



Medicare Star Ratings Allow Nursing Homes to Game the System

By Katie Thomas Aug. 24, 2014, New York Times

In 2011, Ken Chandler brought his elderly mother to a nursing home that had Medicare's seal of approval, a five-star rating. After a series of troubling events there, Mr. Chandler now feels misled.

CARMICHAEL, Calif. — The lobby of Rosewood Post-Acute Rehab, a nursing home in this Sacramento suburb, bears all the touches of a luxury hotel, including high ceilings, leather club chairs and paintings of bucolic landscapes.

What really sets Rosewood apart, however, is its five-star rating from Medicare, which has been assigning hotel-style ratings to nearly every nursing home in the country for the last five years. Rosewood's five-star status — the best possible — places it in rarefied company: Only one-fifth of more than 15,000 nursing homes nationwide hold such a distinction.

But an examination of the rating system by The New York Times has found that Rosewood and many other top-ranked nursing homes have been given a seal of approval that is based on incomplete information and that can seriously mislead consumers, investors and others about conditions at the homes.

The Medicare ratings, which have become the gold standard across the industry, are based in large part on self-reported data by the nursing homes that the government does not verify. Only one of the three criteria used to determine the star ratings — the results of annual health inspections — relies on assessments from independent reviewers. The other measures — staff levels and quality statistics — are reported by the nursing homes and accepted by Medicare, with limited exceptions, at face value.



Rosewood Post-Acute Rehab in Carmichael, Calif., has a five-star rating in spite of a high number of complaints made against it. Credit Max Whittaker for The New York Times

The ratings also do not take into account entire sets of potentially negative information, including fines and other enforcement actions by state, rather than federal, authorities, as well as complaints filed by consumers with state agencies. Last year, the State of California, for example, fined Rosewood \$100,000 — the highest penalty possible — for causing the 2006 death of a woman who was given an overdose of a powerful blood thinner.

From 2009 to 2013, California fielded 102 consumer complaints and reports of problems at Rosewood, according to a state website. California Advocates for Nursing Home Reform, which also tracks complaints, put the number even higher, at 164, which it says is twice the state average. Nursing home officials are appealing the state fine and point out that only a small fraction of the complaints at Rosewood, which has about 110 beds, have ever been substantiated. While that may be true, the sheer number could be a sign of trouble, industry experts say.

In interviews conducted during a recent visit, a half dozen current and former residents, including some who had lived in other homes, said they did not believe that the home merited a five-star rating. “If I fell down, they’d pick me up, but that’s about it,” said Michael McFadden, 76, who has lived at Rosewood for several years.

John L. Sorensen, the chief executive of North American Health Care, the chain that operates Rosewood, said the quality of the home was excellent. “I would put my parent there,” he said.

Rosewood struggles with many of the same challenges faced by other nursing homes around the country, offering a window into the rating system’s flaws, The Times found. Many residents live three to a room, and there is often a scarcity of basic supplies like washcloths, as well as a shortage of quality staff, according to interviews with current and former patients, their families and statements from former employees.

Lawsuits from Familie

Rosewood has also been the subject of about a dozen lawsuits in recent years from patients and their families claiming substandard care.

“It looks nice when you walk in,” said Bonnie Nathan, who said she placed her mother in Rosewood in 2010 mainly because of its five-star rating. She is now suing the home because she claims that workers there failed to treat her mother, Janet Zagon, for a respiratory condition that led to her death. “But I really didn’t have a sense of where patients were going to be cared for,” Ms. Nathan said.

Mr. Sorensen said that his nursing home was not at fault and that even excellent homes occasionally make mistakes.

“While we have had a few problems, they’re pretty minor compared to the overall accomplishments and tremendous customer satisfaction that’s being provided,” he said. The many lawsuits against Rosewood could be attributed to a “very litigious marketplace” in the Sacramento area, he said, and not to poor quality at the nursing home.

Receiving a high star rating has never been more important to nursing homes. When nurses and doctors discharge patients from hospitals, they often use the ratings in referral decisions, and insurers consider them when setting up preferred networks. The ratings are also often a first stop for investors and lenders, who consult them to decide whether a nursing home company is a safe bet.

“This whole program has walked into parts of our industry that we never expected,” said Steven Littlehale, executive vice president and chief clinical officer at PointRight, one of a handful of consulting firms that advise nursing homes on how to improve their ratings.

Widespread acceptance of the ratings is leading to their use beyond the elder-care industry. Beginning this year, Medicare plans to introduce similar five-star ratings for hospitals, dialysis centers and home-health-care agencies.

Federal officials say that while the rating system can be improved — and that they are working to make it better — it gives nursing homes incentives to get better.

“We have seen improvements,” said Dr. Patrick Conway, the chief medical officer at the Centers for Medicare and Medicaid Services. As evidence, he pointed to a decrease in the use of physical restraints by nursing homes and in the number of homes reporting bedsores among patients at a high risk of developing them.

But some nursing homes are not truly improving. Instead, they have learned how to game the rating system, according to interviews with current and former nursing home employees, lawyers and patient advocacy groups.

Nationally, the proportion of homes with above-average ratings has risen steadily. In 2009, when the program began, 37 percent of them received four- or five-star ratings. By 2013, nearly half did.

The Times analysis shows that even nursing homes with a history of poor care rate highly in the areas that rely on self-reported data. Of more than 50 nursing homes on a federal watch list for quality, nearly two-thirds hold four- or five-star ratings for their staff levels and quality statistics. The same homes do not fare as well on the sole criterion that is based on an independent review. More than 95 percent of the homes on the watch list received one or two stars for the health inspection, which is conducted by state workers.