States of the Union

THE FAST-CARE INDUSTRY

BY RICHARD J. MARGOLIS

THE BUSINESS of nursing homes today is chiefly business, and it's been booming. Gross revenues in 1985 came to $35 billion, almost triple what they were only a decade ago. The dollar deluge has whetted Wall Street's appetite, and may also have dulled the public's sensibilities. That we now refer to these institutions collectively as "the adult care industry" suggests the extent to which they have been accepted as a branch of commerce. Accounts have largely eclipsed accountability.

Fewer than one-quarter of the nation's nursing homes currently are operated by philanthropic organizations or by public agencies. Seventy-eight per cent are run for profit, and a growing proportion of these consists of large, national chains—the caregiving equivalents of Sears and McDonald's. The chains control an estimated two-fifths of the total market; in many communities they enjoy virtual monopolies. By the year 2000, say Wall Street analysts, they will have increased their market share to at least 60 per cent, a degree of concentration approaching oligopoly.

These bright prospects have begun to attract companies with no previous experience in health care. Avon Products and the Marriott Corporation are two recent entries; so is the container manufacturer Owens-Illinois, whose subsidiary—the Health Retirement Corporation of America—has quickly become the nation's seventh largest investor-owned nursing home chain. The AFL-CIO could not have been far off the mark when, in a 1984 monograph on corporate takeovers, it concluded that the United States was "well down the road to becoming the only country in the world with a health care system dominated by large, corporate ... chains in the health business solely for profit."

The oligopoly, in fact, may already have arrived. In 1985 the top 50 chains took in $5 billion, and more than half of that went to just two corporations, a pair of West Coast behemoths known as Beverly Enterprises and the Hillhaven Corporation. Beverly is the larger of the two, and its story is instructive. In 1963, the year the corporation opened for business, it owned a mere three nursing homes with 245 residents. At present it operates over 1,000 homes with 115,000 beds. (It acquired 7,500 additional beds in 1985 alone.) Although Beverly's heaviest concentration is in the South, it also controls some 9,000 nursing home beds in California and nearly 5,000 in Michigan, or about 8 per cent of the total in each state. In Texas it owns 10 per cent of the market, in Georgia 11 per cent and in Arkansas a whopping 25 per cent.

Given its 1985 revenues approaching $1.7 billion, Beverly is clearly the McDonald's of our fast-care chains, but some of its competitors are moving up rapidly. To name a few 1985 winners: Hillhaven took in $803 million, Manor Care $454 million, Care Enterprises $239 million, and the Forum Group $177 million. In every case, revenues and profits were substantially higher than in the previous year.

The astonishing growth of fast-care chains does not appear to have improved conditions in nursing homes. There are such things as chain-linked deficiencies, chief among them being a tendency to maximize profits at the expense of services. What the chains usually do with their profits is of no use to either the residents or the general public. Instead of upgrading services they increase dividends to stockholders; instead of building new facilities they swallow up existing ones, thereby adding few beds to the nation's inadequate pool.

It is true that not all fast-care facilities are obsessed by profits, just as not all charitable homes are guided by altruism. In general, however, philanthropic nursing homes deliver better care than do commercial ones, and for an obvious reason. It is a question of ends and means: In philanthropic enterprises, care is the end and money is the means; in proprietary homes the philosophy is reversed.

We can sense the latter approach at work in the testimony of Judy Moser, a former nursing home director in Madisonville, Tennessee. She told a Senate committee what happened when her employer sold out to a regional chain that owned 14 other nursing homes. For openers, the staff-patient ratio jumped from 1:10 to 1:13, and "all the good aides started quitting, because they could not provide the care that was needed; they did not have the time."

One day, remembered Moser, her bosses called a staff meeting: "They said they knew how to make money, and they were in it for the money, and that in order to make money they would have to cut the staffing, so they were going to cut it again, and the care was going to go down even worse."

Moser's reply was to resign her position. "I told them that this was the people's home and that I would not be a part of making it a business...."

The chains, to be sure, take a more sanguine view of the matter. They argue that economies of scale and other corporate efficiencies actually improve the quality of care, that what is good for business is also good for residents. Beverly Enterprises in particular has been at pains to emphasize this putative connection between human welfare and corporate profits. "It is our dedication to the delivery of quality healthcare and our immense concern for the well-being of the elderly," the corporation has told its shareholders, "that has built our company into the most respected in its field today.... We can all continue to take pride in what we do. We do it better than anyone else."

But that expression of pride, it turns out, may not be an entirely appropriate response—not in Michigan, at any rate, where Beverly's behavior has been closely scrutinized by the Department of Public Health and by labor unions trying to organize the company's workers. A 1982 state-sponsored pilot project ranked nursing homes there on a three-step scale: better, average and worse. Twenty-three per cent of Beverly-controlled homes fell in the "worse" category, compared with 16 per cent of nursing homes statewide. In the "better" category, 22 per cent of Michigan's nursing homes but only 13 per cent of Beverly's met the study's standards.

THE AFL-CIO analysis went further still. Among other things it examined what happened to the quality of care in 17 homes that Beverly had acquired in 1981 from a smaller company named Provincial House. The evidence, culled from reports of state Public Health inspectors, suggested that "care deteriorated when Beverly Enterprises took over homes in the state.'

Excerpts from the notebooks of inspectors who investigated Beverly nursing homes about a year after they were acquired from Provincial House revealed heavier patterns of patient neglect. The notations do not make pleasant reading. Here are just a few:

- "A patient with a feeding tube was not receiving adequate oral care as evidenced by parched lips and tongue and oral residue. Other patients were observed with sticky saliva stringed between their teeth. Fourteen bedside stands in Units A and B failed to contain a complete set of oral care equipment such as brush and paste...."
- "Four of 5 accidents involving bodily injury to the patients were not reported to the family, next of kin or legal guardian...."
- "A total of 119 man-hours per day is not sufficient supportive personnel for a 360-bed facility, as evidenced by the lack of acceptable sanitation practices and the poor nutritional care rendered."
- "Three patients had contractures of the hands, with one nail grown in flesh and one with skin breakdown from nails. Bed patients are not provided with padding between skin surfaces."

The Michigan experience with Beverly Enterprises is hardly reassuring. At bottom it may reflect the limits of commerce, and of corporate philosophy, in helping to make life easier for the oldest and frailest among us. That the "McDonald's-ization" of the nursing home system may be dangerous to society's health seems implicit in our apparent inability to intervene. Corporate care, like corporate control, can appear bafflingly remote; often it discourages traditional forms of community participation and thus deprives residents of protections once gained from citizen vigilance. For most of us now it may be easier to buy stock in a nursing home corporation than to discover what goes on in one of its facilities.

All this has been made possible by Medicaid, with its guaranteed subsidies, and by old-age demographics, with its guaranteed market. For the fast-care chains rising life expectancies spell rising dollar expectations, but for the rest of society they spell something else—a constantly growing, freshly enfeebled cohort of elders, and the obligations they engender.

What shall we do with these worn-out individuals who unaccountably and inconveniently have outlived their economic usefulness? How much commitment, how many resources, shall we invest in the peculiar institutions to which we deliver up our aged loved ones, to which we ourselves are all too likely some day to be consigned? Commerce supplies one answer, compassion another. For the present, at least, commerce is alone at the lectern.