

Private Equity: Looking Toward the Future

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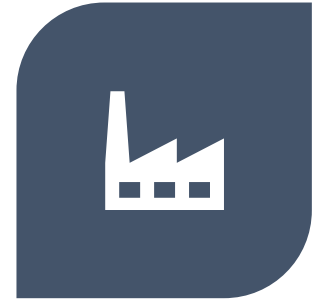
Undesirable Outcomes



DECLINE IN QUALITY OF
CARE



LACK OF TRANSPARENCY
AND ACCOUNTABILITY



OPERATORS WITH FEW
TO NO ASSETS, HIGH
DEBT BURDENS

Defining the Scope of the Challenge

What counts as private equity?

Is the problem limited to private equity?

What are the problematic ownership and financial structures?

Is the CHOW process the right vehicle to address long-term challenges?

Potential Safeguards

Disclosure of ownership structure and beneficial owners

Who makes significant decisions

Who sets budgets and profit expectations

Who hires/fires administrators

Disclosure of any plans to obtain significant services from a third party

Real estate leases

Management services

Staffing services

If SNF will divest and lease back real estate, limit future rent increases

Potential Safeguards

Disclosure of any significant, newly-acquired debt or plans to incur debt

Detailed transition plans addressing continuity of care and staff retention/recruiting

Bond/letter of credit in the event the company is unable to pay any judgments, fines, or penalties

Assess disclosure of related-party transactions on cost reports

Disclosure of overlapping beneficial ownership

Prohibit mandatory arbitration and NDAs

With patients and employees



Questions?