

Nursing Home Buyouts Face Scrutiny

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Private equity firms have been rapidly buying up nursing homes in the last few years, sometimes using complex ownership structures to shield them from lawsuits. Now they have attracted attention in Washington.

Two members of the United States Senate on Thursday asked the federal agency that oversees nursing home inspections to account for what The New York Times [described in September](#) as an increase in health and safety violations at nursing homes bought by private investors. The lawmakers, Max Baucus of Montana and Chuck Grassley of Iowa, also sent letters to private equity firms, including the **Carlyle Group** and **Warburg Pincus**, seeking information about their nursing home investments.

Mr. Baucus, a Democrat, and Mr. Grassley, a Republican, are the chairman and ranking member, respectively, of the Senate Finance Committee. They have already squared off with some of the biggest players in the private equity industry. Earlier this year, they proposed a bill that would more than double the tax rate on publicly traded investment firms such as the **Blackstone Group** and the **Fortress Investment Group**. Such a measure would also likely apply to **Kohlberg Kravis Roberts** if it goes through with its plan to go public.

On Thursday, the two lawmakers turned their attention to private equity's role in the nursing home industry. Most nursing home fees are paid by Medicaid and Medicare, two programs overseen by the Senate Finance Committee.

In a press release, Mr. Baucus and Mr. Grassley expressed concern about the findings in the report, by The Times' Charles Duhigg, that after nursing homes were acquired by buyout firms, their residents were generally worse off than under the previous owners.

"Nursing homes aren't just investment vehicles," Mr. Baucus said in a statement. "They're homes for some of America's most vulnerable citizens."

Mr. Duhigg reported that the typical nursing home acquired by a large investment company before 2006 scored worse than national rates in 12 of 14 indicators that regulators use to track ailments of long-term residents. Investors in nursing homes have defended their records, and they say their buyout deals helped revitalize an industry that was threatened by widespread bankruptcies.

The report came as Carlyle, one of the world's largest private equity firms, was in the process of buying **Manor Care**, a major operator of nursing homes. That deal won

shareholder approval Thursday but is fiercely opposed by the Service Employees International Union, many of whose members work in the nursing home industry.

In addition to Carlyle and Warburg Pincus, the lawmakers said they sent letters to **Formation Capital, Fillmore Capital** and **Cammeby's Capital**, requesting the names and addresses of any nursing homes that they operate or whose facilities they own. The information is due on Nov. 9.

About two weeks ago, Mr. Grassley asked the Government Accountability Office, Congress's investigative arm, to examine how private equity ownership had affected the quality of care in nursing homes.

The text of the two letters are below.

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11 Comments

1. October 19, 2007 12:53 pm [Link](#)
Unfortunatley the greed that is being illicited by Private Equity firms that own nursing homes is nothing new. The book "Tender Loving Greed" addressed this problem in the 1970's. The only problem, 30 years later, is the lack of accountability of caring for the most valued resource in America is not sufficient. I, do realilze that those individuals associated with Private Equity firms have forgotten "that they care they provide to those old people is the care that they will receive when they are those old people" (So I Wore Black Shoes Pg. 22)
— *Margo Tucker*