Unmasked: Who owns California’s nursing homes?

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Marisa Conover and her husband, Dane Conover, still mourn Marisa’s 82-year-old mother, Genine Zizzo. Conover spent
months gathering documents and researching the ownership of the Roseville facility where her mother stayed for 10 days before her death in December 2012. “Who are these people?” Marisa Conover asked.

Second of three parts.

Marisa Conover of Fair Oaks built her career dealing with complicated people and problems. As a former executive with CBS Records International, she handled worldwide distribution of video and merchandising for such artists as Michael Jackson, Barbra Streisand and The Rolling Stones.

Then she encountered a challenge closer to home.

Conover believes that questionable care at a Roseville nursing home — and the injection of a powerful antipsychotic drug — contributed to the death of her mother in December 2012. Genine Zizzo, a 5-foot-1 widow who had lived in the same Orangevale home for 50 years, died at age 82 following a 10-day stay at Roseville Point Health & Wellness Center.

ABOUT THIS SERIES
PART 1: The care behind the promises. A data-driven examination of how California’s largest nursing home chains are performing.
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Conover filed a complaint with the state through a Sacramento-based advocacy group. She researched the controversial use of “chemical restraints” in nursing homes to subdue and control patients. She gathered her mother’s medical records and coroner’s reports, highlighting in yellow the apparent inconsistencies and contradictions.
PART 2: Unmasking the owners. A close-up look at the complex corporate networks that permeate the nursing home industry, and the diverse owners at the top.

But when Conover began poking around the Internet to research the ownership history of Roseville Point, she hit a wall.

Despite her business acumen, she gleaned surprisingly little about the individuals behind the 98-bed nursing home on Sunrise Avenue.

“Who *are* these people?” asked Conover, 56, nearly two years after her mother’s death.

Conover had bumped up against one of the most complicated ownership groups in the state.

As it turns out, Roseville Point is part of Shlomo Rechnitz’s expanding universe of homes across California.

Rechnitz, a 43-year-old Los Angeles entrepreneur, has rapidly become the state’s largest nursing-home owner with about 75 facilities from San Diego to Los Angeles to Roseville to Eureka. His homes have been the target of more complaints and federal deficiencies per bed than most other large chains in California, according to a Sacramento Bee investigation.

Consumers would be hard-pressed to know that – or even to link
Rechnitz to any particular nursing home using the state’s website. Some of the state’s leading elder-care advocates said they had never heard of Rechnitz or his principal company, Brius Healthcare Services.

Rechnitz’s history in California is a case study in the evolving nature of nursing-home ownership, and the complexity of the industry’s corporate structures. As private investment groups scoop up an ever-larger share of the nation’s skilled-nursing care market, it has become increasingly difficult to decipher who owns the nation’s largest chains.

Elder-care advocates will tell you this is no accident: A convoluted ownership structure, they say, is a way for owners to hide assets and shield themselves from civil and criminal liability when patients are abused or neglected in their care. Confusing lines of ownership also make it harder for regulators to detect worrisome patterns of care.
among facilities within a chain.

Congress felt so strongly about improving nursing-home transparency that the Affordable Care Act now includes strict new reporting requirements for owners. But the government’s ability to untangle the ownership web has been slow and inconsistent.

A 1997 California law requires state officials to make detailed ownership information publicly available, but the state’s health facilities website continues to provide scant and often misleading information.

**DATABASE: CALIFORNIA NURSING HOMES**

Find out who owns California’s nursing homes and how every home and ownership group in the state rank on various performance measures with our nursing home database.

In the absence of complete government databases, The Bee spent several months sifting through federal and state records to piece together ownership structures for California’s 25 largest skilled-nursing-home chains. Among the findings:

- Company structures can be extraordinarily elaborate. Rechnitz has crafted a network of nearly 80 separate entities that oversee 54 nursing
homes up and down the state; he recently acquired 19 more facilities in a bankruptcy case. Another large player, Longwood Management Corp., has built a different corporation for each of its 32 homes. The corporations have names like Tzippy Care Inc. and SGV Healthcare Inc. that are difficult for consumers to link without poring through public records.

- Many nursing-home chains create management companies to provide administrative services to their homes. Owners say the model creates efficiencies. Critics, including a Glendale lawyer who has filed suit over the practice, contend it’s a ploy to skim off nursing-home revenues to line investors’ pockets.

- Ten of the 25 largest chains in the state make it hard for consumers to see what facilities they own. In addition to their complicated business structures, the large chains of Brius, Plum Healthcare Group, Country Villa Health Services and Sun Mar Health Care have no websites. Other large ownership groups, including Longwood Management and North American Health Care Inc., offer bare-bones websites with no specific facility information.

- California nursing-home owners and executives have widely diverse backgrounds, with many lacking health care experience. One Los Angeles-based owner, Sol Majer, spent 20 years in the cosmetics industry, manufacturing a line of nail polish, hair removal wax and false eyelashes. Another large ownership group is led by two high-powered Los Angeles developers, Jacob Wintner and Ira Smedra,
officers in the ARBA Group whose ventures have included upscale shopping centers.

Mark Reagan, legal adviser for the California Association of Health Facilities, said complex business structures are a necessity for nursing-home owners – and the health care industry in general.

Attorney Mark Reagan, legal adviser for the California Association of Health Facilities, said government oversight of nursing homes is intense on both the state and federal levels. “You have a very robust range of investigative entities that look at every element,” he said.

Nursing homes rely on Medicare reimbursements, along with Medi-Cal money on the state level, he said. If all the facilities and assets are
held by only one corporation – and just one of its facilities gets into serious trouble, such as a criminal elder-abuse conviction – the entire group of sister facilities also is at risk of losing government funding, Reagan said.

“No responsible health care company will hold all of its assets in a single corporation,” said Reagan, describing the multilayered structures as a “sound business practice.”

Reagan said he does not believe consumers are harmed by the approach, and that elder-abuse attorneys are savvy enough to sort out the pieces in a civil lawsuit.

Not every nursing-home chain in California that blurs its ownership delivers bad care. Not every chain that puts it all out there, on websites or in marketing materials, has a stellar record.

Still, elder-care advocates contend that some nursing-home operators strive to keep things murky, at the expense of consumers. And, they point out, unwitting consumers could wind up transferring their loved ones from one troubled facility to the next, without ever realizing they’re part of the same chain – and the same set of problems.
“People don’t really know who owns nursing homes,” said San Francisco elder-abuse attorney Kathryn A. Stebner, who has filed class-action lawsuits against several large chains.

“If I’m buying a product,” she said, “I want to know who makes it.”

‘A crazy web’

If Rechnitz is a mystery figure in some corners of the nursing-home world, he is certainly well-known in select Los Angeles social circles.

Rechnitz is described as a businessman and philanthropist who has donated millions to Jewish institutions and charitable causes, according to articles in the Jewish press in Los Angeles. Details of his oldest daughter’s lavish wedding in February at the Beverly Hilton Hotel are scattered across the Internet.

He appears to have entered the nursing-home business through a side door. He and his twin brother, Steve, co-founded a medical-supply company in 1998 called TwinMed, which services nursing homes with such items as exam gloves, glove box holders and incontinence briefs.

Rechnitz founded Brius in 2004, and soon was buying up facilities at a rapid pace. By early last year, his homes across the state were grossing $600 million a year, he said in a Jan. 24, 2013, deposition in Orange County.

Elder-abuse attorney Michael Moran quizzed Rechnitz that afternoon
about his complex corporate network, contending Rechnitz had given away a nursing home to escape a $4.5 million judgment. At one point, Moran asked Rechnitz why he was associated with more than 100 different businesses.

“… (T)hat has to be the stupidest question I’ve ever heard,” Rechnitz replied, according to a transcript from the ongoing case. “… It’s possible there are dumber questions, but it ranks high up.”

The question never was answered. The contentious back-and-forth between Rechnitz and Moran – whom Rechnitz suggested was “an ambulance chaser” – reflects the persistent tension between nursing-home owners and the attorneys who sue them, unraveling their structures in the process.

Using several state and federal databases, The Bee identified 130 business entities tied to Rechnitz’s nursing-home chain – and that was before he added 19 facilities in a bankruptcy proceeding this year, as well as three others. The data show that he shares ownership in some facilities with 26 individuals.

A corporate pattern soon emerges, one shared by other nursing-home chains operating in California: a nursing home owned by a limited liability company, which is owned by another limited liability company, which is owned by another one after that, with the primary owner at the top of the pile. Some chains structure the various entities as general partnerships, others as corporations.
Picture a giant, elaborate wheel, with the owners at the center, then dozens of spokes splaying out toward subsidiaries that in turn connect to other wheels, with more spokes connecting to individual homes.

One of the state’s most complex chains was dissected recently in federal bankruptcy court in Santa Ana. Country Villa Health Services filed for Chapter 11 protection in March, blaming a bevy of class-action lawsuits. The case involved 18 nursing homes and one assisted-living facility, though the company had “concurrently managed 50 nursing facilities within the state,” according to court papers.

For consumers, the real confusion lay in the name: Country Villa owned only some of the more than 30 nursing homes in California that carried its name. Others were owned by someone else, but Country Villa exercised “operational/managerial” control, federal records show.

Other homes were owned or managed by Country Villa but did not carry the Country Villa brand. And still other homes carried the Country Villa name but, at least according to federal ownership records, no longer had a relationship to the company.

In 2012, 27 nursing-home licensees that had contracted with Country Villa for administrative services sued the company, alleging mismanagement. Two of those licensees carried the Country Villa name, giving the strange but false impression that Country Villa was suing itself.

Stephen Reissman, CEO of Country Villa Health Services, did not
return phone calls for comment.

Following Country Villa’s bankruptcy declaration, Rechnitz this year won approval from a federal judge to buy the company’s 19 facilities for $62 million cash.

Even before the deal, Rechnitz’s business setup was elaborate. Each of his 54 homes was licensed under a separate limited liability company or general partnership. All the names are different, though some are similar sounding.

Rechnitz did not respond to interview requests for this series. But in a lengthy written response to Bee questions, his legal team said he structures his company in a way common in the health care industry. By establishing smaller groups of facilities under local management and oversight, they wrote, the system actually “provides for more individualized monitoring of the facilities.”

Shlomo Rechnitz had an ownership stake in 54 California nursing homes last year. Almost all those homes were licensed to separate limited liability companies, some of which were registered to yet more companies tied to Rechnitz, state records show. This chart, compiled from state and federal sources, shows the complex layered ownership of Rechnitz’s homes.
As the organization has grown, they added, “it has often acquired facilities in groups with different sets of investors. … This necessitates establishing different companies.”

The philosophy proved to be a challenge for Conover. When she began researching the Roseville facility that housed her mother, she found that the “licensee” was identified by the California Department of Public Health as Solnus Three LLC. That branding is shared by seven other nursing homes owned by Rechnitz and his various business.
associates in California, beginning with Solnus One (a facility in Alameda) on up to Solnus Eight (a nursing home in Oakland).

But nothing on the state’s website links the 54 homes to any common ownership. Neither Rechnitz nor Brius Healthcare appears anywhere in the department’s public “licensed facility listing report,” which allows viewers to see all nursing homes in the state.

The same is true for Plum Healthcare, the chain with the biggest presence in the Sacramento region. All 42 homes owned by Plum last year, including 12 in the Sacramento region, were licensed to separate limited liability companies.

And like Brius, Plum has its own inventive branding for its licensees, generally invoking flowers and trees. In Sacramento, Plum nursing homes are licensed to Crocus Holdings, Gladiolus Holdings, Jonquil...
Holdings and Oleander Holdings, among others. Elsewhere in California, Plum licensees include Douglas Fir Holdings, Norway Maple Holdings and Golden Oak Holdings.

**Unnecessary risks**

Nursing-home owners make no apologies for the business structures. In fact, they have been explicitly advised to do it this way.

In 2003, the Journal of Health Law published an article directing nursing-home operators to create elaborate, multilayered structures to help immunize themselves from costly lawsuits and loss of government funding.

“More than a few judgments against nursing homes have been based on specious allegations,” the authors wrote. “Nonetheless, the reality is that nursing homes are unsympathetic defendants.”

The authors detailed how “restructuring can reduce the unnecessary risks,” specifically by creating a web of separate entities.

Nursing-home operators have long complained that their work with elderly and medically fragile patients makes them easy prey for personal-injury lawyers looking for swift settlements and big payouts. In California, experienced elder-abuse attorneys routinely take a contingency fee of 25 percent to 40 percent.

A 2013 study by a risk-consulting firm found that the frequency of
claims against nursing homes is rising nationally. In California, claims cost facilities an estimated $2,790 per occupied bed last year, the study showed.

Elder-abuse attorneys counter that lawsuits – and the financial awards that result – help uphold standards for care in an industry that is woefully underpoliced by government agencies.

“Good cases with good verdicts are a significant tool to help fix bad nursing homes and to educate the public,” said Moran, the Santa Ana attorney.

Lesley Ann Clement, a Sacramento attorney specializing in elder-abuse cases, said that lawyers who sue nursing homes have had to develop expertise in following the paper trails and piecing together the ownership puzzles to identify potential assets.
Sacramento attorney Lesley Ann Clement specializes in elder abuse. Attorneys who sue nursing homes have had to become experts in dissecting the complex business structures. “The more facilities they have, the more layers they typically have,” Clement said.

Clement teamed up with Sacramento attorney Ed Dudensing in 2010 on an elder-abuse case in which Dudensing devoted 11/2 years to deciphering the labyrinthine corporate structure of former nursing-home giant Horizon West Healthcare of Rocklin. The company, which had a history of licensing violations and run-ins with regulators, sold its nursing homes to Plum Healthcare Group in 2011.

The case revolved around the treatment of Rebecca Bush, who was 79
and suffering from mild dementia when she entered a Davis nursing home in 2007. During her stay, Bush became severely dehydrated, developed pressure sores that required hospitalization and was left for long periods of time in wet or soiled briefs, the lawsuit states. She died in January 2013 at age 85.

The legal team eventually identified 27 defendants in the case, including 13 inter-related business entities and 13 key individuals associated with the nursing home, Sierra Health Care Center of Davis. Twelve of the 13 individual defendants, Clement said, were family members.

“It was a crazy web,” Clement said of Horizon West, which resisted disclosing to the plaintiffs the intricacies of its corporate structure and finances.

The company’s legal team vigorously pushed back against giving up that information, citing privacy concerns for the family of owners. The real issue, the lawyers argued, was the care that Rebecca Bush received, not the “highly personal financial information of individual defendants,” court filings state.

The civil lawsuit dragged on for more than three years until it was dismissed in February of this year, after a confidential settlement was reached. A family member declined to discuss the case because “the wounds are so fresh.”

In the case of Roseville Point, and the death of Genine Zizzo, Conover
said she chose not to pursue civil action over what she considers to be a “medical assault.”

The California Department of Public Health found no evidence of wrongdoing at the facility in connection with Zizzo’s death, according to an August 2013 letter to Carole Herman of Foundation Aiding the Elderly, which filed the complaint on Conover’s behalf.

In that letter, the department wrote that the allegations of elder abuse, improper drugging and other violations had not been substantiated by an unannounced visit to the facility. Asked about Conover’s accusations, Rechnitz’s legal team referred to the state’s decision to close the books on the case and declined to comment further due to privacy laws protecting patients.

Herman promptly requested an “informal conference” to protest the finding, as allowed by law, but has heard nothing more than a year later, she said. The state’s Health and Safety Code does not spell out a time frame for the state to respond to conference requests.

Conover also received a letter last year from a Tustin law firm representing Roseville Point. The attorney expressed “sincere condolences” for Zizzo’s death – then cautioned Conover that she was to “cease and desist” all contact with nursing-home employees or “a restraining order will be sought.”

**Follow the money**
Glendale attorney Russell Balisok has spent nearly 40 years suing
nursing homes, chronicling an array of grievances and human
tragedies. Now he’s taking on the business model itself.

In 2012, he filed a lawsuit on behalf of California Advocates for
Nursing Home Reform, accusing Country Villa of charging its
facilities exorbitant management fees, then pocketing the profits. The
suit contends the chain is not investing in adequate care – and that the
state is letting them get away with it.

At issue is the chain’s use of a “management company,” Country Villa
Service Corp., to oversee its facilities, a practice that is common in
California and elsewhere. Under this business model, a separate entity
– often created by the owners – extracts a percentage of the facilities’
gross revenues in exchange for a variety of management services.

Nursing-home operators say there is nothing wrong with the practice.
Reagan, the industry legal adviser, said the arrangement actually
positions chains to provide better care, as it is cost-effective and
lightens each facility’s administrative load.

Besides Country Villa, some of the biggest chains in California rely on
management companies, among them EmpRes, North American
Health Care and Genesis.

“It makes more sense to centralize services,” Reagan said.
Balisok, on the other hand, derides the practice as the “scheme du jour” in California. His lawsuit, filed in Alameda County, contends Country Villa’s nursing homes are “enslaved by the management agreements and will never make any money.” The management company effectively strips away the authority of the on-site nursing-home administrator, Balisok said, violating state requirements that the
licensed administrator retain operational control.

The arrangement leaves each nursing home with little money, or any real ability to funnel resources into patient needs, he said.

Clement, the Sacramento elder-abuse attorney, said some chains take the model further, creating all kinds of spinoff companies that service a nursing home. These in-house entities – known as “related parties” – may be set up to supply pharmaceuticals, underwrite insurance, handle bookkeeping, provide therapy or oversee worker’s compensation.

“They’re charging above-market rates for everything,” said Clement. “And it’s all the same people.”

Whether the entity is a management company or a pharmacy, she said, the idea is the same: extracting money from the nursing home for investors and keeping the facility underfunded.

“When you look at the facility itself, it’s losing money every month,” said Clement. “So that’s telling you the building is underfunded. Every penny that comes in the door from the patients … gets swept up to corporate headquarters. And they have control.”

Sacramento elder-abuse attorney Chris Buckley said there is great incentive for operators to “siphon it all up to the mother ship,” leaving the cash-strapped facility essentially judgment-proof.

The unusual nature of such arrangements has tumbled out in court.
In one elder-abuse lawsuit, filed in 2006 against a former Horizon West facility, attorney Dudensing demonstrated that the nursing home – Colonial Healthcare in Auburn – had paid its in-house insurance company annually for a liability policy. The catch? The $1 million policy came with a $1 million deductible, according to court documents obtained by The Bee.

In court, the former director of financial management at Horizon West Healthcare Inc., Dennis Roccaforte, explained that the liability insurance company was wholly owned by Horizon West and, he believed, was based in the Cayman Islands, according to a transcript of the first trial in March 2010, which examined Horizon West’s complex corporate network.

Yet even Roccaforte said he was “surprised” by the policy limit and deductible when Dudensing presented him with the policy on the witness stand.

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The jury in the case ultimately slammed Horizon West with a $29 million verdict in connection with the death of 79-year-old Frances Tanner, a retired public servant.

These “related party” transactions are common in California, as evidenced by nursing-home cost reports filed annually with the state. Are they overcharging? Or just efficient?

Charlene Harrington, a professor emerita of sociology and nursing at UC San Francisco, said it is difficult to know because California does not require related parties to file cost reports, or to say exactly what services are provided in exchange for payment.

Roseville Point Health & Wellness Center, for instance, reported $812,000 in profits last year to the Office of Statewide Health Planning and Development. It also paid out nearly $1 million to companies that service the home that also are owned by Rechnitz.

Roseville Point paid Rechnitz’s company Twin Med LLC about $130,000 last year for medical and other supplies, according to reports submitted by the facility. It paid Eretz Roseville Properties LLC about $800,000 in lease payments. The registered partner for Eretz is SYTR Real Estate Holdings. The registered partner for SYTR is Shlomo Rechnitz.

Lincoln Meadows, owned by Plum Healthcare, reported $821,000 in profits last year to the state. The facility also paid out $523,000 in administrative services fees to Plum Healthcare LLC.
Carmichael Care & Rehabilitation, owned by Genesis and recently renamed Eagle Crest, reported a net loss of $1.35 million last year. The cash-strapped facility paid $400,000 to Genesis Healthcare for “home office services”; $500,000 to Genesis Eldercare Rehabilitation Services for physical, occupational and speech therapy; and $40,000 to Genesis Eldercare Staffing Services for “contract nursing.”

The problem with the state’s reporting system, said Harrington, is that “all you see is the amount that was spent.”

“They don’t have to show how they spent the money,” she said. “Unless there’s a lawsuit, you’re not going to see it.”

Because they are effectively paying themselves, she said, there is a built-in conflict of interest. “They have every incentive to pay as much as possible to their related companies, rather than to keep the costs low.”

Connecticut took on the issue this year with a new law being watched closely by other states. The legislation requires for-profit nursing homes to disclose the financial status of any related-party businesses that contract with the facilities. The law followed the bankruptcy of a Connecticut-based nursing-home chain in which the CEO diverted money from his facilities for personal use, including the purchase of a yacht, apartment buildings, a lakefront home and a Nashville, Tenn., music company.

Rechnitz’s legal team defended the use of related parties to provide
services, saying that the practice is “highly regulated by the Medi-Cal program and typically results in significantly lower costs to the state.” They cited government regulations that prohibit owners from skimming profits by transferring money to related parties.

HOW WE DID THIS STORY
The Sacramento Bee searched databases containing millions of public records to determine which chains owned which nursing homes in California. Reagan, legal counsel for the industry trade group, said that concerns over related parties have been whipped up by trial lawyers. “The whole profit-over-people argument is a well-worn trial tactic,” he said.

Reagan said that management costs and payments to related parties are neither excessive nor inflated. The Department of Health Care Services conducts yearly audits of nursing homes that receive Medi-Cal money to ensure that expenditures are reasonable.

“There’s a lot of scrutiny,” he said, noting that state auditors are “very diligent about their work.”

The state is aggressively fighting Balisok’s Country Villa lawsuit, which specifically names Dr. Ron Chapman, director of California’s Department of Public Health. In a series of letters to Balisok before he filed the suit, department officials rejected the lawyer’s contention that management agreements are improper or contrary to state or federal law.

Balisok is pressing on. He has asked the Department of Public Health
to disclose all such agreements. A victory with Country Villa, he said, could lead to legal challenges up and down the state against other companies using this business model – with the potential that money could be returned to facilities.

“This could be felt throughout the industry,” Balisok said.

**COMING MONDAY:** Holding government accountable.

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