California nursing homes received millions in state funds as staff, services cut

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13 May 2010

According to an investigation conducted by the non-profit group California Watch, scores of California nursing homes have used more than $880 million in state funding to increase profits, while firing staff and reducing wages. Their actions have seriously endangered the lives of elderly residents.

The organization investigated the 645 biggest nursing homes in the state and those that provide care for for low-income Medi-Cal patients needing 24-hour assistance. Of these institutions, California Watch found that 232 had either cut staff, reduced wages, or rescinded necessary services for their clients.

The homes making these cuts collected about $236 million in government money between 2004, when a new state funding bill for nursing homes was first passed, and 2008. This sum represents more than a quarter of the entire increase in Medi-Cal financing approved by state lawmakers six years ago.

Layoffs were a particularly effective means by which nursing homes boosted revenues, according to California Watch. The profits of those facilities that axed jobs grew by 35 percent more than those that did not.

Covenant Care, for example, which owns 13 nursing homes, eliminated staff but received $15 million in additional funding from the state. The average yearly profit for these 13 facilities was more than $900,000, about three times higher than the remaining 632 homes documented by California Watch.

According to recent testimony delivered by Covenant Care's chief operating officer, the company's aim was to house more disabled patients in order to get higher reimbursements from the state, in spite of dangerously low staffing levels and a general lack of appropriate means for their treatment.

California Watch recounts the story of 78-year old Raymond Yniguez, who was sent to the company's Pacific Hills Manor in Morgan Hill, CA to recover from spinal surgery in early 2008. Three weeks after arriving, Yniguez fell and seriously injured his head. He was immediately sent home and died two days later from a massive brain hemorrhage as a result of not receiving adequate medical attention.

Another Covenant Care patient, Charles McGrew was admitted to the Royal Care Center in Long Beach in early 2006. McGrew was diabetic, had high blood pressure and a history of infections, which caused pressure sores on his ankles and tailbone. His family attests that the home did little to help him with his condition. At one point, McGrew's left leg had to be amputated due to one of the sores. He died 3 years later.

Royal Care's total profits reached $540,000 in 2008.

California Watch uncovered many similar such stories about other facilities and management companies. Harold Schreifels, a 67-year old resident of Homewood Care in San Jose, California died on Oct. 17, 2006 while awaiting surgery to repair a dialysis shunt. Schreifels, a diabetic, was experiencing dangerously low blood sugar and had pleaded in vain for someone at the home to contact his doctor.

The home's owner Jack Easterday, who was also convicted of failing to pay payroll taxes for eight other homes he owned, admitted that Schreifels' death might have been prevented had his staff given him life-saving nutrients intravenously. A state mediator nonetheless reduced a subsequent fine imposed on Easterday by $95,000.

The profiteering of nursing home facilities at the expense of the eldery was made possible by the California Nursing Home Quality Care Act of 2004. This law raised Medi-Cal rates paid to nursing homes in the state—the lowest in the US—by replacing a flat-fee system with one that supposedly allowed reimbursment based on actual costs. Companies were then able to make even more money because this boosted the amount of matching funds they receive from the federal government.

While the reimbursement rates were meant to increase hiring by facilities and raise wages, ultimately the nursing homes could spend the money however they wanted. In particular, the law benefited the largest institutions serving the most Medi-Cal patients.

California Watch found that much of the state's infusions were little more than direct payments to the owners of these homes, since the 2004 law did not include any provisions to ensure improvement of patient care. In fact, the analysis shows that the nearly two dozen homes that made the deepest cuts to their services had about 33 percent more deficiencies than other facilities.

State regulators continued channeling funds to facilities where numerous complaints were heard from patients. California Watch discovered that often, even if one state agency cited a home for egregious safety violations, another would reward the same home with more funding.

As government spending on these facilities increased from $3 billion in 2004 to $4 billion in 2008, so did the number of complaints and citations. In 2008, state regulators documented nearly 1,000 deficiencies for inadequate care, a 65 percent jump over 2005. In 2004, nursing homes registered 4,499 complaints from patients and their families. By 2008, more than 5,548 complaints were lodged.

Furthermore, when homes are cited for serious violations, the 2004 law allows them to be bailed out by the state for any legal costs associated with lawsuits alleging abuse and neglect. Since the bill was passed, nursing homes have challenged twice as many citations as they did previously.

Michael Connors, an advocate with the watchdog group California Advocates for Nursing Home Reform told the *San Jose Mercury News*, "The policy is outrageous, by paying the legal fees of nursing homes that are neglecting and abusing residents, the state is subsidizing their mistreatment."