

FOLLOW THE MONEY

Three Shell Games Nursing
Homes Play to Get Rich Off
Elders and Taxpayers

SEIU CA & LOCAL 2015 RESEARCH
SEPTEMBER 2021



THE SACRAMENTO BEE

NURSING HOMES UNMASKED

'A crazy web'

The Washington Post

Profit and pain: How California's largest nursing home chain amassed millions as scrutiny mounted

As advocacy groups call for transparency, documents help trace the flow of public money to a complex network of related companies

Background

- The Sacramento Bee and Washington Post exposed how **one large nursing home chain - Brius Healthcare - used financial schemes to get rich off taxpayers and elderly residents.**

What's NEW

- Analyzing publicly available data, SEIU researchers found these elaborate schemes are widespread and growing among nursing home chains
- The vast majority of California nursing homes now utilize “related party payments” and move more than \$1 billion annually to related companies



Corporate Shell Games



HOW IT WORKS

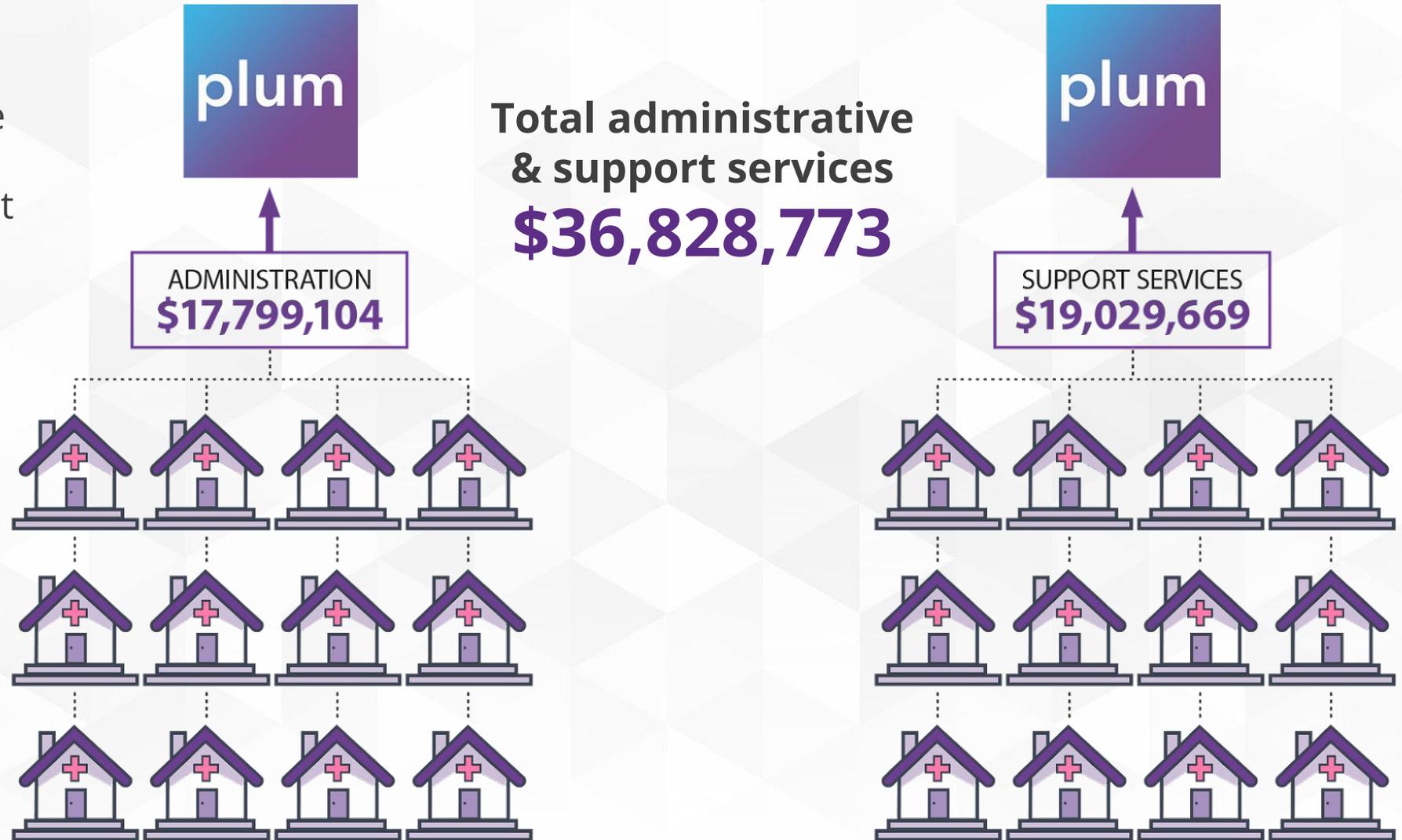
- Nursing home corporations set up “related companies” and pay themselves exorbitant management and administrative fees, moving money from resident care into the pockets of executives

EXAMPLE

- Plum-owned nursing homes paid \$37 million in “administrative” and “support services” fees to Plum Healthcare Group, LLC

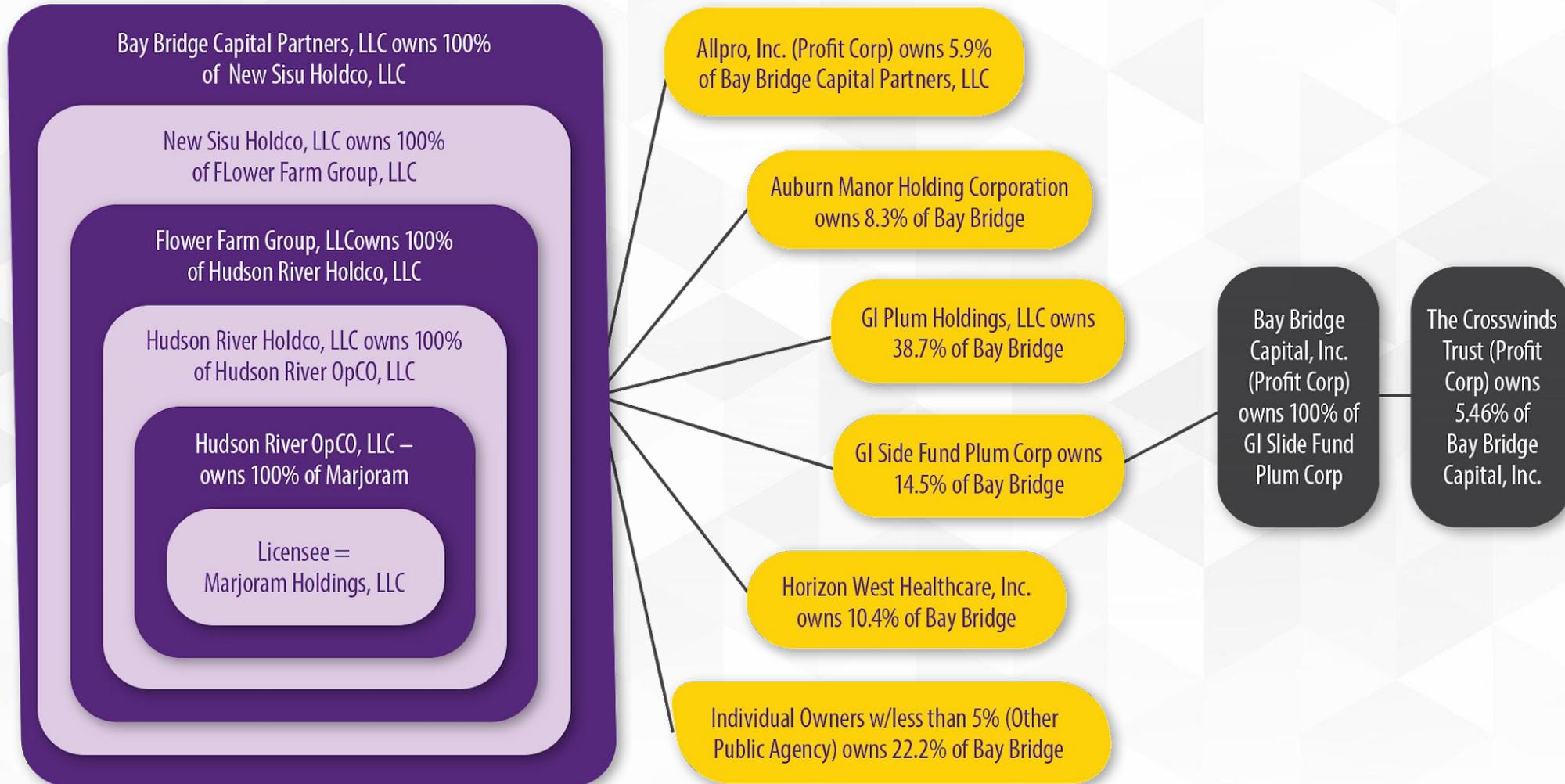
Example: Plum Healthcare Group

All Plum SNFs have an administrative services agreement with Plum Healthcare Group, LLC



Example: 14 Layers of Corporate Ownership Structure

Cypress Ridge Care Center, a Plum Facility



Real Estate Shell Games



HOW IT WORKS

- Nursing homes “rent” their space from their parent corporations or companies controlled by them.
- Paying themselves rent is another way to move money from serving residents into the pockets of executives.

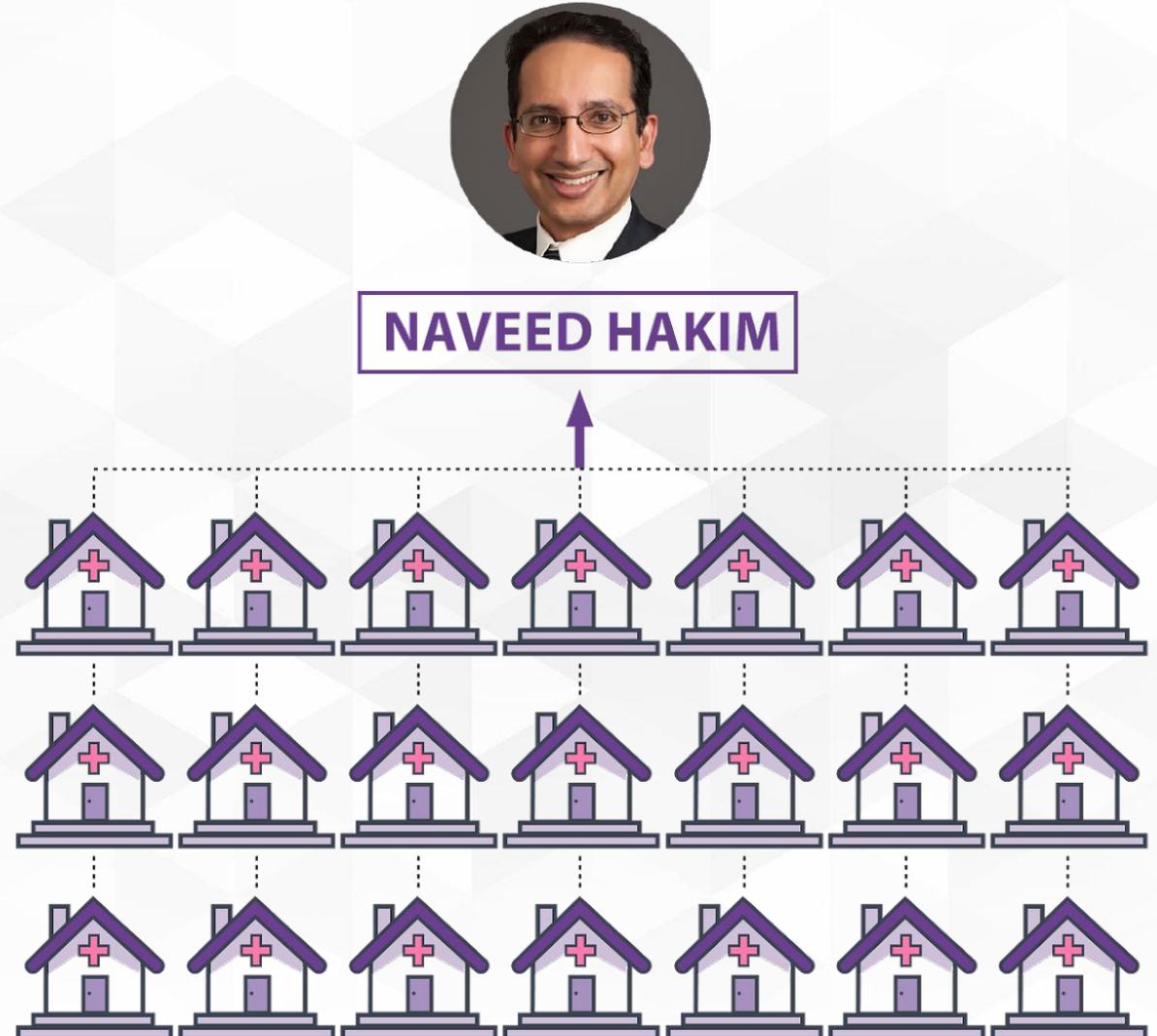
EXAMPLE

- Companies controlled by Naveed Hakim, the CFO of Plum Healthcare, have collected more than \$51 million in leases and rent from Plum nursing homes.

Example: Plum Healthcare

LEASES AND RENTALS

- Companies controlled by Plum Healthcare CFO Naveed Hakim collected **\$51,202,466** in leases and rentals from Plum nursing homes



Family Shell Games



HOW IT WORKS

- Nursing homes pay executives and their family members for services like “property management”
- Paying themselves fees is another way nursing homes shift dollars from resident care into executives’ pockets

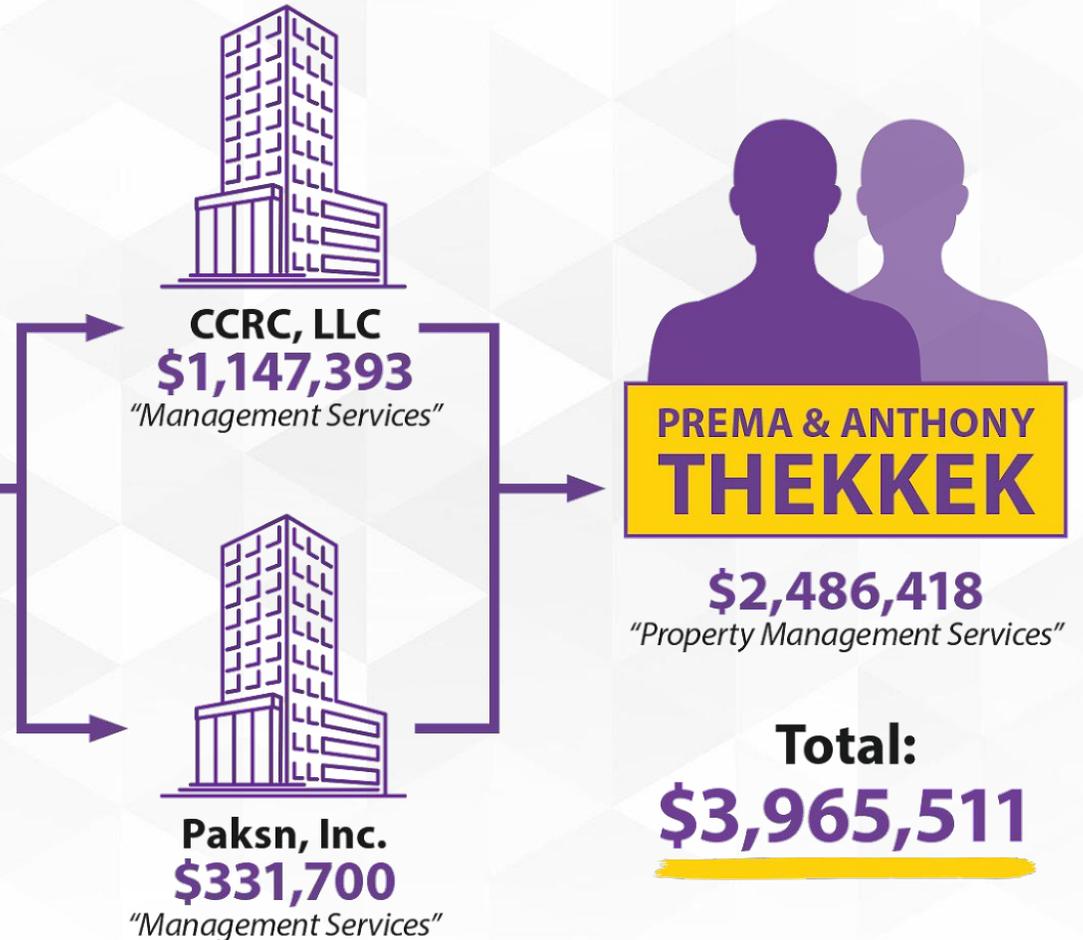
EXAMPLE

- Prema and Anthony Thekkek have collected millions in “property management” and “management services” from Thekkek nursing homes

Example: Thekkek's Creekside Rehabilitation & Behavioral Health

Santa Rosa, CA

- Net Operating Revenue: **\$22,560,498**
- Expenses paid to related parties: **\$3.9 million (18%)**
- Reported net income: **-\$2.3 million**



Schemes that skim dollars from taxpayers and elderly residents are **widespread** and **growing**.

2014

73% of California nursing homes reported related party transactions totaling over \$840 million.

**\$840
MILLION**

2019

82% of California nursing homes reported related party transactions worth nearly \$1.1 billion.

**\$1.1
BILLION**



Why it matters: Executives Get Rich; Collect Taxpayer Bailouts.

"The lack of transparency in California and across the country comes as the industry continues to vie for additional government funding, saying the cost of patient care during the coronavirus crisis has soared."

- Washington Post 12/31/2020



Why it matters: Executives Line their Pockets While Claiming Poverty

- Federal and state governments have directed billions of dollars into a nursing home industry that claims to be struggling.
- While nursing homes report diminished operating margins, the money they move into related companies has soared.

OPERATING MARGINS AND TOTAL RELATED PARTY TRANSACTIONS 2014-2019



Why it matters: Nursing Home Workers Struggle with Understaffing

"A June 2021 survey from the American Health Care Association and National Center for Assisted Living (AHCA/NCAL) found 94% of nursing home providers had a shortage of staff members in the last month -- and more than half lost key members of their staff during the pandemic."

- CNN 6/27/21



Why it matters: Dollars Diverted from Patient Care

A "2018 State Auditor's report... found that nursing home residents are increasingly endangered despite our ballooning Medi-Cal payments intended to guarantee high quality care. Between 2006 and 2015, nursing home deficiencies that caused, or were likely to cause, serious injury or death to residents increased by 35 percent. During this period, annual Medi-Cal payments to nursing homes increased by 31 percent."

- CANHR

Conclusion

1. SEIU researchers have documented the transfer of tens of millions of dollars from nursing homes to related companies, shell corporations, executives and their family members
2. These dollars come out of patient care, the vast majority paid by taxpayers.



What's Next?

- Publicly reported data just scratches the surface of related party payments. Taxpayers should demand audits to determine which are legitimate expenses and which are elaborate fraud schemes.

- SB 650 (Stern) requires nursing homes to report certified financial statements.



	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
2.65	13359.77	14016.76	14994.89	12901.21	12625.01	13686.73	213.05	12941.58	1
5.57	925.61	1232.46	1046.8	1152.52	1210.19	2180.86	2100	1938.61	
1.89	2990.19	3453.99	445.21	3400	2956.12	5759.39	325.32	3003.2	
2.52	340.11	415.0	491.76	442.9	442.9	603	774.39	696.84	
4.23	8953.85	8323.29	228.76	5744.81	1114.11	6151.39	6983.6	6088.4	
92.9	1675.65	1859.25	178.12	1914.77	1830.85	2268.69	5165.45	2480.94	
1.67	911.7	860.27	13.35	979.59	847.94	1067.62	1163.01	1107.32	
7.45	482.16	111.0	11.63	515.79	558.06	645.75	549	589.68	
5.55	419.17	302.96	32.0	403.78	402.73	329.75	367.56	313.65	
59.8	57.72	80.6	4.7	87.88	35.36	74.6	85.28	56.68	
4.08	1.24	0.99		17.86	1.88	37	1.3	0.71	
0.75		0.75		0.25	3.70	2.5	0	2.5	
4.74	196.1	3.82	14			710.8	794.06	738.56	
9.24	173.81	308	22.03	191.87	172.88	153.71	119.41	121.48	
0.3	0.2		14.44						