



## Outsourcing Patient Care to Related Companies Can Lead to Poor Care

### ***Nursing-home Care Suffers as Companies Outsource to Related Firms, Siphoning Off Profits***

*by Jordan Rau, The Seattle Times, January 7, 2018.*

[https://www.seattletimes.com/business/nursing-home-care-suffers-as-companies-outsource-to-related-firms-siphoning-off-profits/?utm\\_source=email&utm\\_medium=email&utm\\_campaign=article\\_left\\_1.1](https://www.seattletimes.com/business/nursing-home-care-suffers-as-companies-outsource-to-related-firms-siphoning-off-profits/?utm_source=email&utm_medium=email&utm_campaign=article_left_1.1)

*Summary by Sally W. Soest, Education Committee, WACCRA.*

Nearly 75 percent of nursing homes have related strings of jointly-owned limited liability subsidiaries that provide patient care. The parent company outsources patient services to these subsidiaries in what are known as “related party transactions”. The nursing home pays the subsidiary higher fees for these services than they would in a competitive market, and the owner reaps the higher profits, which don’t show up on the parent nursing home’s accounts. “The cash flow gets really obscured through the related party transactions,” according to one plaintiff’s attorney.

Kaiser Health News reported that outsourcing patient care to sister companies leads to “fewer nurses and aides per patient, they have higher rates of patient injuries and unsafe practices, and they are the subject of complaints almost twice as often as independent homes”.

Kaiser found that homes structured with such jointly owned subsidiaries

- employed 8 percent fewer nurse and aides
- had a 9 percent higher incidence of hurt residents
- received 1.6 times higher rates of complaints
- were fined 22 percent more often for serious health violations

“Almost every single one of these chains is doing the same thing,” said Charlene Harrington, a professor emeritus of the School of Nursing at the University of California, San Francisco. “They’re just pulling money away from staffing.”