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## HOME REMEDY

# Rising Challenger Takes On Elder-Care System

By LUCETTE LAGNADO

PRINCETON, N.J.—In the spring of 2001, Bill Thomas, dressed in his usual sweat shirt and Birkenstock sandals, entered the buttoned-down halls of the Robert Wood Johnson Foundation. His message: Nursing homes need to be taken out of business. “It’s time to turn out the lights,” he declared.

Cautious but intrigued, foundation executives handed Dr. Thomas a modest \$300,000 grant several months later. Now the country’s fourth-largest philanthropy is throwing its considerable weight behind the 48-year-old physician’s vision of “Green Houses,” an eight-year-old movement to replace large nursing homes with small, homelike facilities for 10 to 12 residents. The foundation is hoping that through its support, Green Houses will soon be erected in all 50 states, up from the 41 Green Houses now in 10 states.

“We want to transform a broken system of care,” says Jane Isaacs Lowe, who oversees the foundation’s “Vulnerable Populations portfolio.” “I don’t want to be in a wheelchair in a hallway when I am 85.”

The foundation’s undertaking represents the most ambitious effort to date to turn a nice idea into a serious challenger to the nation’s system of 16,000 nursing homes. To its proponents, Green Houses are nothing less than a revolution that could overthrow what they see as the rigid, impersonal, at times degrading life the elderly can experience at large institutions.

Susan Feeney, a spokesperson for the American Health Care Association, which represents thousands of for-profit and not-for-profit nursing homes, says the criticisms levied against the industry by Dr. Thomas and his crowd are “overly harsh.” She says many nursing homes are embracing cultural changes to

create a more homelike feel. “While it may not be scrapping a large building . . . we are changing,” she says.

Green Houses face a host of hurdles. Many Green House builders say they’ve encountered a thicket of elder-care regulations. It takes enormous capital to build new homes from scratch. Plus, experts say the concept faces stiff resistance from many parts of the existing nursing-home system. Traditional nursing homes, many of which care for 100 to 200 patients, are predicated on economies of scale—the larger the home, the cheaper it is to care for each individual resident.

Foundation officials acknowledge they don’t know whether Green Houses are a viable economic model. But they’ve decided not to wait for an answer. Hewing to its recent strategy of making “big bets” on ideas to change social norms, Robert Wood Johnson is investing \$15 million over five years—one of the bigger grants the institution has handed out to a single entity.

The foundation, which has \$10 billion in assets, is trying to encourage the building of Green Houses and is directing the cash to NCB Capital Impact, a Washington, D.C.-based not-for-profit that has been offering consulting, education, architectural and other help to any party interested in operating a Green House. The foundation is also studying the viability of Green Houses and says more support could follow.

“Robert Wood Johnson is making an important investment to try to make sure there is a sufficient cadre of early adopters of the Green House model—and research to make sure the model is actually working,” says Thomas Hamilton, who oversees nursing-home quality and regulatory issues for the Centers for Medicare & Medicaid Services. He says his agency is trying to

coax nursing homes into changing their cultures and adopting more humane, “patient-centered” models such as the Green House.

The \$122 billion nursing-home industry arose from the 1965 birth of Medicare and Medicaid, the government health-insurance programs for the elderly and poor that provide billions in government reimbursements. Made up of both not-for-profit and for-profit companies, the industry still generates most of its revenue from Medicaid and Medicare.

Now, many nursing homes are aging, and the industry has suffered through so many scandals involving patient care that many elderly shun the thought of entering such institutions. A 2003 survey by the AARP, an advocacy group for older Americans, found that just 1% of Americans over 50 with a disability wanted to move to a nursing home.

In recent years there have been attempts to create more popular alternatives, with mixed results. Assisted living, an ambitious effort begun in the 1980s to allow seniors to live independently in apartments and other group settings, has proved very popular but it “serves the needs of people who are relatively wealthy and relatively healthy,” Dr. Thomas says. (Ms. Feeney of the American Health Care Association says the number of poor Medicaid elderly in assisted living is small but will grow.)

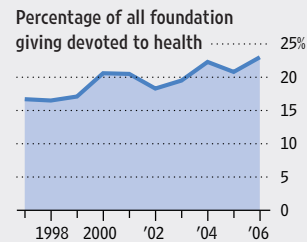
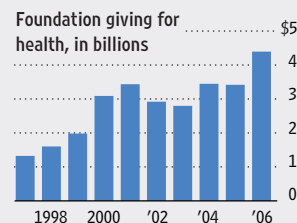
## Avoided Issue

While Robert Wood Johnson has historically taken a substantial interest in issues affecting the elderly, for years it avoided funding nursing homes or even nursing-home reform. “Bluntly, trying to make change in a system that was uninterested in change didn’t seem like a good investment,” says Ms. Lowe.

Ms. Lowe and her foundation colleagues began to shift that stance after their meeting with Dr. Thomas. A native of upstate

## Fiscally Fit

Health is a leading area of foundation grant-making



Source: Foundation Center data provided by Grantmakers In Health

New York, Dr. Thomas headed to Massachusetts to get his degree at Harvard Medical School, then returned to work as a doctor in a local nursing home. He says he was troubled by the experience. “I was distressed by the amount of emotional suffering that people were encountering even when they had good medical care,” he says.

Dr. Thomas spent years plumbing the issue, even penning a one-man play about a mythical land where elders were the heart of society. Further inspired by his two young daughters, both severely disabled and cared for at home, Dr. Thomas decided that changing nursing homes from within wouldn’t be enough, and sat down “with a clean piece of paper” to re-imagine elder care.

Tall, sporting a beard and a mane of long, curly brown hair, Dr. Thomas showed up at Robert Wood Johnson’s bucolic campus in 2001 attired in his usual casual

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garb—he says he wasn't about to change his ways and decided he was “going there to rattle the cages.” “This is a formal place,” Ms. Lowe says. “In this organization, when someone comes in Birkenstocks and jeans and a hoodie you think, ‘This must be the electrician.’”

But it was Dr. Thomas's electric delivery—officials liken him to an evangelist—that got the group's attention. “Our energy needs to be around how to replace nursing homes. Not replace the building but replace the idea that older people can be taken away and put into an institution,” Dr. Thomas recalls saying. He described his vision of home-like places where elderly residents could gather, dine together and sit before a blazing fire.

Though she was taken aback by Dr. Thomas's attire, Ms. Lowe says she grew fascinated by his idea of a place where seniors could flourish and grow, yet still receive the same high level of skilled nursing care that nursing homes offer.

In 2003, Ms. Lowe traveled to Tupelo, Miss., where the first Green House had just opened, and says she marveled at how different it was from a well-regarded nursing home she'd previously visited. “Instead of thinking, ‘I don't want to be here,’ it was, ‘How can I move in?’” she recalls.

Still, Ms. Lowe says the foundation deliberated mightily before making its move. Some still felt the system was too resistant for any change to happen.

### Source of Resistance

One big source of resistance is the dizzying array of federal and state regulations that are mostly geared to protecting residents in large institutions. There are “life safety” rules intended to keep residents safe and prevent them from dying in fires and other disasters; “physical plant” standards that deal with building codes; health-care rules that guarantee a modicum of privacy—requiring, for example, a curtain between beds. Infection-control regulations are meant to stop transmission of disease, while quality-of-life codes try to ensure residents receive adequate recreation and activities.

As a result, the groups with the know-how and resources to build Green Houses are often nursing-home operators themselves. Some nursing-home executives argue such rules can make it difficult, if

not impossible, to create the homelike environment that is a Green House's hallmark. Generally licensed as nursing homes, Green Houses are designed to provide a full range of care to the very sick.

### Regulatory Hurdle

Late last year, Lynn Thompson, chief executive of the Mennonite Memorial Home in Bluffton, Ohio, says he wanted to build a couple of Green Houses in a cornfield near a residential neighborhood so seniors could live near families with young children. But because the Green Houses would be a mile away and on a different lot, Mr. Thompson says state regulators dictated they must be licensed as an independent nursing home,

which meant they would have to have at least 50 beds—or build several more Green Houses. Mr. Thompson says it has put his plan at risk. “It has made it more expensive and more difficult,” he says.



Bill Thomas

Rebecca Maust, chief of the Division of Quality Assurance at the Ohio Health Department, says in a statement that the agency “fully supports”

person-centered care but that Green Houses have to be on the same lot as the main nursing home to “ensure proper care of residents.”

Gerald Betters, who built two Green Houses near his traditional nursing home in Powers, Mich., created a regulatory backlash when he decided residents would help bake cookies. Mr. Betters says he found out residents would have to wear gloves when they help, a rule he feels undermines the effort to make the facility feel like a home.

When contacted by The Wall Street Journal, Catherine Hunter, a licensing officer for the Division of Nursing Home Monitoring in Michigan's Department of Community Health, said that her office had embarked on a “management review” and had found a loophole. The elders need only wash their hands, provided their hands are cut-free, Ms. Hunter said.

Mr. Hamilton of the Centers for Medicare & Medicaid Services says his agency doesn't think existing rules “represent any serious barriers” to the Green House model. He added that he wants to “maintain open lines of communication” to any parties who believe that a regulation is a barrier.

These operators may be the

## Living Arrangements

The nation's elderly are choosing nursing homes at a shrinking rate.

Number of nursing-home residents per 1,000 people age 65 or older in the U.S.



Note: Data are age-adjusted to the 2000 population

Sources: National Center for Health Statistics; AARP

exception. According to Susan Reinhard, who heads the AARP's Public Policy Institute, some nursing-home owners aren't eager to switch horses. “You have owners who have their personal wealth invested in a model that was requested by society way back,” she says.

“There are providers who don't want to change because of the capital investment they've made,” adds Larry Minnix, CEO of the American Association of Homes and Services for the Aging, which represents not-for-profits. But he says they need to. “Forty years ago, the paradigm was the ‘minihospital’ and that is what became the modern American nursing home,” Mr. Minnix says. “That is not what is needed now.” Ms. Feeney of the American Health Care Association says the group is supportive of Green Houses.

Perhaps the most significant hurdle to Green Houses is the perception that they are too expensive. “The biggest criticism I hear is, ‘How do you make it work financially?’” says Mr. Minnix, whose association represents not-for-profit nursing homes as well as assisted-living and retirement communities.

Jeffrey Shireman, president of the not-for-profit Lebanon Valley Brethren Home in Palmyra, Pa., says he worked with Pennsylvania's Health Department to build Green Houses at a cost of \$1.7 million a piece with open kitchens, comfortable couches and electric fireplaces (real fire-

places are a regulatory obstacle). “If I could afford to, I would abandon the other institutional units and build more Green Houses,” says Mr. Shireman, who says his institution floated a bond issue and launched a capital campaign to fund construction of the Green Houses.

Michael Martin, vice president of Riverside Health System, which owns several traditional nursing homes as well as assisted living and other forms of elder care, says he was hoping to build some Green Houses and move 120 patients out of the traditional nursing-home beds his not-for-profit operates in Newport News, Va. He says the company even purchased land in nearby Williamsburg. But after intensive study, Mr. Martin says he concluded that Green Houses simply couldn't work financially.

Green Houses “will absolutely provide a quality of life unsurpassed,” Mr. Martin says, but “they don't work financially without subsidy.”

Others disagree. Robert Jenkins, who is spearheading the Green House project at NCB Capital for Robert Wood Johnson, says that some not-for-profits and at least one for-profit believe the model to be financially viable. St. John's Lutheran Ministries in Billings, Mont., operates both a nursing home and some Green Houses. In an internal review, officials found that it cost \$192 a day to care for a resident in the traditional nursing home versus \$150 a day in their Green Houses.

While building costs were high, Vice President David Trost says the Green House model also has cost savings. “We no longer have to take a resident 200 feet to the dining room—we only have to take them 20 feet, and that is significant,” he says.

Robert Wood Johnson executives say financial sustainability is a question they're scrutinizing intently. Based on this “first round” of Green Houses, they believe that it is financially doable, but they are rigorously testing the model and developing software that should help providers determine whether they can handle Green Houses financially.

Dr. Thomas says comparing Green Houses with nursing homes is an “apples-to-oranges comparison.” “Green House belongs to the tradition of finding the better product, of building the better mousetrap,” he says.



Jane Lowe