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August 29, 2017

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BY EMAIL

Dennis Dugan
National Union of Healthcare Workers
ddugan@nuhw.org

Re: Your Article Entitled “Brius Healthcare’s Insider Transactions”

Dear Mr. Dugan:

We write on behalf of Shlomo Rechnitz and Brius Healthcare to demand an immediate retraction of the “report” entitled “Brius Healthcare’s Insider Transactions: How California’s Largest Nursing Home Chain Funnels Millions to Insider Companies.” The “report” contains many false and defamatory statements portraying Mr. Rechnitz and Brius Healthcare in a false light and causing them great harm.

The “report” is so riddled with false and misleading statements as to make it impractical to identify each and every wrongful and damaging statement. Most fundamentally, the “report” portrays two false narratives about Mr. Rechnitz and Brius Healthcare. First, the “report” indicates that, through related party transactions, Mr. Rechnitz is causing Brius Healthcare to raise rates payable to Brius Healthcare or related entities by Medicare and Medicaid so that Mr. Rechnitz can use the money from those increased rates for his personal enrichment. Second, the “report” indicates that, again through related party transactions, Mr. Rechnitz is siphoning money out of healthcare facilities for his own personal benefit and thereby depriving the facilities of funds needed to provide the appropriate standard of patient care, thus leading to regulatory violations at those facilities. Neither of those things is remotely true; by printing such false and scandalous allegations, you and the Union have caused damage to Mr. Rechnitz and Brius Healthcare in the many millions of dollars.

We will provide here only a few examples of the false and defamatory statements that comprise the bulk of the “report.” To begin, the “report” falsely assumes and asserts that, for each related party transaction, Mr. Rechnitz and Brius Healthcare were compensated in full by Medicare or Medicaid for that transaction. But that is not true. If regulatory authorities conclude that a related party transaction is inappropriate, they refuse to compensate the healthcare facility for that transaction through higher rates.

Nor is it true that Brius Healthcare skimps on patient care by using related party transactions to siphon funds out to Mr. Rechnitz or related parties or persons. The

“report”, for example, after describing the nature of related party transactions, states that “These sorts of transactions are not uncommon among major nursing home chains, although ***Rechnitz appears to have engineered novel arrangements to siphon money from his facilities, leaving them with fewer funds for their residents.***” (Emphasis added).

The “report” then goes on to discuss the structure of certain leasing transactions to create the false and horribly damaging impression that Mr. Rechnitz systematically increases the rent his related entities charge healthcare facilities to line his own pockets at the expense of patient care. The “report” thus states:

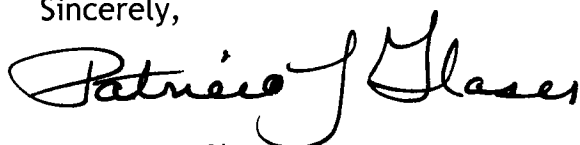
Rechnitz has employed his leasing arrangements across California, although perhaps nowhere more blatantly than in Humboldt County, where he has implemented a middleman leasing arrangement for all of the county’s nursing homes. Rental cost at the 99-bed Eureka Rehabilitation & Wellness Center, for example, nearly tripled after Brius took over in 2011. Specifically, the facility reported its lease costs jumping from \$333,350 in 2010 to \$827,751 in 2012.

What the “report” fails to mention is that rental cost jumped after Brius’s acquisition because Genesis, the seller, was also the landlord after the Brius acquisition, ***and Genesis dramatically increased the rent it charged the facility once it no longer operated the facility and those operations were transferred to Brius.*** The “report” thus falsely attributes a rental increase to Mr. Rechnitz and Brius when in fact that increase was caused by a third party, Genesis. The “report” is thus again false and misleading, painting Mr. Rechnitz and Brius in a false light.

Again, the “report” is so littered with falsehoods and half-truths as to render impractical any effort to address them each specifically. Mr. Rechnitz and Brius demand an immediate retraction of the “report” and especially correction of its two primary false narratives: that Mr. Rechnitz and Brius used related party transactions to (a) obtain improper rate allowances by Medicare and Medicaid, and (b) divert funds necessary for patient care to Mr. Rechnitz’s affiliates, thereby rendering substandard patient care at the Brius-related healthcare facilities.

The foregoing, of course is without waiver of or prejudice to the rights and remedies of Mr. Rechnitz and Brius, and all such rights and remedies are reserved in their entirety.

Sincerely,



Patricia L. Glaser
OF GLASER WEIL FINK HOWARD AVCHEN & SHAPIRO LLP