How Nursing Home Ownership Structures Shape Resource Allocation

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Abstract

- The U.S. nursing home market is **$174.3B**
- Out of that, Medicare and Medicaid account for a significant portion of nursing home revenue the United States, but despite serving similar populations, nursing homes can vary in:
  - **staffing, regulatory violations, and quality of care**
- Approximately **70% of U.S. nursing homes** operate for profit
- While prior research connects ownership type with nursing home outcomes, less is known about the specific structures through which nursing home organizations **control finance and allocate resources**

Research Question

How do for-profit and nonprofit nursing-home organizations differ in how they control and finance resources, in spite of similar revenue streams?

Goals and Objectives

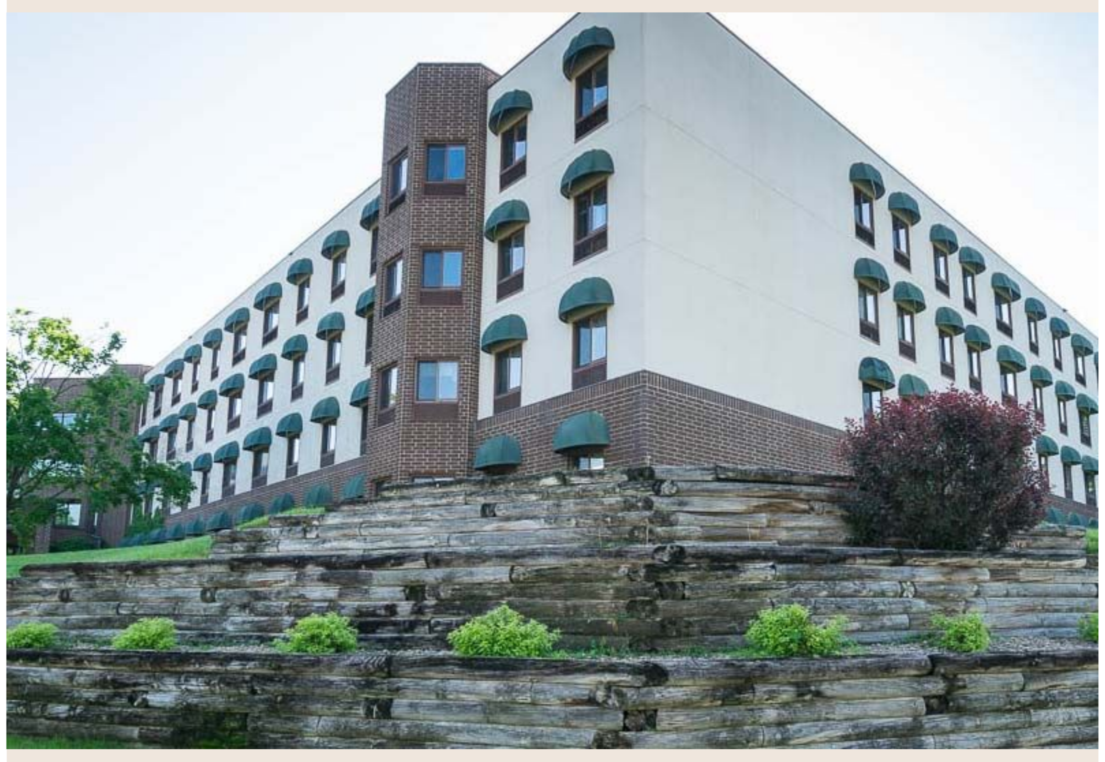
- **Map ownership and control** across nursing-home organizations and affiliated entities.
- **Trace financial obligations**, including: management fees, leases, related-party transactions, and debt
- **Compare for-profit and nonprofit organizational models.**
- Examine:
  - Who controls organizational resources?
  - Who ultimately profits?
  - Who is accountable for care?

Methods

Comparative Case Study Using:

- CMS nursing-home ownership
- Corporate and SEC filings
- IRS Form 990 nonprofit filings
- Property and real-estate records via GIS
- Organizational websites

Mission Health Nursing Homes



- Pictured: North Ridge Nursing Home

Presbyterian Nursing Homes

- Pictured: Maranatha Nursing Home

Discussion and Results

For-Profit: North Ridge Health & Rehab

Operating Side

SCP & Co. Private Equity Partners
Curis Holdings, LLC
Windward Health Partners
Management / affiliated structure
Mission Health Communities
Direct operator
North Ridge Operator LLC
Facility
North Ridge Health & Rehab

Triple-net lease

Real Estate Side

Omega Healthcare Investors
Aviv REIT
New Hope Property, LLC
Property owner chain
North Ridge Real Estate
Campus Real Estate

North Ridge reported $36.7M in net patient revenue and $39.1M in operating expenses. Of those operating expenses, 61.1% were non-salary expenses. This is higher than industry range of 34-58%.

Non-Profit: Presbyterian Homes

System/Management

Presbyterian Homes & Services (PHS)
System parent
PHS Management, LLC
Centralized management

Operating entities

$96M Presbyterian Homes (PH) Housing & Assisted Living
$35M Arden Hills
$30M Bloomington
$29M North Oaks
$1.1M Wisconsin
$15.9M Mill Pond
$6.6M Andover

Other Healthcare Services

Hospice
Healthcare services affiliate

Tax-exempt bond financing

Foundations

PH Foundation
Investments, funding, endowment, grants
Association of Homes and Services for Aging

Presbyterian Homes is a sophisticated senior-care network that focuses on senior living with care add-ons.

Most of its organizational complexity is oriented towards campus financing, tax-exempt bonds, centralized management, nonprofit governance, and philanthropy

- While North Ridge has financial obligations tied up in **management and lease fees from investors,** Presbyterian Homes has obligations associated with **bond financing, philanthropy, and nonprofit governance**. These contrasting obligations create different organizational incentives that shape how resources are allocated:
  - For-profit structures create incentives to g**enerate returns for owners and investors.**
  - Nonprofits are create incentives to **sustain and expand their mission**.

Future Questions

How do current Medicaid and Medicare policies treat organizational differences in their reimbursements?

Please use this QR to access references

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