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

SEIU CA & LOCAL 2015 RESEARCH
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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
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.

**Total administrative & support services**

$36,828,773

**Administration**

$17,799,104

**Support Services**

$19,029,669
Example: 14 Layers of Corporate Ownership Structure

Cypress Ridge Care Center, a Plum Facility

- Bay Bridge Capital Partners, LLC owns 100% of New Sisu Holdco, LLC
- New Sisu Holdco, LLC owns 100% of Flower Farm Group, LLC
- Flower Farm Group, LLC owns 100% of Hudson River Holdco, LLC
- Hudson River Holdco, LLC owns 100% of Hudson River OpCO, LLC
- Hudson River OpCO, LLC – owns 100% of Marjoram
- Licensee = Marjoram Holdings, LLC

- Allpro, Inc. (Profit Corp) owns 5.9% of Bay Bridge Capital Partners, LLC
- Auburn Manor Holding Corporation owns 8.3% of Bay Bridge
- GI Plum Holdings, LLC owns 38.7% of Bay Bridge
- GI Side Fund Plum Corp owns 14.5% of Bay Bridge
- Horizon West Healthcare, Inc. owns 10.4% of Bay Bridge
- Individual Owners w/less than 5% (Other Public Agency) owns 22.2% of Bay Bridge

- Bay Bridge Capital, Inc. (Profit Corp) owns 100% of GI Side Fund Plum Corp
- The Crosswinds Trust (Profit Corp) owns 5.46% of Bay Bridge Capital, Inc.
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
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.

2019
82% of California nursing homes reported related party transactions worth nearly $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.
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.