



September 28, 2007

The Honorable Henry A. Waxman
Chairman, Committee on Oversight and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Waxman:

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 investigate the following:

- What is the effect of private equity ownership on nursing home quality measures—including nurse staffing levels—and costs to the Medicare and Medicaid program overall? How does this business model affect the quality and costs of the Medicare and Medicaid programs? What are the innovations that these new nursing home owners are bringing to this industry, and what is the evidence that these innovations are benefiting residents and taxpayers? SEIU is concerned that excessively high interest payments, management, and transaction-related fees, combined with aggressive cuts to nursing and other staff, as documented by the *New York Times*, lead inevitably to declines in quality and patient outcomes, and contribute to higher Medicare hospitalization costs and unnecessarily lengthy and costly nursing home stays.

ANDREW L. STERN
International President

ANNA BURGER
International Secretary-Treasurer

MARY KAY HENRY
Executive Vice President

GERRY HUDSON
Executive Vice President

ELISEO MEDINA
Executive Vice President

TOM WOODRUFF
Executive Vice President

SERVICE EMPLOYEES
INTERNATIONAL UNION
CTW, CLC

1800 Massachusetts Ave NW
Washington DC 20036

202.730.7000

TDD: 202.730.7481

www.SEIU.org

4544-9001

- What is the experience of nursing home caregivers, nursing home residents, their families, consumer advocates, and ombudsmen with the recent ownership trends in the nursing home industry?
- What impact do ownership changes and frequency of ownership changes have on the number of resident and other complaints as well as the frequency of deficiencies found by the Center for Medicare and Medicaid Services (CMS)? How is CMS responding to these complaints? Are they devoting sufficient resources to surveys and inspections? Is the current level of fines, sanctions, and other tools states have sufficient to motivate corrective action?
- Are these companies complying with the new Medicaid whistleblower and fraud and abuse detection training provisions that became law under the 2005 Deficit Reduction Act? Have nurses and other aides been trained and given reassurances about their ability to report concerns without fear of discipline and retaliation?
- How is CMS holding these private equity companies accountable? Does the structure of ownership prevent them from being held accountable for quality of care and deficiencies?
- What are the trends in the states with consumer fraud and Medicaid fraud related to nursing homes owned by private equity firms? What is the effect of ownership changes on the frequency and type of complaints and cases handled by state attorney offices?

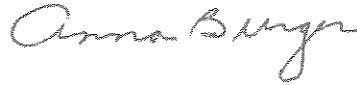
In addition, we hope you will request a Government Accountability Office (GAO) audit of nursing homes bought by private equity firms and CMS's efforts to hold them accountable. GAO should compare cost reports filed in the year before homes were bought by private equity firms and cost reports filed after 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? Are individuals who have been excluded from the Medicare program for fraud able to hide in these complex corporate webs? What is the impact of debt payments on overall profit margins? GAO should also compare quality measures and deficiency reports for these nursing homes both before and after private equity firms bought them.

Investigations and hearings are only a first step. In addition to exercising your oversight authority, SEIU urges you to consider new legislative reforms to improve quality in our nation's 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.

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We urge you to immediately begin an investigation and hold a public hearing that involves all the stakeholders. We have sent similar letters to the Energy & Commerce Committee and the 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

AB:MN:gmb

cc: Chairman John D. Dingell, Energy & Commerce Committee
Chairman Frank Pallone, Subcommittee on Health, Energy & Commerce Committee
Chairman Bart Stupak, Subcommittee on Oversight and Investigations, Energy &
Commerce Committees

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