Ownership Conversion and Closure in the Nursing Home Industry†

John R. Bowblis‡

Miami University

October 2009

Abstract: This paper analyzes closure and ownership conversion in the nursing home industry after an exogenous policy shock. Using merged data from Medicare Cost Reports and the Online Survey Certification and Reporting (OSCAR) system, separate multinomial probit models are estimated for not-for-profit (NFP) and for-profit (FP) facilities to determine the probability that facilities convert or close. NFPs that convert to FP benefited from the new market structure and FPs divest facilities that are unprofitable. In the case of closures, the factors that determine closure are similar for NFPs and FPs. FPs and NFPs tend to behave differently when they benefit from changes in market structure, but when facilities are struggling for survival both NFPs and FPs may implement similar strategies.