WHY A CHAIN FACILITY FAILS

During the last sixty years long term care has evolved from a cottage industry of custodial care homes to publically traded national chains that operate post-acute nursing facilities. The emergence of management companies was a significant factor in this transformation, because many facilities went from a relationship model that was extremely dependent on the administrator to a business model where the mission, management, and contributions of many facilities are extremely dependent on a consortium of corporate decision makers.

There are many reasons for the significant growth of multi-facility management companies, but the most common motive is creating operational economies of scale that would not be possible for a standalone facility or a regional group of independently operated facilities. However, despite these advantages, this model is not without its potential shortcomings. In particular, the authority of some administrators was redistributed to corporate personnel, and the identity and culture of some facilities changed from homegrown to corporate care.

The performance of administrators and nursing directors was a constant source of frustration to my regional teams. Unfortunately, some management companies have a tendency to draw autonomy away from nursing facilities rather than empower and trust these executives. Invariably, I would offer the following advice to my corporate staff: "just let them manage."

Management companies are often the root cause of financial and resident care problems. Consequently, I developed the following questions to determine why a chain facility fails:

1. Is the failure(s) attributed to an isolated situation or a systemic pattern of conduct?
2. Is the failure(s) similar to regulatory violations that were experienced at other company facilities in the region?
3. Did the failure(s) occur in the wake of poor consumer ratings and complaint activity?
4. Do state agency survey reports portray management as a contributing factor?
5. Does the administrator(s) possess the necessary education, training, and experience? In particular, do they have the ability to successfully manage a standalone facility?
6. Was the administrator(s) afforded the necessary autonomy to prevent this failure(s), especially the authority to make decisions that are often reserved for corporate staff? Real autonomy is the power to make decisions without receiving advice or permission.
7. Was the failure(s) attributed to excessive administrator or DON turnover at the facility?
8. Did the facility generate the necessary net income (profit) to prevent the failure(s)?
9. Was the failure(s) attributed to understaffing levels that were conceived, sponsored, and heavily controlled by corporate staff? In addition, did the facility operate below federal, state, and industry benchmarks by design (i.e., corporate financial decisions)?
10. Is there evidence that the management company marshalled corporate resources, increased administrator autonomy, reduced profit margins, or reduced management fees in order to prevent the facility failure(s)?

Every layer of corporate management that separates administrators from CEO's substantially increases the likelihood of facility failures, because each level of oversight proportionately undermines administrator autonomy and erodes the homegrown culture of a nursing facility. The ultimate question is whether the level of decision making compression that descends from a corporate office is in the best interests of the facility and those it serves.

"I feel like a dinosaur" a college buddy once remarked as we were eating lunch one day. "We were trained to manage every aspect of a nursing home, which I did for years until this company acquired my facility. Now I'm bombarded with corporate reports and daily e-mails that second guess my leadership ability. Don't get me wrong, I really appreciate my job, but I am overqualified and disillusioned with my new clerical position."

Each nursing facility must create a homegrown culture regardless of its corporate affiliation. This only results from a "grass roots movement" that rises in earnest from facility management who possess the education, experience, leadership ability, and authority to make it happen. Unfortunately, this synergy is a valuable lesson that was often left behind as the nursing home industry evolved from mom and pop facilities to chain operated facilities.

The management company dynamics previously examined also applies to assisted living facilities, which in some respects are more susceptible to significant operational problems. It is important to recognize that regulatory architects designed nursing and assisted living facilities to deliver resident care/services as standalone providers. Therefore, chains that truly empower their administrators and DON's are less likely to experience facility failures.

Always remember, micromanaging from afar is the problem and not the solution.

About the author:

Lance Youles has served as an eldercare executive, consultant, or expert witness in 48 states. He can be reached at lancenpat@aol.com