



September 28, 2008

The Honorable John D. Dingell
Chairman, Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Dingell

Twenty years after Congress passed landmark nursing home reform legislation, the modest but real progress made is now threatened by a new breed of nursing home operator that profits at the expense of nursing home residents, their families, caregivers, and taxpayers. The *New York Times* "At Many Homes, More Profits and Less Nursing," September 23, 2007, investigative story confirms what many caregivers in our nation's nursing homes already know: Medicare and Medicaid resources that are intended to support vulnerable Americans are being diverted to the private benefit of wealthy investors.

On behalf of the 1.9 million members of SEIU, including one million caregivers, I respectfully request that you exercise your oversight authority immediately to protect nursing home residents, their families, and taxpayers. Tens of thousands of nursing home residents and their caregivers are potentially at risk of deteriorating care and working conditions as the Carlyle Group prepares to take the publicly traded Manor Care nursing home chain private in a deal that will shower Manor Care CEO Paul Ormond with \$186 million and saddle Manor Care with hundreds of millions in new debt. Specifically, we ask that your Committee take the following action:

- Request that the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services conduct a detailed audit of nursing homes bought by private equity firms. OIG should compare cost reports filed in the year before homes were bought by private equity firms and cost reports filed after a full year under the ownership of a private equity firm. Are fair market rents being paid? What is the size of the management fees being paid to corporate parents and other entities? What has happened to labor costs and to nursing labor and therapy costs as a proportion of total labor costs? Are costs being correctly allocated to various cost centers? What is the impact of debt payments on overall profit margins? They should also compare quality measures and deficiency reports for these nursing homes both before and after private equity firms bought them.

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- Conduct an investigative hearing into the effect of private equity ownership of nursing homes on quality of care and the Center for Medicare & Medicaid Services's (CMS) ability to hold these firms accountable.

In addition to exercising your oversight authority, SEIU urges you to consider new legislative reforms to improve quality in our nation's nursing homes and to hold private equity firms accountable for their ownership of nursing homes. As caregivers, we want to be full partners in a national effort to improve quality and resident satisfaction. Unfortunately, in too many nursing homes, caregivers have no willing and competent management with which to partner, and there are few incentives in existing Medicare and Medicaid policy to encourage that partnership. Fortunately, recent requirements for more data collection and public reporting help highlight the quality gaps that can be closed if we renew our collective efforts to reform and reinvent our nation's nursing homes. Profit for investors cannot come at the price of patient safety and care. We urge you to take immediate action and hold a public hearing that involves all the stakeholders. We have sent similar letters to the Oversight & Government Reform Committee and Ways & Means Committee. If you have any questions please contact Alison Reardon, Director of Legislation at 202-730-7706, or alison.reardon@seiu.org.

Sincerely,



Anna Burger
International Secretary-Treasurer

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cc: Chairman Frank Pallone, Subcommittee on Health, Committee on Energy & Commerce
Chair, Bart Stupak, Chair, Subcommittee on Oversight & Investigations, Committee on
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Chairman Henry Waxman, Committee on Oversight & Government Reform

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