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Nursing Home Acquisition Workgroup

MEETING SUMMARY

Friday, August 4, 2023

2:00 pm – 4:00 pm

Recording Link: https://www.youtube.com/watch?v=W_r9VF35LFI

Attendees

In Person

Ben Steffen
Jeanne-Marie Gawel
Joshua Auerbach (OAG)

Julie Beard
Stacy Howes
Theresa Lee
Tracey DeShields

Virtual

Alexa Bertinelli
Alexandra Baldi
Alison Lutich
Allison Ciborowski
Amanda Celentano
Aneena Patel
Ann MacKay
Anna Palmisano
Atul Gupta (Presenter)
Bob Kramer
Bonnie DiPietro
Bonnie DiPietro
Catherine Victorine
Claudia Balog
Danna Kaufman
Delegate Kenneth Kerr

Delegate Samuel Rosenberg
Dorinda Adams
Erin Davis
Heather Forsyth
Heather Reed
Henry Schwartz
Hope Morris
Howard Sollins
James Forsyth
Jason Caplan
Jennifer Crawley
John Spadaro
June Chung (MHCC
Legislative Officer)
Kevin Heffner
Liam McGivern

Linda Cole
Lisa Simpson
Lou Grimmel
Marcia Boyle
(Commissioner)
Maryanne Brennan
Megan Peter
Nancy Crawford
Paul Miller
Randi Ames
Regan Bailey
Senator Pamela Beidle
Stevanne Ellis
Shelly Martin (Presenter)
Trisha Nay
Tyler Brice
Wynee Hawk

1. Welcome
2. Meeting Minutes: July 14, 2023

Stacy Howes shared welcoming remarks, reviewed minutes and the agenda.

3. Review of What We Have Learned So Far: Ben Steffen, Executive Director, Maryland Health Care Commission

Ben Steffen reviewed what we have learned so far.

4. Understanding the Growth & Influence of Private Equity in Health Care, Dr. Atul Gupta, University of Pennsylvania

Dr. Atul Gupta did a presentation on *Private Equity and its Growth in Healthcare*. He discussed the definition of private equity, how private equity differs from conventional for-profit ownership, private equity growth in the last ten years/why the growth has been rapid/location of growth, the main sectors of healthcare that private equity is investing in and what the concerns are in regard to negative outcomes with private equity investing in nursing homes.

Following the presentation there was a question-and-answer session with Dr. Gupta. Mr. Steffen asked if Dr. Gupta had ever developed a template to identify a good from bad private equity, and he also explained that Maryland is a target because lower MCO, higher MA rate, and more private pay. Dr. Gupta stated that he had not worked on a formal template but in his opinion, there is only bad and worse private equity. He explained that big private equity does better than health care private equity and as for the map, it shows a high focus in high urban areas.

Senator Beidle stated in 2021 we required surveys on private equity however they were never rolled out due to resource issues. She questioned if surveys are used in other states or if there are other models for increasing transparency. Dr. Gupta commented that we should look at what CMS has done for hospitals and on the nursing home side, the information is there but CMS needs to release it.

Anne McKay commented that when North Oaks was sold, quality was not considered, and quality should be linked to acquisitions. She also asked what the impact of ACOs has been on private equity, and Dr. Gupta stated that ACOs are based on changing behavior of physicians and ACOs reduce payment, while private equity increases it.

Claudia Balog stated we should be looking at patterns on behavior and red flags and suggested the use of cost reports. Dr. Gupta responded that more in-depth information and transparency could be gleaned from cost reports and that he would be in favor of an owner not being allowed to spin off real estate or going after bad actors more aggressively.

June Chung added that the presentation showed there is no “skin the game” for the private equity companies, and the system doesn’t encourage quality. Dr. Gupta responded that nursing homes care about five-star ratings and suggested expanding the rating to include mortality rates.

Howard Sollins asked if Dr. Gupta had looked at the updates to the nursing home compare website or value-based care, and Dr. Gupta stated that he has not studied that yet.

Jeanne Marie Gawel discussed pros and cons of private equity and the Antitrust Improvement Act and then introduced Shelly Martin.

5. Private Equity: Looking Toward the Future, Shelly Martin, Office of Attorney General, Consumer Protection Division

Shelly Martin with the Office of the Attorney General presented on *Private Equity Looking Toward the Future*. She discussed undesirable outcomes seen with private equity investing such as decline in quality, lack of transparency and operators with high debt burdens. She then defined the challenge and proposed multiple safeguards.

The presentation was followed by a question and answer with Ms. Martin. Mr. Steffan asked if the OIG has been involved with acquisitions, and Ms. Martin replied not specifically.

Delegate Rosenberg asked if other states imposed other restrictions, and Ms. Martin stated New York and California we are looking at it.

Senator Beidle asked if we look at insurance, and Ms. Martin stated that was a great thing to add to the list. Paul Miller stated Medicaid has information about this.

Josh Auerbach shared concern about split real estate ownership and stated that there is a substantial number of false claims. Catherine Victorine stated she is interested in complaints receive, and Ms. Martin stated they receive complaints of abuse, neglect, and employee concerns.

Mr. Steffen questioned if looking at getting rid of triple and quad rooms as a disincentive will be effective, and Maryanne Brennan shared another red flag is the outsourcing of services. Claudia Balog added in California, with a new acquisition there are barriers imposed to laying off staff.

6. Review and Discussion of Ownership Structures

Ms. Gawel discussed the strengths and weaknesses of the current Maryland approach and posed questions on workgroup goals. She stated we would post discussion questions ahead of time for the next meeting.

7. Next Steps

Dr. Howes stated that the next meeting will be at the end of August and Ben Steffen thanked everyone and closed the meeting.