

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-12-25  
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations/Survey and Certification Group

APR 14 2009

Mr. Bruce Yarwood  
President & CEO  
American Health Care Association  
1201 L Street, N.W.  
Washington, D.C. 20005-4046

Dear Mr. Yarwood:

I am responding to your recent correspondence regarding the Department of Housing and Urban Development's (HUD) use of the Five Star Quality Rating System for nursing homes (Five Star). You believe that HUD's use of the Five Star system in their risk management role is an unintended consequence and that the Five Star is being misused. Consequently, you urge the Centers for Medicare & Medicaid Services (CMS) to "pull it back."

The HUD letter requests that Columbia National, "consistent with a servicing mortgagee's risk management responsibilities" contact the mortgagors of properties with a one-star rating "to determine what actions the mortgager and operator are taking to improve this rating."

We believe that asking a nursing home operator what it is doing to improve quality is a perfectly legitimate use of the Five-Star Quality Rating System.

CMS' first objective for the Five Star is to help people make decisions about which nursing home will meet their needs when facing an admission to a nursing home. The second objective, however, was to stimulate further improvements in nursing home quality. The HUD letter seems consistent with that purpose. Similarly, we are pleased to see nursing home chains also use the Five Star as a monitoring tool for multiple facilities throughout the country.

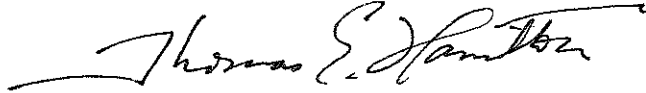
Upon receipt of your letter we contacted HUD to make sure HUD understands the limitations of the Five-Star System and to communicate our availability to them in the event they have questions. We understand that HUD is using the information to focus attention on those homes that may experience lower than average quality. Similarly, HUD uses other information in their risk management review such as decreases in census, that may indicate increased risk in their long-term financial viability. HUD is being proactive in asking for those One-Star homes to explain to their lenders what improvement plans they have made or intend to make. Historically, HUD has taken an active role in its risk management responsibilities, including reviewing deficiency information on Nursing Home Compare and, in some cases, reviewing a home's Statement of Deficiencies. This latest effort uses the Five Star information to assist HUD in managing the HUD loan program.

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We continue to work on making additional improvements in the Five Star system, and we appreciate your recent letter of March 27, 2009, in which you clarify your priorities for such additional improvements.

I appreciate your sharing this information with me even though we do not necessarily agree. I look forward to our working together to make the Web site even more helpful.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas E. Hamilton". The signature is fluid and cursive, with a long horizontal stroke at the end.

Thomas E. Hamilton  
Director

cc: Larry Minnix  
Alan Rosenbloom  
AHCA Board of Directors