The Washington Post *Democracy Dies in Darkness*

An investment firm snapped up nursing homes during the pandemic. Employees say care suffered.

By Rebecca Tan and Rachel Chason

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An investment firm has bought more than 20 nursing homes during the coronavirus pandemic, leading to disruptions at multiple facilities that weakened care for vulnerable residents amid the worst health crisis in generations, interviews and documents show.

From April through July, the New Jersey-based Portopiccolo Group — which buys troubled nursing homes and tries to make them profitable — paid hundreds of millions of dollars to acquire facilities in Maryland, Virginia and elsewhere.

The purchases drew scant scrutiny from regulators despite poor safety records at dozens of the company's other nursing homes, including hefty fines for infection-control lapses and shortages of staff.

Many of Portopiccolo's existing facilities were struggling to contain outbreaks of the coronavirus when its leaders went seeking new properties, state health records show. At a Virginia nursing home, staff hosted a hallway dance party for residents in April, weeks after federal guidelines had cautioned against such events. Conditions were so bad at one North Carolina facility that it was placed on a federal watch list even after the Centers for Disease Control and Prevention dispatched a strike team to help.

At its new nursing homes in Maryland, Portopiccolo's operating companies made major changes to insurance and time-off benefits, failed to buy enough supplies and protective equipment and asked some employees to keep working after testing positive for coronavirus, said 14 current and former employees from four of the eight facilities.

Many veteran staffers quit as a result of the changes, said the employees, most of whom spoke on the condition of anonymity because they feared reprisals. Those who remained found themselves tending to dozens of residents at a time, the employees said.

“It was hair on fire,” said Katrina Pearthree, a former social worker at two facilities purchased by Portopiccolo over the last 15 months. She resigned from her job after losing health insurance coverage and disagreeing with new managers on patient care.

Portopiccolo spokesman John Collins denied that caregiving suffered and said that while benefits changed, they remained competitive within the industry. The firm, he said, wants to fill the gap left by nursing home owners exiting the industry because of the pandemic.

“Our company was founded by people who share a passion for caring for the sick, elderly and forgotten,” Collins said in a statement. “Any attempts to characterize our work or the work of our teams differently is flat out wrong.”

Elder-care advocates say Portopiccolo’s record of fines at other facilities, and the timing of its acquisitions, should have raised red flags for regulators, especially as the virus decimated the country’s nursing home population.

But the Centers for Medicare and Medicaid Services (CMS), the main federal agency regulating nursing homes, said the only way it tracks ownership changes is when facilities report the information for Medicare enrollment.

President-elect Joe Biden has said he wants to increase federal oversight through mandatory audits of nursing home cost reports and ownership data. Typically, such monitoring has fallen to state regulators, said Charlene Harrington, a professor emerita of sociology and nursing at the University of California at San Francisco. But even before the coronavirus crisis, she said, most states did a poor job.

In Maryland, the commission that oversees changes in nursing home ownership said the sale of a facility requires little more than “timely notification.” Virginia officials said they don’t closely monitor such sales, either.

“Your history indicates what you’re going to do in the future,” said Richard Mollot, executive director of a national advocacy group called the Long Term Care Community Coalition. “There needs to be more oversight of these purchases.”

'From bad to worse'

Portopiccolo founders Simcha Hyman, 31, and Naftali Zanziper, 38, bought their first nursing home in 2016 after selling their medical supplies company to a private equity firm. They have since purchased more than 70 facilities in nine states, including 18 in Virginia. The nursing homes are run by operating companies set up and financed by the firm, including Peak Healthcare, Accordius Health and Pelican Health — a trend first reported by the business magazine Barron’s.

For years, Hyman and Zanziper described Portopiccolo as a private equity firm. But that description, along with the group's promise to swiftly turn "distressed assets" profitable, was removed from the Portopiccolo website in early December after inquiries from The Washington Post about the firm's nursing home acquisitions.

Collins said the label "private equity" — which typically describes groups that raise funding from private investors — is inaccurate. He declined to explain why the group described itself that way for months, including in news releases, and still does on its LinkedIn page.

Atul Gupta, a professor of health-care management at the Wharton School at the University of Pennsylvania, said it is possible Portopiccolo is trying to rebrand itself because of the increasingly negative stigma tied to private equity groups — which have been criticized for slashing costs at nursing homes, then selling them off to new owners. Studies, by Gupta and others, show that private equity ownership correlates with declines in staffing and quality of care.

Collins declined to say how many facilities Portopiccolo owns, how many it has sold or how much the firm has profited. Neither Peak Healthcare nor Accordius Health responded to multiple requests for comment.

An analysis of federal data shows that nearly 70 percent of facilities Portopiccolo owned before the pandemic have Medicare ratings of one or two stars out of five — based on patient-care metrics such as staffing ratios and infection control.

Two Portopiccolo facilities last month were placed in a federal monitoring program for having "a history of serious quality issues"; two others were listed as candidates because of severe deficiencies. Prior to the pandemic, the firm's facilities in North Carolina were fined more than $480,000 for violating state and federal rules, federal data shows.

One facility placed in the monitoring program was the Citadel Salisbury, a one-star nursing home in Salisbury, N.C., where more than 150 staff and residents have contracted the virus, according to state data. Employees and residents alleged in a lawsuit filed in Rowan County Superior Court that Portopiccolo, which bought the facility from Genesis HealthCare on Feb. 1, left the nursing home woefully unprepared for the pandemic.

Employees testified in sworn affidavits that managers from Accordius, the operating group, prohibited staff from wearing masks in March, saying that doing so would scare residents. Nurses sometimes had to care for more than 50 residents at a time, employees alleged.

The lawsuit asks that the facility be required to improve conditions or be closed or put under new ownership. But lawyers for Portopiccolo asserted that staffing and equipment have been adequate. Hyman, Zanziper and Accordius executives sought to downplay their role at the Citadel, claiming in a motion to dismiss that daily operations were the responsibility of staff on site.

At the same time, Portopiccolo sued the families in federal court, arguing that they had signed agreements that preclude litigation against the nursing home.

Such arbitration clauses have become increasingly common at for-profit nursing homes, studies show, and have been criticized by consumer advocates as well as lawmakers as a way for facilities to avoid accountability. Biden said he wants to restore an Obama-era ban on the practice that was overturned by the Trump administration.

In June, North Carolina officials identified a slew of violations at the Citadel that they said placed residents in "immediate jeopardy," including a systemic failure to control infection and failing to inform the families of those who tested positive. Some found out their relatives had the virus from an emergency room physician. One man said he learned his aunt had died only when a funeral director called, asking what to do with her body.

Two hundred miles away in Virginia, staff shortages at Accordius Health in Harrisonburg were so dire before the pandemic that residents sometimes went days without showers, inspection records show.

"This place has gone from bad to worse," one resident told an inspector. "They cut costs at our expense."

After Accordius took over the facility in 2019, Ruth Simmers-Domzalski said, she noticed fewer staff members tending to her mother-in-law, Mary Domzalski, whose family twice found her lying on soiled bedsheets. On April 6, the facility held a hallway dance party where residents interacted without masks.

Domzalski, 88, attended. Three weeks later, she died of covid-19.

When asked about the event, Collins said the dance party did not conflict with federal guidelines at the time. CMS said on April 2 that all nursing home residents should cover their noses and mouths while interacting with staff; nearly a month before, it told facilities to cancel all group activities.

Tumultuous takeovers

Portopiccolo declined to say how many nursing homes it has bought during the pandemic, but The Post used CMS records to identify at least 22 facilities — eight in Maryland — that reported that Hyman and Zanziper had become owners since April.

Three of the Maryland facilities were bought from Genesis HealthCare, one of the largest skilled-nursing operators in the country. Amid plummeting occupancy rates and ballooning expenses, Genesis told stockholders this year that the firm would "improve its liquidity position" by selling off nearly two dozen of its roughly 400 nursing homes.

One was the Sligo Creek Center in Takoma Park, Md., where Pearthree, 59, worked part time as a social worker.

She had spent 18 years full time at another Genesis nursing home, the Fox Chase Rehabilitation Center in Silver Spring, leaving months after Portopiccolo bought it in 2019.

That sale was a "nightmare," said Pearthree, recalling that new managers failed to secure local suppliers, leaving employees scrambling for medication and food. One afternoon, she said, staff members were unable to access digital patient records because Peak Healthcare had not put a new software system in place.

Less than a year after she left Fox Chase, Pearthree found herself facing another Portopiccolo takeover — this time amid a pandemic.

Again, the transition was chaotic. Peak did not actively recruit employees or offer them competitive packages prior to the takeover, leading to the departure of longtime staffers, including the administrator and director of nursing, said Pearthree and a senior Sligo Creek employee who spoke on the condition of anonymity because she feared reprisals. The former administrator and director of nursing did not respond to requests for comment.

Pearthree, a graduate student who worked 30 hours a week, was told she would have to increase her hours to keep her health insurance, she and Collins said.

Pearthree and the current employee also said Peak stopped providing hazard pay for contract employees and laid off a group of nonmedical staff Genesis had assembled to take temperatures and wipe down surfaces at the onset of the pandemic.

The facility has been cited twice by Maryland regulators since Peak took over, state inspection records show — in June for failing to test all residents and staff, and in August for failing to consistently inform family members of viral outbreaks.

Collins said staffing gaps were part of a nationwide shortage of nursing home workers and disputed the accounts from Pearthree and the current employee, saying supplies at both Sligo and Fox Chase were adequate and benefits were fair.

Eleven workers at three other Maryland nursing homes acquired by Portopiccolo during the pandemic said they lost paid time off and were offered more limited insurance packages. One worker who has asthma and high blood pressure said her bimonthly health insurance co-pay increased from $67 to $113 when Peak took over.

At Peak Healthcare Chestertown, on Maryland's Eastern Shore, employees said the company offered a more limited benefits package than the facility's previous owners, Autumn Lake, including less paid time off for new employees and no paid time off on major holidays.

The company scrimped on supplies, including cutlery, cleaning materials and clothing for residents, said employees at three facilities, who also spoke on the condition of anonymity out of fear of retribution.

Three employees at another facility said nurses have had to use hand soap to clean residents and rip up towels or bedsheets to dry them off.

“We risk our lives every day, and we don’t have proper supplies,” said one geriatric nursing assistant who brings her own gloves to work. “At what point do we put the patients first?”

Collins denied there were shortages, adding that at Chestertown, the budget for supplies had actually increased. He also denied that employees lost time off to which they were entitled, but said he could not address specific claims without knowing the names of the employees.

Reducing operating costs appears to be part of Portopiccolo’s business strategy, according to documents reviewed by The Post. In 2019, while acquiring three nursing homes in North Carolina, the group said it expected to save $360,000 by lowering expenses associated with employee benefits and insurance and $410,000 by cutting equipment and transportation costs. These measures, outlined in a mortgage loan contract, had allowed Portopiccolo to save more than $50 million across 37 facilities.

Collins said Portopiccolo has invested more than $6.7 million to purchase cleaning supplies and protective equipment since the start of this year. In comparison, Genesis, which operates about three times as many nursing homes, said that as of September, it had spent about $40 million more than normal on cleaning supplies and protective equipment.

Little government scrutiny

A recent study by the Long Term Care Community Coalition identified 15 states as having some good oversight practices for nursing home purchases, including requiring companies to disclose what other assets they own. Of the nine states in which Portopiccolo operates, none made the list.

“If your facilities in other states have very low staffing or a history of citations, you should not be allowed to purchase another one,” said Mollot, executive director of the coalition. “But states have a very hands-off approach to anything that happens outside their borders.”

Maryland Department of Health spokesman Charles Gischlar said the agency saw “no reason to change” the way it tracks shifts in nursing home ownership during the pandemic.

The Maryland Health Care Commission, another entity meant to oversee the sale of nursing homes, last year started asking prospective owners to affirm that they have not been convicted of a felony within the past 10 years or penalized more than $10 million because of their ownership of nursing homes.

But this requirement, which was designed “to keep out poor performers,” has not deterred a single transaction, said Paul Parker, a director at the commission.

For each facility that Hyman and Zanziper bought in Maryland, they declared to state regulators that they would not make substantive changes to services, staffing or bed ratios. State officials did not respond to questions asking how they ensured this would be true.

Gupta, the Wharton professor, said there should have been a moratorium on nursing home sales when the pandemic started because the changes that follow any acquisition can hamper a facility’s pandemic response.

But federal and state lawmakers never considered such a move.

“Nobody knew what was going on, nobody was in control,” Gupta said.

Joani Latimer, Virginia’s long-term-care ombudsman, said her office has been concerned by Portopiccolo’s pattern of buying facilities with low CMS ratings. Such facilities need more investment — not less — for conditions to turn around, she said.

“It’s not a process that you can just streamline to machine-like efficiency,” she said. “These are human needs with human challenges.”

Officials at the Virginia Department of Health, however, said they did not pay particular attention to Portopiccolo’s acquisition this year of Accordius Health at Courtland in Southampton County and Accordius Health at Waverly in Sussex County.

Such deals are “a business decision between the parties involved,” said Kimberly Beazley, director of the state Office of Licensure and Certification. “And we do not regulate business decisions made by facilities.”

Weeks with no hot water

Multiple employees at Portopiccolo-owned facilities, including one who worked in the kitchen at Chestertown, said their new managers had so much trouble filling staffing gaps this spring that employees were asked to work after learning they had the virus.

“It was a disaster,” said the Chestertown employee, who said she tested positive May 15 and declined when asked to come to work three days later. “People were still testing positive, and we were being asked to reapply for our jobs because this new company was coming in.”

Kent County Health Officer William Webb said local officials intervened that month after learning that a different employee at the facility who also had coronavirus was still working. “It was very concerning to me at the time, and we made sure to put a stop to it,” he said.

The facility’s water heater was broken from July to September, which meant there was no hot water for dishes or hand-washing. State inspectors fined the facility $730,000 for not fixing or reporting the problem, which they said posed “immediate jeopardy” to residents’ health. Collins said the firm is disputing the fine.

Webb said Peak’s decision not to promptly replace the water heater was “especially difficult” because the facility had seen scores of coronavirus cases and more than a dozen deaths in April and May. “If you’re in the business,” he said, “[you know] ample hot water is the core of any infection prevention program.”

When Peak took over managing the facility, roommates Patricia Sparkman, 82, and Brenda Middleton, 79, were isolated in their ground-floor room after testing positive for the virus.

Sparkman said in an interview that staff members left after the transition. Those who remained seemed less able to help, she said, including with basic tasks like bringing her water.

Middleton’s daughter, Tina Hurley, said the family moved Middleton a few months later to Peak Healthcare at Denton, about 30 miles away, so they could visit more frequently. But that facility had also been acquired by Portopiccolo on May 1.

Hurley said her mother is rarely checked on in Denton and has fallen several times while trying to get things for herself. At one point, she added, Middleton injured her leg but went without care from the facility’s doctor for days.

“I wouldn’t have brought her here if I knew how bad it would be,” Hurley said.

For Pearthree, the social worker at Sligo Creek, the breaking point came when she was asked to transfer back to Fox Chase in mid-May as director of social work. By then, Peak was operating both facilities.

She found residents she had known for years alone in their rooms, she said, confused and despondent in some cases. Relatives of those who died, she added, were given little information about how or when their loved ones had gotten sick.

When she raised concerns with managers, she said, she was brushed aside.

"The families felt betrayed by us," Pearthree said. "And that was the part that overwhelmed me." She sent a resignation letter in June.

Collins said Fox Chase administrators were unaware of her resignation and said Pearthree was terminated after she stopped coming to work. But the executive director of Fox Chase left Pearthree a voice mail on June 3 acknowledging her resignation and pleading with her to return.

"You do your job great and I like that," director Eli Loloyan said in the voice mail, which Pearthree shared with The Post. Loloyan did not respond to an email requesting comment.

Collins said that Portopiccolo leaders see their employees as "health care heroes."

"We remain committed to putting care first," he added.

Days before Thanksgiving, as all but one of the firm's Maryland facilities reported new coronavirus outbreaks to the state, the firm closed on deals worth $37.7 million to acquire four more facilities in Florida.

Douglas MacMillan contributed to this report.

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