

The Seattle Times

Winner of Eight Pulitzer Prizes

Originally published Wednesday, April 20, 2011 at 10:00 PM

State gets tough on referrals for elder care

Washington will become the first state to clamp down on the unregulated, explosive growth of elder-care referral businesses that rake in profits, sometimes deceptively, by promising to help families find long-term care for the aged.

By Michael J. Berens

Seattle Times staff reporter

Washington will become the first state to clamp down on the unregulated, explosive growth of elder-care referral businesses that rake in profits, sometimes deceptively, by promising to help families find long-term care for the aged.

Dozens of Washington companies offer to guide families through a maze of elder-care options to an adult family home or assisted-living facility that best fits their needs — all for free.

But there can be a hidden cost.

Most adult homes and elder-care facilities pay hefty commissions to placement services in order to fill empty beds. Many families, without knowing it, have been steered to places that pay the highest bounties — an average \$3,500 per person in King County.

Hard-fought legislation was sent this week to Gov. Chris Gregoire, who is expected to sign it. For the first time, referral companies will follow strict standards that include written disclosures of their commission rates.

Washington is the first state to pass a comprehensive law to rein in elder-care referral companies, according to research by AARP, a senior organization that supported the bill.

Across the nation, lawmakers are studying the bill as a model for change in at least a dozen states, consumer advocates and legislators said.

"The inherent problem is that referral agencies aim to make a profit at a most vulnerable time in an elder's life," said state Ombudsman Louise Ryan. "Right now, there are no rules."

Ryan's office helped draft the legislation in response to a Seattle Times investigation, Seniors for Sale, which revealed fatal flaws in the state's oversight of adult family homes.

Top comments

[Hide / Show comments](#)

☺☺ Of course, I would love to see the State of Washington DSHS do a much better job... (April 21, 2011, by Calico1) [Read more](#)

☺☺ The very best thing that ever happened to the referral agency was taking the service... (April 21, 2011, by forefun) [Read more](#)

☺☺ I have been involved with AFH's for 10 years. We only take state paid clients, so I... (April 21, 2011, by Crazy Ted) [Read more](#)

[Read all 11 comments >](#)

[Post a comment >](#)

The Times reported last year that many placement agencies failed to screen adult homes for past violations. As a result, hundreds of seniors have been referred to state-licensed homes with documented histories of substandard care, including fatal neglect.

In at least 143 cases since 2008, seniors were victimized after placement agencies placed them in adult homes, which provide care for up to six adults, Times analysis of Department of Social and Health Services records showed.

Cases included mentally ill residents drugged into submission; adults with dementia locked into rooms or tied to beds and wheelchairs to prevent wandering; and bed-bound seniors abandoned without assistance for up to 16 hours.

The legislation requires referral companies meet minimum standards, including:

- Obtaining a signed disclosure statement of fees and commissions.
- Maintaining at least \$1 million in liability insurance coverage.
- Completing a standardized intake form that tracks a senior's medical history and ability to pay for board and care. Seniors typically pay from \$3,500 to \$6,000 a month to live in an adult family home.

A key provision puts placement companies under the state Consumer Protection Act, which means complaints now can be investigated by the state Attorney General's Office.

The Times found that some referral companies collected commissions and touted adult homes without inspecting them for quality or safety. A referral company will be required to disclose to families and seniors when it conducted its most recent inspection.

Companies have until January 2012 to implement changes.

The sponsor of HB 1494, Rep. Jim Moeller, D-Vancouver, said few people know that referral agencies have mushroomed into a multimillion-dollar industry throughout Washington and nationally.

Legislation had wide support among many placement companies, consumer advocates and adult home owners.

"As the age wave hits, the demand for referral agencies will explode," said Ingrid McDonald, the Washington advocacy director for AARP.

Referral-company owner Les Ostermeier, of Choice Advisory in Mill Creek, believes the new law will protect and empower families and the aged. His company was formed in 1993 and employs about two dozen people.

Increasingly, elder-placement companies are embracing a Web-based business model, in which placements are brokered over the telephone — and commissions collected — without any personal contact.

"I'm just dismayed," he said.

One of those Web-based companies is Seattle-based A Place for Mom, the nation's largest referral company. Opened in 2000, the private company now spans 45 states with hundreds of employees called elder-care advisers.

A Place for Mom, majority-owned by Warburg Pincus, a global private equity firm, pulls in an estimated \$50 million a year in gross revenue.

The state ombudsman's office reported last month that executives from A Place for Mom aggressively opposed the legislation, including "spreading distortions about the bill."

Pamala Temple, co-founder and CEO of A Place for Mom, in a statement Wednesday, said she supports some regulation but believes the new law creates "significant barriers" by requiring a signed disclosure of fees before referring seniors to homes.

"Many tell us that if they were required to get their parent's permission first before looking at options, they would not be able to start the search," Temple said.

But Moeller and Ryan said the law requires a referral agency to obtain a signed disclosure statement, either in person or electronically, only before making a referral. Disclosure is not required when the agency is "only providing information," according to the bill.

The legislation also requires referral companies to clearly identify ownership of their websites.

For example, the website "AssistedLiving.com," which solicits contact information from visitors, makes no mention of A Place for Mom. Internet ownership records, however, show that AssistedLiving.com uses a network computer server registered to A Place for Mom.

Michael J. Berens: mberens@seattletimes.com or 206-464-2288.

