viability of the facilities. During the Coronavirus pandemic, this private equity profiteering has had disastrous consequences for the medically vulnerable residents and low-paid workers, who are predominantly women of color.

Nursing homes became pandemic ground zero

Nursing homes have been ground zero in the Coronavirus pandemic, exposing the critical lack of oversight, persistent understaffing, and quality issues. As a New York University bioethics professor Arthur Caplan told the *Newark Star-Ledger*, “nursing homes are forgotten institutions in good times and their reputation is horrible in good times. They have turned into death traps with inadequate staff and equipment and very little medical attention.”³

The results have been calamitous. When Coronavirus entered nursing homes, the infection spread rapidly to residents and staff alike. By mid-June, more than 50,000 U.S. nursing home patients had died of Coronavirus — about 40 percent of all deaths even though nursing home residents are only 1 percent of the population.⁴

Many New Jersey nursing homes were so overwhelmed by Coronavirus that they could not answer the phone.⁵ Terrified family members struggled to determine whether their loved ones were ill or whether there were Coronavirus cases in the facilities where their relatives lived.⁶



Nursing homes were uniquely vulnerable to Coronavirus. The residents are especially medically susceptible and crowded together.⁷ Nursing home companies have underinvested in facilities and staffing and were ill-prepared to implement infection-prevention protocols necessary to curb the spread of the virus.⁸ Many New Jersey facilities were older and a large portion of residents lived in non-private rooms where social distancing was impossible.⁹ Asymptomatic workers and visitors could easily bring the virus into nursing homes where it rapidly spread among vulnerable residents.¹⁰

Facilities with stringent infection control and better staffing would have been better prepared to prevent the spread of the virus.¹¹ But since Medicare does not count infection control deficiencies among the most serious nursing home violations, the industry has not prioritized addressing infection control lapses.¹² Nursing homes have consistently failed to implement

effective — and now essential — infection control measures. Three-quarters (75.7 percent) of New Jersey nursing homes had infection prevention and control deficiencies between 2013 and 2017.¹³ The *Asbury Park Press* reported that 80 percent of the New Jersey nursing homes with these infection control deficiencies had Coronavirus cases by early May.¹⁴

The nursing home industry and federal and state regulators were ill prepared and overwhelmed by Coronavirus. The failures cost lives. By early July, at least 5,500 New Jersey nursing home residents and staff died of Coronavirus — 42 percent of the state's deaths from the pandemic and far in excess of the resident's 0.5 percent share of the population.¹⁵ Coronavirus illuminated the industry's longstanding failures to provide safety and care to residents. Private equity owned and backed nursing homes in New Jersey had the highest resident infection and fatality rates, likely the result of private equity nursing homes' lower quality, lower staffing, and higher numbers of deficiencies for failing to meet federal standards.

Private equity takeover of nursing homes generates profits but compromises care

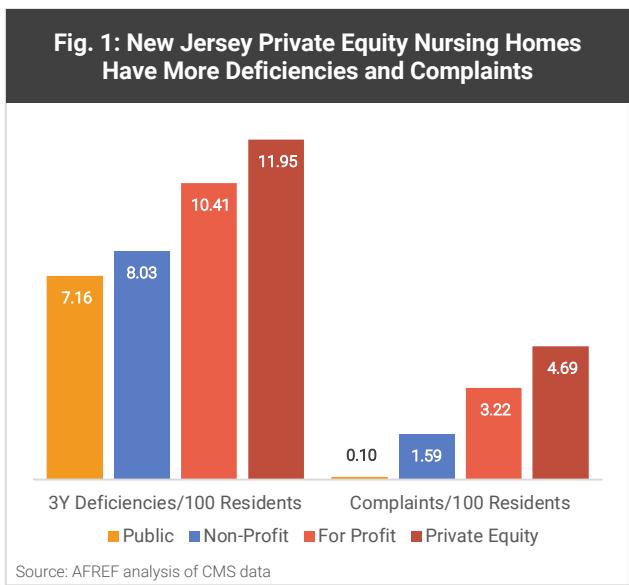
Private equity surged into the nursing home industry in the early 2000s by snapping up major chains. By 2010 private equity firms owned 40 percent of the biggest for-profit chains.¹⁶ Private equity targeted nursing homes because of their stable revenues and

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substantial real estate asset values.¹⁷ After the takeovers, nursing home chain profits increased, staffing declined, and patient care suffered.¹⁸

Private equity firms are Wall Street investment companies that pool large volumes of private capital to buy companies like nursing homes. Private equity takeovers rely on substantial amounts of debt to finance the leveraged buyouts that are the “core of the business,” according to *Businessweek*.¹⁹ Private equity business tactics pose unique risks to the financial viability of nursing home facilities to provide care to residents.

Private equity owned nursing homes often split nursing homes into real estate partnerships (that own the nursing homes) and operating businesses (that run the individual nursing homes). The real estate shell companies own the nursing homes and rent them back to the operating businesses, which is profitable for the private equity firm but can be dangerous for the nursing homes. These sale-leaseback deals strip assets from the nursing home chains and generate rental revenue for the private equity real estate subsidiary, but they undermine the finances of nursing homes by adding business costs (rent) and reducing the assets that could be used to secure operating credit or other financing. A 2015 study by Harvard and Vanderbilt researchers found that private equity likely targeted nursing home chains to profit from their real estate and that these takeovers led to “significantly decreasing liquidity” and increasing debt loads.²⁰



Private equity firms control the nursing home chain operations and can require the facilities to contract for services and purchase supplies from other companies affiliated with the private equity parent firm.²¹ The nursing home subsidiaries are technically separate corporations, but the private equity owners still exert control over business operations, review financial reports, and approve or modify budgets.²² Despite the private equity operational control over the nursing homes, the real estate subsidiaries and other corporate subsidiary structures can insulate the firm and the real estate assets from responsibility and liability that might arise from lawsuits over negligent care or government claims of overbilling Medicare or Medicaid.²³

The ownership of nursing homes can be arcaneously opaque. Many reporters have struggled to identify the ultimate owners and operators of nursing homes, parsing together information from property records and the obscurely named limited liability companies listed in the Centers for Medicare and Medicaid Services databases.²⁴ The private equity firms often shield their ownership behind a maze of shell companies and partnerships that immunize the private

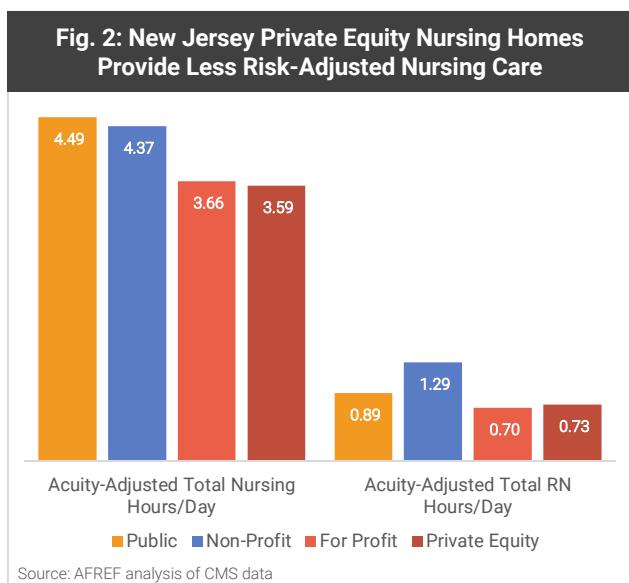
equity firms and partners from being responsible for any wrongdoing.²⁵ This potentially creates a disincentive to provide adequate care. For example, the *Journal of Health Care Finance* reported that private equity owned nursing home chains adopt complex corporate structures to limit liability for negligence and malpractice that reduces the incentive to deliver quality care.²⁶

The disturbing impacts of private equity ownership — increased indebtedness, declines in staffing ratios, a greater risk of bankruptcy, and lower quality of care — spring directly from the private equity business model.

Ample and compelling evidence that private equity compromises quality of care

An extensive array of academic studies, government reports, and media investigations have found that private equity owned nursing homes have lower quality, lower staffing levels, poorer health outcomes, and higher deficiencies than other facilities. New Jersey's private equity owned and backed nursing homes conform to the literature's prediction of lower staffing ratios and higher levels of deficiency violations.

A 2007 *New York Times* analysis found that private equity owned nursing homes had worse performance for 12 of 14 quality of care indicators, like bedsores, than the national average. The *Times* found that “serious quality-of-care deficiencies — such as moldy food and the restraining of residents for long periods or the administration of the wrong medications — rose at every large nursing home chain after it was acquired by a private investment group.”²⁷ A *Washington Post* examination of the private equity-driven ManorCare



nursing home chain bankruptcy found that violations rose 26 percent annually in the four years before its collapse, likely related to chronic short-staffing that left patients vulnerable to the documented bedsores, infections, falls, and the failure to assist patients with eating or cleaning.²⁸ These media investigations have been backed up by years of academic studies.

Nursing home deficiencies rise at private equity owned facilities: Studies have repeatedly shown that private equity ownership is associated with more violations of nursing home regulations and lower staffing levels. The Government Accountability Office found that private equity owned facilities had higher rates of care deficiencies than non-profit facilities and lower overall staffing levels than other for-profit and non-profit nursing homes.²⁹ A 2012 study by University of California San Francisco and University of California Irvine researchers found that the number of deficiencies increased every year for three years after private equity purchases and severe deficiencies increased in most years.³⁰

In New Jersey, private equity owned and backed nursing homes had substantially

higher numbers of deficiencies and complaints. The total number of deficiencies over the past three years per 100 residents was more than 60 percent higher at private equity nursing homes than at public facilities and about 50 percent higher than at non-profit facilities (see Figure 1 on page 6). Similarly, the number of complaint investigations per 100 residents was twice as high at private equity nursing homes than at non-profit facilities.

Private equity cuts nursing staff: A 2017 study of how a private equity takeover affected a nursing home chain found that the private equity chain “pursued a strategy of low staffing levels” by lowering total staffing hours per patient day, stripping the real estate, and extracting significantly higher operating margins.³¹ A 2018 study of conditions at private equity owned Arkansas facilities that were the subject of a lawsuit found that staffing levels were insufficient to meet residents’ basic needs or to address their medical conditions resulting in “many quality of care problems, injuries, and deaths, as well as violations of their rights to human dignity.”³² Coronavirus compounded the understaffing at private equity owned facilities, as more workers were sickened and patient needs increased sharply.³³

In New Jersey, the private equity owned and backed nursing homes had lower levels of nursing hours per patient per day adjusted for the medical needs of the patients (the risk- or acute-adjusted nursing hours). Private equity nursing homes provided an average of 3.59 hours of risk-adjusted total nursing care per resident per day — about 20 percent less than was provided at non-profit and public nursing homes. Private equity nursing homes provided only an average 0.73 hours of risk-adjusted registered nursing care, more than

40 percent less than at non-profit facilities (see Figure 2 on page 7).

Private equity nursing home chains

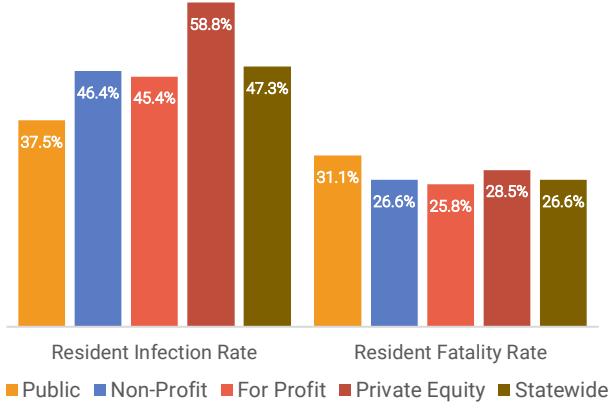
deliver worse medical outcomes: Several studies have shown how private equity takeovers have driven lower quality of care. A 2014 *Journal of Health Care Finance* study found that private equity delivered lower quality care than other for-profits, which deliver poorer care than non-profit nursing homes.³⁴ It found that private equity owned nursing homes had 29 percent fewer registered nursing hours per patient, 9 percent more pressure sores and 21 percent more deficiencies than for-profit homes.³⁵

A 2020 study by researchers from the University of Pennsylvania, New York University, and the University of Chicago found “robust evidence of declines in patient health and compliance with care standards.”³⁶ The longitudinal study of private equity nursing home takeovers found that buyouts led to declines in quality ratings by federal authorities, reduced per patient per day staffing ratios driven by “cuts to ‘front line’ caregivers,” and higher hospital readmission rates.³⁷ Private equity purchases led to a 6.5 percent decline in quality ratings, a 4.0 percent decline in patient health outcome ratings, and other reductions in quality the researchers conclude results in “economically and statistically significant declines across multiple dimensions of quality at nursing homes following [private equity] buyouts.”³⁸

New Jersey’s private equity nursing homes pose greater Coronavirus risk

The private equity owned and backed nursing homes in New Jersey have higher resident infection and fatality rates than

Fig. 3: New Jersey Nursing Home Resident Coronavirus Infection and Fatality Rate by Ownership



Source: AFREF analysis of NJ DoH, CMS data.

other nursing homes and private equity nursing homes have disproportionately higher resident Coronavirus cases and deaths than private equity’s share of average residents. Moreover, there is a considerable gap between the private equity infection and fatality rates in counties where people of color make up the majority of the population than in counties where the population is over 80 percent white. These findings are consistent with the repeated empirical findings that private equity ownership of nursing homes leads to lower quality levels and poorer health outcomes and suggest that private equity owned and backed nursing homes may exacerbate Coronavirus risks in nursing homes.

Residents at New Jersey private equity nursing homes face greater risk of Coronavirus

Residents at New Jersey private equity owned and backed nursing homes have suffered from higher Coronavirus infection rates and fatality rates than residents in other facilities. In New Jersey, there are 9 nursing home chains with 61 facilities that are owned or backed by private equity firms, representing about 17 percent of all facilities

Fig. 4: New Jersey Nursing Home Average Residents, Coronavirus Cases and Deaths by Ownership

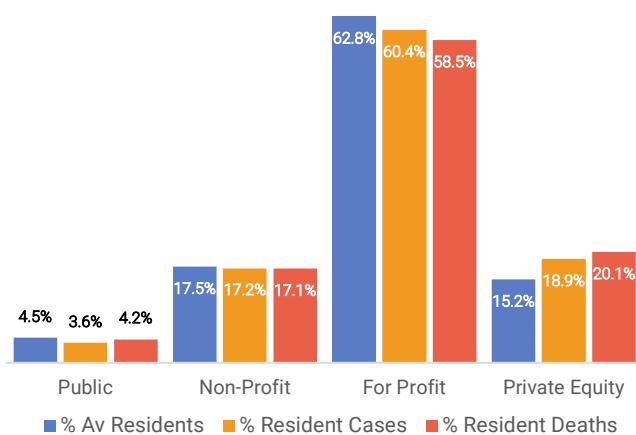
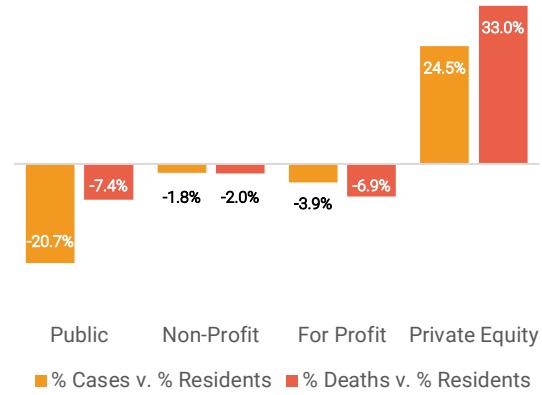


Fig. 5: NJ Resident Coronavirus Cases/Deaths Compared to Share of Residents by Ownership



and 15 percent of the average resident population. But the share of resident Coronavirus cases and deaths at private equity nursing homes is significantly greater than the share of private equity nursing home residents.

A larger proportion of private equity nursing home residents have contracted Coronavirus than residents at public, non-profit, or other for-profit nursing homes (see Figure 3 on page 8). The estimated infection rate (the number of resident cases divided by the average number of residents) is considerably higher at private equity nursing homes in New Jersey. Nearly three-fifths (58.8 percent) of private equity nursing home residents contracted Coronavirus — a rate 24.5 percent higher than the statewide average and 57.0 percent higher than at public facilities.

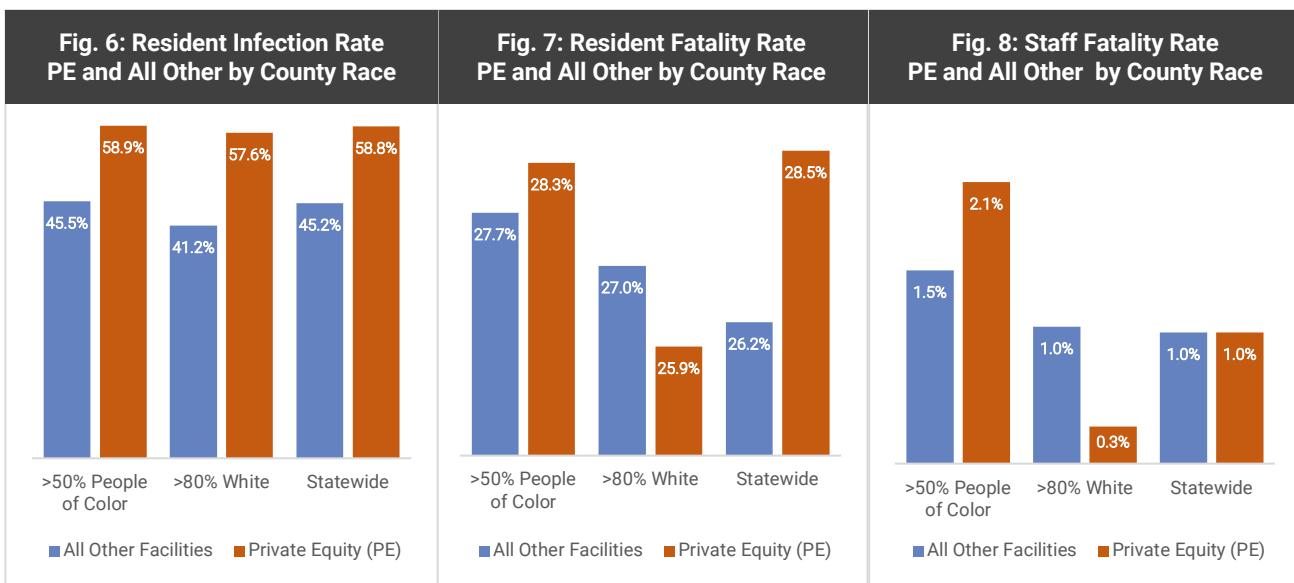
Residents that contracted Coronavirus at private equity nursing homes were more likely to die than Coronavirus patients at most other kinds of facilities. The Coronavirus fatality rate (the number of deaths divided by the number of cases) was 10.2 percent higher at private equity facilities than the statewide average and

higher than at non-profit and for-profit facilities. Public facilities had a higher fatality rate, possibly because of a more medically vulnerable resident population.

Private equity nursing homes have a disproportionate number of resident Coronavirus cases and fatalities compared to the share of residents (based on average residents) at private equity owned or backed facilities. Private equity nursing homes accounted for about 15 percent of average nursing home residents but about 20 percent of resident Coronavirus cases and deaths (see Figure 4). In contrast, the share of cases and deaths is lower than the share of residents at public, non-profit, and other for-profit facilities. The share of private equity resident cases is 24.5 percent higher than its share of residents and the share of deaths is 33.0 percent higher (see Figure 5).

Private equity exacerbates higher risks for people of color

People of color have been disproportionately affected by Coronavirus because of entrenched racial economic and health inequalities. Black and Latinx people are



Source: AFREF analysis of NJ DoH and CMS data.

more likely to need to work despite risks, less likely to be able to work remotely, and more likely to be “essential workers” in locations that put them at higher risk of exposure to Coronavirus.³⁹ For example, three-quarters of New Jersey nursing home workers are Black or Latinx (61 and 14 percent, respectively) and half are immigrants or naturalized citizens.⁴⁰ It has been economically impossible for many people of color to stay at home and the U.S. rate of Coronavirus infections is 3.2 times higher for Latinx people than for whites and 2.7 times higher for Blacks.⁴¹

Moreover, long-standing racial health disparities largely associated with economic inequality mean that Black and Latinx people are more likely to have medical conditions that leave them more vulnerable to Coronavirus.⁴² Black patients were 3.8 times more likely to die from Coronavirus than whites and Latinx patients were 2.5 times more likely to die, adjusted for the age of the patients.⁴³

This racial health inequality poses risks to nursing home patients. A June 2020 study

found that nursing homes with more Black residents have been more likely to have Coronavirus cases.⁴⁴ In New Jersey, residents and staff at nursing homes in counties where people of color make up the majority of the population are at greater risk of contracting and dying of Coronavirus than at facilities in counties where whites make up more than 80 percent of the population. Private equity nursing homes have a higher racial gap between the fatality rate at facilities in counties where people of color make up the majority of the population than overwhelmingly white counties.

The resident infection rate was higher in facilities located in counties where people of color made up the majority of the population than in overwhelmingly white counties overall and for private equity nursing homes in particular (see Figure 6). But the racial gap in the fatality rate for residents and staff was considerably higher at private equity nursing homes (see Figures 7 and 8). Staff Coronavirus fatality rates at private equity facilities were more than seven times higher in counties where people



of color were the majority of the population than in overwhelmingly white counties (2.1 percent and 0.3 percent, respectively), a much larger gap than for all other facilities where the staff fatality rate was 41 percent higher in counties of color. The resident fatality rate was 9 percent higher at private equity facilities in counties of color than in overwhelmingly white counties (28.3 percent and 25.9 percent respectively), a resident racial fatality rate gap that is more than triple the gap for non-private equity facilities.

Private equity nursing homes have disproportionate share of staff cases and deaths

The nursing home industry's understaffing and failure to pay decent wages or provide benefits has contributed to the spread of Coronavirus in nursing homes. Inadequate staffing levels have been a persistent problem in the industry, with too few workers to care for too many residents which compromises the quality of care.⁴⁵ Much of

the understaffing is driven by cost-cutting by for-profit operators to generate revenues for investors like private equity firms by reducing the number of workers at facilities and keeping wages and benefits low. Facilities that had too few staff to tend to patients before the pandemic were ill-equipped to provide infection control to cope with the pandemic.⁴⁶ Private equity owned and backed nursing homes had a disproportionate share of staff Coronavirus cases and deaths compared to the number of residents.

Nursing home workers are paid paltry wages, sometimes have limited benefits like healthcare and paid leave, and are overwhelmingly women and people of color. In New Jersey, the vast majority of workers are women of color.⁴⁷ Typical wages for New Jersey Certified Nursing Assistants (CNAs) were \$14.57 per hour and Licensed Practical Nurses (LPNs) were \$27.70 in 2019.⁴⁸ About one in eight of these nursing home workers lack any health insurance (13 percent).⁴⁹

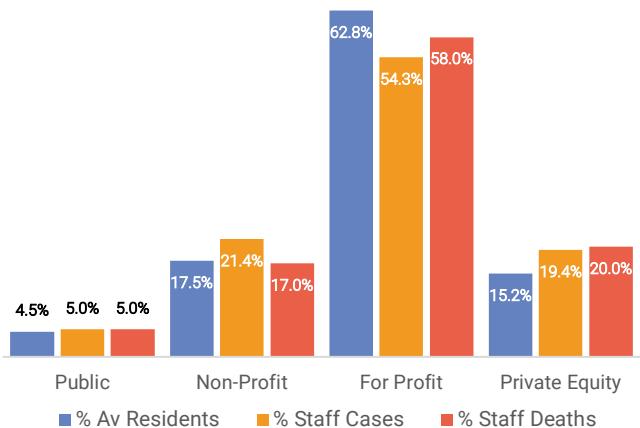
Low wages and benefits can compound Coronavirus risk. Many workers may be forced to work at multiple facilities to make ends meet or to come to work while sick and many rely on mass transit to get to their jobs.⁵⁰ These factors can make it easier for asymptomatic workers to inadvertently transmit the virus to colleagues and residents, igniting an outbreak.⁵¹

The industry's flatfooted response to the pandemic exacerbated the long-standing understaffing problems that put residents and staff at greater risk. Many nursing homes failed to provide sufficient personal protective equipment, failed to inform staff of potential cases inside the facilities where they worked, and even urged staff to come work when they were sick.⁵² Workers were terrified that they would contract Coronavirus at work and transmit it to their families. When New Jersey required nursing home workers to be tested for Coronavirus, some facilities only provided testing for workers with health insurance, requiring those workers without insurance to get themselves tested elsewhere at their own expense.⁵³

The short-staffing and safety failures have left nursing home workers vulnerable to Coronavirus and workers at private equity facilities have been disproportionately affected by the pandemic. By July, nearly 10,000 workers at New Jersey nursing homes had become infected with Coronavirus — 18 percent of the state's 53,600 nursing home foodservice, administrative, nursing, and caregiving workers.⁵⁴ These thousands of workers could carry the infection to their families and into their communities, putting others at risk; one hundred of those infected died.

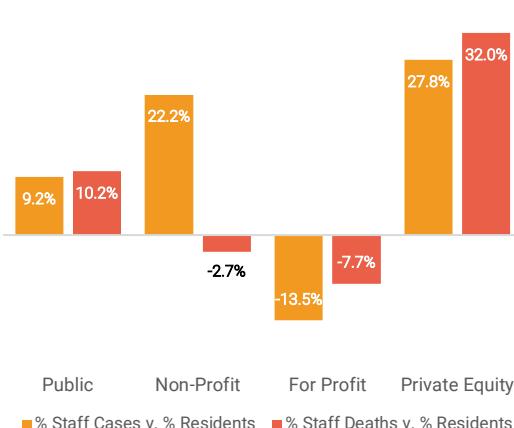
Private equity nursing homes have a disproportionate share of staff cases and deaths compared to its share of nursing home residents. Although residents at private equity nursing homes make up 15 percent of New Jersey's nursing home residents, staff working at private equity nursing homes made up about 20 percent of the staff cases and deaths (see Figure 9). Private equity nursing home workers are substantially overrepresented in Coronavirus cases and deaths (see Figure 10).

Fig. 9: New Jersey Nursing Home Staff Coronavirus Cases and Deaths by Ownership



Source: AFREF analysis of NJ DoH, CMS data.

Fig. 10: NJ Staff Coronavirus Cases/Deaths Compared to Share of Residents by Ownership



Source: AFREF analysis of NJ DoH, CMS data.

Conclusions and recommendations

The entire nursing home industry has long failed residents, families, and workers. Prior to Coronavirus, the deadly and dehumanizing flaws were often hidden from public view, but the pandemic has exposed the chronic understaffing, poverty wages, and inadequate regulatory oversight and enforcement that has led to a tidal wave of infections and deaths at U.S. nursing homes. The nation invests too few resources in providing care to our most frail and vulnerable neighbors in nursing homes or in a broader range of caregiving services in the community.

Private equity's investment in the nursing home industry has delivered lower quality care, under-staffing, and higher deficiency violations to residents. The private equity business model siphons profits, extracts value, and compromises financial capacity away from providing care to residents while insulating the private equity firms from responsibility for malpractice, inadequate care, and the nursing homes' debt burden.

The Coronavirus pandemic has revealed the risk to patients of private equity investments in nursing homes but also in other health care investments like community hospitals and doctors' practices that have driven surprise medical billing. This analysis conforms to the academic literature that has found that private equity nursing homes have lower staffing levels and higher deficiencies; it also shows that private equity nursing homes have higher Coronavirus resident infection and fatality rates and a disproportionate share of resident and staff cases and deaths. It also found that private equity affiliation amplified the racial health inequalities that put people of color at far greater risk of Coronavirus.

Private equity should be prohibited from owning health care facilities and assets like nursing homes:

Private equity should be prohibited from owning health care facilities and assets like nursing homes: The private equity strategy of generating fast profits through financial engineering and drastic cost-cutting enriches private equity firms but can pose risks to patients. Private equity's quality failures in owning, backing, and operating nursing homes demonstrates the risk of allowing private equity to own health care companies like nursing homes, but also hospitals, physician groups, clinics, and other health care provider companies.

The federal government must require the disclosure of the ultimate corporate owners and operators of federally certified nursing homes:

The federal government must require the disclosure of the ultimate corporate owners and operators of federally certified nursing homes: The ownership and operation of nursing homes is extremely opaque. The ownership of many facilities is concealed by a maze of corporate limited liability company shell companies and the ownership of the real estate is separated from the operation of the facility. It is difficult to determine the performance of a nursing home chain's portfolio of facilities without clear disclosure of the owners and operators in control, especially for private equity owned or backed facilities.

The federal government should impose strict staffing standards to protect workers and residents:

The federal government should impose strict staffing standards to protect workers and residents: The federal government should impose higher staffing levels of at least 4 hours of nursing care per patient per day, require nursing homes to provide worker protective equipment and protocols that meet CDC and Occupational Safety and Health Administration guidelines, require nursing homes to provide free Coronavirus testing to workers, require nursing homes to immediately disclose potential and confirmed Coronavirus cases in the workplace, require nursing homes to implement plans for Coronavirus outbreaks and surges, and require higher levels of pay

and benefits for nursing home workers including hazard bonuses during the pandemic.

Methodology

Americans for Financial Reform Education Fund analyzed the ownership of nursing home chains and Coronavirus infections and deaths of residents and workers in New Jersey. This analysis covers federally certified nursing homes and skilled nursing facilities; it does not include senior living communities, assisted living facilities, or memory care facilities.

Nursing home ownership: Nursing home ownership was determined from the Center for Medicare and Medicaid Services (CMS) ownership database,⁵⁵ corporate websites, the Pitchbook industry database, and media sources to determine private equity ownership or operation and/or private equity backing for 9 New Jersey nursing home chains with 61 facilities. Public, non-profit, and other for-profit determinations were based on the CMS Nursing Home Compare Provider Information database ownership field.⁵⁶ The private equity ownership and backing only includes chains and facilities where a clear association with a private equity firm could be established (see Table 1), including financing leveraged buyouts, investments, and loans. It is possible that more nursing home chains have private equity backing. Both the nursing home industry and private equity industry are extraordinarily opaque. The federal ownership data includes many limited liability companies identified solely by initial letters or groups of individuals that

may have private equity backing that is not disclosed. Further, some commercial real estate companies and private lenders that provide services to private funds, public companies, and individuals have backed some New Jersey facilities and chains that could be hidden private equity investments.

Coronavirus cases and deaths:

Coronavirus infection and death data were primarily drawn from the New Jersey Department of Health New Jersey LTC Facilities with COVID-19 Cases supplemented by the CMS COVID-19 Nursing Home Dataset.⁵⁷ This included the cumulative number of resident cases, resident deaths, staff cases, and staff deaths; it does not include the suspected case data from the federal data. New Jersey facilities were matched to federal nursing home identification number based on facility name, county, location, and legal business name. The New Jersey data has been reported back to the beginning of the Coronavirus, but the federal data does not report cases or deaths that occurred prior to May 1, after Coronavirus had already caused thousands of deaths in New Jersey nursing homes.⁵⁸

Facility-level quality and residency:

Facility certified beds, average number of residents, risk-adjusted total nursing hours and risk-adjusted registered nursing hours per patient per day, three cycles of deficiencies, and complaints are based on CMS Nursing Home Compare Provider Information database.⁵⁹ Demographic data was drawn from Census Bureau data for the population race and ethnicity by county based on nursing home address location.⁶⁰

Table 1. New Jersey private equity owned and backed nursing homes

Nursing Home Chain	Private Equity Firm/Backing	No. of Facilities	Facilities
Alameda Center ⁶¹	Monticello Commercial Capital backing	1	Alameda Center for Rehabilitation and Health
Atrium Health & Senior Living ⁶²	MidCap Financial (Apollo subsidiary) backing	8	Atrium Post-Acute Care of Hamilton; Atrium Post-Acute Care of Livingston; Atrium Post-Acute Care of Matawan; Atrium Post-Acute Care of Park Ridge; Atrium Post-Acute Care of Princeton; Atrium Post-Acute Care of Wayne; Atrium Post-Acute Care of Wayneview; Atrium Post-Acute Care of Woodbury
Care One ⁶³	Straus Group	21	Care One at Cresskill; Care One at East Brunswick; Care One at Evesham; Care One at Hanover Township; Care One at Holmdel; Care One at Jackson; Care One at King James; Care One at Livingston; Care One at Madison Avenue; Care One at Moorestown; Care One at Morris; Care One at New Milford; Care One at Oradell; Care One at Ridgewood Avenue; Care One at Somerset Valley; Care One at Teaneck; Care One at The Highlands; Care One at Valley; Care One at Wall; Care One at Wayne—Skilled Nursing Facility; Care One at Wellington
Complete Care ⁶⁴	EEF Capital/Peace Capital/Northwind	12	Complete Care at Arbors; Complete Care at Bey Lea, LLC; Complete Care at Fair Lawn Edge; Complete Care at Green Acres; Complete Care at Green Knoll; Complete Care at Hamilton, LLC; Complete Care at Holiday City; Complete Care at Laurelton, LLC; Complete Care at Linwood, LLC; Complete Care at Shorrock Haven; Complete Care at Summit Ridge; Whiting Health Care
Erickson Living ⁶⁵ (developer and manager)	Redwood Capital	3	Cedar Crest/Mountainview Gardens; Continuing Care at Lantern Hill; Continuing Care at Seabrook
Kindred Healthcare ⁶⁶	TPG Capital	1	Dwelling Place at St Clares
Lifecare Services ⁶⁷	Westminster Capital	2	Arbor at Laurel Circle; Harrowgate
Mima Healthcare ⁶⁸	Colony Capital	4	Avista Healthcare; Crystal Lake Healthcare & Rehab; Silver Healthcare Center; Wardell Gardens at Tinton Falls
Tryko Partners ⁶⁹ Marquis Health Services	Tryko Partners	9	Arbor Ridge Rehabilitation and Healthcare Center; Cambridge Rehabilitation and Healthcare Center; Coral Harbor Rehabilitation and Healthcare Center; Crest Pointe Rehabilitation and Healthcare Center; Jewish Home for Rehabilitation and Nursing; Laurel Brook Rehabilitation and Healthcare Center; Oakland Rehabilitation and Healthcare Center; Spring Grove Rehabilitation and Healthcare Center; Willow Springs Rehabilitation and Healthcare Ctr

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