

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 807

(Delegate James, *et al.*)

Health and Government Operations

Finance

Task Force to Study Financial Matters Relating to Long-Term Care Facilities

This bill establishes a Task Force to Study Financial Matters Relating to Long-Term Care Facilities, staffed by the Department of Legislative Services.

The bill takes effect July 1, 2008 and terminates June 30, 2010.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force is required to study financial matters relating to long-term care facilities, including whether: • there are trends in ownership of long-term care facilities; • any ownership trends impact quality of care; • the Department of Health and Mental Hygiene should assert limitations or restrictions on certain types of ownership; • current laws governing ownership of long-term care facilities should be amended; and • long-term care facilities should be required to have liability insurance. The task force also has to study funding mechanisms for implementing any recommendations that would require a State agency or division to acquire specific resources or expertise to address. Members of the task force may not receive compensation but are entitled to

reimbursement for expenses under standard State travel regulations. The task force must submit an interim report by July 1, 2009 and a final report by June 1, 2010.

Background: In recent years, private investment firms have bought some of the nation's largest nursing home chains. In October 2007, officials in five states expressed concern about the Carlyle Group's then planned \$6.3 billion acquisition of HCR Manor Care, the nation's largest nursing home chain, prompting a congressional investigation of business practices at nursing homes owned by private investment firms. The acquisition was finalized on December 31, 2007.

Scrutiny of this acquisition practice has been raised in Maryland as Manor Care owns 15 skilled nursing facilities, 9 assisted living facilities, and 3 home care and hospice offices in the State. While Manor Care has indicated a commitment to maintaining current staffing and quality levels following the merger, documents filed with regulators by the Carlyle Group indicate plans to make each nursing home a stand-alone company and to separate ownership of the homes' real estate and operations, an organizational structure that has been used by other firms to avoid liability and regulatory scrutiny. Manor Care asserts that private investment in the long-term care sector has been a critical factor in providing essential capital, whether in the form of equity or debt.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Department of Legislative Services

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