

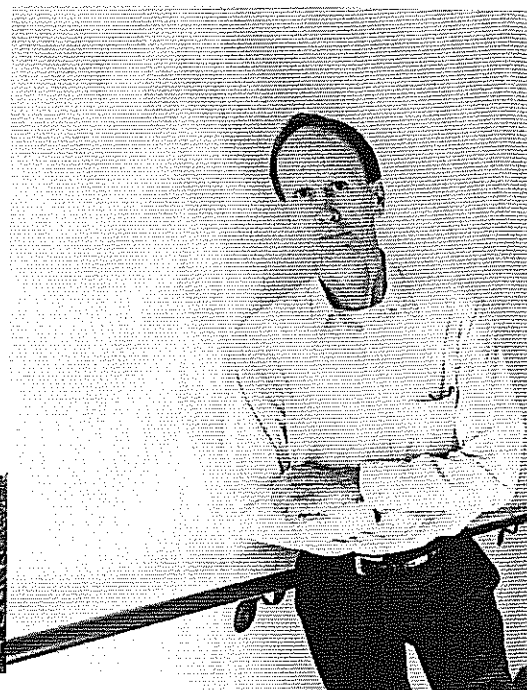
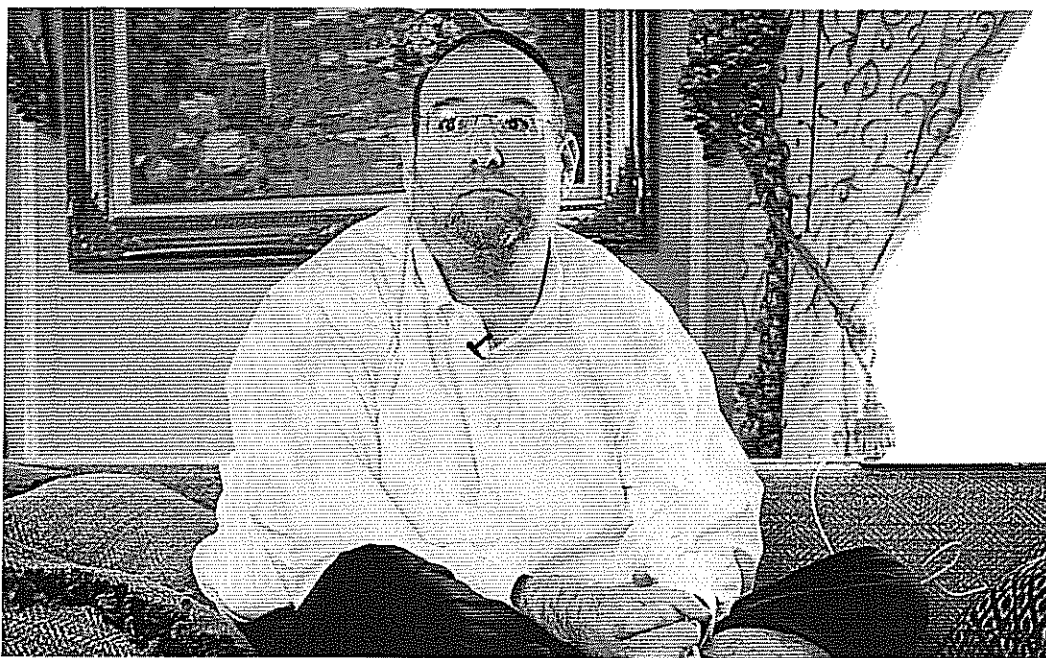
# California's largest nursing home owner under fire from government regulators

## HIGHLIGHTS

Shlomo Rechnitz now controls about 1 of every 14 nursing home beds in California

In recent months, his homes have been hit with flurry of citations, penalties

Elder care advocates call crackdown rare but overdue



< 1 of 8 >



BY MARJIE LUNDSTROM AND PHILLIP REESE  
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At 7:30 a.m. on Nov. 7, an unseasonably warm Friday in Los Angeles, Courtney Cargill signed herself out of a suburban nursing home and took off on foot.

The facility, on the western edge of South Pasadena's business district, is just steps way from the L.A. Metro Gold Line and an eclectic stretch of brick storefronts with hunter-green awnings and colorful outdoor cafe tables.

Cargill scribbled her initials on the sign-out sheet at South Pasadena Convalescent Hospital and declared her destination: "Library etc."

Instead, Cargill – a 57-year-old resident known by nursing home staff to be suicidal and delusional – walked unsupervised to a nearby service station and bought a plastic jug and gallon of gas, state documents show. A tall, muscular woman with short brown hair, she walked a quarter-mile to a second service station where, at 8:05 a.m., a surveillance camera recorded her heading to the back, stripping off her clothes, dousing her body with gasoline and lighting herself on fire.

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She calmly walked away, patting her head, then strolled down the sidewalk and into a neighbor's driveway. Cargill died at a Los Angeles hospital less than 24 hours later, with second- and third-degree burns over 90 percent of her body.

Courtney Cargill's suicide proved to be the final straw for government regulators, who decertified South Pasadena Convalescent in January and yanked its Medicare and Medi-Cal funding.

The move marks one in a series of harsh regulatory actions officials have taken in recent months against a California-based nursing home chain that has quickly become the state's largest, with facilities stretching from San Diego to Roseville to Eureka.

At the top of the chain: Shlomo Rechnitz, a 43-year-old Los Angeles entrepreneur and philanthropist.

Since 2006, Rechnitz and his primary company, Brius Healthcare Services, have acquired 81 nursing homes up and down the state, many of them through bankruptcy court. His chain has grown so quickly that he now controls about 1 in every 14 nursing home beds in California, giving him an outsized influence on quality of care in the state.

In the past year, multiple alarms have been raised about this relative newcomer to the industry and the care provided in some of his homes. His facilities have become the target of police scrutiny, lawsuits, stiff regulatory fines and state and federal investigations that have uncovered numerous alleged violations.

Video: Controversy shadows South Pasadena nursing home



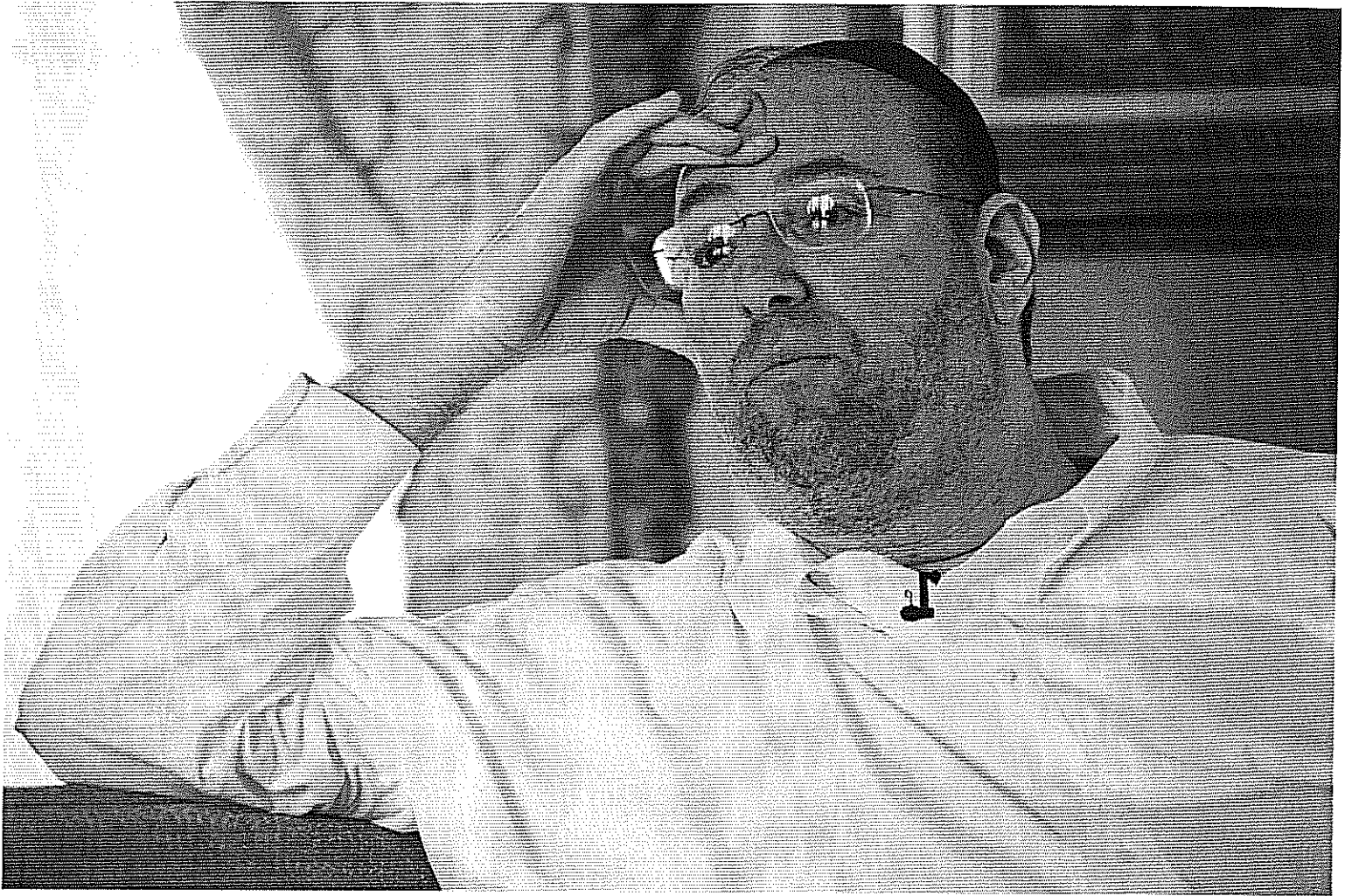
"What we're seeing at the Brius locations is quite concerning," said Molly Davies, administrator of Los Angeles' long-term care ombudsman program, which investigates nursing home complaints. "We have seen patterns of poor care, patterns of substandard care in some of these facilities."

Davies said her staff has witnessed a "flagrant disregard for human life" in some Brius-owned facilities.

Between October and January, three of Rechnitz's facilities, including South Pasadena, were decertified by the federal government, an economic kiss of death that is extremely rare. The punishment strips a nursing home of its crucial Medicare funding until it can demonstrate improvement, or is closed or sold.

Since 2010, the federal Centers for Medicare and Medicaid Services has decertified only six out of more than 1,200 nursing homes in California.

Besides South Pasadena Convalescent Hospital, the federal government also decertified his Gridley Healthcare & Wellness Centre in Butte County and Wish-I-Ah Healthcare & Wellness Centre in rural Fresno County.



Shlomo Rechnitz, a Los Angeles entrepreneur, has rapidly become California's largest nursing home owner. He said he is stunned by the uptick in regulatory actions against his homes. **Paul Kitagaki Jr.** - [pkitagaki@sacbee.com](mailto:pkitagaki@sacbee.com)

A Sacramento Bee investigation published in November found that regulators were not routinely monitoring overall performance or looking for patterns of care in California's largest nursing home chains. With Brius, though, that appears to be changing. In February, an attorney for the California Department of Public Health said in legal documents that the state was rejecting Rechnitz's attempt to acquire a Chico nursing home because of his compliance history and "the number and severity of violations" in his other facilities.

Rechnitz's troubles were compounded this spring, when the South Pasadena facility was hit with 24 state citations and \$195,500 in fines from the Department of Public Health. Cargill's suicide, for instance, resulted in a \$20,000 fine and a Class A citation for the facility's failure to supervise a patient with a history of schizophrenia, anxiety disorder and involuntary psychiatric holds.

Rechnitz agrees that his nursing home operation has been under siege, but he offers an alternative viewpoint. He says problems with regulators began after his management company became embroiled in a legal dispute with the state over delinquent paperwork, and the relationship soured.

"The things that happened are very shocking to me," said Rechnitz, referring to his newly contentious relationship with regulators.

"All of a sudden, we show up to court one day and there is an emergency motion that refers to us as a quote-unquote serial violator of laws. It questions if we would pass the good character requirement ... It basically makes us look like the Charles Manson of the nursing home business."

The state denies it has singled Rechnitz out or has any ulterior motives.

Whatever the underlying cause, there is no question that California's biggest nursing home operator is facing scrutiny and costly sanctions, according to hundreds of pages of government documents reviewed by The Bee.

The legal dispute Rechnitz referenced began last August, when the California attorney general unsuccessfully attempted to halt his purchase of 19 facilities in federal bankruptcy court, accusing the owner of being a “serial violator of rules within the skilled nursing industry.”

The state acted again a month later, refusing to grant Rechnitz the license in Chico. The denial was unusual. The California Department of Public Health has rejected only four change-of-ownership applications since 2009, including Chico, according to a department spokesman. Rechnitz is appealing.

Elder care advocate Michael Connors, whose office is two blocks from South Pasadena Convalescent Hospital, said the flurry of activity surrounding Rechnitz’s homes is “unprecedented.”

“We’ve never seen anything ... like it,” said Connors, of California Advocates for Nursing Home Reform.

Connors said the organization can’t speak to the quality of care in all of Rechnitz’s nursing homes. “But we certainly know that enough of these facilities have had severe problems to question why that operator is being allowed to continue doing business in California,” he said.

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**ALL OF A SUDDEN, WE SHOW UP IN COURT ONE DAY AND THERE IS AN EMERGENCY MOTION ... IT BASICALLY MAKES US LOOK LIKE THE CHARLES MANSON OF THE NURSING HOME BUSINESS.**

**Shlomo Rechnitz, nursing home owner**

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In a lengthy sit-down interview with The Bee in March, Rechnitz said he is stunned by the government’s treatment of him and his facilities, and portrayed many of the actions as unjustified. He described himself as a conscientious business owner and philanthropist who has gone from being the “go-to person” for the California Department of Public Health – whose officials regularly sought his assistance, he said – to an operator now under attack from these same officials.

“We’ve always been kind of the golden child of the state, where they’ve constantly called us in and asked us to take over (troubled) facilities, which we did,” Rechnitz said during a three-hour interview in his Los Angeles home.

Rechnitz explained that his business model is to rescue failing facilities and turn them around. Of his 81 nursing homes, he said, 59 were considered “distressed” when he acquired them, meaning that they were insolvent or on the verge of decertification or closure for poor performance.

Officials in San Mateo County, for instance, credit Rechnitz with preserving nearly 300 needed beds and dozens of jobs when he took over management of the Burlingame Long Term Care facility in 2012. Formerly operated by the county, the facility had been headed for closure because of financial problems and concerns about the building’s age and safety.

“I don’t have any nursing experience myself, but I kind of know the ins and outs of a nursing home today,” Rechnitz said.

“I can usually look at a nursing home, a distressed facility, and tell pretty quickly what the prior management was doing wrong and assess if it’s something that we believe that we can rehabilitate. And that’s pretty much been our model,” he said.

### **Troubled homes close**

The road to Rechnitz’s trio of decertifications began in Gridley, a town of 6,584 about 60 miles north of Sacramento.

On March 24, 2014, a team from the Department of Public Health visited the Gridley Healthcare & Wellness Centre for a routine recertification survey that stretched into six days.

The 82-bed facility, one of 13 nursing homes in Butte County, sits off Highway 99 behind a hospital complex with buildings trimmed in Army green. On one recent afternoon, litter spilled into the nursing home parking area, which backs up against a weedy vacant lot.

Rechnitz bought the facility in 2010 from EmpRes Healthcare Management (then called Evergreen), a Vancouver, Wash.-based chain that has one of the poorest performance records among California’s 25 largest chains, according to The Bee’s investigation last year.

Under Brius, the Gridley facility initially appeared to improve as Rechnitz’s company raised the home from three stars to four stars in the federal government’s five-star rating system for nursing homes. By the end of 2013, though, the Gridley facility was backsliding in the ratings and had fallen to two stars, then, finally, to one star by mid-2014.

The findings from the March/April 2014 survey weren’t good.

The 100-page report detailed numerous deficiencies and identified two instances in which residents had been in “immediate jeopardy.” The first involved a patient who suffered severe dehydration and died in December 2013 after staff failed to notify his physician for four days that he was feverish, barely eating or drinking, with fluctuating vital signs, according to the inspection survey.

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WHAT WE'RE SEEING AT THE BRIUS LOCATIONS IS QUITE CONCERNING. WE HAVE SEEN PATTERNS OF POOR CARE, PATTERNS OF SUBSTANDARD CARE IN SOME OF THESE FACILITIES.

Molly Davies, long-term care ombudsman, Los Angeles

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In the second instance, a 64-year-old patient with chest pain and a history of heart problems complained it took nine hours for staff to get him an ambulance, even though he told them his pain was "12½ on a scale of one to 10."

The state also investigated a complaint that a certified nursing assistant last year had taken photos of residents who were "inappropriately exposed and/or appeared to be deceased" and shared them on social media. Two nursing aides also posted videos of themselves dancing in a "sexually provocative manner" in front of at least one resident who seemed to be sleeping or unconscious, according to state documents. The state ultimately issued two citations and fined the facility \$4,000.

Federal inspectors made their own visit to Gridley in September to investigate a complaint, which resulted in two more calls of immediate jeopardy. The facility was notified in late September that it would lose its Medicare and Medi-Cal funding, effective Oct. 2.

Rechnitz said he believes that regulators were unfair by decertifying the facility before granting him a follow-up visit, which he described as customary.

"I was in shock. I've never been decertified before," Rechnitz said. "Again, we tried calling, and only the lawyers will talk to us. All my friends, quote-unquote, weren't friends any more."

A follow-up survey resulted in another serious deficiency, Rechnitz said, and the state was notified last week that the home would close. Rechnitz said he resisted closing for the sake of the families, but that keeping the facility open without government funding was costing him about \$500,000 a month.

"At the end of the day, these patients are the responsibility of the state of California," he said. "I think I carried them for a long enough period of time."



Molly Davies, long-term care ombudsman in Los Angeles, said she is alarmed by "patterns of poor care" in some of Shlomo Rechnitz's nursing homes. **Paul Kitagaki Jr.** - [pkitagaki@sacbee.com](mailto:pkitagaki@sacbee.com)

Last year's action in Gridley was followed in November by the rapid shutdown of Wish-I-Ah Healthcare & Wellness Centre near Auberry, a town of 2,369 in the foothills northeast of Fresno. It was the first time since 2008 that the Department of Public Health had issued a suspension order against a facility.

Perched on a scenic hill outside Auberry, the sprawling white complex was constructed in 1928 as a tuberculosis sanatorium by Fresno County, then closed in 1955 and later reopened privately as a nursing and rest home.

Rechnitz bought Wish-I-Ah from a local family in 2009. By then, the facility had been a major employer in the rural area for more than half a century.

"There's not really anywhere else to work around here," said shopkeeper Tami Alec, who runs a new and used merchandise store in town.

But troubles were mounting behind its doors.

In October, a state complaint investigation resulted in an 81-page report chronicling numerous health hazards at the aging facility. Surveyors cited bathrooms with standing water and toilets brimming with fecal matter. A poorly maintained sewage treatment system downhill from the home resulted in workers having to manually dispose of feces in garbage bags. Inspectors also detailed a gastrointestinal illness that swept through the facility in September and October, sickening numerous residents and staff.

One 75-year-old Wish-I-Ah resident, who contracted salmonella during the outbreak while recuperating from a mastectomy, died in late September following a wound infection. Inspectors found that Wish-I-Ah staff lacked the training to properly change her dressing, and she was admitted to an acute care hospital with sepsis, a life-threatening blood infection, state documents show. Doctors discovered that a foam sponge used in the dressing had been left behind by staff and was growing into her skin; she died within a week.

"It got really bad to go there this past year, it just smelled so bad," said Val Stringer, 71, an Auberry resident who visited Wish-I-Ah for 34 years as part of a ministry, singing and praying with residents each Friday.

She recalled how the living quarters were cold in the winter and sweltering in summer months, with flies “all over” the facility, buzzing around food and residents.

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**IT'S NOT EVERY DAY THAT LICENSING SHUTS A BUILDING DOWN ... BUT THE CONDITIONS IN THOSE BUILDINGS WERE JUST TOO FAR GONE.**

**Joe Rodrigues, California's long-term care ombudsman**

After the state suspended the facility's license in November, Rechnitz voluntarily closed the nursing home, rather than make the additional repairs and upgrades required by regulators that he said would have cost more than \$3.5 million. He said he already had made many improvements but that inspectors invariably would say, “ ‘But then there's this problem, but then there's that problem.’ ”

Wish-I-Ah permanently shut its doors late last year, and 78 residents were relocated throughout the state. Nearly two-thirds were transferred to other Brius facilities. For instance, about 25 residents were transplanted to Brius homes in Humboldt County, some 450 miles away along the windswept North Coast.

“It's not every day that licensing shuts a building down,” said Joe Rodrigues, the state's long-term care ombudsman in the Department of Aging. “Nobody likes to see that happen, because it's so disruptive to residents.

“But the conditions in those buildings were just too far gone. I don't think they could have kept that place open.”



INTERACTIVE MAP

## Nine stories from Rechnitz's California nursing homes



These 23 nursing homes received a total of 50 serious deficiencies.

### ‘Her eyes seemed ghostlike’

As Wish-I-Ah was closing, state officials were deep into their investigation of South Pasadena Convalescent Hospital, a 156-bed facility situated not far from the start of the annual Rose Parade.

Since Rechnitz purchased the nursing home in 2006, it has become a lightning rod of public controversy in South Pasadena, a quaint tree-lined enclave northeast of downtown Los Angeles.

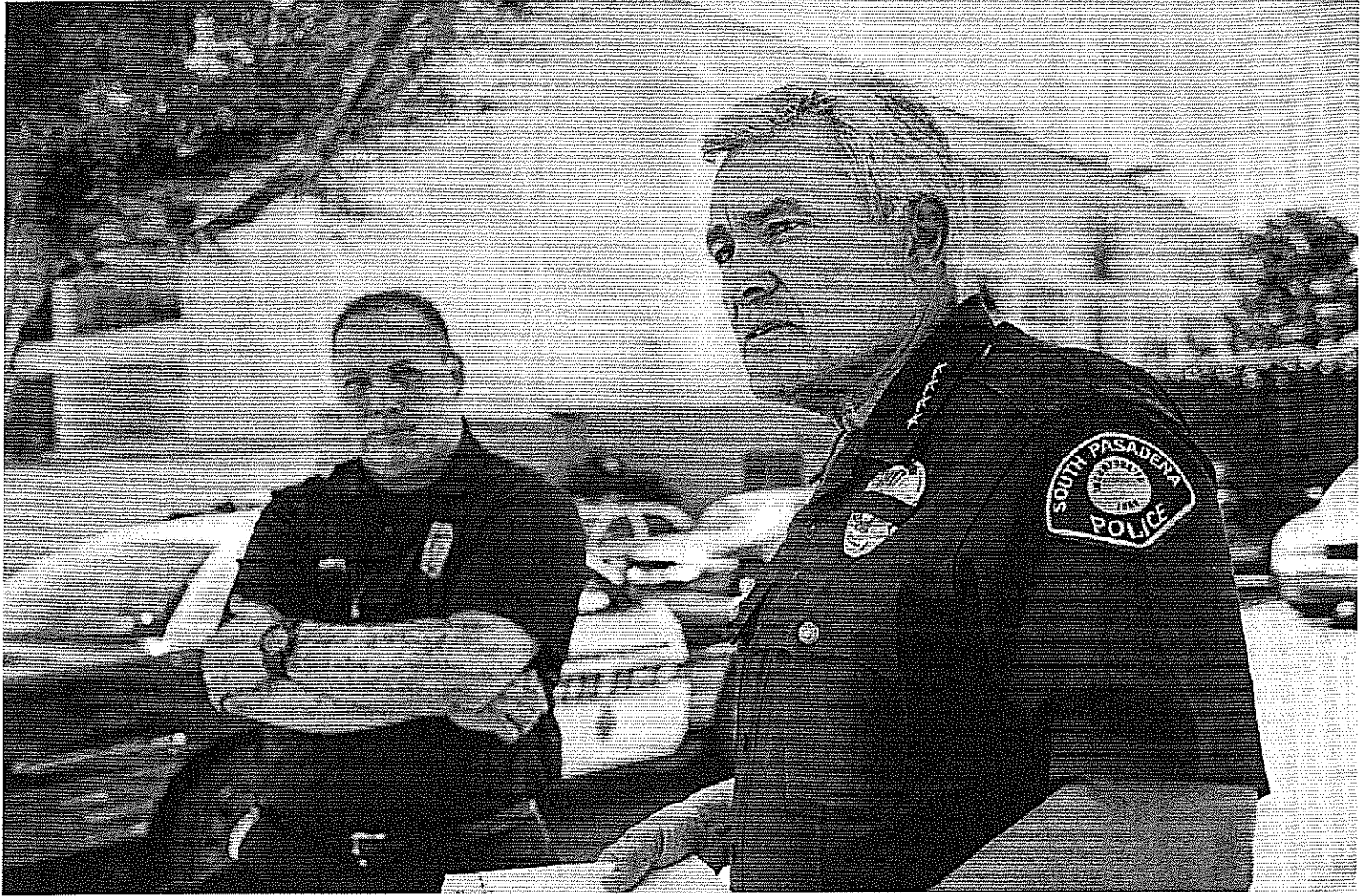
The facility failed four consecutive inspections in a five-month period last year, beginning with a May survey, during which a 67-year-old female resident collapsed in the presence of inspectors. The nurse and nursing assistant responding to a Code Blue did not know how to properly administer CPR, according to state documents, and the woman died. Ten staff members did not respond correctly when asked later by inspectors about CPR guidelines.

Unlike other nursing homes, though, this facility's internal problems had begun intersecting with the surrounding community, according to local officials.

South Pasadena Police Chief Art Miller, who served with the Los Angeles Police Department for 35 years, said his small force has been plagued by criminal complaints inside and outside the facility.

“This is a wonderful little town,” said Miller. “And that place is just a cesspool in the middle of a community.”





South Pasadena Police Chief Art Miller said his small department has been plagued by service calls in and around South Pasadena Convalescent Hospital. Paul Kitagaki Jr.- [pkitagaki@sacbee.com](mailto:pkitagaki@sacbee.com)

Miller blamed the issues on what he said was a shift in the facility's mix of residents, from frail and elderly patients to an increasing number of younger people who are mobile, unsupervised and causing trouble.

For his officers, the changing patient population has resulted in an overwhelming level of service calls – an average of 60 per month – related to residents, he said. Some patients have wandered into businesses or neighborhoods, shoplifting or dealing drugs, while other residents have victimized each other, he said.

To put matters in context, Miller said, a more traditional nursing home around the corner from Rechnitz's facility logged 160 calls for service in an eight-year period, with many reports related to typical concerns, such as death investigations and missing persons. By comparison, South Pasadena Convalescent had 1,129 service calls during that same period, Miller said, with crime reports taken for sexual assaults, robberies, batteries and thefts.

In one instance, state records show, police were called to the facility in October to investigate a fight between patients. When health investigators followed up four months later, they found that a 53-year-old male patient had been overheard threatening another resident that, "If you keep it up, I'm going to put a bullet in you," state records show.

The state, which fined the facility \$1,000 in connection with the incident, determined that the second patient was afraid because the other resident was "known to carry a handgun in his electric wheelchair." During the follow-up investigation, the first patient "became hostile and attempted to run the evaluator over with his wheelchair," according to the Class B citation issued in April.

In another case, state records show, a 51-year-old resident admitted to smoking methamphetamine in a facility bathroom.



Miller said officers have been conducting regular "walk-throughs" at the nursing home, especially after the department discovered in 2013 that someone had recircuited the 911 system on the facility's portable pay phone. For a full year, he said, patients who dialed 911 were having their calls diverted to the nurses' station, not to a police dispatcher.

"It's horrible," the chief said, "and it's completely illegal."

Rechnitz said he was aware of the community's concerns and has made changes to address them. But he also said he believes that some of the friction stems from the facility's willingness to serve patients who suffer from mental illness.

Rechnitz said the nursing home was one of five in his chain that accepted skilled nursing patients who also are diagnosed with mental illness. In his March interview, he estimated that about 45 patients at South Pasadena, or close to 30 percent of the facility's maximum population, came with a co-diagnosis.

These residents, he said, are often thought of as the NIMBY patients: "not in my backyard."

"The state wants nothing to do with these people, the county wants nothing to do with these people, the hospitals want nothing to do with these people," said Rechnitz.

"There's no place for these patients to go except one place: Skid Row," he said. "That is what the state of California has designated as their mental health program."

He acknowledged this is a difficult population to manage but added that mentally ill people also get sick and need skilled nursing care. A statement from his legal team noted that the South Pasadena facility is not locked and residents have the right, as determined by their doctors, to come and go.

Even so, Rechnitz said he decided the facility would no longer accept patients with secondary mental health diagnoses and would cater to non-ambulatory residents only.

During the March interview, Rechnitz was optimistic the facility would be recertified. He had engaged in a makeover, changing the name to Mission Grove Healthcare & Wellness Centre. He painted the building, put in new landscaping, gussied up the lobby and added valet parking. Rechnitz said he replaced many of the senior staff, including the facility's administrator.

Late last week, though, with only 25 patients left, he told The Bee he is looking to give up his ownership stake.

"I just look at the facility as a black mark," he said. "I just figured, I don't need this."

Rechnitz and his legal team said they could not discuss Cargill's suicide due to patient privacy but that they felt for the family.

Cargill's older sister, Casey, visited South Pasadena in January to retrace her sister's final steps.

Courtney Cargill had been an accomplished court reporter for years until mental illness descended and she drifted on and off the streets, according to her sister. She described Courtney as headstrong, and said the family became unable to care for her many needs. She was placed by a public guardian in November 2013 at South Pasadena Convalescent. Documents obtained by the family show that the facility knew her to be suspicious, anxious, irritable, delusional and suicidal.

Even so, she apparently had few restrictions on her movements in her final days. The facility sign-out sheet shows she left the nursing home 11 times the week before her death, stating that she was headed to the park or to Rite Aid or to the public library four blocks away.



Courtney Cargill was a court reporter before succumbing to mental illness. She was placed by a public guardian at South Pasadena Convalescent Hospital. **Cargill family**

On the morning of her suicide, it was a neighborhood resident and his wife who discovered the critically injured woman hiding alongside their house. Marco Arrieta, 46, and his wife arrived home about 8:30 a.m., noticing emergency vehicles at the service station next door. Workers had just put out a mysterious fire.

The couple heard a faint moaning coming from the trash cans in their secluded side yard, Arrieta told The Bee. A naked figure emerged, walking toward them. "Please help me," the woman said.

Her flesh was peeling, her hair was burned. "Her eyes seemed ghostlike," Arrieta recalled.

His wife screamed, and emergency workers across the fence rushed over. It was only when a police officer wrapped her in blankets that she screamed in pain, according to the state's report.

Courtney Cargill died at Los Angeles County-USC Medical Center 19 hours later.

Curiously, the nursing home sign-out sheet shows that Cargill returned to the facility the morning of her suicide at 9:30 a.m.

### **A clear-cut business model**

In a competitive industry, Rechnitz is clear about his business model: Buy troubled facilities and turn them around.

By his accounting, he has done that with 59 of his 81 facilities - more than 70 percent - acquiring them from other owners during desperate times, with an eye toward improving quality and financial stability.

Along the way, he has crafted a multilayered corporate network of limited liability companies that is so complex that even state regulators and elder-care advocates have had trouble connecting him to his facilities.

A towering, 6-foot-8 businessman, Rechnitz has risen rapidly in the industry, vaulting from co-owner of a family medical supply business named TwinMed to head of the state's largest nursing home chain in scarcely 10 years.

He started out in 1998 selling latex gloves and adult diapers alongside his twin brother, Steve, but branched out on his own to buy his first nursing home in Gardena in 2006. His empire expanded further with his acquisition last year of 19 Country Villa facilities in federal bankruptcy court.

Rechnitz is well-known in Los Angeles philanthropic circles. His charity work led to a 2012 interview by Larry King, who called him "one of the world's greatest young philanthropists," and he has been honored alongside actor Sidney Poitier and California Attorney General Kamala Harris.

According to media stories and his own account, he and his wife, Tamar, have given away millions to a variety of causes, from cancer research to religious institutions to a 31-year-old Texas mother, who had her labor induced early so her dying husband could meet his newborn daughter.

"I consider myself a nondenominational giver," he said.

Financially, his nursing home enterprise appears to be a success. State figures show that the homes he owned for all of 2013 earned about \$62 million in profits. That is five times more than those same homes earned in 2006, before Rechnitz owned the vast majority of them. Their operating margin was about 11 percent, higher than the average 3 percent operating margin at for-profit nursing homes statewide, according to The Bee's analysis of state data.

Quality of care at his homes has been inconsistent, The Bee found.

Among the 57 homes he owned for all of 2014, inspectors found 33 serious deficiencies that year, problems causing actual harm or immediate jeopardy to patients. That is about five serious deficiencies per 1,000 nursing home beds, more than double the average for California nursing homes owned by other chains or individuals.



South Pasadena Convalescent Hospital was decertified by federal regulators in January following four failed inspections last year. Paul Kitagaki Jr.-  
pkitagaki@sacbee.com

As of this month, the federal Centers for Medicare and Medicaid Services had assigned one- or two-star ratings – the lowest quality categories – to about 54 percent of those homes, not including the three that were decertified for poor quality. By comparison, about 25 percent of California homes overseen by other owners were rated as one- or two-star facilities.

State law requires 3.2 nurse staffing hours per patient day at nursing homes. The Department of Public Health has cited Rechnitz's homes 14 times since 2012 for failing to meet that requirement and issued those homes about \$200,000 in fines.

The Bee found that many of Rechnitz's facilities did, indeed, have serious problems before he acquired them. For instance, none came with a coveted five-star rating from the federal government when he bought it; as of this month, eight of the 57 facilities he owned for all of last year had garnered five stars.

In sizing up the quality of his facilities, Rechnitz disputed some of The Bee's findings, saying they are based on faulty data from the Department of Public Health. He also contends that the findings unfairly ding him for the failings of previous owners, and for having comparatively high occupancy rates at his homes.

The operating margin comparison also is misleading, his team wrote, citing numerous explanations. Among them: Rechnitz facilities are charged a lower fee for administrative services than the industry average. His facilities have a high number of Medicare patients, who bring in higher reimbursements. And, since Rechnitz is the state's largest operator, they said, he has "stronger leverage in negotiating pricing with vendors."

The team shared a heavily redacted copy of Rechnitz's contract with his management company, Rockport Healthcare Services, which handles his facilities' administrative needs. The contract requires Rockport to do its best to provide "the highest and best standard of patient care," or face penalties.

Rechnitz said his penchant for acquiring struggling facilities accounts for some of The Bee's findings that his homes perform below statewide averages in several key categories. There is risk associated with taking over distressed facilities, he said.

The owner's team of advisers recently compiled a lengthy list of distressed facilities the company has purchased to illustrate the challenges. For instance, when he bought Verdugo Valley Skilled Nursing & Wellness Centre in 2008, the facility had deferred maintenance of nearly \$1.5 million, "making the living conditions unfit for residents," the report stated.

Two other Los Angeles area facilities, Centinela Skilled Nursing and Wellness Centers (East and West), were acquired when medical/hazardous waste had not been picked up for six months and was "flowing into the facility." Both nursing homes in Inglewood were so low on necessities the day Rechnitz took over that 1 1/2 truckloads of medical supplies had to be delivered to each facility, the report said.

Some successful turnarounds happen in months; others take years, his advisers said.

One of the facilities Rechnitz singled out as a success story is Fullerton Healthcare & Wellness Centre, which he recently renamed The Pavilion at Sunny Hills. The massive 228-bed facility was bought in December 2013 from EmpRes Healthcare Management LLC, the same company that previously owned the Gridley facility.

When Rechnitz took over the Fullerton facility, it was in deep trouble – only one of California's roughly 1,200 nursing homes had more serious violations in 2013. Under EmpRes' control, a survey in October 2013 resulted in 52 health-related deficiencies, eight of them so serious that residents were harmed or deemed in immediate jeopardy.

When inspectors visited the facility for a survey again in December 2014, after Rechnitz had taken over, they found 17 health violations, none of them serious.

"It was a horrible facility," said Rechnitz. "That thing was going to be shut down. We met with the health department and (they) said, 'Shlomo, go in and do what you can do. Try to fix it.' And we went in and, in fact, we did fix it."

In San Mateo County, top health officials said they are "very pleased" with Rechnitz's management of a 281-bed nursing home that appeared destined for closure in 2012. Then operated by the county, Burlingame Long Term Care was falling apart physically and financially when the Board of Supervisors struck a deal with Rechnitz in July 2012 to manage the facility for three years. Last year, the board extended the agreement through September 2020.

In a 2014 memo to county supervisors, Jean Fraser, chief of the San Mateo County Health System, said the deal preserved both jobs and beds – and saved the county some \$4 million a year.

"(T)he quality of care as rated by external auditors is better than when we directly managed Burlingame ..." wrote Fraser, urging the board to extend Brius' contract.

## **The relationship sours**

The relationship between Shlomo Rechnitz and state public health officials in Sacramento is considerably chillier.

On April 6, a top official with the Department of Public Health responded to an email from a Brius attorney complaining that the state was unfairly targeting Rechnitz and his facilities. Jean Iacino, a department deputy director, assured attorney Mark A. Johnson that "CDPH has not singled out Mr. Rechnitz ..."

She agreed that Rechnitz's facilities had experienced an uptick in regulatory actions over the last year. "The remedy," she wrote, "lies in improving the quality of care in those facilities and addressing the management issues, if any, that may be contributing to the compliance issues."

The department declined to make anyone available to The Bee to discuss Rechnitz. However, the state did provide detailed answers via email to numerous questions.

In his March sit-down interview with The Bee, Rechnitz repeatedly used the word "shocked" and "shocking" to describe his deteriorating relationship with the state and festering regulatory problems.

In 2011, for instance, the state had appointed his company to be a "temporary manager." The role gave Brius special status to step in, at the state's request, and manage facilities facing serious quality-of-care or financial issues that could imperil patients. Rechnitz recalled that top state licensing officials would "constantly" call him and ask for his help with failing facilities.

"I kind of became their go-to person and would take over these facilities," he said.

The state describes it differently, saying the department officially called upon him only once. In an email response to The Bee, a CDPH spokesman said: "The vast majority of any calls regarding 'troubled facilities' have all been initiated by Mr. Rechnitz and not the department."

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**WE'VE ALWAYS BEEN KIND OF THE GOLDEN CHILD OF THE STATE, WHERE THEY'VE CONSTANTLY CALLED US IN AND ASKED US TO TAKE OVER (TROUBLED) FACILITIES, WHICH WE DID.**

**Shlomo Rechnitz, nursing home owner**

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Either way, documents indicate that Rechnitz once had an inside track with the state.

In August 2011, the Department of Public Health recommended that Rechnitz be appointed receiver for a failing Santa Barbara facility, saying that he was a "highly qualified individual and has an excellent background and reputation," according to the petition filed by the attorney general's office.

By August 2014, though, the tenor had shifted, and the state was now calling him a "serial violator" in bankruptcy court as he was attempting to finalize the Country Villa purchase.

Rechnitz said he found the state's language to be "incredibly inflammatory."

The emergency motion, filed on behalf of the Department of Public Health and Department of Health Care Services, cited the Gridley problems. And it accused Rechnitz and his company, Brius, of refusing to file cost reports, delaying the state's ability to audit the chain and set Medi-Cal reimbursement rates. The state also asked for a cost report from Rockport, Rechnitz's management company, which refused to turn it over, according to documents.

Rockport is paid a percentage of Brius facilities' revenue to handle administrative needs such as payroll and human resources, as well as compliance with regulations. Rechnitz said the company argued it was not legally required to file such a report and resisted for proprietary reasons – a decision over which Rechnitz said he had no control.

The reports eventually were filed, according to the state, and the departments did not continue to protest the bankruptcy sale.

From Rechnitz's vantage point, though, things went downhill from there: the rejection of his ownership application in Chico; the decertifications; the 24 citations and massive fines in South Pasadena.

Rechnitz said it began to seem like inspectors were looking to write him up. He pointed to the state's October 2014 visit to the Pasadena facility in which a surveyor took note of a cockroach crawling along a juice cup on a resident's bedside dresser. The bug netted the facility a deficiency.

"Have you ever seen a cockroach in your house?" he asked.

The decertifications have been costly for the business owner. Besides the Gridley tab, he said in March he was spending \$750,000 a month to keep South Pasadena operating.

For many residents and their families – from Gridley to Auberry to South Pasadena – the controversies over patient care at Rechnitz's facilities have been life-altering.

Sherry Torres of Loveland, Colo., regularly flew in to visit her disabled mother at Wish-I-Ah. Her mother, brain-injured in her 30s, had been at the Auberry facility for 17 years. Late last year, Torres said, a nurse called to alert her that the 67-year-old woman would be moved to Eureka, 450 miles away and with no large airport nearby.

“I threw a fit,” said Torres. She eventually had her mom transferred to a non-Brius facility in Ventura County, where she is adapting.

The move, however, was a “big mess,” Torres recalled. By the time her mom reached Ojai, virtually all of her belongings – including her collection of movie videos and nearly all of her clothing – had been lost, said Torres.

“I was so upset, but I just said, ‘Whatever,’ and bought her new stuff,” said Torres. “Who are you going to call? You can’t call Wish-I-Ah and say, ‘Excuse me, you owe me for all those years.’”

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