

Congress of the United States
Washington, DC 20510

November 15, 2019

Kewsong Lee
Co-Chief Executive Officer
The Carlyle Group
1001 Pennsylvania Avenue, NW
Washington, DC 20004-2505

Glenn A. Youngkin
Co-Chief Executive Officer
The Carlyle Group
1001 Pennsylvania Avenue, NW
Washington, DC 20004-2505

Dear Messrs. Lee and Yonugkin:

We are writing to request information regarding the Carlyle Group's (Carlyle) investment in companies providing nursing home care and other long-term care services and to request information about your firm's structure and finances as it relates to these companies.

Private equity funds often operate under a model where they purchase controlling interests in companies for a short time, load them up with debt, strip them of their assets, extract exorbitant fees, and sell them at a profit – implementing drastic cost-cutting measures at the expense of consumers, workers, communities, and taxpayers. For that reason, we have concerns about the rapid spread and effect of private equity investment in many sectors of the economy, especially industries that affect vulnerable populations and rely primarily on taxpayer-funded programs such as Medicare and Medicaid, like the nursing home industry. We are particularly concerned about your firm's investment in large for-profit nursing home chains, which research has shown often provide worse care than not-for-profit facilities.¹ In light of these concerns, we request information about your firm, the portfolio companies in which it has invested, and the performance of those investments.

Nursing homes provide a wide range of important medical and personal care services to a growing and vulnerable elderly population, with 1.3 million residents in the United States currently receiving care in more than 15,000 facilities.² For decades, reports and data have highlighted the shocking living conditions found in many nursing home and other long-term care

¹ International Journal of Health Services, "Ownership, Financing, and Management Strategies of the ten largest for-profit nursing home chains in the United States," Charlene Harrington et al., 2011, <https://www.ncbi.nlm.nih.gov/pubmed/22053531>; Kaiser Family Foundation, "Reading the Stars: Nursing Home Quality Star Ratings, Nationally and by State," May 2015, <http://files.kff.org/attachment/issue-brief-reading-the-stars-nursing-home-quality-star-ratings-nationally-and-by-state>.

² National Center for Health Statistics, "Long-term Care Providers and Services Users in the United States, 2015-2016," February 2019, https://www.cdc.gov/nchs/data/series/sr_03/sr03_43-508.pdf.

facilities across the country.³ Twelve years ago, for example, journalists uncovered how a group of private investment firms acquired 49 nursing homes, including a facility in Florida where managers slashed the number of registered nurses by half and cut supply and activity budgets. Residents, meanwhile, suffered from preventable infections and injuries.⁴ Last year, news reports similarly detailed how a for-profit nursing home employed drastic cost cutting measures, “exposed its roughly 25,000 patients to increasing health risk,” and ultimately filed for bankruptcy – all after a private equity firm acquired the company.⁵

This is particularly concerning given the fact that two-thirds of nursing home residents rely on government-sponsored health insurance coverage, meaning both not-for-profit and for-profit nursing homes benefit from government funding.⁶ Medicaid is the primary payer⁷ for nursing home care, with Medicare and Medicaid combined covering approximately 75 percent of nursing home residents.⁸ In 2015, taxpayers sent more than \$55 billion to the nursing home industry to cover the costs of long-term care. These reports and corresponding research raise serious questions about the role of private equity firms in the nursing home care industry, and the extent to which these firms’ emphasis on profits and short-term return is responsible for declines in quality of care. They also raise concerns over the stewardship of taxpayer dollars, when – in many cases – these facilities continue to receive Medicare and Medicaid funding despite their decline in quality.

The majority of nursing facilities – almost 70% – are for-profit, and over half are chain-affiliated.⁹ The overwhelming majority of research conducted over the last two decades shows that for-profit and chain affiliated¹⁰ companies provide a lower quality of care and experience more serious health and safety deficiencies when compared to non-profit facilities.¹¹

³ New York Times, “At Many Homes, More Profit and Less Nursing,” Charles Duhigg,” September 23, 2017, <https://www.nytimes.com/2007/09/23/business/23nursing.html>; Reveal, “‘The rats sensed she was going to pass away’, Jennifer Gollan, September 18, 2019, <https://www.revealnews.org/article/elderly-often-face-neglect-in-california-care-homes-that-exploit-workers/>.

⁴ New York Times, “At Many Homes, More Profit and Less Nursing,” Charles Duhigg,” September 23, 2017, <https://www.nytimes.com/2007/09/23/business/23nursing.html>.

⁵ Washington Post, “Overdoses, bedsores, broken bones: What happened when a private-equity firm sought to care for society’s most vulnerable,” Peter Whoriskey and Dan Keating, November 25, 2018, https://www.washingtonpost.com/business/economy/opioid-overdoses-bedsores-and-broken-bones-what-happened-when-a-private-equity-firm-sought-profits-in-caring-for-societys-most-vulnerable/2018/11/25/09089a4a-ed14-11e8-baac-2a674e91502b_story.html.

⁶ Kaiser Family Foundation, “Distribution of Certified Nursing Facility Residents by Primary Payer Source,” accessed on Nov. 14, 2019, <https://www.kff.org/other/state-indicator/distribution-of-certified-nursing-facilities-by-primary-payer-source/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

⁷ Kaiser Family Foundation, “Medicaid’s Role in Nursing Home Care,” June 20, 2017, <https://www.kff.org/infographic/medicaids-role-in-nursing-home-care/>.

⁸ Kaiser Family Foundation, “Distribution of Certified Nursing Facility Residents by Primary Payer Source,” accessed on Nov. 14, 2019, <https://www.kff.org/other/state-indicator/distribution-of-certified-nursing-facilities-by-primary-payer-source/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

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¹¹ International Journal of Health Services, “Ownership, Financing, and Management Strategies of the ten largest for-profit nursing home chains in the United States,” Charlene Harrington et al., 2011; Medical Care Research and

Additionally, for-profit facilities receive the lowest scores in the Centers for Medicare and Medicaid Services' (CMS) nursing home rating system that takes into account, state health inspections, staffing ratios and quality measures.¹²

Private equity investment appears to exacerbate the problems faced at chain-affiliated for-profit nursing homes. Studies show that private equity-owned facilities generally “deliver poorer quality of care” than other chain-affiliated for-profit facilities; are likely to try to reduce cost by “substituting expensive but skilled RNs with cheaper and less skilled nurses”; and “report significantly higher number of deficiencies” that climb with more years of private equity ownership. As a result, private equity-owned nursing homes have 21% higher deficiencies, 25% lower nursing staff skill mix, and “worse results on pressure sore prevention ... and [higher] pressure ulcer [] risk prevalence.”¹³ That was reportedly the case at HCR ManorCare – the second largest for-profit nursing home chain in the United States. In the years following its acquisition by your firm, “the number of citations increased for, among other things, neither preventing nor treating bed sores; medication errors; not providing proper care for people who need special services such as injections, colostomies and prostheses; and not assisting patients with eating and personal hygiene.”¹⁴

Moreover, while the quality of service declines, the complicated ownership and operating structure of these investments “limit legal remedies available to aggrieved residents.”¹⁵ For example, after a resident died at the private-equity-owned Habana Health Care Center (as a result of “a wound [that] should have been detected much earlier”), a family member tried to sue the owners of the facility, only to discover that the facility’s complicated ownership structure “meant that even if she prevailed in court, the investors’ wallets would likely be out of reach.”¹⁶ Shifting funds to other affiliated entities, or to the private equity firm itself, to immunize itself from liability for judgments against a target company is a widespread practice in the private equity industry.

Private equity investment in this sector has increased over the last few decades. The Government Accountability Office found that over the span of ten years ending in 2008, private investment

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¹⁴ Washington Post, “Overdoses, bedsores, broken bones: What happened when a private-equity firm sought to care for society’s most vulnerable,” Peter Whoriskey and Dan Keating, November 25, 2018, https://www.washingtonpost.com/business/economy/opioid-overdoses-bedsores-and-broken-bones-what-happened-when-a-private-equity-firm-sought-profits-in-caring-for-societys-most-vulnerable/2018/11/25/09089a4a-ed14-11e8-baac-2a674e91502b_story.html.

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¹⁶ New York Times, “At Many Homes, More Profit and Less Nursing,” Charles Duhigg,” September 23, 2007, <https://www.nytimes.com/2007/09/23/business/23nursing.html>.

firms acquired approximately 1,900 unique nursing homes.¹⁷ Today, private equity firms own or operate several large for-profit chains that control hundreds of facilities and provide nursing home care among other long-term care services.¹⁸ Carlyle reportedly owns or has had investments in companies providing nursing home care. In order to help us understand your firm's role in the nursing home sector, we ask that you provide answers to the following questions no later than November 29, 2019.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.¹⁹
2. Which nursing home or other long-term care service companies, including all affiliates or related entities, does Carlyle have a stake in or own? Please provide the name of and a brief description of the services each company provides – including the number of facilities that it owns or operates.
 - a. Which nursing home or other long-term care companies, including all affiliates or related entities, has Carlyle had a stake in or owned in the past twenty years? Please provide the name of and a brief description of the services each company provides or provided – including the number of nursing home and other long-term care facilities that it owned or operated.
 - b. For each nursing home or other long-term care service company Carlyle had a stake in or owned in the past twenty years, including all affiliates or related entities, please provide the following information for each year that the firm have had a stake in or owned this company and the five years preceding the firm's investment.
 - i. The name of the company
 - ii. Total number of facilities, by type of facility
 - iii. Ownership stake
 - iv. Total revenue, and the total revenue from Medicare, and from Medicaid
 - v. Total transaction, advisory, or other fees collected after the acquisition of the company
 - vi. Net income
 - vii. Total number of employees for each facility
 - viii. Total number of patients for each facility, and the total number whose care is paid for by Medicare, and by Medicaid.
 - ix. Other private-equity firms that own a stake in the company

¹⁷ Government Accountability Office, "Nursing Homes: Complexity of Private Investment Purchases Demonstrates Need for CMS to Improve the Usability and Completeness of Ownership Data," September 2010, <https://www.gao.gov/assets/320/310562.pdf>.

¹⁸ IQVIA, "U.S. Elder Care Market Summary," September 2019, <https://www.skainfo.com/reports/u.s.-elder-care-market-summary>.

¹⁹ Stop Wall Street Looting Act, S.2155, <https://www.congress.gov/bill/116th-congress/senate-bill/2155>.

3. Private-equity firms reportedly employ sale-leaseback arrangements in order to quickly recover investments. For each company listed in questions 2(a) and 2(b), please list the number of nursing home or other long-term care facilities for which you acquired real estate assets, and whether a sale-leaseback agreement has been executed for any of those companies or facilities.
4. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Carlyle has an ownership stake or has had an ownership stake in the last twenty years received Section 232 Department of Housing and Urban Development (HUD)- insured mortgages? If so, please provide the name of each facility and the total value of each loan insured by HUD.
5. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Carlyle has an ownership stake or has had an ownership stake in the last twenty years, been placed in receivership? Please provide the name of each facility.
6. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Carlyle has an ownership stake or has had an ownership stake in the last twenty years, been found to have violated any federal or state laws or regulations? If so, please provide a complete list, including the date and description, of all such violations. Please also include a list of all deficiencies identified in state or federal surveys of the facilities owned by the company for each year.
7. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Carlyle has an ownership stake or has had an ownership stake in the last twenty years, reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state laws or regulations or deficiencies in providing care? If so, please provide a complete list, including the date and description, of all such settlements.
8. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Carlyle has an ownership stake or has had an ownership stake in the past twenty years, reached a settlement with any individual who was provided services by the company related to a potential violation of any federal or state laws or regulations or deficiencies in providing care? If so, please provide a complete list, including the date and description, of all such settlements.

Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren
United States Senator



Mark Pocan
Member of Congress



Sherrod Brown
United States Senator

Congress of the United States
Washington, DC 20510

November 15, 2019

Arnold Whitman
Chairman
Formation Capital
3500 Lenox Road, Suite 510
Atlanta, Georgia 30326

Brian Beckwith
Formation Capital
3500 Lenox Road, Suite 510
Atlanta, Georgia 30326

Dear Messrs. Whitman and Beckwith:

We are writing to request information regarding Formation Capital's (Formation) investment in companies providing nursing home care and other long-term care services and to request information about your firm's structure and finances as it relates to these companies.

Private equity funds often operate under a model where they purchase controlling interests in companies for a short time, load them up with debt, strip them of their assets, extract exorbitant fees, and sell them at a profit – implementing drastic cost-cutting measures at the expense of consumers, workers, communities, and taxpayers. For that reason, we have concerns about the rapid spread and effect of private equity investment in many sectors of the economy, especially industries that affect vulnerable populations and rely primarily on taxpayer-funded programs such as Medicare and Medicaid, like the nursing home industry. We are particularly concerned about your firm's investment in large for-profit nursing home chains, which research has shown often provide worse care than not-for-profit facilities.¹ In light of these concerns, we request information about your firm, the portfolio companies in which it has invested, and the performance of those investments.

Nursing homes provide a wide range of important medical and personal care services to a growing and vulnerable elderly population, with 1.3 million residents in the United States currently receiving care in more than 15,000 facilities.² For decades, reports and data have highlighted the shocking living conditions found in many nursing home and other long-term care

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facilities across the country.³ Twelve years ago, for example, journalists uncovered how a group of private investment firms acquired 49 nursing homes, including a facility in Florida where managers slashed the number of registered nurses by half and cut supply and activity budgets. Residents, meanwhile, suffered from preventable infections and injuries.⁴ Last year, news reports similarly detailed how a for-profit nursing home employed drastic cost cutting measures, “exposed its roughly 25,000 patients to increasing health risk,” and ultimately filed for bankruptcy – all after a private equity firm acquired the company.⁵

This is particularly concerning given the fact that two-thirds of nursing home residents rely on government-sponsored health insurance coverage, meaning both not-for-profit and for-profit nursing homes benefit from government funding.⁶ Medicaid is the primary payer⁷ for nursing home care, with Medicare and Medicaid combined covering approximately 75 percent of nursing home residents.⁸ In 2015, taxpayers sent more than \$55 billion to the nursing home industry to cover the costs of long-term care. These reports and corresponding research raise serious questions about the role of private equity firms in the nursing home care industry, and the extent to which these firms’ emphasis on profits and short-term return is responsible for declines in quality of care. They also raise concerns over the stewardship of taxpayer dollars, when – in many cases – these facilities continue to receive Medicare and Medicaid funding despite their decline in quality.

The majority of nursing facilities – almost 70% – are for-profit, and over half are chain-affiliated.⁹ The overwhelming majority of research conducted over the last two decades shows that for-profit and chain affiliated¹⁰ companies provide a lower quality of care and experience more serious health and safety deficiencies when compared to non-profit facilities.¹¹

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Private equity investment appears to exacerbate the problems faced at chain-affiliated for-profit nursing homes. Studies show that private equity-owned facilities generally “deliver poorer quality of care” than other chain-affiliated for-profit facilities; are likely to try to reduce cost by “substituting expensive but skilled RNs with cheaper and less skilled nurses”; and “report significantly higher number of deficiencies” that climb with more years of private equity ownership. As a result, private equity-owned nursing homes have 21% higher deficiencies, 25% lower nursing staff skill mix, and “worse results on pressure sore prevention ... and [higher] pressure ulcer [] risk prevalence.”¹³ That was reportedly the case at HCR ManorCare – the second largest for-profit nursing home chain in the United States. In the years following its acquisition by a private equity firm, “the number of citations increased for, among other things, neither preventing nor treating bed sores; medication errors; not providing proper care for people who need special services such as injections, colostomies and prostheses; and not assisting patients with eating and personal hygiene.”¹⁴

Moreover, while the quality of service declines, the complicated ownership and operating structure of these investments “limit legal remedies available to aggrieved residents.”¹⁵ For example, after a resident died at the private-equity-owned Habana Health Care Center (as a result of “a wound [that] should have been detected much earlier”), a family member tried to sue the owners of the facility, only to discover that the facility’s complicated ownership structure “meant that even if she prevailed in court, the investors’ wallets would likely be out of reach.”¹⁶ Shifting funds to other affiliated entities, or to the private equity firm itself, to immunize itself from liability for judgments against a target company is a widespread practice in the private equity industry.

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¹⁴ Washington Post, “Overdoses, bedsores, broken bones: What happened when a private-equity firm sought to care for society’s most vulnerable,” Peter Whoriskey and Dan Keating, November 25, 2018, https://www.washingtonpost.com/business/economy/opioid-overdoses-bedsores-and-broken-bones-what-happened-when-a-private-equity-firm-sought-profits-in-caring-for-societys-most-vulnerable/2018/11/25/09089a4a-ed14-11e8-baac-2a674e91502b_story.html.

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1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.¹⁹
2. Which nursing home or other long-term care service companies, including all affiliates or related entities, does Formation have a stake in or own? Please provide the name of and a brief description of the services each company provides – including the number of facilities that it owns or operates.
 - a. Which nursing home or other long-term care companies, including all affiliates or related entities, has Formation had a stake in or owned in the past twenty years? Please provide the name of and a brief description of the services each company provides or provided – including the number of nursing home and other long-term care facilities that it owned or operated.
 - b. For each nursing home or other long-term care service company Formation had a stake in or owned in the past twenty years, including all affiliates or related entities, please provide the following information for each year that the firm have had a stake in or owned this company and the five years preceding the firm's investment.
 - i. The name of the company
 - ii. Total number of facilities, by type of facility
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 - iv. Total revenue, and the total revenue from Medicare, and from Medicaid
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3. Private-equity firms reportedly employ sale-leaseback arrangements in order to quickly recover investments. For each company listed in questions 2(a) and 2(b), please list the number of nursing home or other long-term care facilities for which you acquired real estate assets, and whether a sale-leaseback agreement has been executed for any of those companies or facilities.
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Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren
United States Senator



Mark Pocan
United States Senator



Sherrod Brown
United States Senator

Congress of the United States
Washington, DC 20510

November 15, 2019

Ronald E. Silva
President and Chief Executive Officer
Fillmore Capital Partners
Four Embarcadero Center
Suite 710
San Francisco, CA 9411

Dear Mr. Silva:

We are writing to request information regarding Fillmore Capital Partners' (Fillmore) investment in companies providing nursing home care and other long-term care services and to request information about your firm's structure and finances as it relates to these companies.

Private equity funds often operate under a model where they purchase controlling interests in companies for a short time, load them up with debt, strip them of their assets, extract exorbitant fees, and sell them at a profit – implementing drastic cost-cutting measures at the expense of consumers, workers, communities, and taxpayers. For that reason, we have concerns about the rapid spread and effect of private equity investment in many sectors of the economy, especially industries that affect vulnerable populations and rely primarily on taxpayer-funded programs such as Medicare and Medicaid, like the nursing home industry. We are particularly concerned about your firm's investment in large for-profit nursing home chains, which research has shown often provide worse care than not-for-profit facilities.¹ In light of these concerns, we request information about your firm, the portfolio companies in which it has invested, and the performance of those investments.

Nursing homes provide a wide range of important medical and personal care services to a growing and vulnerable elderly population, with 1.3 million residents in the United States currently receiving care in more than 15,000 facilities.² For decades, reports and data have highlighted the shocking living conditions found in many nursing home and other long-term care facilities across the country.³ Twelve years ago, for example, journalists uncovered how a group

¹ International Journal of Health Services, "Ownership, Financing, and Management Strategies of the ten largest for-profit nursing home chains in the United States," Charlene Harrington et al., 2011, <https://www.ncbi.nlm.nih.gov/pubmed/22053531>; Kaiser Family Foundation, "Reading the Stars: Nursing Home Quality Star Ratings, Nationally and by State," May 2015, <http://files.kff.org/attachment/issue-brief-reading-the-stars-nursing-home-quality-star-ratings-nationally-and-by-state>.

² National Center for Health Statistics, "Long-term Care Providers and Services Users in the United States, 2015-2016," February 2019, https://www.cdc.gov/nchs/data/series/sr_03/sr03_43-508.pdf.

³ New York Times, "At Many Homes, More Profit and Less Nursing," Charles Duhigg, September 23, 2017, <https://www.nytimes.com/2007/09/23/business/23nursing.html>; Reveal, "'The rats sensed she was going to pass away', Jennifer Gollan, September 18, 2019, <https://www.revealnews.org/article/elderly-often-face-neglect-in-california-care-homes-that-exploit-workers/>.

of private investment firms acquired 49 nursing homes, including a facility in Florida where managers slashed the number of registered nurses by half and cut supply and activity budgets. Residents, meanwhile, suffered from preventable infections and injuries.⁴ Last year, news reports similarly detailed how a for-profit nursing home employed drastic cost cutting measures, “exposed its roughly 25,000 patients to increasing health risk,” and ultimately filed for bankruptcy – all after a private equity firm acquired the company.⁵

This is particularly concerning given the fact that two-thirds of nursing home residents rely on government-sponsored health insurance coverage, meaning both not-for-profit and for-profit nursing homes benefit from government funding.⁶ Medicaid is the primary payer⁷ for nursing home care, with Medicare and Medicaid combined covering approximately 75 percent of nursing home residents.⁸ In 2015, taxpayers sent more than \$55 billion to the nursing home industry to cover the costs of long-term care. These reports and corresponding research raise serious questions about the role of private equity firms in the nursing home care industry, and the extent to which these firms’ emphasis on profits and short-term return is responsible for declines in quality of care. They also raise concerns over the stewardship of taxpayer dollars, when – in many cases – these facilities continue to receive Medicare and Medicaid funding despite their decline in quality.

The majority of nursing facilities – almost 70% – are for-profit, and over half are chain-affiliated.⁹ The overwhelming majority of research conducted over the last two decades shows that for-profit and chain affiliated¹⁰ companies provide a lower quality of care and experience more serious health and safety deficiencies when compared to non-profit facilities.¹¹ Additionally, for-profit facilities receive the lowest scores in the Centers for Medicare and

⁴ New York Times, “At Many Homes, More Profit and Less Nursing,” Charles Duhigg,” September 23, 2017, <https://www.nytimes.com/2007/09/23/business/23nursing.html>.

⁵ Washington Post, “Overdoses, bedsores, broken bones: What happened when a private-equity firm sought to care for society’s most vulnerable,” Peter Whoriskey and Dan Keating, November 25, 2018, https://www.washingtonpost.com/business/economy/opioid-overdoses-bedsores-and-broken-bones-what-happened-when-a-private-equity-firm-sought-profits-in-caring-for-societys-most-vulnerable/2018/11/25/09089a4a-ed14-11e8-baac-2a674e91502b_story.html.

⁶ Kaiser Family Foundation, “Distribution of Certified Nursing Facility Residents by Primary Payer Source,” accessed on Nov. 14, 2019, <https://www.kff.org/other/state-indicator/distribution-of-certified-nursing-facilities-by-primary-payer-source/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

⁷ Kaiser Family Foundation, “Medicaid’s Role in Nursing Home Care,” June 20, 2017, <https://www.kff.org/infographic/medicaids-role-in-nursing-home-care/>.

⁸ Kaiser Family Foundation, “Distribution of Certified Nursing Facility Residents by Primary Payer Source,” accessed on Nov. 14, 2019, <https://www.kff.org/other/state-indicator/distribution-of-certified-nursing-facilities-by-primary-payer-source/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

⁹ National Center for Health Statistics, “Long-term Care Providers and Services Users in the United States, 2015-2016,” February 2019, https://www.cdc.gov/nchs/data/series/sr_03/sr03_43-508.pdf.

¹⁰ Facilities owned or leased by “an organization that owns two or more long-term care facilities.”

¹¹ International Journal of Health Services, “Ownership, Financing, and Management Strategies of the ten largest for-profit nursing home chains in the United States,” Charlene Harrington et al., 2011; Medical Care Research and Review, “Nursing home profit status and quality of care: is there any evidence of an association?” Michael P. Hillmer et al., April 2005, <https://www.ncbi.nlm.nih.gov/pubmed/15750174>.

Medicaid Services' (CMS) nursing home rating system that takes into account, state health inspections, staffing ratios and quality measures.¹²

Private equity investment appears to exacerbate the problems faced at chain-affiliated for-profit nursing homes. Studies show that private equity-owned facilities generally “deliver poorer quality of care” than other chain-affiliated for-profit facilities; are likely to try to reduce cost by “substituting expensive but skilled RNs with cheaper and less skilled nurses”; and “report significantly higher number of deficiencies” that climb with more years of private equity ownership. As a result, private equity-owned nursing homes have 21% higher deficiencies, 25% lower nursing staff skill mix, and “worse results on pressure sore prevention ... and [higher] pressure ulcer □ risk prevalence.”¹³ That was reportedly the case at HCR ManorCare – the second largest for-profit nursing home chain in the United States. In the years following its acquisition by a private equity firm, “the number of citations increased for, among other things, neither preventing nor treating bed sores; medication errors; not providing proper care for people who need special services such as injections, colostomies and prostheses; and not assisting patients with eating and personal hygiene.”¹⁴

Moreover, while the quality of service declines, the complicated ownership and operating structure of these investments “limit legal remedies available to aggrieved residents.”¹⁵ For example, after a resident died at the private-equity-owned Habana Health Care Center (as a result of “a wound [that] should have been detected much earlier”), a family member tried to sue the owners of the facility, only to discover that the facility’s complicated ownership structure “meant that even if she prevailed in court, the investors’ wallets would likely be out of reach.”¹⁶ Shifting funds to other affiliated entities, or to the private equity firm itself, to immunize itself from liability for judgments against a target company is a widespread practice in the private equity industry.

Private equity investment in this sector has increased over the last few decades. The Government Accountability Office found that over the span of ten years ending in 2008, private investment firms acquired approximately 1,900 unique nursing homes.¹⁷ Today, private equity firms own or operate several large for-profit chains that control hundreds of facilities and provide nursing

¹² Kaiser Family Foundation, “Reading the Stars: Nursing Home Quality Star Ratings, Nationally and by State,” May 2015, <http://files.kff.org/attachment/issue-brief-reading-the-stars-nursing-home-quality-star-ratings-nationally-and-by-state>.

¹³ Journal of Health Care Finance, “Private Equity Ownership of Nursing Homes: Implications for Quality,” Rohit Pradhan et al., June – July 2014, <http://healthfinancejournal.com/index.php/johcf/article/view/12>.

¹⁴ Washington Post, “Overdoses, bedsores, broken bones: What happened when a private-equity firm sought to care for society’s most vulnerable,” Peter Whoriskey and Dan Keating, November 25, 2018, https://www.washingtonpost.com/business/economy/opioid-overdoses-bedsores-and-broken-bones-what-happened-when-a-private-equity-firm-sought-profits-in-caring-for-societys-most-vulnerable/2018/11/25/09089a4a-ed14-11e8-baac-2a674e91502b_story.html.

¹⁵ Journal of Health Care Finance, “Private Equity Ownership of Nursing Homes: Implications for Quality,” Rohit Pradhan et al., June – July 2014, <http://healthfinancejournal.com/index.php/johcf/article/view/12>.

¹⁶ New York Times, “At Many Homes, More Profit and Less Nursing,” Charles Duhigg,” September 23, 2007, <https://www.nytimes.com/2007/09/23/business/23nursing.html>.

¹⁷ Government Accountability Office, “Nursing Homes: Complexity of Private Investment Purchases Demonstrates Need for CMS to Improve the Usability and Completeness of Ownership Data,” September 2010, <https://www.gao.gov/assets/320/310562.pdf>.

home care among other long-term care services.¹⁸ Fillmore reportedly owns or has had investments in companies providing nursing home care. In order to help us understand your firm's role in the nursing home sector, we ask that you provide answers to the following questions no later than November 29, 2019.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.¹⁹
2. Which nursing home or other long-term care service companies, including all affiliates or related entities, does Fillmore have a stake in or own? Please provide the name of and a brief description of the services each company provides – including the number of facilities that it owns or operates.
 - a. Which nursing home or other long-term care companies, including all affiliates or related entities, has Fillmore had a stake in or owned in the past twenty years? Please provide the name of and a brief description of the services each company provides or provided – including the number of nursing home and other long-term care facilities that it owned or operated.
 - b. For each nursing home or other long-term care service company Fillmore had a stake in or owned in the past twenty years, including all affiliates or related entities, please provide the following information for each year that the firm have had a stake in or owned this company and the five years preceding the firm's investment.
 - i. The name of the company
 - ii. Total number of facilities, by type of facility
 - iii. Ownership stake
 - iv. Total revenue, and the total revenue from Medicare, and from Medicaid
 - v. Total transaction, advisory, or other fees collected after the acquisition of the company
 - vi. Net income
 - vii. Total number of employees for each facility
 - viii. Total number of patients for each facility, and the total number whose care is paid for by Medicare, and by Medicaid.
 - ix. Other private-equity firms that own a stake in the company
3. Private-equity firms reportedly employ sale-leaseback arrangements in order to quickly recover investments. For each company listed in questions 2(a) and 2(b), please list the number of nursing home or other long-term care facilities for which you acquired real estate assets, and whether a sale-leaseback agreement has been executed for any of those companies or facilities.

¹⁸ IQVIA, "U.S. Elder Care Market Summary," September 2019, <https://www.skainfo.com/reports/u.s.-elder-care-market-summary>.

¹⁹ Stop Wall Street Looting Act, S.2155, <https://www.congress.gov/bill/116th-congress/senate-bill/2155>.

4. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Fillmore has an ownership stake or has had an ownership stake in the last twenty years received Section 232 Department of Housing and Urban Development (HUD)- insured mortgages? If so, please provide the name of each facility and the total value of each loan insured by HUD.
5. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Fillmore has an ownership stake or has had an ownership stake in the last twenty years, been placed in receivership? Please provide the name of each facility.
6. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Fillmore has an ownership stake or has had an ownership stake in the last twenty years, been found to have violated any federal or state laws or regulations? If so, please provide a complete list, including the date and description, of all such violations. Please also include a list of all deficiencies identified in state or federal surveys of the facilities owned by the company for each year.
7. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Fillmore has an ownership stake or has had an ownership stake in the last twenty years, reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state laws or regulations or deficiencies in providing care? If so, please provide a complete list, including the date and description, of all such settlements.
8. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Fillmore has an ownership stake or has had an ownership stake in the past twenty years, reached a settlement with any individual who was provided services by the company related to a potential violation of any federal or state laws or regulations or deficiencies in providing care? If so, please provide a complete list, including the date and description, of all such settlements.

Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren
United States Senator



Sherrod Brown
United States Senator



Mark Pocan
Member of Congress

Congress of the United States

Washington, DC 20510

November 15, 2019

Charles R. Kaye
Co-Chief Executive Officer
Warburg Pincus LLC
450 Lexington Ave
New York, NY 10017

Joseph P. Landy
Co-Chief Executive Officer
Warburg Pincus LLC
450 Lexington Ave
New York, NY 10017

Dear Messrs. Kaye and Landy:

We are writing to request information regarding Warburg Pincus LLC's (Warburg Pincus) investment in companies providing nursing home care and other long-term care services and to request information about your firm's structure and finances as it relates to these companies.

Private equity funds often operate under a model where they purchase controlling interests in companies for a short time, load them up with debt, strip them of their assets, extract exorbitant fees, and sell them at a profit – implementing drastic cost-cutting measures at the expense of consumers, workers, communities, and taxpayers. For that reason, we have concerns about the rapid spread and effect of private equity investment in many sectors of the economy, especially industries that affect vulnerable populations and rely primarily on taxpayer-funded programs such as Medicare and Medicaid, like the nursing home industry. We are particularly concerned about your firm's investment in large for-profit nursing home chains, which research has shown often provide worse care than not-for-profit facilities.¹ In light of these concerns, we request information about your firm, the portfolio companies in which it has invested, and the performance of those investments.

Nursing homes provide a wide range of important medical and personal care services to a growing and vulnerable elderly population, with 1.3 million residents in the United States currently receiving care in more than 15,000 facilities.² For decades, reports and data have highlighted the shocking living conditions found in many nursing home and other long-term care

¹ International Journal of Health Services, "Ownership, Financing, and Management Strategies of the ten largest for-profit nursing home chains in the United States," Charlene Harrington et al., 2011, <https://www.ncbi.nlm.nih.gov/pubmed/22053531>; Kaiser Family Foundation, "Reading the Stars: Nursing Home Quality Star Ratings, Nationally and by State," May 2015, <http://files.kff.org/attachment/issue-brief-reading-the-stars-nursing-home-quality-star-ratings-nationally-and-by-state>.

² National Center for Health Statistics, "Long-term Care Providers and Services Users in the United States, 2015-2016," February 2019, https://www.cdc.gov/nchs/data/series/sr_03/sr03_43-508.pdf.

facilities across the country.³ Twelve years ago, for example, journalists uncovered how a group of private investment firms acquired 49 nursing homes, including a facility in Florida where managers slashed the number of registered nurses by half and cut supply and activity budgets. Residents, meanwhile, suffered from preventable infections and injuries.⁴ Last year, news reports similarly detailed how a for-profit nursing home employed drastic cost cutting measures, “exposed its roughly 25,000 patients to increasing health risk,” and ultimately filed for bankruptcy – all after a private equity firm acquired the company.⁵

This is particularly concerning given the fact that two-thirds of nursing home residents rely on government-sponsored health insurance coverage, meaning both not-for-profit and for-profit nursing homes benefit from government funding.⁶ Medicaid is the primary payer⁷ for nursing home care, with Medicare and Medicaid combined covering approximately 75 percent of nursing home residents.⁸ In 2015, taxpayers sent more than \$55 billion to the nursing home industry to cover the costs of long-term care. These reports and corresponding research raise serious questions about the role of private equity firms in the nursing home care industry, and the extent to which these firms’ emphasis on profits and short-term return is responsible for declines in quality of care. They also raise concerns over the stewardship of taxpayer dollars, when – in many cases – these facilities continue to receive Medicare and Medicaid funding despite their decline in quality.

The majority of nursing facilities – almost 70% – are for-profit, and over half are chain-affiliated.⁹ The overwhelming majority of research conducted over the last two decades shows that for-profit and chain affiliated¹⁰ companies provide a lower quality of care and experience more serious health and safety deficiencies when compared to non-profit facilities.¹¹

³ New York Times, “At Many Homes, More Profit and Less Nursing,” Charles Duhigg,” September 23, 2017, <https://www.nytimes.com/2007/09/23/business/23nursing.html>; Reveal, “‘The rats sensed she was going to pass away’, Jennifer Gollan, September 18, 2019, <https://www.revealnews.org/article/elderly-often-face-neglect-in-california-care-homes-that-exploit-workers/>.

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⁵ Washington Post, “Overdoses, bedsores, broken bones: What happened when a private-equity firm sought to care for society’s most vulnerable,” Peter Whoriskey and Dan Keating, November 25, 2018, https://www.washingtonpost.com/business/economy/opioid-overdoses-bedsores-and-broken-bones-what-happened-when-a-private-equity-firm-sought-profits-in-caring-for-societys-most-vulnerable/2018/11/25/09089a4a-ed14-11e8-baac-2a674e91502b_story.html.

⁶ Kaiser Family Foundation, “Distribution of Certified Nursing Facility Residents by Primary Payer Source,” accessed on Nov. 14, 2019, <https://www.kff.org/other/state-indicator/distribution-of-certified-nursing-facilities-by-primary-payer-source/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

⁷ Kaiser Family Foundation, “Medicaid’s Role in Nursing Home Care,” June 20, 2017, <https://www.kff.org/infographic/medicaids-role-in-nursing-home-care/>.

⁸ Kaiser Family Foundation, “Distribution of Certified Nursing Facility Residents by Primary Payer Source,” accessed on Nov. 14, 2019, <https://www.kff.org/other/state-indicator/distribution-of-certified-nursing-facilities-by-primary-payer-source/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

⁹ National Center for Health Statistics, “Long-term Care Providers and Services Users in the United States, 2015-2016,” February 2019, https://www.cdc.gov/nchs/data/series/sr_03/sr03_43-508.pdf.

¹⁰ Facilities owned or leased by “an organization that owns two or more long-term care facilities.”

¹¹ International Journal of Health Services, “Ownership, Financing, and Management Strategies of the ten largest for-profit nursing home chains in the United States,” Charlene Harrington et al., 2011; Medical Care Research and

Additionally, for-profit facilities receive the lowest scores in the Centers for Medicare and Medicaid Services' (CMS) nursing home rating system that takes into account, state health inspections, staffing ratios and quality measures.¹²

Private equity investment appears to exacerbate the problems faced at chain-affiliated for-profit nursing homes. Studies show that private equity-owned facilities generally “deliver poorer quality of care” than other chain-affiliated for-profit facilities; are likely to try to reduce cost by “substituting expensive but skilled RNs with cheaper and less skilled nurses”; and “report significantly higher number of deficiencies” that climb with more years of private equity ownership. As a result, private equity-owned nursing homes have 21% higher deficiencies, 25% lower nursing staff skill mix, and “worse results on pressure sore prevention ... and [higher] pressure ulcer [] risk prevalence.”¹³ That was reportedly the case at HCR ManorCare – the second largest for-profit nursing home chain in the United States. In the years following its acquisition by a private equity firm, “the number of citations increased for, among other things, neither preventing nor treating bed sores; medication errors; not providing proper care for people who need special services such as injections, colostomies and prostheses; and not assisting patients with eating and personal hygiene.”¹⁴

Moreover, while the quality of service declines, the complicated ownership and operating structure of these investments “limit legal remedies available to aggrieved residents.”¹⁵ For example, after a resident died at the private-equity-owned Habana Health Care Center (as a result of “a wound [that] should have been detected much earlier”), a family member tried to sue the owners of the facility, only to discover that the facility’s complicated ownership structure “meant that even if she prevailed in court, the investors’ wallets would likely be out of reach.”¹⁶ Shifting funds to other affiliated entities, or to the private equity firm itself, to immunize itself from liability for judgments against a target company is a widespread practice in the private equity industry.

Private equity investment in this sector has increased over the last few decades. The Government Accountability Office found that over the span of ten years ending in 2008, private investment

Review, “Nursing home profit status and quality of care: is there any evidence of an association?” Michael P. Hillmer et al., April 2005, <https://www.ncbi.nlm.nih.gov/pubmed/15750174>.

¹² Kaiser Family Foundation, “Reading the Stars: Nursing Home Quality Star Ratings, Nationally and by State,” May 2015, <http://files.kff.org/attachment/issue-brief-reading-the-stars-nursing-home-quality-star-ratings-nationally-and-by-state>.

¹³ Journal of Health Care Finance, “Private Equity Ownership of Nursing Homes: Implications for Quality,” Rohit Pradhan et al., June – July 2014, <http://healthfinancejournal.com/index.php/johcf/article/view/12>.

¹⁴ Washington Post, “Overdoses, bedsores, broken bones: What happened when a private-equity firm sought to care for society’s most vulnerable,” Peter Whoriskey and Dan Keating, November 25, 2018, https://www.washingtonpost.com/business/economy/opioid-overdoses-bedsores-and-broken-bones-what-happened-when-a-private-equity-firm-sought-profits-in-caring-for-societys-most-vulnerable/2018/11/25/09089a4a-ed14-11e8-baac-2a674e91502b_story.html.

¹⁵ Journal of Health Care Finance, “Private Equity Ownership of Nursing Homes: Implications for Quality,” Rohit Pradhan et al., June – July 2014, <http://healthfinancejournal.com/index.php/johcf/article/view/12>.

¹⁶ New York Times, “At Many Homes, More Profit and Less Nursing,” Charles Duhigg, September 23, 2007, <https://www.nytimes.com/2007/09/23/business/23nursing.html>.

firms acquired approximately 1,900 unique nursing homes.¹⁷ Today, private equity firms own or operate several large for-profit chains that control hundreds of facilities and provide nursing home care among other long-term care services.¹⁸ Warburg Pincus reportedly owns or has had investments in companies providing nursing home care. In order to help us understand your firm's role in the nursing home sector, we ask that you provide answers to the following questions no later than November 29, 2019.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.¹⁹
2. Which nursing home or other long-term care service companies, including all affiliates or related entities, does Warburg Pincus have a stake in or own? Please provide the name of and a brief description of the services each company provides – including the number of facilities that it owns or operates.
 - a. Which nursing home or other long-term care companies, including all affiliates or related entities, has Warburg Pincus had a stake in or owned in the past twenty years? Please provide the name of and a brief description of the services each company provides or provided – including the number of nursing home and other long-term care facilities that it owned or operated.
 - b. For each nursing home or other long-term care service company Warburg Pincus had a stake in or owned in the past twenty years, including all affiliates or related entities, please provide the following information for each year that the firm have had a stake in or owned this company and the five years preceding the firm's investment.
 - i. The name of the company
 - ii. Total number of facilities, by type of facility
 - iii. Ownership stake
 - iv. Total revenue, and the total revenue from Medicare, and from Medicaid
 - v. Total transaction, advisory, or other fees collected after the acquisition of the company
 - vi. Net income
 - vii. Total number of employees for each facility
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 - ix. Other private-equity firms that own a stake in the company

¹⁷ Government Accountability Office, "Nursing Homes: Complexity of Private Investment Purchases Demonstrates Need for CMS to Improve the Usability and Completeness of Ownership Data," September 2010, <https://www.gao.gov/assets/320/310562.pdf>.

¹⁸ IQVIA, "U.S. Elder Care Market Summary," September 2019, <https://www.skainfo.com/reports/u.s.-elder-care-market-summary>.

¹⁹ Stop Wall Street Looting Act, S.2155, <https://www.congress.gov/bill/116th-congress/senate-bill/2155>.

3. Private-equity firms reportedly employ sale-leaseback arrangements in order to quickly recover investments. For each company listed in questions 2(a) and 2(b), please list the number of nursing home or other long-term care facilities for which you acquired real estate assets, and whether a sale-leaseback agreement has been executed for any of those companies or facilities.
4. Has any nursing home or other long-term care company, including all affiliates or related entities, in which Warburg Pincus has an ownership stake or has had an ownership stake in the last twenty years received Section 232 Department of Housing and Urban Development (HUD)-insured mortgages? If so, please provide the name of each facility and the total value of each loan insured by HUD.
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Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren
United States Senator



Mark Pocan
Member of Congress



Sherrod Brown
United States Senator