



April 23, 2025

House Committee on Health and Human Services
Rhode Island State House
househealthandhumanservices@rilegislature.gov

Re: **Testimony SUPPORTING HB 5426,**

Dear Chair Donovan and Honorable Committee Members,

Thank you for the opportunity to submit this testimony in support of House Bill 5426.

ABC-RI stands for the rights and interests of all Rhode Islanders residing in long-term care facilities. We strongly support HB 5426 because **too many of the public funds meant for resident care are diverted, often through obfuscatory practices, to owners' pockets. This results in poor care, neglect, and increasingly frequent actual harm to vulnerable residents.**

A recent example: In June of 2023 the owners of two nursing homes in Rhode Island filed for receivership, claiming financial insolvency. Three years after purchasing one of the facilities for just over \$3.6 million, the owners sold the property to a healthcare REIT for \$17.5 million. Add to that forgiven PPP loans totalling at least \$2.5 million, and it becomes even harder to believe that the owners are insolvent. Both facilities were and still are frequently dangerously understaffed, and have been cited for numerous "immediate jeopardy" deficiencies in recent years.

It shouldn't take a forensic accountant to determine where our public Medicare and Medicaid dollars are going, but often now it does. The ownership of many of our facilities consists of a series of nested LLCs, often established just for the purpose of owning, individually, the land, building, license, or management of a single nursing home, with each LLC owned by a web of affiliated LLCs, individuals (frequently related), and trusts. Rarely we may see an individual listed as the sole owner of a newly established entity taking control of nursing homes, but what we don't see in their application is the applicant's extensive web of interconnected associates who own hundreds of other facilities and related entities. Only if we dig deep into the network of trustees and indirect owners of the affiliated entities, do we find the individuals whose names are familiar from national headlines about fraud, neglect, and abuse. ABC-RI would argue for even stronger transparency requirements and limits on equity extraction, as the strategies used to shield owners from accountability and extract more profits are sophisticated and evolving, but we defer to RIDOH's expertise at this time.

Further supporting evidence that we currently lack the necessary data to hold owners accountable, and that these ownership structures correlate with poor care and resident harm:

The US General Accounting Office [reported that](#) "Medicare's data has some gaps because nursing homes don't always report all of their owners. Also, there isn't currently a way for Medicare to identify private equity owners."

A [study published in Health Affairs](#) in 2023 "confirmed that, despite pushes for more ownership transparency under the Biden administration, only 33% of private equity and 17% of REITs were identified by CMS...."

A piece published in [The American Prospect in 2022](#) avers: "[T]he most profitable of the plaintiff homes are largely owned by an interconnected gang of prolific health care slumlords that has aggressively expanded its reach in recent years, undeterred by the [series](#) of [FBI raids](#), [mass casualty](#) events, [criminal prosecutions](#), and [media clusterf—s](#) that has engulfed their empire."

In [this 2023 research brief on ownership structures](#) from the ASPE Office of Behavioral Health, Disability, and Aging Policy, we see that "...PE investment results in a 12% relative decline in registered nurse (RN) hours per resident day (HPRD) compared to other for-profit facilities and a 14% relative increase (i.e., worsening) in their deficiency score index. We see a similar pattern for REIT invested facilities, with a 7% relative decline in RN HPRD and a 14% relative increase in deficiency score index."

We understand independent owners find the paperwork onerous, and would prefer to be allowed to take more equity more freely out of their businesses, but if you want to prevent REITs, private equity firms, and other unethical parties from stealing public money from our most vulnerable and completely taking over the nursing home industry, you must agree it's a sacrifice worth making.

Thus, we respectfully urge you to support HB5426.

Thank you for your time and attention, and for all of your work on behalf of all Rhode Islanders.

Sincerely,

Kathleen Gerard,
ABC-RI