

NURSING HOMES: WHO OWNS THEM?

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**National Long Term Care
Ombudsman Resource Center
April 2001**

Supported by the U.S. Administration on Aging

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This report was supported, in part, by a grant, No. 90AM2139 from the Administration on Aging, Department of Health and Human Services. Grantees undertaking projects under government sponsorship are encouraged to express freely their findings and conclusions. Points of view or opinions do not, therefore, necessarily represent official Administration on Aging policy.

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INTRODUCTION

Over half of nursing home residents in the United States reside in facilities owned by a nursing home corporation. These corporations are usually large chains that own facilities across the country, and the facilities are sometimes owned by the chain's subsidiaries or leased out to a management company. When ombudsmen, families, and other advocates attempt to identify or gather business and financial information on one of these corporations, they discover that it is complicated and even impossible since many nursing home proprietors are part of a complex corporate structure. Consumer advocates also find that it is not easy to locate these records because they are not all filed with one federal agency. Federal laws only apply to publicly held corporations (those that trade stock on public stock exchanges) -- all other corporations file their business and financial information with state agencies, which are governed by state laws. Finally, information published by private businesses that do provide corporate information for both publicly and privately held companies is often too expensive for the average consumer to purchase.

This, however, should not stop advocates from identifying and tracking information on a corporation's profitability and growth plans; diversification in other businesses; executives and owners; and track record in providing good quality care in their facilities across the country. Consumers and advocates have found that by tracking information on a nursing home corporation, they can communicate their concerns directly to the decision makers of the nursing home company and are assured that the executives and owners are fully knowledgeable that families, residents and advocates find them ultimately responsible for the care received by residents living their facilities.

This report will attempt to address all these concerns by identifying sources that report on corporate business dealings and financial transactions. It will discuss (1) why there is a need for identifying nursing home ownership; (2) provide a guide for tracking nursing home owners and managers at both the federal and state level; and (3) provide policy recommendations for creating a more practical and effective system for consumers and advocates to collect this information on corporate owners and operators.

WHY IDENTIFY NURSING HOME OWNERS?

Consumer advocates often need to identify nursing home owners and operators to help change a facility's practices and improve the care provided to residents. State long term care ombudsman programs have used nursing home ownership information to stop poor providers from expanding their business and to assist consumers in investigating their loved one's nursing home. For example, the Oklahoma long term care ombudsman program used the number of complaints filed against a facility to testify against the owner's application to open a new facility. The testimony caused the state to deny the owner's request. It also led to the development of a public report by the ombudsman program that listed the number of complaints filed against facilities and the name of the facilities' owners. The report eventually resulted in the closing of several facilities run by poor providers.

In Michigan, the ombudsman used facility owner data to help families and residents report problems directly to the owners. Rather than just communicating problems to the administrator, the residents and family members wrote the owners about their grievances, and they found that the facilities took quicker action to correct the harm. In Ohio, regional long-term care ombudsmen are collecting information on corporations that own facilities within their area. The ombudsmen gather information such as complaints against the corporations' facilities, the number of facilities owned in the area, corporate officers, and other pertinent information on the corporation. The Ohio state ombudsman is now working on developing a network among regional ombudsmen and the state ombudsman office to share corporate information and keep track records of corporations' ability to provide good quality care to their residents throughout the state.

Unions also use corporate information to improve their leverage in labor disputes with nursing home owners. The Service Employees International Union's national headquarters, for example, keeps a database that continuously identifies the name of nursing home owners for all facilities in the U.S. The information is then made available to local union chapters so that they can effectively monitor owners and advocate for better working conditions for union employees and improve care for residents.

For average consumers and advocates, however, and even ombudsmen, collecting information on nursing home owners can be expensive and time-consuming since there is no easy step to finding information on a particular company. Since the Securities Exchange Commission does not require all corporations to file reports and there are fifty different state laws governing nursing home corporations, it is a challenge to develop an inexpensive system to gather companies' business and financial records.

TRACKING NURSING HOME OWNERSHIP

Federal laws require that large publicly traded corporations file financial and corporate information with the federal government. Companies that (1) issue stocks for sale to the public; (2) have more than 500 shareholders; and (3) have more than \$10 million in total assets must meet reporting requirements set by the Securities and Exchange Commission (SEC), an agency whose mission is to protect investors and maintain the integrity of the securities market. Companies that fall short of the SEC requirements need only to file reports in states in which they operate or own a nursing home.

Since state corporate laws vary from state to state, state information on nursing home owners tends to vary in quality. Some states require excellent ownership information to be filed, while other states have little information available. For example, Oklahoma requires that corporate owners and any shareholder with interest of 5 percent or more file their information as part of the licensure application, and the data must be made available at the facility's administrator's office for public review. In Indiana, however, nursing home owners are not required to disclose principal shareholder interest, and the little information that is available is hard to access even though the facility is required to disclose it to the public.

Sometimes a facility can provide misleading information about its owner. For example, a facility may not cite the parent company as its owner, naming instead a subsidiary, or it may provide a trade name for the company rather than its exact name.

These inaccuracies can make it difficult to track the company's business and financial records.

Despite these shortcomings in ownership data, a corporation's financial and business records are usually available to the public somewhere. However, an individual researching a corporation needs to make several phone calls to federal and state agencies, make several visits to state and local government offices and libraries, and research private clearinghouses, investment institutions and the Internet.

Step One: How to Identify the Owner

The first step in researching a nursing home owner is to identify the exact name of the company. This should be the easiest step, but sometimes it is not. A company may use a business name that is different than its corporate name. Also, a facility may only reveal a subsidiary as its owner, not the parent company. This complicates the process and requires more than one source to be checked to verify the exact name and address of a nursing home corporation. The following is a list of resources that are useful in identifying a nursing home owner, as well as other information about the owner's business.

- ***The Nursing Home*** - The facility and the administrator should provide corporate ownership information. However, some administrators are reluctant to reveal this information and may only provide the company's trade name or a subsidiary name as the owner. Therefore, it is important to confirm any findings with other resources.
- ***State Survey and CON Records*** – Some states require that survey forms, filed by a nursing home inspector, include the name of the owner or the name of the company managing the facility. Most states (except AZ, CA, CO, ID, IN, KS, MN, NM, ND, PA, SD, TX, UT, WY) require a Certificate of Need (CON) application to build a new nursing home or increase the number of beds at an existing facility, and this application also requires the disclosure of the owner's name. This is the form most commonly used by state long term care ombudsmen to determine corporate ownership.
- ***Medicaid Cost Reports*** - Both federal and state laws require that nursing home owners receiving Medicaid funds file a cost report for each of their facilities. This report can be obtained from the state's Medicaid office and should include ownership information. (Some states may require payment for copying of the report.)
- ***HCFA Reports*** - There are also Medicare cost reports for skilled nursing facilities, but the Health Care Financing Administration, which oversees nursing homes at the federal level, does not have ownership information readily available to the public from Medicare cost reports. However, the HCFA Nursing Home Compare Website, which provides survey results for all facilities receiving federal funds, identifies the type of ownership for each facility. Nursing Home Compare can be accessed through www.medicare.gov. Also note that HCFA is currently working to develop a system that identifies and tracks information on facilities owned by corporations in bankruptcy.

- **Real Estate Records** – Mortgage records, deeds, and tax assessments also help determine the owner of the facility and whether the facility is being leased or run by a management company.
 - **Mortgage records** provide the name of the borrower, the loan amount, and a description of the property, and they are easily retrieved with only a street address or name of the owner of the property. These records are kept at county courthouses or can be accessed through Internet services such as Lexis/Nexis and Westlaw (which charge a fee).
 - **Property deeds** provide lien, declaration of trust, regulatory agreement, and long-term lease information.
 - **Property tax records**, which are available at local tax assessment offices and retrievable with a street address, provide owner information and sometimes operator information if there is a long-term lease. These records also provide the value of the property and data on other properties owned by the corporation.
 - **Title companies** also provide information on real estate records, but the service is not free.
- **Court Records** – Corporate ownership can also be identified through civil and criminal court records. These records are easily accessible to the public through the Clerk of the Court, who can assist individuals to search the court's files for any cases in which the facility has been sued or has sued someone else. From these files, the name of the owner can be found.
- **Patient Bills and Corporate W-2 Forms** – These forms provide the name and address of the owner or a company that is managing the facility. Since a subsidiary or management company can also be a payee, they may not reveal the true owner of the facility; therefore, another source should be checked.
- **HCIA's Directory of Nursing Homes** - This is a resource manual published yearly that provides vital information on all facilities in the U.S. It is often kept at university libraries. It is available in database format or paper back and includes facility names, phone numbers, locations, and services provided by corporations. Since many nursing home corporations have filed for bankruptcy, some facilities have changed owners, so this book may provide outdated information. Therefore, other resources should be checked to verify the information.
- **Local Unions or Advocacy Groups**- Local union offices often keep track of facility owners and managers. They can also provide other pertinent information about a corporation since they have access to many resources that can be too expensive for a small consumer group or government agency. To find information on a local union group, contact the Service Employees International Union (1313 L Street, N.W., Washington, D.C. 20005, phone 202/898-3200), whose members include nursing home workers. Local advocacy groups can also provide good information on local nursing home corporations. A list of local advocacy groups is available on the NCCNHR website (www.nursinghomeaction.org).

STEP TWO: INVESTIGATING THE NURSING HOME OWNER

Once the nursing home owner or operator is identified, a search can begin on its financial and business dealings. There are various government records and publications available to help track corporations. However, it is easier to track information on a public corporation than a private one.

Searching Public Corporations

As stated above, under federal law, a corporation that issues stocks to the public and that has more than 500 shareholders and more than \$10 million in assets must disclose its business and financial information to the Securities and Exchange Commission so that investors can make informed investment decisions.

EDGAR, the Electronic Data Gathering, Analysis, and Retrieval System, is an SEC database which corporations must use to file documents. This is an Internet-based system that was developed to improve the receipt, acceptance and dissemination of the information filed with the agency.

For the purpose of investigating financial and business information on nursing home corporations, the forms filed on EDGAR are very helpful to gather insight into the operating practices, profitability and growth trends of a company. The EDGAR system is accessed through the Internet (<http://www.sec.gov>) and its documents can be downloaded for free. The SEC also has public reference rooms around the country where all other commission records that are not available through EDGAR can be obtained. The reference rooms can be identified by calling (202) 942-8090.

The following is a list of corporate filings made with the SEC that can be accessed through EDGAR and that are considered most useful in investigating nursing home corporations.

- ***Annual Report to Shareholders*** – This document is to provide shareholders with information about the corporation. It includes financial data, results of continuing operations, new product plans, subsidiary activities, and future growth plans.
- ***Prospectus*** – This provides basic business and financial information on a company that is issuing new securities. It helps investors make an educated guess whether or not to invest in the company.
- ***Proxy Materials*** – These documents are provided to shareholders at shareholder meetings. The proxy statements notify shareholders of matters to be brought to a vote at the annual meeting, including changes of the corporation's officers. They provide information on the officers and executives of the corporation that is not found in corporate filings. They also provide the names and positions of key individuals in the corporation and their salaries and other remuneration, and sometimes they disclose the number of shares an officer or director owns in the corporation.
- ***Form 10-K*** – This is the annual report that companies file with the SEC at the end of its fiscal year. It provides an overview of the corporation's business and is **one of the most valuable documents provided by the corporation**. It is important that the 10-K report and its exhibits be read in their entirety because they include information on purchase agreements involving other nursing homes, compensation agreements with company executives, stock option plans, and a complete listing of the corporation's subsidiaries.

For 10-K also includes the following type of information:

- The exact name of the company.
 - State of incorporation.
 - Employer Identification Number (EIN).
 - The corporation's name in each stock exchange.
 - Discussion of the type of businesses operated by the company. (Many nursing home corporations are diversified in other businesses, such as rehabilitative services and equipment, pharmaceuticals, etc.)
 - Recent developments within the corporation.
 - Health Care Operations – number of facilities owned by the corporation and in which states.
 - Medicaid and Medicare funding received by the corporation.
 - Number of employees.
 - Property ownership in each state and whether it is leased or owned by the corporation.
 - Any legal proceedings taken against the corporation. This does not include tort suits since the SEC does not require these to be disclosed.
 - Listing of top officials, their titles, and a summary of their work history.
 - Financial data, including gross income, income per share, net income, taxes, dividends paid, total assets, long-term debt, and shareholder equity.
- **Form 10-Q** – This report includes unaudited financial statements and is filed quarterly. This document is important to have an accurate understanding of the corporation's current financial condition.
 - **Form 8-K** – This report provides information previously reported by the corporation and considered important to investors and shareholders. Items often reported in the 8-K Form include: change in control of a company, acquisition or disposition of significant assets, bankruptcy or receivership, change in the company's certified accountant, and resignation of corporation directors.
 - **Form 13-F** – Investment firms file this form, which lists all equities managed by the investment company. It discloses who manages or owns large blocks of shares of one corporation. This form is not available through the Internet but can be obtained through the public reference rooms at SEC regional offices.
 - **Form 3** – This form reports on directors, officers and owners of more than 10 percent of the company's stocks. It discloses the type of stocks owned and if the amount is owned directly or indirectly. (There is also a Form 4 that provides any new information that amends Form 3.)

There are several other forms available through the EDGAR database or the public reference rooms at the SEC. For more information about reports filed with the SEC, search its website at <http://www.sec.gov>.

Another method to search for information on a public company is to purchase the company's stock. As a shareholder, an individual gets access to certain information that is not available to the general public. In addition, shareholders are invited to annual meetings where the corporate officers announce their revenues and future growth plans for the company. Becoming a shareholder also offers consumers an opportunity to voice their concerns about company business practices.

Searching Private Corporations

For corporations that are not required to file reports with the SEC, information can be found through state and local agencies. The following is a list of state and local agencies that provide a corporation's business and financial information.

- **Secretary of State** – This office, which may have a different name in other states, requires that a corporation operating within the state file an annual report. The annual report will include the exact name of the company, its address, state of incorporation, officers and directors. Partnership or limited partnership records can also be obtained from this office. This state annual report may not be as detailed as annual reports filed with the SEC, but it is probably the best source of information available on a company at the state level. Most states have a website for their office of the Secretary of State; however, their filing reports usually are not accessible through the Internet.
- **State Licensing and Certification Offices** – This is the agency that licenses nursing homes. It maintains information about company connections, character references for company officials, and any problems with an owner's license. It also provides survey inspection results and complaints filed against a facility (although complaint information is confidential). The reports and forms available through this office are Certificates of Need, inspection reports, statements of deficiencies, and plans of correction.
- **Boards of Examiners of Nursing Home Administrators** – Since every state requires that nursing home administrators be licensed, information on an administrator's licensing status and past history is available for public inspection in most states through the board of examiners for nursing home administrators. The National Association of Boards of Examiners for Long Term Care Administrators can also assist in finding this information. They are located at 1444 I Street, N.W., #700, Washington, D.C. 20005-2210. 202/712-9040.
- **State Medicaid Office** – If a nursing home company is receiving Medicaid funding, it must file a cost report with the state Medicaid office for each facility it owns. Although the content of the cost report differs by state, it is a valuable document for information on a particular facility's profitability and expenditures in direct care, overhead, and number of employees and their wages. The cost reports are also available through the Health Care Financing Administration's regional offices.
- **Federal, State and Local Courts** – Civil and criminal records can be an invaluable source of information in investigating a corporation. When a lawsuit is brought against an entity or individual, the opposing counsel begins an investigation, and their findings are often included in legal briefs filed with the court. Complaints, interrogatories and other court records can disclose a corporation's financial position, its business relations with other companies and individuals, its property ownership, and other financial data that are not often disclosed to the public. It can also mention other lawsuits brought against the company, its directors, officers and executives. It is key that the search begin at the district and circuit court level within the particular county where the corporation is located and be conducted at all court levels (i.e., federal, state and local) in which the case has been filed.

Financial and Investment Reports

Financial and investment institutions have developed elaborate database systems, accessible through the Internet, from which the public can retrieve corporate ownership information at the federal and state level. These database systems are the most centralized method of accessing nursing home ownership information for both publicly traded and privately held corporations. However, consumers, advocacy groups or government agencies often cannot afford to use these services because it can cost several thousand dollars per year to access them. Most stockbrokers and lawyers have access to these databases because their firms purchase them.

One of the best databases on the market is *Dun & Bradstreet Sales Leads*. This database can provide a report on a corporation that includes all the information to begin an investigation.

- Company name and street address
- Trade style and mailing address
- Names of four top executives of the corporation
- SIC codes and descriptions
- Line of business
- Ultimate parent company
- Immediate parent company
- Profitability and business trends
- Headquarters information such as where decisions are made and how the company is related to its headquarters, subsidiaries or branches.

There are also other private databases that can provide corporate data for a fee. They include Lexis, Westlaw and Primark.

- ***Corporate Websites*** – Most of the large chain corporations have corporate websites that may list the facilities they own around the country, their expansion plans, their annual reports, and other important information about the company. It is important to note that these websites operate as a marketing tool for the company, and the information should be reviewed critically.
- ***Directory of Companies Filing Annual Reports with the SEC*** – This document is published by the SEC and made available through the Government Printing Office (www.gpo.gov). It can help determine whether a corporation is public or privately held.
- ***Funk and Scott's Index of Corporations and Industries*** – This directory provides current information about both private and public corporations. Many public and university libraries keep a copy of this publication.
- ***Standard & Poor's Register of Corporations*** – This publication is very expensive; however, university libraries often have copies. It provides historical, financial and business information for publicly traded companies.
- ***Dun & Bradstreet's Million Dollar Directory*** – This publication provides similar information to Standard & Poor's directory, but it also includes information

on some privately held corporations. This is also available at most university libraries and some public libraries.

- ***Jenks Subacute Business Report*** – This report is written for the long term care industry and provides expert analysis of business and financial developments such as corporate earnings and stock performance, management changes at nursing facilities, mergers and acquisitions, and legal matters. (Other business periodicals and newspapers provide valuable information from time to time about the long term care industry and may provide useful archived material on their websites. For example, Forbes, the New York Times (<http://www.nytimes.com>), Washington Post (<http://www.washingtonpost.com>), Los Angeles Times (www.latimes.com); and the Wall Street Journal. (This newspaper is only available for a fee but most public libraries keep a copy).
- ***The Directory of Corporate Affiliations*** – This directory is available in both hardback copy and CD-ROM. It provides information on 131 private and public parent companies, affiliates, subsidiaries and divisions. The database version is updated on a quarterly basis and can be obtained through the Internet. A hard copy version is available at most university libraries.

POLICY RECOMMENDATIONS

- Develop a nationwide networking system that allows state long term care ombudsmen to share the information they gather on multi-state nursing home corporations and their activities.
- Enact state laws requiring shareholders with more than 5 percent interest in a corporation to file their information with the state.
- Identify corporate ownership in HCFA's Nursing Home Compare website.
- Require nursing home owners to identify themselves in Medicaid Provider Agreements with HCFA.
- Require that in approving a Certificate of Need, the state must consider whether or not a corporation's history shows that it sufficiently meets the health care needs of nursing home residents.
- Require that HCFA post and make readily available information on nursing home corporations to consumers. HCFA should also distribute this information to the state long term care ombudsman programs, state Medicaid offices, and any other state agencies working with nursing home-related matters.
- Require that state and federal agencies that provide loans, subsidies, or any other financial assistance to nursing home corporations consider the corporations' care history to determine if they sufficiently meet the health care needs of nursing home residents.

Work with state government to improve consumer accessibility to corporate records. Often consumers cannot locate corporate information that is filed with the state. States must make this information readily available to their residents.

ACKNOWLEDGEMENTS

I would like to express my thanks to the following individuals who provided me with invaluable information on how to find information on large and small companies that own nursing home facilities around the country. I really could not have gathered all this information without you.

Melissa Amernick, SEIU, Washington, D.C.

Hollis Turnham, Consultant and former Michigan State Long Term Care Ombudsman

Esther Houser, Oklahoma State Long Term Care Ombudsman

Beverly Laubert, Ohio State Long Term Care Ombudsman

Ginny Fraser, Colorado State Long Term Care Ombudsman

Bill Isele, New Jersey State Long Term Care Ombudsman

Prescott Cole, California Advocates for Nursing Home Reform

Steve Rachin and his staff, Florida State Long Term Care Ombudsman Program

Toby Edelman, Center for Medicare Advocacy, Inc.

Debby Allen, NCCNHR Board Member and Ombudsman

Sue Harang, NCCNHR Board Member

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