

Private Equity Myths vs. Facts

Myth

A large, growing portion of nursing homes are owned by private equity firms.

Fact

According to data from 2020, only [4.7 percent](#) of all nursing homes are owned by private equity firms.

Chronic underfunding of Medicaid and unfunded government mandates have pushed many nursing homes to the financial brink. The lack of financial support for the industry has forced a small number of nursing home providers to sell off their assets and seek other revenue sources to keep their doors open for residents and staff. This is where we saw some private equity investments a decade ago, but many of those were unsuccessful and **the larger private equity firms have since left the nursing home sector.**

“We haven’t seen any big major deals involving those larger private equity players in the skilled nursing space for quite some time.”

– Tao Qiu, Stifel analyst ([Skilled Nursing News, “Rhetoric vs Reality: Nursing Home Leaders Denounce Staffing, Private Equity Aspects of Reform Package”](#))

In fact, nursing homes are often “mom-and-pop” organizations. A majority (63 percent) of nursing homes belong to operators with 10 or less facilities, of which 31 percent are run by single property operators. Even the 10 largest nursing home operators account for only 12 percent of the nation’s nursing home beds ([National Investment Center for Seniors Housing & Care](#)).

Myth

Private equity firms’ investment in nursing homes has increased from \$5 billion to \$100 billion from 2000 to 2018.

Fact

The \$95 billion increase from 2000 to 2018 comes from private equity firms’ investment in all of health care, not specifically nursing homes.

If we consider all types of healthcare deals (LBOs, add-ons, growth investments, secondary buyouts) PE capital invested in healthcare grew from less than \$5 billion per year in 2000 to \$100 billion in 2018 – a 20-fold increase.”

(Institute for New Economic Thinking, [“Private Equity Buyouts in Healthcare: Who Wins, Who Loses?”](#), March 2020)

Since 2015, **nursing homes make up an extremely small portion of private equity capital and deals (less than 10 percent)** in the entire health care system. Private equity in health care is shifting away from nursing homes and into more lucrative sectors, such as dermatology and orthopedics. The issue is one for the entire health care system, not just nursing homes.

“Private equity firms began buying out hospitals and nursing homes in the 2000s before moving into more lucrative niches post-2010 -- ambulatory surgery, radiology, anesthesiology, emergency room management, neo-natal units, burn clinics, and trauma units, IT health and bill collecting. More recently, they have moved into non hospital-based physician specialties – dermatology, dental practice management, case management, ophthalmology, and orthopedics – as well as behavioral health.”

(Institute for New Economic Thinking, [“Private Equity Buyouts in Healthcare: Who Wins, Who Loses?”](#), March 2020)

Myth

Private equity owned nursing homes performed poorly in response to the COVID-19 pandemic compared to nursing homes with other ownership structures.

Fact

The role of private equity (PE) in nursing homes' response to COVID-19, specifically, is not correlated. [A study](#) from October 2020 found that nursing homes owned by private equity firms performed comparably with for-profit and nonprofit nursing homes. Specifically, when looking at staffing levels, COVID-19 cases and deaths or deaths from any other cause, there were not significant differences between PE nursing homes and others.

"In this cross-sectional study of 11,470 US nursing homes, there were no statistically significant differences in staffing levels, COVID-19 cases or deaths, or deaths from any cause between PE nursing homes and facilities with other ownership types."

(JAMA Network, "[Comparative Performance of Private Equity – Owned US Nursing Homes During the COVID-19 Pandemic](#)," October 2020)

Other independent researchers had similar [findings](#) that ownership had little to do with COVID infection rates, but are primarily correlated to the spread of the virus in the surrounding community and the size of the facility.

COVID-19 uniquely targeted nursing home residents, but public health officials failed to prioritize long term care from the very beginning of the pandemic, and this led to devastating results. Heroic caregivers worked day in and day out to protect their residents, but without proper government support or resources needed to mitigate the virus, it was virtually impossible to stop. Ownership is not a factor that contributed to how a nursing home performed during the pandemic when all nursing homes and congregate settings struggled during the pandemic.

Myth

Private equity owned nursing homes have lower staffing levels than other nursing homes because they are more worried about profit than care.

Fact

The entire long term care industry is facing a historic workforce crisis. The COVID-19 pandemic, specifically, has worsened labor levels across the entire health care sector, but nursing homes have been [hit the hardest](#). [A study](#) from October 2020 found that private equity owned nursing homes did not have lower staffing levels than other nursing homes during the pandemic. Policymakers should be concentrating on helping the long term care industry recruit and retain a robust workforce so every resident can get the highest level of care possible – the staff of nursing homes are the backbone of every facility.

Bottom Line:

Nursing homes, no matter the type of ownership, are facing an unprecedented economic and workforce crisis. Without action, seniors' access to long term care will be limited. Lawmakers must prioritize long term care residents and staff by providing support and addressing chronic underfunding, not putting the blame on individuals who have dedicated themselves to serving our nation's most vulnerable. Together, we should focus on [meaningful solutions](#) that will help us learn from this pandemic, renew our commitment to our seniors, and continue to improve the quality of care in America's nursing homes.