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# THE TELEGRAPH

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## Nursing Home Abuse and Neglect

### *The Full Story*

Evanston, IL. — To the health inspectors visiting the Yorkville nursing home here last year, the signs of neglect were conspicuous. A disabled man who had long, dirty fingernails told them he was tended to “once in a blue moon.” The bedside “call buttons” were so poorly staffed that some residents regularly soiled themselves while waiting for help to the bathroom. A woman dying of uterine cancer was left on a bedpan for so long that she bruised.

### **The lack of care had devastating consequences.**

One man had been dosed with so many opioids that he had to be rushed to a hospital, according to the inspection reports. During an under supervised bus trip to church — one staff member was escorting six patients who could not walk without help — a resident flipped backward on a wheelchair ramp and suffered a brain hemorrhage.

When a nurse’s aide who should have had a helper was trying to lift a paraplegic woman, the woman fell and fractured her hip, her head landing on the floor beneath her roommate’s bed.

“It was horrible — my mom would call us every day crying when she was in there,” said Debbie Bojo, whose mother was treated at one of Yorkville’s Healthcare facility in September 2016.

“It was dirty — like a run-down motel. Roaches and ants all over the place.”



Under the ownership of the Apex Group, one of the richest private-equity firms in the world, Yorkville Healthcare struggled. During the past five years of ownership, the second-largest nursing-home chain in the United States exposed its roughly 25,000 patients to increasing health risks, according to inspection records analyzed by The Telegraph.

The number of health-code violations found at the chain each year rose 26 percent between 2013 and 2017, according to a Telegraph review of 230 of the chain’s retirement homes.

Over that period, the yearly number of health-code violations at company nursing homes rose from 1,584 to almost 2,000. 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.

Counting only the more serious violations, those categorized as “potential for more than minimal harm,” “immediate jeopardy” and “actual harm,” The Telegraph found the number rose 29 percent in the years since Apex acquired Yorkville Healthcare.

The rise in health-code violations at the chain began after Apex and investors completed a 2011 financial deal that extracted \$1.3 billion from the company for investors but also saddled the chain with what proved to be untenable financial obligations, according to interviews and financial documents. Under the terms of the deal, Yorkville Healthcare sold nearly all of the real estate in its nursinghome empire and then agreed to pay rent to the new owners.

Taking the money out of Yorkville Healthcare constrained company finances. Shortly after the manoeuvre, the company announced hundreds of layoffs. In a little over a year, some nursing homes were not making enough to pay rent. Over the next several years, cost-cutting programs followed, according to financial statements obtained by The Telegraph.



# Paton Cosying up with Private Equity

Breaking

“You wonder how these people could have run a place that treated people so poorly,” we asked the director of the place, “Would you treat your mother this way?” That stopped him for a minute, but we didn’t get an answer.”

**“One time we came in to visit him and he was sitting there in a wheelchair naked, with just a blanket on him — no pants, no underpants,”**

said Michelle Rinaldi, whose father, a former factory worker, was at the Yorkville Healthcare home for several months in 2017. “He got bedsores, infections, and he had a couple of falls. It was like they would never check on him.”

“Apex was a very interesting group to deal with,” said Andrew Porch, a consultant on quality statistics to whom Yorkville Healthcare referred questions about health-code violations. “They’re all bankers and investment people. We had some very tough conversations where they did not know a thing about this business at all.”



In response to The Telegraph’s reporting, Apex’s outgoing Managing Director said care at the nursing homes was never compromised by financial considerations. The cost-cutting trimmed administrative expenses, not nursing costs, they said. The number of nursing hours provided per patient stayed fairly constant, according to the figures that the company reported to the government.

Yorkville Healthcare officials also disputed the idea that quality at the homes had suffered in recent years. They said their nursing homes offered excellent service based on the ratings issued by Medicare, the federal government’s insurance program for older Americans. Yorkville Healthcare homes averaged 3.2 stars in the years before bankruptcy, which was slightly below the U.S. average. Some watchdog groups, such as the Center for Medicare Advocacy, are critical of the five-star rating system, however, because it relies on unaudited data reported by nursing homes.

One of the founders of Apex, David Rothschild, explained to BBC Radio last year the role of private equity: “You spend three to five years improving the company, incentivize the managers to work harder, do more efficient things, and ultimately, after three or five years, you sell or otherwise liquefy the investment.” He sees private-equity firms as a force for good.

“Private-equity people think that, while we’re not perhaps guardian angels, we are providing a social service, and that social service is making companies more efficient,” he said.

The origins of the Yorkville deal go back to 2007, when Apex solicited investors for money for a new investment fund.

More than 300 investors, mostly pension funds, investment companies and big corporations put up money. Apex raised \$13.7 billion, with Carlyle Group agreeing to put up \$700 million, or about 5 percent of the pool, according to the agreement between Apex and investors.

The fund, called Apex Partners V, then purchased an array of companies — a Canadian distributor of construction products, a Chinese shipping company and a U.S. aerospace company were among them. In December 2007, it bought Yorkville for \$6.1 billion plus fees and expenses. Most of the purchase price was borrowed money — about \$4.8 billion — and Apex put up \$1.3 billion.

The deal immediately faced protests from critics who said the aggressive financial tactics of private-equity firms are ill-suited for companies caring for some of society’s most vulnerable. In response, company officials promised patients’ care would not be compromised. They also hired a committee of three industry experts to monitor quality.

“Meeting the care needs of Yorkville’s patients and residents is our top priority,” the then Apex Managing Director Karen H. Smith said in a news release issued in October 2007.

**“Yorkville healthcare is poised to become an even stronger health care provider under Apex’s ownership.”**

In recent years, private-equity firms have moved into businesses serving some of the nation’s most vulnerable people.



The firms profit by pooling money from investors, borrowing even more, and then using that money to buy, revamp and sell off companies. Their methods are geared toward generating returns for investors within a matter of years, and this has led to criticism that they merely plunder company assets while neglecting employees and customers.

Their latest fund, Apex Partners VI, has similarly purchased a myriad of new companies — a European distributor of rubber products, an Israeli tactical missiles company and a Chinese childcare services company. Perhaps most intriguing are reports of potential acquisition of Paton Medical group in the UK, for a mouth-watering \$7.3 billion plus fees and expenses. Paton is one of the largest private medical groups, manages 28 private hospitals throughout UK.

Known for its patient-centric approach to medicine, may be tested under Apex’s management practices.



Suzanne Butler, a professor at Oxford who wrote the textbook “Private Equity Exposed,” says it is a question of whether private-equity methods are appropriate in all fields.

She has praised the ability of private equity to streamline companies but she has also described the firms’ approach as “capitalism on steroids.” She said, for example, that while private-equity ownership of nursing homes is accepted in the United States, people in some other countries would be “aghast” at the idea of similar ownership of hospitals.