



MISPLACED PRIORITIES AT 40,000 FEET

Brius Healthcare CEO's corporate jet highlights the skewed values of California's largest nursing home company

A report by the National Union of Healthcare Workers

NUHW.org

Shlomo Rechnitz, the CEO of Brius Healthcare, spent an estimated \$8 million on a luxury jet even as he blamed financial shortfalls for caregivers' poverty-level wages and his attempts to evict hundreds of elderly nursing home residents in California.

Revelations about the multi-million dollar jet — including its flights to international destinations like Brazil, Israel, and Portugal — come from previously unpublished records obtained from the Federal Aviation Administration and other government agencies. According to these records, Rechnitz operates the luxury jet through a subsidiary directly involved in his nursing home company, which receives 80% of its revenues from the taxpayer-funded Medicare and Medicaid programs.

Brius — California's largest nursing home company — controls one of every 14 nursing home beds in California. The company faces apparently unprecedented government penalties for resident-care violations that have contributed to the deaths and severe injuries of multiple frail and disabled nursing home residents. In 2014, the California Attorney General labeled Brius "a serial violator" of resident-care laws in an emergency motion to block the company from acquiring 19

Supporting documents
can be found at
BriusWatch.org/jet-paper

nursing homes. In 2014 and 2015, the federal government barred three Brius nursing homes from treating Medicare patients due to severe violations of federal standards. In 2015, the FBI raided a Brius nursing home as part of a criminal investigation. In 2016, the California Department of Public Health took a reportedly unprecedented action by blocking Brius from obtaining licenses to operate five nursing homes due to the company's widespread violations of California's patient-care laws.

ACQUISITION OF THE JET

On September 20, 2013, Brius CEO Shlomo Rechnitz used one of his subsidiary corporations — SR Administrative Services, LLC — to purchase a Gulfstream G-IV jet for more than \$3.6 million, according to records obtained from the Federal Aviation Administration (FAA). Rechnitz' signature appears on the jet's FAA registration records, which identify SR Administrative Services, LLC as the corporate owner of the jet. Rechnitz then leased the jet to a second subsidiary that he also controls: SR Capital, LLC. Rechnitz is the CEO and sole "Managing Member" of SR Capital, LLC, according to FAA records. Separate records obtained from the California Secretary of State confirm Rechnitz' role atop the two corporations.

JET'S CONNECTION TO BRIUS NURSING HOMES

SR Capital, LLC is one of an estimated 150 corporations used by Rechnitz to operate Brius. According to financial reports submitted to the California Office of Statewide Health Planning and Development, Brius nursing homes perform millions of dollars of financial transactions with SR Capital, LLC. In the reports, Brius describes SR Capital, LLC as a "related party" that provides financing to the company's nursing homes, which in turn make interest payments and other direct payments to SR Capital, LLC. In 2015, the most recent year for which data is available, SR Capital, LLC extended \$16.8 million in loans to Brius nursing homes and collected more than \$1.3 million in interest payments, according to these records. These figures may understate SR Capital, LLC's transactions with Brius nursing homes since some facilities failed to appropriately disclose such transactions or failed to identify the names of related parties in their reports to the government agency.



TRAVELING IN LUXURY Shlomo Rechnitz' jet includes a full kitchen, reclining chairs, a conference table, and two divans.

THE GULFSTREAM G-IV JET

The Gulfstream G-IV is an intercontinental-range jet with seating for up to 19 people in its main cabin, plus two pilots and a flight attendant. "This G-IV features fully reclining individual chairs, 4 place conference table, and two divans," according to the aircraft company that manages the jet. The luxury plane's amenities include 10 pre-loaded iPads, Airshow moving map, worldwide satellite phone, domestic U.S. Wifi/Internet, DVD/CD players, microwave, convection oven, standard oven, and two lavatories equipped with showers. The cabin can be transformed to accommodate sleeping beds for up to six people.

The Gulfstream G-IV is powered by two Rolls-Royce Tay 611-8 engines. It can climb to an altitude of 45,000 feet, has a cruising speed of 528 miles per hour (Mach 0.80), and has a range of 4,859 miles.

The National Union of Healthcare Workers obtained photos of both the interior and exterior of Rechnitz' jet, which bears a unique Tail Number (N719SA) that is noted in FAA records. These photos, which are displayed in this report, offer a closer view of the jet.

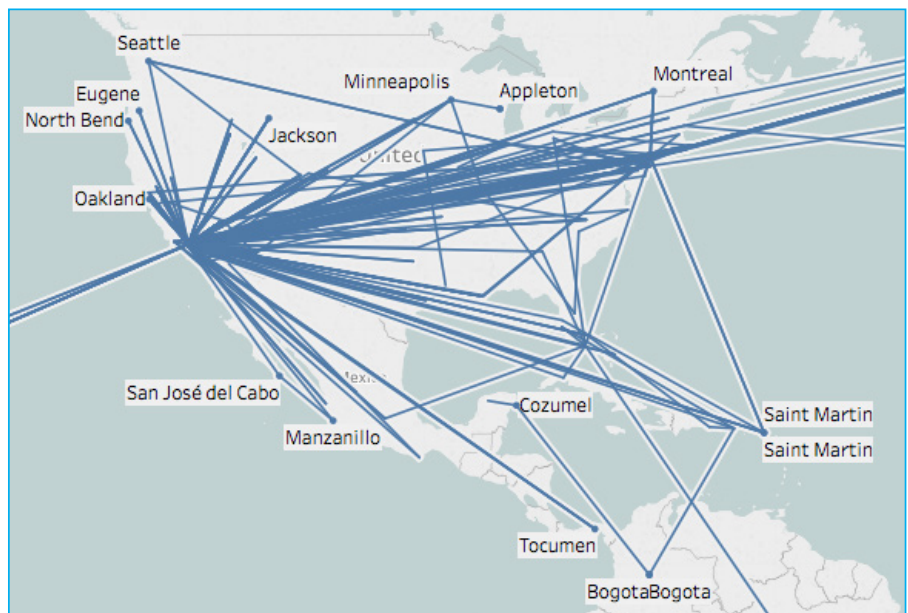
The Gulfstream G-IV jet is popular with celebrities, including Arnold Schwarzenegger and Tom Cruise, as well as corporate executives. According to the *New York Times*, former New York City Mayor Rudolph Giuliani insisted that wealthy sponsors fly him in a Gulfstream G-IV jet or larger to speaking engagements, and that a one-day trip within the United States on a Gulfstream G-IV costs "about \$40,000."

FLIGHT DATA

Rechnitz purchased the Gulfstream G-IV in September 2013. During the ensuing 34 months, the plane flew a total of 509,904 miles or enough to circle the globe at least 20 times. Federal Aviation Administration (FAA) flight data indicates the dates, times, departing airports, and arriving

airports for each flight. NUHW has assembled the records and made them available online for public viewing at BriusWatch.org/jet-paper. FAA data does not disclose the plane's occupants, so it is not possible to confirm Rechnitz' presence on each of the jet's flight.

The jet, which is housed at a private airport in Van Nuys, California, has been flown to dozens of destinations in the United States and beyond, including Colombia, Portugal,



A small sampling of the jet's flights from 2013–2016, based on FAA data.

Cuba, Brazil, Israel, Ireland, Mexico, St. Martin, and Puerto Rico, according to FAA flight data. During the 34-month period, the jet's most frequent destinations were Las Vegas and New Jersey.

THE JET'S OPERATING COSTS

Conklin & de Decker Associates, an aviation consulting firm, estimates the Gulfstream G-IV's operating costs -- including fuel, airframe maintenance, parts, and labor -- at approximately \$4,703 per hour of flight time. From September 2013 to July



The jet also includes ten pre-loaded iPads, satellite phone, wi-fi, DVD and CD players, and an Airshow moving map.

2016, the jet took at least 403 flights and logged approximately 1,124 hours of flight time, according to FAA records. This translates into estimated operating costs of approximately \$4.6 million, which likely understates the jet's actual costs as operating costs typically exclude crew salaries, hangar charges, insurance fees, and other costs. For example, the cost of overhauling an engine can exceed \$1.5 million each. These estimates also exclude upgrades made to the plane following its acquisition in 2013, which are detailed in records obtained from the FAA.

BY THE NUMBERS

\$3.6 MILLION
Purchase Price of Jet

\$4.6 MILLION
Estimated Operating Costs –
Sept. 2013 to July 2016

\$4,703
Operating Costs per Hour

509,904 MILES
Distanced traveled –
Sept. 2013 to July 2016

80.3%
Percentage of Brius' revenues
from Medi-Cal and Medicare
(2015)

\$579 MILLION
2015 Brius revenues from
Medi-Cal and Medicare

BRIUS' TRACK RECORD

Brius Healthcare — California's largest nursing home company — has faced repeated fines, criminal indictments, lawsuits, and government investigations regarding alleged substandard care for elderly, frail, and disabled nursing home residents. In recent months, the company sparked a firestorm of criticism when it threatened to evict nearly 200 elderly and disabled residents from three nursing homes in Humboldt County

due to the company's alleged financial shortfalls. Meanwhile, Brius' caregivers have sharply criticized the company for understaffing its nursing homes and paying poverty wages that leave many of them eligible for Food Stamps, Medicaid, and other public assistance.

RECOMMENDATIONS

The revelations regarding this luxury jet shine a spotlight on the misplaced priorities of California's largest nursing home company and highlight the stark contradictions between the

company's public claims and internal practices. Furthermore, the involvement of a Brius-related subsidiary in operating the luxury jet raises important public policy concerns. For example, have any public funds from the Medicaid and Medicare programs, which represent 80% of Brius' annual revenues, been used to operate the jet? Does Brius consider any of the jet's costs to be part of its overhead or corporate expenses, which are utilized by California's Medi-Cal program to compute reimbursement rates for nursing home care?

NUHW's review of public records also points to substantial gaps in Brius' public reporting. For example, in reports designed to capture Brius' financial transactions with related parties such as SR Capital, LLC, several Brius facilities failed to identify the companies involved in those transactions. In other cases, Brius facilities failed to disclose related-party transactions in the required form. In addition, California's disclosure forms do not provide sufficient space for nursing homes to report transactions with more than five related entities. Altogether, Brius facilities conducted financial transactions with as many as 65 related parties during 2015, according to government records.

Based on its investigation, NUHW offers the following recommendations to policymakers and the public:

- California state officials should audit Brius, its subsidiaries, and related parties to determine whether any public funds, including from California's Medi-Cal Program, have been used in the acquisition, financing, and operation of the Gulfstream G-IV jet or to improperly enrich Rechnitz himself.
- California officials and legislators should improve the state's disclosure requirements for nursing homes, especially those related to facilities' transactions with related parties.
- Policymakers should require nursing homes to publicly report whether or not they are affiliated with a corporate chain of nursing homes, which is often concealed from the public.
- Policymakers should improve California's system of penalties and enforcement actions in order to enhance nursing homes' compliance with California laws and regulations, including those governing nursing homes' reporting requirements.

SOURCES & METHODOLOGY

Jet Ownership Records and Flight Data

NUHW obtained a variety of registration records, air worthiness documentation, flight data, and other records for a jet aircraft with the Tail Number N719SA from the Federal Aviation Administration (FAA) via a request under the Freedom of Information Act. These records, which are available online at BriusWatch.org/jet-paper, provide many of the facts presented in this report.

Records obtained from the FAA include the following: (1) “Aircraft Bill of Sale” (AC Form 8050-2) dated September 20, 2013 memorializing the purchase of the jet by SR Administrative Services, LLC; (2) “Aircraft Registration Application” (AC Form 8050-1) submitted by SR Administrative Services, LLC to the FAA and signed by Shlomo Rechnitz on September 20, 2013; (3) “Aircraft Registration Renewal Application” (AC Form 8050-1B) submitted to the FAA by SR Administrative Services, LLC on July 12, 2016; (4) the jet’s flight data covering the period of September 2013 through July 2016, which the FAA provided in electronic “.xls” format; (5) “Major Repair and Alteration” (FAA Form 337) submitted by SR Administrative Services, LLC to the FAA describing major repairs and alterations performed on the jet since its acquisition in 2013; (6) a 54-page “Loan and Security Agreement by and between Compass Bank and SR Administrative Services, LLC” signed by Shlomo Rechnitz, dated September 17, 2013, and detailing a \$3.628 million loan for the purchase of the jet. This latter document describes the agreement by which SR Administrative Services, LLC leased the jet to SR Capital, LLC. See page 6 and various pages following the initial signature page, including an attachment entitled “Acknowledgment, Grant of Security Interest and Subordination Agreement by SR Capital, LLC.”

The FAA captures and records each leg of an aircraft’s journey as a separate flight. A flight, then, is marked by an aircraft’s departure from and arrival to an airport. For example, a round-trip journey between two separate airports is considered two “flights.” In this report, NUHW uses the term “flight” to refer to each leg of the jet’s journey.

Corporate Ownership and Organization Records

In addition to the ownership records provided by the FAA, NUHW obtained records from the California Secretary of State, which is responsible for registering and authenticating business entities operating in the state. For both “SR Administrative Services, LLC” and “SR Capital, LLC,” NUHW purchased the following records: (1) “Limited Liability Company Articles of Organization” (Form LLC-1); (2) “Statement of Information” (Form LLC-12); and (3) “Certificate of Status.” For SR Capital, LLC, NUHW also obtained a “Certificate of Merger” (Form OBE Merger-1) signed by Shlomo Rechnitz on December 20,

2012. These records are available at BriusWatch.org/jet-paper. The “Statements of Information” for SR Capital, LLC and SR Administrative Services, LLC, respectively, describe their “type of business” as “lending office” and “administrative services.”

According to these records, SR Capital, LLC’s sole manager is Shlomo Rechnitz. Furthermore, Rechnitz, via SR Capital, LLC, also manages SR Administrative Services, LLC (for which SR Capital is listed as the sole manager). In the “Loan and Security Agreement” noted above, Rechnitz also refers to himself as the “CEO” of SR Capital, LLC.

Related Party Transactions

NUHW purchased a custom electronic data set from the California Office of Statewide Health Planning and Development (OSHPD) containing long-term care facility annual disclosure data submitted by all of California’s skilled nursing facilities for 2015. OSHPD is a government agency responsible for collecting operating and financial data from California’s nursing homes, among other responsibilities. NUHW queried the data to assemble records of “Related Party Transactions” performed by approximately 80 Brius facilities, including the transactions Brius’ facilities performed with SR Capital, LLC. NUHW assembled its list of 80 Brius facilities through an investigation of multiple records including media reports, Medi-Cal cost reports, change of ownership records, legal filings, lawsuits, and records from the Center for Medicare and Medicaid Services.

NUHW also obtained and analyzed PDF versions of “Long-Term Care Facility Integrated Disclosure and Medi-Cal Cost Reports” submitted by individual Brius nursing homes to OSHPD in order to further examine these filings. An excerpt from a “Long-Term Care Facility Integrated Disclosure and Medi-Cal Cost Report” filed by a Brius facility is available at BriusWatch.org/jet-paper in order to provide an example of a disclosure regarding a transaction with SR Capital, LLC.

Patient Care Performance

This report briefly characterizes Brius’ track record regarding its resident-care performance, regulatory compliance, and other matters. Brius’ track record with respect to alleged substandard care is vast and well-documented, including actions by the Center for Medicare and Medicaid Services, FBI, California Attorney General, California Department of Public Health, and other regulatory bodies and enforcement agencies. Please see BriusWatch.org for more details.

In July 8, 2016, the California Department of Public Health blocked Brius from obtaining licenses to operate the following five nursing homes due to the company’s widespread violations of California’s patient-care laws: Brookdale Healthcare and Wellness Centre (Oakland, CA), Chico Heights Rehabilitation and Wellness Centre (Chico, CA), The Abbey Pavilion Healthcare Center of Anaheim (Anaheim, CA), Chico Terrace Healthcare and Wellness Centre (Chico, CA), and River Valley Healthcare and Wellness Centre (Redding, CA).

The Center for Medicare and Medicaid Services (CMS) decertified the following three Brius nursing homes on or about the dates noted in parentheses due to their violation of federal standards: Gridley Healthcare & Wellness Center in Gridley, CA (October 2, 2014); Mission Grove Healthcare & Wellness Center in South Pasadena, CA (January 1, 2015); Wish-I-Ah Healthcare & Wellness Center in Auberry, CA (December 10, 2014).

The National Union of Healthcare Workers is a democratic, worker-led union dedicated to improving the lives of caregivers and patients. Our mission is to hold healthcare corporations accountable to the public, to establish better working conditions and higher standards of care, and to give our members a stronger voice in the workplace.

NUHW

Approximately 200 NUHW members work at two Brius nursing homes in Marin County, California, where they seek improved standards for residents and caregivers as part of their ongoing collective-bargaining negotiations with Brius officials.