Hearing on Examining Private Equity's Expanded Role in the U.S. Health Care System

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HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT

OF THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

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March 25, 2021

COMMITTEE ON WAYS AND MEANS

Subcommittee on Oversight
Hearing on Examining Private Equity's Expanded Role in the U.S. Health Care System
March 25, 2021 – 1:00 PM
Witness List

Dr. Sabrina Howell, Assistant Professor of Finance, New York University Stern School of Business

Dr. Terris King, CEO, King Enterprise Group, LLC

Ms. Milly Silva, Executive Vice President, 1199SEIU United Healthcare Workers East

Mr. Ernest Tosh, Trial Attorney, Tosh Law Firm, PLLC

Ms. Grace Colucci, Voices for Seniors

HOUSE COMMITTEE ON WAYS & MEANS
CHAIRMAN RICHARD E. NEAL

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON OVERSIGHT

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Chair Pascrell Announces Oversight Subcommittee Hearing on Examining Private Equity's Expanded Role in the U.S. Health Care System

House Ways and Means Oversight Subcommittee Chair Bill Pascrell, Jr. announced today that the Subcommittee will hold a hearing on "Examining Private Equity's Expanded Role in the U.S. Health Care System" on Thursday, March 25, 2021 beginning at 1:00 PM EDT.

This hearing will take place remotely via Cisco Webex video conferencing. Members of the public may view the hearing via live webcast available at https://waysandmeans.house.gov/. The webcast will not be available until the hearing starts.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMdem.submission@mail.house.gov.

Please ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, April 8, 2021.**

For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

ACCOMMODATIONS:

The Committee seeks to make its facilities and events accessible to persons with disabilities. If you require accommodations, please call (202) 225-3625 or request via email to WMDem.Submission@mail.house.gov in advance of the event (four business days' notice is requested). Questions regarding accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at https://waysandmeans.house.gov/

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EXAMINING PRIVATE EQUITY'S EXPANDED ROLE IN THE U.S. HEALTH CARE SYSTEM

Thursday, March 25, 2021

House of Representatives,

Subcommittee on Oversight,

Committee on Ways and Means,

Washington, D.C.

The subcommittee met, pursuant to call, at 1:01 p.m., via Webex, Hon. Bill Pascrell [chairman of the subcommittee] presiding.

*Chairman Pascrell. Good afternoon, and welcome. I call to order the Subcommittee on Oversight. Thank you for -- everyone, for being here and joining us today.

We are looking -- we are holding this hearing virtually, in compliance with the regulations for remote committee proceedings. You guys know what I think about remote, so we don't have to go into that. Before we turn to today's important topic, I wanted to remind members of a few procedures to help you navigate the virtual hearing.

First, consistent with regulations, the committee will keep microphones muted to limit background noise. Please do that. Members are responsible for unmuting themselves when they seek recognition, or when recognized for their five minutes.

Second, when members are present in the proceeding, they must have their cameras on. If you need to step away to attend another proceeding, or whatever, please turn your camera and your audio off, rather than logging out of the platform. Please remember that.

Third, we will dispense with our practice of observing the Gibbon's Rule, and instead go in order of seniority for questioning, alternating between the majority and minority, beginning with the members of the Oversight Subcommittee, of course.

Finally, without objection, Representative Plaskett -- is Representative Plaskett on?

[Pause.]

*Voice. She is not on yet, but she is expected to join.

*Chairman Pascrell. I want her to serve as chair, in the event I am called away, okay?

Well, I will tell her that when she gets on.

I thank you for your continued patience as we navigate the new proceedings.

With that I will now turn to the important topic of today's hearing, examining private equity's expanded role in health care.

My fellow members, I ask you -- I beg you to listen very carefully to this hearing. It is going to be a critical, critical hearing on a subject near and dear to my heart.

Things happen, and we learn from them, and we go on and make things better for Americans. So please pay attention, I beg you. Thank you.

This is our third hearing on the Oversight Subcommittee in the 117th Congress. It is past time for a bright light to be shined on how private equity ownership in our health care system affects patient safety and jobs. Private equity's influence stretches like an octopus. In 2020, we saw $66 billion in private equity investment across the health industry. This is a 21 percent increase from 2019. This includes large hospitals, physician practices, dental practices, and nursing homes.

Private equity's expansion into health care is troubling, because private equity's main focus on profits is often at odds with what is best for patient care. Private equity's business model involves buying companies, saddling them with mountains of debt, and then squeezing them like oranges for every dollar.

In North Jersey we watched this model dismantle our beloved, home-grown company, Toys R Us. Corporate executives fired tens of thousands, literally, tens of thousands of workers in the name of profit.

Now I worry private equity has moved on from toy stores to hospitals, physician practices, nursing homes, many of which rely on taxpayer-funded programs. Understanding the web of transactions, it is like a Russian nesting doll. The lack of transparency in private equity ownership makes proper oversight by regulators nearly impossible.

You know, COVID-19 threw back the curtain on non-transparency, and has exposed the inner sanctum of health care in the United States of America, as far as I am concerned.

Patients seeking answers from a hospital owned by a hidden parent company evoke the scene in The Grapes of Wrath, if you remember, where the displaced former, Muley Graves despairs to find out just who is seizing his house.

Private equity's harms to the American health care system are borne heavily by the most vulnerable: communities of color, rural, under-served areas, the elderly, people with disabilities.

Here's the horror: research has shown nursing home buyouts are linked with higher patient-to-nurse ratios, lower quality care, declines in patient outcomes, weaker inspection performances, and increased mortality rates. That is a horror. Think about it, our most vulnerable.

A recent study revealed damning data on private equity's influence on health care. The researchers used Medicare data covering 1,700 nursing home facilities bought by private equity firms from 2000 to 2017. They estimated that over 20,150 Medicare beneficiaries died due to private equity's ownership of nursing homes in those years.

The study also found private equity's ownership increased Medicare billing by 11 percent. Is that in the best interest of the patients, or the shareholders?

So, I agree with the free market, if it is truly free. Let the free market do its thing.

Private equity's track record during the pandemic is not pretty. We lost more than 170,000 nursing home residents. I want you to think about that when we talk about the most vulnerable. In New Jersey, residents at private equity-owned nursing homes have had a disproportionate number of COVID-19 infections and fatalities. How many grandmothers and grandfathers died because profits were prized above lives, and with our taxpayer dollars funding this?

Today's hearing will discuss an important initial step: increasing transparency. A true assessment of private equity's role on our health care system is needed.

I want to especially thank Chairman Richard Neal for his focus and leadership on this topic. Last Congress, Chairman Neal introduced the Transparency and Health Care Investments Act. That is H.R. 5825. And I am going to introduce the Carried Interest Fairness Act, H.R. 1868 in the 117th Congress, and I hope you look at it.

Richard Neal's bill would provide reporting requirements for private equity and entities invested in health care. We are not even getting reports. I look forward to working with Chairman Neal and all our committee members on issues affecting private equity, including transparency, Medicare spending, tax policy like carried interest loophole reforms.

Chairman Pascrell. Let me now yield to the ranking member, Mr. Kelly of Pennsylvania, for five minutes for the purposes of an opening statement.

Mr. Kelly?

*Mr. Kelly. Thank you, Mr. Chairman, it is always good being on with you. And I think that, listen, we are all interested, and we are all focusing on what is going on right now, especially in these homes where we are sending our most vulnerable.

But I would rather see another hearing that addresses, actually -- and you pointed it out -- the actual data that is taking place. So private equity in the health care system is a -- I don't think -- right now I understand the concern about how things are being handled, and why it is -- there -- why there is a concern about it.

But it has been more than a year since many of us have seen our loved ones, in most cases. Some of us have not seen grandmas and grandpas since last St. Patrick's Day. But jobs have been lost, our economy has been shuttered down. And we -- and since we felt safe to

even open and chat with our neighbors, we don't have that comfortable feeling about doing this.

So I just wanted to go over something that I think is really critical. Now, according to COVID Tracking Project, 52 percent of COVID-19 deaths in my home state of Pennsylvania occurred in long-term care facilities. That is more than half of all pandemic deaths in the entire state. In New York it is 37 percent. In your state, Mr. Chairman, it is 34 percent. In Michigan it was 31 percent. In California it is 24 percent. Now, that has nothing to do with private equity. I am talking in total of everything that is taking place.

My own aunt is in a home right outside my hometown of Butler, Pennsylvania. And her daughter calls me all the time and says, "I need to get in to see my mom. She misses seeing me, and we need to see her.'' She had COVID and was locked down for a period of time.

Also, Ms. Colucci, who is going to be on the phone with us today, her father was also admitted to a nursing home for rehabilitation, and contracted the virus, and then later died at home. So I want to thank Ms. Colucci for being willing to share her story with us today.

Mr. Chairman, I think all of us are willing to work with friends on both sides of the aisle and learn more about the effects of ownership and consolidation on cost and quality of health care. But I am not sure today is the day to be looking at it, not during a pandemic, not when there are major pandemic-related concerns still outstanding.

Republican Members have been asking our Democratic colleagues to partner with us to join in a bipartisan investigation of COVID-19 nursing home deaths, and data reporting. This data reporting is a crucial element of this. And so far our calls to action have gone unanswered.

Now, there is many questions that remain outstanding. Just to name a few, why did states feel like their only option was to put vulnerable populations, many of those which were seniors, at risk by sending COVID-positive patients to nursing homes? It doesn't make sense.

And how were states actually tracking COVID-related nursing home deaths, and why were some of them covering up the truth?

Now, in my home state of Pennsylvania there continue to be data collection problems. The former Pennsylvania Secretary of Health, Dr. Rachel Levine, was nominated by President Biden and confirmed yesterday by the Senate to be the Assistant Secretary of Health at HHS. At her nomination hearing in the Senate just a few weeks ago, Dr. Levine was questioned about missing nursing home death data.

And she said, "Well, there is data lags. We just don't get the data on time. We can't really take a good long look at it.'' Yet local investigating reporting in Pennsylvania by Spotlight PA demonstrates that many nursing homes were faithfully reporting information to the state, and could not explain why it was not included in the state's weekly reports.

And we know, for the last couple of months now, we have been looking at what happened in New York, and the under-reporting, and the not looking at the -- clearly, where the data was leading us.

Now, this discrepancy needs to be addressed. This isn't a Republican problem or a Democrat problem. This is an American problem. Now, even our friends in the state -- in the Senate Finance Committee, led by Democratic Finance Chairman Ron Wyden, held a hearing just last week specifically on nursing homes.

And so we are asking again, please join us as we try to get to the truth. This investigation is timely and necessary. Today is the one-year anniversary of Governor Cuomo's mandate prohibiting COVID-19 testing as a prerequisite before sending patients to nursing homes. You would think you would want to take a look at who you were admitting to these homes before they got in there, to make sure they didn't have the COVID. Now, families who have lost loved ones are still waiting for answers, and they deserve better.

Look, we can solve some of these problems, but I -- my question today isn't so much as the ownership, because I think that does need to be looked into to see if there is equitable treatment across the lines. But, my goodness, we don't even have the data that we can clearly look at and say, "Here is where the problem is.''

Now, in Dr. Levine's situation, she took her mother out of a nursing home and put her in a hotel, to make sure she didn't get COVID. Now, somehow things like that don't match up. My aunt couldn't leave the nursing home. My cousins can't even go see her. We don't have any idea, sometimes, of what is going on inside.

So I would just say, look, I think the witnesses, first of all, thank you all for joining us. And I agree with the chairman. We only get to the facts when we talk to the people who actually live in that world. We get to read an awful lot of data, but we don't really get to see the facts. So thank you for being with us today, and our witnesses, I appreciate you taking a day out of your life to come and do this. I am really looking forward to the testimony.

Mr. Chairman, thanks so much for having the hearing. I am looking forward to all we hear today.

*Chairman Pascrell. Mr. Kelly, without objection, your opening statement and all the opening statements will be made part of the record. I think I did not mention that before. I will mention it now, and I thank you.

Second, I did not wish to imply that there are no problems in the more publicly-owned nursing homes. That is not true. But the numbers, when compared -- the numbers that we have -- remember, we don't have all the numbers.

*Mr. Kelly. Right, we don't.

*Chairman Pascrell. And this -- you know, this comes under CMS. And I am wondering what has been going on in CMS for the last 10 years. I can't tell you that now.

*Mr. Kelly. Well, you know what? You and I -- I really like being on Oversight with you, because I know you are a bulldog at this stuff. I think we are going to sink our teeth in, we will find out what is going on.

I just wonder -- of the private equity, it is only nine percent of the market. So there is 91 --

*Chairman Pascrell. Well, it is much more than it was three years ago.

*Mr. Kelly. Yes, well, whatever. But let's just keep looking into it. I am really glad our witnesses are on with us today. I am looking forward to hearing from everybody. Thanks, Mr. Chairman.

*Chairman Pascrell. Thank you. We are now going to go to our panel, and I want to thank our distinguished witnesses for taking the time to appear before us today to discuss this very, very important issue.

Our first witness is Professor Sabrina Howell. She is an assistant professor of finance at the New York University Stern School of Business.

And Professor Howell, it is all yours. Five minutes, try to keep it short.

Each of your statements will be made public in the record, in their entirety. I ask that you summarize your testimony in five minutes or less.

Thank you very much for being here. We are honored to have you. You may begin.

STATEMENT OF SABRINA HOWELL, PH.D., ASSISTANT PROFESSOR OF FINANCE, NEW YORK UNIVERSITY, STERN SCHOOL OF BUSINESS

*Ms. Howell. Distinguished members, thank you for inviting me to testify.

Private equity in U.S. health care has risen dramatically over the last two decades. PE ownership is different from conventional, for-profit ownership. PE managers have short time horizons, typically expecting to own the target company for just three to six years. They also face much less downside if the company goes under, but can earn tremendous profits if things go well. Finally, the companies that they own carry much more debt than other similar companies.

And here's a crucial point about that debt: the PE firm does not borrow. Instead, the debt, which is typically four-fifths of the total cost of buying the company, is placed on the company's balance sheet. All of this incentivizes PE-owned firms to pursue riskier, more aggressive strategies.

Now, there are benefits to this debt, such as favorable tax treatment and the potential to discipline managers. But one downside is additional cost of making debt payments. If the company cannot make them, the PE firm does not owe the lenders anything. Instead, it is the companies' other stakeholders, such as its employees and customers and the dispersed lenders, who are in trouble. The PE firm stands only to lose its equity investment. And the bank, which arranged the loan, typically does not take any risk at all.

Another feature of private equity ownership is that the investors have ways to generate large, early cash flows while they own the company. They do this by selling assets like the company's real estate, thereby requiring the company to pay rent.

They also create cash flows with dividend recapitalizations, which is when the company takes on more debt that is used to pay dividends to the investors. In this way, the PE firm can deliver strong returns to its investors, even if the company goes bankrupt.

What does all of this mean for health care consumers and taxpayers?

What I have described can be summarized as introducing really high-powered profit-maximizing incentives. Research on PE has found that these incentives can be good for consumers in sectors where product quality is transparent, markets are competitive, and there is no government subsidy. However, health care has none of these features. Here, the information asymmetry between the provider and the patient, the separation of revenue from the consumer, and the government subsidies that are not tied to quality all mean that high-powered incentives to maximize profits can have detrimental implications for patient welfare.

A provider can generate higher profits in the short term by cutting patient care costs. We may expect firms to sacrifice these short-term profits to maintain their reputation and safeguard demand. However, patient demand does not always respond to poor quality. There are many reasons for this. But one that is especially important in rural areas is that patients often have little choice among providers.

As one example of how private equity can have detrimental effects in health care, in recent research I have shown that going to a PE-owned nursing home increases the short-term probability of death by about 10 percent, implying over 20,000 lives lost due to PE ownership of nursing homes during about a 10-year period.

We show some possible explanations for this higher mortality. Nurse staffing declines after buyouts, while rates of anti-psychotic medications and pain intensity increase. Meanwhile, the amount billed to Medicare increases by 11 percent. Finally, we show that fees charged by the parent company, lease payments after real estate is sold, and interest payments

all increase dramatically. This all suggests a systematic shift in the operating costs away from patient care.

As an example, one of the largest deals we observe is Carlyle Group's leveraged buyout of HCR ManorCare for about 6.3 billion in 2007. Of the 6.3 billion, roughly one-quarter was equity and three-quarters were debt. Four years later, Carlyle sold the real estate assets for 6.1 billion, offering investors a substantial return on equity after the quality of care deteriorated, and the nursing home care chain ultimately went bankrupt.

In closing, I want to emphasize that PE is very different across sectors and types of deals. It might look quite different in areas with different incentives, such as dermatology. And there are probably examples where PE even in nursing homes is good for patients. But what matters for policy is the aggregate effect, and our analysis indicates that, in the context of nursing homes, it is clear that private equity buyouts are detrimental to patients and taxpayers. Thank you.

[The statement of Ms. Howell follows:]

**********COMMITTEE INSERT**********

*Chairman Pascrell. Thank you, Professor Howell. That was very articulate. And thank you for being here today with us. And your testimony is weighty, and we have to listen and think about every word that you said, and thank you for summarizing it. I gave you a couple of seconds there, anyway.

I want to introduce the other panelists now, too. Terris Queen, who is going -- King, who is going to be our next witness, he is the chief executive officer of King Enterprise, LLC, and a former CMS official. Uh-oh.

[Laughter.]

*Chairman Pascrell. Our third witness is Milly Silva. She is the executive vice president of 1199 SEIU, United Healthcare Workers East.

And our fourth witness is going to be Ernest Tosh. He is a trial attorney at Tosh Law Firm and specializes in the nursing home industry.

And our fifth witness will be Grace Colucci. She is from the voice -- Voices for Seniors.

And each of the statements, again, will be part of the record.

So thank you again, Professor Howell, and now I would like to turn to Ms. Silva.

If you would, provide for us, and begin your statement.

[Pause.]

*Chairman Pascrell. Ms. Silva?

*Ms. Silva. Congressman, yes.

*Chairman Pascrell. Go ahead.

STATEMENT OF MILLY SILVA, EXECUTIVE VICE PRESIDENT, 1199 SEIU UNITED HEALTHCARE WORKERS EAST

*Ms. Silva. So -- okay. So Chairman Pascrell and distinguished members of the committee, my name is Milly Silva, and I am an executive vice president at 1199 SEIU. We are the largest health care union in the United States.

Many of us have someone in our life, perhaps a parent, a friend, or even a child who is receiving care in a nursing home facility. And we know the vital role that nursing homes play in our communities. They are supported largely by public tax dollars to care for our most vulnerable. Unfortunately, too much of the nursing home industry has been dominated by private equity actors whose overriding mission is not to enhance care at the bedside, but to maximize profit.

[Pause.]

*Ms. Silva. And so what I am going to do is share with you what are some of the stories that workers on the front lines have experienced in nursing home care. And one of the things that is important to note is that insufficient staffing levels cause bedridden residents to develop pressure ulcers or to lie in soiled linens for hours at a time, supply closets that are missing basic necessities like fresh towels or masks, low-wage workers paying out of their pocket for soap, shampoo, or even clothes for their residents. And these workers themselves are facing insurmountable financial hardship because of inadequate pay and benefits.

And the single most important asset of any nursing home is its dedicated staff, the overwhelming number of whom are women, and the majority of whom are people of color. And over the years I have come to appreciate that there is no job more physically and emotionally demanding than that of a nursing home caregiver. These are some of the most

dangerous jobs in America, with among the highest injury rates of any profession. And these workers are also some of the lowest paid.

I think of Ella, a certified nursing assistant who took great pride in caring for a Tuskegee airman, even though she earned so little that she couldn't afford her electric bill, and had the power in her apartment shut off. I think of Clare, who was forced into premature retirement after suffering a debilitating spinal injury when a patient fell on her. And I think of Cheryl, who worked for nearly 30 years at her nursing home until she passed away a year ago this Tuesday after being denied access to sufficient personal protective equipment by her employers.

The reality is this: the tragedy that we have seen in nursing homes over the last year is actually a reflection of systemic failures in the system that existed prior to COVID-19. And one of the factors related to this challenge is the growth of private equity in this sector.

And so there are a range of reform ideas that can help to move this industry in the right direction. Part of what needs to happen is we need to make sure that caregivers can effectively advocate for themselves and their residents. We have found that, when caregivers have a voice at work, patients are better protected.

There is a study that was published by Health Affairs in the fall of 2020 that noted that there was a 42 percent relative decrease in COVID-19 infection rates, and a 30 percent relative decrease in mortality rates among nursing home residents at facilities where workers had union representation.

Now, while the presence of unions is one check against nursing homes under-investing in care, strong legislative oversight is another.

In New Jersey, an independent review of the long-term care industry, commissioned by the Murphy administration and conducted by the Manatt Health, offered a range of valuable recommendations. They included recommendations on oversight, on bolstering the workforce, looking at wage and recruitment and training needs, and also strengthening the penalties for

nursing homes with serious deficiencies and improving direct-care staffing levels. Among the many frustrations that nursing home workers raise, it is often about the poor staffing levels. It is lackluster at facilities that are owned by private equity ownership.

And one of the things that we know is that, when there are fewer hours of daily care provided by certified nursing assistants, then we also see that there is an increase in the overuse of anti-psychotic medications of residents, and there is a decrease in patient care outcomes. So in New Jersey and across the country, the COVID-19 pandemic has already shown the consequences of poor staffing levels. And we look forward to seeing that there is an improvement in this industry.

And I will close with this one note: in New Jersey they recently enacted a law establishing the strongest CNA-to-resident ratios in the country. And it is a model to take a look at as we consider solutions for the nursing home industry in the long term. Thank you.

[The statement of Ms. Silva follows:]

**********COMMITTEE INSERT**********

*Chairman Pascrell. Ms. Silva, thank you very, very much for your testimony. And I think there is much, much you presented there. And I know you took a -- you must have taken some time to summarize what you were saying. There is so much to say on this subject, but thank you very, very much.

Our next witness is Terris King. As I said before, he is a chief executive, officer of King Enterprise Group, and a former CMS official.

And I want to welcome your testimony. Keep it -- try to keep it short, summarized, and we will move on so everybody gets a chance to ask questions. Dr. King?

STATEMENT OF TERRIS KING, SC.D., CEO, KING ENTERPRISE GROUP, LLC

*Mr. King. Thank you. Thank you very much, honored to be here.

So I will start my summary this way, trying to give you the focus of where my passion is, and then going into some elements that I am aware of in terms of CMS.

At a convention of the Medical Committee of Human Rights in Chicago in March of 1966, Dr. Martin Luther King declared, "Of all forms of inequality, injustice in health care is the most shocking and inhumane."

For the past three decades I have dedicated my life to reducing, if not eliminating, those inequities. In February of 2021 I was approached by several of my colleagues and asked to coauthor a blog that proposed administrative actions that highlighted the challenges and clinical quality issues and patient safety issues surrounding the growth of private equity ownership and practices in the health care. And our purpose at that time, in being a part of authoring the blog, was to acquire understanding of several questions that were on my mind, and to raise the critical issues that I was made aware of.

In the start I wanted to understand whether increased transparency -- because, as they brought me these issues, I understood that was needed -- improved accuracy and data -- because I understood some of the problems I had while there with PECOS -- oversight and innovation, in terms of clinical quality, could improve the health and safety of patients.

Is there a balance, in terms of the needs of patients and investors that could be found?

How much control do investors actually have over clinical quality practices and private equity arrangements?

Can innovation be increased through the use of private equity?

Can technological advancements be promoted?

Can improved quality of care and consistency be realized?

Is there a way to improve the patient experience through private equity entities?

Based on what I am hearing, can competition and customer choice and greater transparency of ownership -- who are these private equity firms?

Does PECOS -- do our systems even capture that?

And if it does, if we put it on the -- compare websites, our five-star website, is that an ability, through this process, to increase the choices that we make?

Now, to look at this issue we may say, okay, at this point it is premature to determine whether these unintentional or intentional consequences that are positive or negative are occurring. However, without question, once I heard some of these issues, I was convinced of several things, not just in nursing homes, but in the broadest perspective, that an interagency review needs to be conducted, led by CCSQ and CMS, but also including the quality improvement organizations, the IG and GAO.

In addition to that, the concentration of minorities, in terms of health care, 222 hospitals serve over 40 percent of our aged African-American population. So where is this market growing?

And then, in nursing homes, not only do we need an interagency review, but PECOS needs to be examined. The website needs to be looked at, in terms of its consistency and what information is provided in terms of ownership and management of nursing homes.

CMS should establish a prior approval process for changes in ownership. Cost reports should be amended to require each nursing home to provide -- and its ownership -- annual consolidated financial reports.

And finally, finally, a financial oversight should be established at CMS. Thank you.

[The statement of Mr. King follows:]

**********COMMITTEE INSERT**********

*Chairman Pascrell. Thank you. Thank you very much, Dr. King. And many of the questions that you asked of yourself are going to be questions probably thrown back at you later to find out, you know, where we are going on this. It is very important.

And I am -- you know the best evidence is the folks who get the care. And when you look at nursing homes, and in a narrower sense, those that are funded by private equity, I want to see how the folks are doing in these homes. And do we have enough data? As the ranking member pointed out, do we have enough data even to make a judgment? And so we are going to be talking about that, I am sure. But thank you for your testimony.

And now I would like to introduce Ernest Tosh. He is a trial attorney at the Tosh Law Firm.

Is it Tosh or Tosh?

*Mr. Tosh. Tosh.

*Chairman Pascrell. Okay, thank you.

And he specializes in the nursing home industry.

Mr. Tosh, it is all yours.

STATEMENT OF ERNEST TOSH, J.D., TRIAL ATTORNEY, TOSH LAW FIRM, PLLC

*Mr. Tosh. Thank you very much. Good afternoon. As I was introduced, my name is Ernest Tosh. I am an attorney and a data analyst. My primary interest is data regarding nursing homes.

Nursing homes in America have a massive problem with under-staffing, and this under-staffing leads to thousands upon thousands of preventable injuries and deaths each year. Every year, one academic article after another detailed how under-staffing in nursing homes leads to negative outcomes such as bedsores, falls, dehydration, malnutrition, and the spread of infections. This problem has increased since nursing homes turned from being mom-and-pop operations in a local market to national chains.

Private equity has just made the under-staffing worse, and increased the rate of injuries and deaths.

We are here today to explore this topic, and hopefully come up with workable solutions for this problem.

The easiest solution appears to be an increase in staffing. Increased staffing undeniably reduces negative outcomes in nursing homes. It is that easy. The hard part is figuring out if the current reimbursement rates support a higher staffing level, or if a higher staffing level would require more governmental reimbursement.

Unfortunately, we, as taxpayers, are not able to assist in making an informed decision on this point, due to a lack of transparency within the nursing home industry. The fact is, we do not know whether any one chain is making money or losing money. We don't know if an individual nursing home is highly profitable, or on the verge of bankruptcy. This is because the

financial filings that are currently required for nursing homes are highly manipulated, and do not provide an accurate financial picture.

Currently, every nursing home that receives Medicare or Medicaid money is required to file an annual cost report with CMS. The cost reports include the financial -- the facility's income statement, balance sheet, related-party transactions, staffing, and a host of other reimbursement and financial information. In theory, this sounds great, and would be if the reports were not manipulated.

For-profit chains, including the chains owned by private equity firms, basically launder the profits from the nursing homes by overpaying related parties. The chains usually own the nursing home and several other companies that provide services to the nursing home, including real estate holding companies, therapy companies, pharmacies, et cetera.

The laundering of the profits occurs when the nursing home pays rent to the holding company, but willingly overpays. Instead of paying the fair market value of, say, $1 million in rent, the nursing home pays a million-and-a-half dollars. The additional half-million-dollar payment looks like an expense, thereby driving the nursing home's income down, while at the same time that $500,000 of profit now goes into the holding company, which is basically a black hole, because there is no financial reporting for related parties.

By using related parties, the chain can make an individual nursing home look like they lose money when, in fact, they may make massive profits. It is just that the profits are hidden in the related parties. This massive financial manipulation makes it impossible for the taxpayer to figure out if the nursing homes need more money to survive, or if they are intentionally under-staffing to make more money for their owners.

Private equity's negative outcomes are clearly due to under-staffing. The only question is if they already have the money to employ more staffing, or is there a need for higher

reimbursement rates to afford the additional staffing. To answer this question, we need to have full transparency.

All nursing home chains in the United States should be required to file audited, consolidated financial statements for the entire chain, including their related parties. Only then can we determine exactly what is transpiring in the nursing home industry, and make an informed decision on how to fix these problems. Thank you.

[The statement of Mr. Tosh follows:]

**********COMMITTEE INSERT**********

*Chairman Pascrell. That is right. You know, if I read you correctly, what you are basically saying in your testimony is that we have an understanding here. So we know that private equity has investments in nursing homes and a lot of other places, but the primary purpose is the profit. That is the private motivating force.

So they are not reporting on what they are doing, basically, for an obvious reason. And it would seem to me -- at least this is how I read you -- PEs, private equity that invest, are simply going to be concerned about the bottom line. And we don't have the data and the reporting requirements necessary to face off against what these folks are doing.

And you are inferring here that not only people are stubbing their toes more. We are talking about dying. We are talking about not getting the proper care.

But you also implied that there is not the reporting that should be done. So we don't really know the economic situation of private equity investment into nursing homes. Am I over-reading this?

*Mr. Tosh. No, sir, you are reading that exactly properly.

*Chairman Pascrell. Okay.

*Mr. Tosh. We do not know how much money any of these chains actually make, or what their profit levels are.

*Chairman Pascrell. And now we are going to hear from our final witness, Grace Colucci. Grace is the -- is with the Voices for Seniors.

And we are honored to have you here, Grace.

[Pause.]

*Chairman Pascrell. Grace, can our technical --

*Ms. Colucci. I am trying to unmute.

*Chairman Pascrell. Is that you, Grace?

*Ms. Colucci. I can't unmute.

*Mr. Suozzi. You are unmuted, we hear you.

*Ms. Colucci. Oh, you can hear me?

*Mr. Kelly. We can hear you, yes, we --

*Ms. Colucci. Oh, good, I am sorry. Thank you for having me.

STATEMENT OF GRACE COLUCCI, VOICES FOR SENIORS

*Ms. Colucci. My name is Grace Colucci. My dad's name is John Daly. [Inaudible.]

He was a humble man with deep moral convictions, a marine who fought in combat in the Korean War, a devoted husband to my mother, Mary, and the father of five and grandfather to nine. He was an avid New York Giants fan.

[Inaudible.] So my mother could be a stay-at-home mom. And --

*Voice. Grace, you are going in and out a little bit. Maybe if you turned your camera off, you would have better service, we could hear you better.

I am sorry --

*Mr. Suozzi. You keep unmuting -- or you keep muting yourself, Grace.

*Ms. Colucci. Am I unmuted?

*Mr. Kelly. Yes.

*Mr. Suozzi. Yes, we hear you.

*Mr. Kelly. No, you just muted yourself.

*Voice. Maybe if she just calls in. Can she call in?

*Mr. Suozzi. All right, you are unmuted now.

Now you are muted again.

*Mr. Kelly. Just --

*Ms. Colucci. Am I unmuted?

*Mr. Kelly. You are unmuted. You are okay right now. Don't touch any other buttons.

*Ms. Colucci. I am not touching anything anymore, okay. I am -- can I start over?

All right. Well, I just wanted to say that my father was a very devote family man, father of five, grandfather to nine. [Inaudible] mom.

We always had family meals together every day. He would help us with our homework, we said our prayers together, and he would tuck us into bed.

My dad loved to sing. He used to -- one of his favorite songs was -- [inaudible] the old man died.

My dad was experiencing many health problems -- [inaudible] in mid-March of 2020, and was released to the Gurwin Jewish nursing home.

[Audio malfunction.]

*Chairman Pascrell. Hey, Grace, either you call in, or we have one of our tech people call you, because the members have other things to do this afternoon, as well. So, you know, what do you suggest?

Your entire statement is going to be added to the record.

*Mr. Kelly. I would rather hear you.

*Ms. Colucci. Can they call me? I would rather you hear me, too. Can you hear me now?

*Chairman Pascrell. Yes.

*Ms. Colucci. All right. Well, Governor Cuomo, on March 25th, 2020, signed a directive mandating nursing homes take returning residents from hospitals without demonstrative compliance with CDC guidance, and without having the ability to test them, even though they housed the most vulnerable. This policy applied to residents already affected with COVID-19.

Around two weeks into my father's 20-day stay, the rehabilitation center phoned my mother to say that there was a resident and a worker that tested positive for COVID-19. They assured my mother that my father would be safe, as he was in a different part of the facility. But that turned out not to be true.

My father was released a week later, unable to walk, unable to eat. But three days after returning home, his temperature soared with 103. He was rushed to the emergency room at the nearby veteran's hospital, where he was given a rapid COVID test, and it was found to be positive.

The family was given two choices: either put him in hospice, or put him in the hospital, and fight for his life, and we chose to fight for his life. He fought for around a month before the hospice sent him home. My dad returned to the Lord on May 24th, 2020, holding the beloved hand of his wife.

My dad is among the uncounted. He did contract the virus in the nursing home, but didn't die there. He didn't die in the hospital. He died at home, uncounted by Governor Cuomo, but he was counted by our family.

Every day I watched Governor Cuomo's press conferences. He evaded answering questions. How many caught COVID in nursing homes? How many died, as a result? At the one press conference he asked -- was asked, "Why did the nursing homes have to take COVID patients?'' His answer was, "Because that was the rule.'' That was his rule. He mocked the reporters who questioned him, rather than doing what science would dictate, isolate the sick from the vulnerable, Governor Cuomo and the other governors who followed suit did the opposite. We want to know why.

We later found out that the public nursing home death count numbers were purposely changed. Cuomo's top aide, Melissa DeRosa, said that they froze, and hid the numbers because of the departmental -- Department of Justice request for information. Forced to acknowledge

his actions, Governor Cuomo said it was a void in his transparency, but the true void is in his honesty and integrity.

The void is also at our family tables. This void cannot be refilled by bringing our loved ones back, but we must have this void filled with answers as to why the governor made his disastrous decision, and who was involved. We need accountability.

When Governor Cuomo said, "Who cares where they died? If they died in a nursing home or in the hospital, if they died in the ambulance on the way to the nursing -- from the nursing home to the hospital? They died.'' Well, we care. I hope the members of this committee care, too.

The match that lit the fire to dry grass was thrown into nursing homes in New York, New Jersey, Pennsylvania, Michigan, and California. Will you please put out this fire by conducting a thorough investigation? Not an investigation to no end, but one that truly seeks the truth, holds people accountable, no matter the office they hold, and swiftly serves justice.

Every night my mother kisses her husband's picture good night, and wishes she were with him. We have yet to be able to hold our religious funeral and military honors that my father deserves, because of the restrictions still in place. My family and the families of over 15,000 in New York just need closure.

And I thank you so much, and I wanted to share with you the face of my father and mother, so that you can know that they are not just numbers, but they are people. And thank you for your time and consideration.

[The statement of Ms. Colucci follows:]

**********COMMITTEE INSERT**********

*Chairman Pascrell. Well, thank you for your contribution. Your record -- as I mentioned before, your report to us, your testimony, is being presented to us fully, as every witness. And we thank you very much for being before us today, Ms. Colucci. It was an honor to have you.

And to all of our witnesses, you did a fantastic job. We are now going to go to the next section of the hearing, and we are going to open up with questions. If the witnesses will respond with short and concise answers, the members should be able to ask questions. We want to get to everybody.

As mentioned earlier, we will not observe the Gibbon's Rule in this remote setting. We will instead go in order of seniority for questioning, alternating between minority and majority, beginning with the members of the Oversight Subcommittee.

Members are reminded to unmute yourselves when you are recognized for your five minutes.

And I will begin by recognizing myself for the questions. And my first question -- please mute yourself if you are not talking or asking questions. So here is a question for Ms. Silva.

Your testimony regarding the burden that private equity has placed on our health care workforce was especially enlightening. Can you speak more about how this burden plays out, day to day, in our nursing homes?

*Ms. Silva. So Congressman and members of the committee, the way that you see it is in a number of ways. Because of the way that the private equity owners are operating the facilities, so much of the decisions are driven regarding sort of making sure that there is profit, often at the expense of patient care.

And so what it looks like is that you see that there tends to be lower staffing, in particular of the direct care staff, including the certified nurses aides, who are the people who provide care at the bedside. They will cut corners there.

You will see that there is a decrease in the quality of meals that are provided to the residents.

And you also see, in the way that Mr. Tosh also presented, where you sometimes see that there are related parties in other companies that are used by the nursing home operator to provide services, whether it is prescription, medical supplies, paying rent for the operation of the facilities.

And also with -- related to staff, you see that they sometimes use agencies to provide temporary staff at the facility, instead of having regular staff. And so the patient care outcomes are going to suffer because studies continue to show that, when you have a consistent, well-trained workforce that is giving the care, residents are going to be able to live healthier and live longer lives at the facilities.

So those are some of the consequences. And it really is both impacting the workers, as -- especially so the residents, who should be the ones that are front and center as we are deciding how to use our Medicaid and Medicare dollars in the system.

*Chairman Pascrell. Thank you. Thank you very much. And this question is for Mr. Tosh.

Mr. Tosh, since 2013 at least 25 health care companies have paid settlements totaling over $570 million for allegedly violating the False Claims Act for defrauding Medicare and Medicaid while under private equity ownership. Those are not my numbers; this is the result of the investigations. Can you provide more detail about the need for transparency in rooting out fraud in the nursing home industry?

*Mr. Tosh. Absolutely. The data that is collected by CMS is crucial to us being able to find the fraud that is in these facilities. We specifically are looking for what is called upcoding fraud, which is where you are coding a patient to need more nursing care, or more rehabilitative services, so that you can get a higher reimbursement than you should normally be entitled to.

We also look for what is called length of stay fraud, where a facility is holding Medicare patients longer than you would expect, so they can milk the Medicare system for more money.

And then another type of fraud that we look for regularly is five-star fraud, which is fraud within the five-star system, where facilities are intentionally manipulating their data, both staffing and quality measure data, to get higher star ratings, which gets them more patients and, specifically, Medicare patients, so that they can milk the system again.

*Chairman Pascrell. Do you agree with me on this, that that rating system is a fraud? That is my word.

*Mr. Tosh. Oh, no, I would 100 percent agree with you.

*Chairman Pascrell. I don't care whether you are talking about private equity, or talking about the public sector. It does not look like that system will see the day, the next day. It should be finished.

And I am waiting to hear from everybody after this hearing what they are going to do about it before we act. And we are going to act, and hopefully in a bipartisan way. We are going to act. So I hope insiders change their way of dealing with things, and are quick to the task. Thank you.

Dr. King, I appreciate your perspective on private equity's -- the impact on the most vulnerable in our health system. In what ways do you see private equity’s increasing grip on our health system, an urgent issue of health equity?

*Mr. King. Well, one of the things is we need to find out, while we are looking at the system, what data comes into CMS, and how we have fallen behind in terms of requirements with data, because we don't have comprehensive data.

It is easy to work a marketing plan when the concentration is so heavy among minority populations as to those who serve you. So private equity can look at this, and say, "Is this a population that I want to go after, and is this a population that doesn't necessarily have the voice to speak to those issues?''

So if private equity is looking at coming into certain communities, finding a way to maximize its profit -- that is an "if,'' because remember, I am really looking for reviews to take place to identify -- we have already heard issues, and we have heard them. And if they shut down those hospitals, then you have an access issue. I can't get to any care, and the care that I go to is subpar. They are making money off of my pain.

So these are the kind of things that can occur in minority communities. The disparities that we already have can increase, and will increase if the priority is profit over patient quality and safety. That is the concern.

*Chairman Pascrell. Thank you so much, Doctor.

And I now want to recognize Mr. Kelly, a ranking member, for five minutes to ask his questions, as well. Let's everybody try to be precise.

*Mr. Kelly. Thanks, Chairman. Now, Ms. Colucci, let me ask you on what you went through. So many people have lost moms and dads, grandmas and grandpas during this pandemic. So -- but again, it comes down to data, and being able to look at data. And you are looking for answers, a lot of people are looking for answers. They can't get them. That is -- I have actually written two letters, one to Dr. Levine and one to Pennsylvania Attorney General Josh Shapiro.

We need to get this data out, and I think you and I both agree on this, Chairman.

But what I wanted to find out, Ms. Colucci, was your dad tested at all for this COVID-19, either entering the rehab or coming back out of the rehab?

You are muted. Ms. Colucci, you are muted.

There we go. Maybe --

*Ms. Colucci. Can you hear me?

*Mr. Kelly. I can now, yes.

*Ms. Colucci. Okay. Can you repeat the question? I am sorry.

*Mr. Kelly. I was just wondering. Was your father, either before he went into this rehab or coming back out, was he tested for COVID-19?

*Ms. Colucci. From the facility? No, he wasn't tested.

*Mr. Kelly. Okay. So you don't know when he went in -- I mean, we are trying to determine, did he get that COVID while he was in that home, and -- in the rehab, and then coming back out, did he bring it back home? Well, I know he was sick when he came home, apparently. He passed at home, is that correct?

*Chairman Pascrell. Congressman Kelly, your picture is off.

*Mr. Kelly. I turned it off. You know, my battery is running out, and the thing came up on my screen that said turn off your video, your battery is going to go out.

I can't hear -- Bill, you are muted now.

*Chairman Pascrell. Are you still --

*Mr. Kelly. Yes, I can hear you. I can't wait until we get back, actually, doing this in person.

*Chairman Pascrell. Yes.

*Mr. Kelly. This becomes a technology nightmare. But I --

*Chairman Pascrell. Well, I didn't mean to interrupt, I am sorry.

*Mr. Kelly. No, no, no, you are fine, Bill. Bill, it is fine. It is fine. What I am going to do, because I can't hear Ms. Colucci, I want to ask Ms. Howell. Because the business that I have been in my whole life is structured in a way that you have to have certain capital requirements in place in order to run --

*Ms. Colucci. Okay, I am trying --

*Mr. Kelly. And a lot of what --

*Ms. Colucci. I am trying to -- it is not even -- okay, now it is telling me to put my phone number in. Is that what you wanted me to do?

*Mr. Kelly. I am sorry, I just wanted to talk to Ms. Howell for a minute, please.

Okay, Ms. Howell, can you hear me okay?

*Ms. Howell. I can.

*Mr. Kelly. Okay, thanks. I want to get with you later on. I think, Bill, you and I should meet with some of these people.

I am talking about the actual structure, the business structure of these homes. As I hear people buy these things, bleed them, sell them off, buy up debt, do all these different things, it seems to me like what we do -- and that is oversight. And by the way, our oversight is for everybody. But I am really appalled at what I am hearing right now, because it seems to me a lot of these entities are undercapitalized, and then they go ahead and get cash out to get away from them.

Are there are no requirements at all? Are there no guardrails put in place? Is there no oversight to see if these entities, whether it is the private equity or the public, are they being run in a style that we know we can rely on them being there for us when we need them?

So I really worry about that. The business I was in my whole life required having cash outside the business in order to stay relevant, in order to stay in business. And I am just wondering, the way these are structured, who has oversight over these, and are there no warnings cropping up as it goes on?

And I don't care where they are located at. It sounds to me this is a horrible business structure that leaves the most vulnerable, not only those vulnerable to having COVID-19, but those vulnerable to not getting the care that they deserve, and the care the taxpayers are paying for. It is not taking place.

So I am just trying to figure out where are the revenue streams, and who has oversight over this stuff. Certainly, somebody looking at capital requirements, they are looking at investments, they are looking at -- no, none of it. And we are acting surprised?

[Laughter.]

*Ms. Howell. No. Right now there are really no limits on the ratio of debt to equity in a private equity transaction. In past years, the Fed has sort of imposed suggested rules on these ratios, but they really only applied to the banks that are subject to federal regulation.

And as a result, actually, shadow banks like Jefferies -- you might have heard of -- have entered during those periods where there was some regulation, and actually kind of substituted for the big banks in arranging these very high debt-to-equity loans. So today it is very common for the ratio of debt to equity in a private equity buyout to be seven to one. And so, you know, that is just a very highly-leveraged transaction.

And then, to go to your other point about -- I think you were -- you were really contrasting the way that a, you know, private equity business model operates with a kind of conventional for-profit ownership, and you mentioned you were a businessman. What kind of business did you run?

*Mr. Kelly. Automobile. I am a Chevrolet, Cadillac, Hyundai, Kia, and Toyota dealer. And I am telling you what, the factories are constantly looking at us to make sure that we have enough capital, even in the bad times, to run our stores, because it is a bad reflection on those nameplates when a dealer goes out of business in their area, or can't offer the type of services that the owners of these vehicles deserve.

I am really concerned about this, Bill. I would love to keep going on with this. We are going to run out of time today.

*Chairman Pascrell. Yes.

*Mr. Kelly. Sabrina, I want to make sure we partner up again.

Ms. Colucci, I want to thank you for being on. I know your loss is not in dollars. It is in the loss of your father. So thank you for being on.

Thanks, Billy.

*Chairman Pascrell. Thank you. Thank you, Professor Howell, also. And thank you from -- Ms. Colucci. The gentleman's time has expired.

The chair now recognizes Mr. Suozzi for five minutes, the gentleman.

*Mr. Suozzi. Hey, Mr. Chairman, thank you, so much. Thank you, Mr. Chairman. Thanks for holding this hearing. This is such an important topic.

I have talked about it before, that I grew up in a household -- four of my grandparents lived in my house growing up. Three were very sick. My mom was a registered nurse to help to

take care of them. We all helped to take care of them. My mom and dad died over there in 2016 and 2017. My dad was 95. My mom was 93. They had long-term health care insurance, they were very lucky. They were able to get old and sick and die at home. Most people would love to be able to do that.

I am working on a long-term health care proposal, where we can have more people from the SEIU become home health care aides, and get a decent wage, and take care of people as they age at home.

But nursing homes are really a very, very cloudy area. We don't really know what is going on as much as we would like to know. And it is my understanding there are 15,000 nursing homes, approximately, in America. And of those 15,000 nursing homes, 70 percent are for profit, and 30 percent are not-for-profit.

And does anybody know -- you know, Mr. Kelly said earlier he thought nine percent of nursing homes were owned by private equity. Does anybody know the answer to the question of what percentage are owned by private equity?

*Ms. Howell. It is almost certainly higher than that today, if I can answer. We were able to affirmatively link nine percent of nursing homes as of 2015, which was the last year we looked at ownership changes in order to have enough years to observe outcomes like mortality. And since 2015, the number of deals in the elder care space has increased dramatically, and there is actually a graph of that in my written testimony.

*Mr. Suozzi. Okay --

*Ms. Howell. So I am almost certain that it is -- that it has increased over time.

And just a small point on the data availability question. Our linkage to -- of nursing home facilities to private equity ownership is almost certainly an undercount because it is really

hard, with all of these layers of ownership, to actually figure it out affirmatively. So better data on ownership, I think, would increase the --

*Mr. Suozzi. So we had a bill in Ways and Means last year that I am sure we will look at again, the Transparency in Health Care Investment Act, to get more information about who owns what. And I am sure we are going to look at that again, Mr. Chairman, and -- with Chairman Neal and --

[Audio malfunction.]

*Mr. Suozzi. -- paying attention to this.

*Chairman Pascrell. And Tom, your question is very relevant, because in 2015 there was equity deals amounting to -- right, let me read this correctly -- $91 billion. In 2019 it was up to $190 billion.

*Mr. Suozzi. So over a doubling.

*Chairman Pascrell. Yes.

*Mr. Suozzi. So, yes, and I have --

*Chairman Pascrell. And we haven't had updated numbers since 2015.

*Mr. Suozzi. So I don't have any bias against private equity versus any private investor, if they are not doing it -- if they are doing it the right way, fine. If they are doing it the wrong way, it is a problem.

So, you know, I think that the professor made a pretty persuasive case, Sabrina Howell made a pretty persuasive case that, if you are spending all your money on lease payments and -- because you sold the property, and you get a one-shot cash hit, and then you are now spending more of your operating expenses on lease payments, and then you borrowed a whole bunch of money, so you are spending more of your money on interest payments, and you are spending

more of your money on debt service, then you don't have that money available to take care of the patients.

So that could happen with any private investor. I don't know that it is just private equity, any private investor could do that, because they are just trying to -- they are trying to make money. And I am not against making money, as long as you are taking care of your patients. The problem is that consumers don't really know. You know, there is not enough transparency as to whether they are doing a good job. And sometimes there is only one choice available. So that is why this transparency becomes very, very important for everybody.

Now, I think that Milly made a very excellent point when she was talking about COVID, and she said there were -- in nursing homes where there is unions, and the unions are, of course, forcing standards, because they are forcing the employees to be in better condition, and the employees have empathy for the patients, as well, and they want to do a good job, there were 42 percent less COVID infections in nursing homes that had unions, that were unionized, and there were 30 percent less deaths in nursing homes that were unionized.

Does anybody have a percentage of what percentage of those 15,000 nursing homes in America are unionized?

Milly, do you have any idea of that?

[No response.]

*Mr. Suozzi. Well, I am sure it is like, you know -- like, New York and New Jersey, I am sure we are doing a good job. And I am sure we are doing a good job in Michigan, and Illinois, and California, and some other places. But in America only seven percent of workers are unionized in the whole country. A lot of states don't unionize.

*Chairman Pascrell. Thank you, Congressman Suozzi. I am going to find that out, and I will get it back to you, definitely.

*Mr. Suozzi. Oh, I already used up all my time, though? Oh, sorry. Sorry about that, Billy.

*Chairman Pascrell. What do you mean, I took all your time?

The chair now recognizes for five minutes the gentlelady from Indiana, Mrs. Walorski.

*Mrs. Walorski. Thank you, Mr. Chairman. Thanks to our witnesses, as well, for being here today.

The coronavirus pandemic has affected the whole world, but there is no question its impact has been felt disproportionately by our elderly populations. Nowhere is that more evident than in nursing homes and long-term care facilities. We knew early on last year that the coronavirus spreads quickest indoors into close quarters. We knew that those most at risk for complications or even death from coronavirus were the elderly and those with underlying health conditions.

Sadly, nursing home facilities combined with all those worst-case factors in one place. The overwhelming evidence was clear that just about the worst possible thing anyone could do was to knowingly introduce coronavirus into a nursing home. And yet that was, essentially, the policy for states like New York, New Jersey, Michigan, and Pennsylvania, which mandated that nursing homes must admit patients who tested positive for coronavirus.

These state policies ignored guidance the Trump Administration released on March 13th, 2020 that said, "nursing homes should admit any individual that they would normally admit to their facility, including individuals from hospitals where a COVID-19 case was and is present, only if the nursing home could follow CDC guidelines for quarantining.''

CMS Administrator Verma later said, "Under no circumstances should a hospital discharge a patient to a nursing home that is not prepared to take care of those patients' needs.''

Despite these warnings, governors of multiple states issued guidance and executive orders forcing nursing homes to admit people with the virus, thereby encouraging spread to those vulnerable populations. Such an abject failure of policy should have invited tough questions from the Democratic majority and the media. Instead, the national media rewarded New York governor Andrew Cuomo with glowing talk about his handling of the pandemic, and he received an Emmy for his COVID leadership, while Michigan Governor Gretchen Whitmer was receiving vice presidential buzz.

At the time, the media was quick to condemn states like Florida for opening its beaches, and even branded Georgia's reopening as, "an experiment in human sacrifice.'' Yet, after sending coronavirus patients into nursing homes full of vulnerable residents, Governor Cuomo was laughing it up with his brother in a softball interview on CNN.

Pennsylvania's top health official took her mother out of a nursing home at the state, was -- as the state was forcing the facilities to take patients testing positive for coronavirus, and yet barely a peep from the national media.

On June 15th, 2020, I, along with other Republican members of the Select Subcommittee on the Coronavirus Crisis, sent letters to New York, Pennsylvania, California, Michigan, and New Jersey, inquiring about their policies to take in COVID-positive patients. Mr. Chairman, I ask unanimous consent that those letters and their associated responses be entered into the record.

Last year --

*Chairman Pascrell. Without objection, so ordered.

[The information follows:]

**********COMMITTEE INSERT**********

*Mrs. Walorski. Thank you. Last year it was very disappointing to see my Democrat colleagues on the Coronavirus Select Subcommittee ignore these concerns, and instead spend time questioning the safety of the vaccine developed under Operation Warp Speed, and even tried to bully many officials and experts associated with Operation Warp Speed with overzealous investigations into their backgrounds.

Despite the political actions by the Democratic majority to attack the Trump Administration at the time, we now have multiple safe and effective vaccines that are successfully protecting people from the virus, and allowing businesses to fully reopen. At the same time, governors who ordered COVID-positive patients into long-term care facilities have not been held accountable for their reckless actions. I would invite my colleagues on the other side of the aisle to join us in getting to the truth.

Today's hearing would have been far better spent as a bipartisan effort to investigate COVID-related nursing home deaths and data reporting.

My question to you, Grace, is how frustrated are you with the fact that Governor Cuomo ignored CMS guidance, he endangered vulnerable populations, and then covered it up by undercounting nursing home deaths by as much as 50 percent?

[Pause.]

*Mrs. Walorski. Let me just say for the record -- I can't hear Grace -- let me just say for the record I think it is appalling. I think --

*Ms. Colucci. Can you hear me now?

*Mrs. Walorski. -- we could have used our time in such -- a much better way on behalf the --

*Mr. Suozzi. Yes, we hear you, Grace.

*Mrs. Walorski. -- people we represent, the American people.

*Ms. Colucci. Do you hear me? I would like to answer that.

*Mrs. Walorski. Mr. Chairman, I yield back.

*Ms. Colucci. I would like to answer that.

*Chairman Pascrell. The witness is responding. Let the witness respond to the question.

*Ms. Colucci. It -- I -- it was like a knife to my heart to hear the governor's callousness, him joking on late night TV on his brother's CNN spot, avoiding questions about it. He has yet to say an apology to the families, although my mother always said you apologize when you make a mistake. I do not believe the governor made a mistake. I think he knew the science. The only thing known from the beginning was that the elderly was the most vulnerable. And instead of isolating the sick, he put them in where the most vulnerable were. He always said he wouldn't put his own mother in a nursing home. So it was like a knife in the heart, and we really need to know why he did this, and why he didn't follow the science.

*Chairman Pascrell. Thank you, Ms. Colucci, for your answer.

*Ms. Colucci. Thank you.

*Mrs. Walorski. Thanks, Mr. Chairman.

*Chairman Pascrell. Thank you, Mrs. Walorski. Let me say this. This hearing, I believe, has been objective from the beginning, until this present moment. When you put people in jeopardy, whether you are a Democrat, Republican, independent, of course you are going to respond to that.

You are talking about Governor Cuomo, and the record will verify or not verify when there is testimony. What about the governor of Florida? See if you -- you could pick out a state, and you could say, "You are putting people at risk if you don't follow the orders,'' and if you --

*Mrs. Walorski. No, the --

*Chairman Pascrell. Excuse me. You called it a hoax. Don't tell me. You made this political, and that ends it.

*Mrs. Walorski. You are absolutely -- that is not the truth, Mr. Chairman.

*Chairman Pascrell. The gentleman's time has -- the gentlelady's time has expired. Based on the members in attendance, and consistent with committee practice, we will move to two-to-one questioning, and now we will go to Ms. Chu.

*Ms. Chu. Well, thank you, Mr. Chair, for holding today's important hearing.

I am so concerned about the increasingly outsized influence of private equity firms on our health care system. Private equity are investment firms set up to increase profits for their shareholders, not to provide better quality medicine. And we saw that issue up close last year, as the committee considered the role of private equity firms in the increase of patients receiving surprise medical bills.

These private equity companies had built a model around such things as buying up emergency department staffing firms, then refusing to contract with insurers in the area. They can use their considerable resources to drive up out-of-network rates for their physicians, leaving patients stuck in the middle. And in fact, research from 2017 shows that, when a physician staffing company owned by private equity enters the market, out-of-network billing rates go up between 80 to 90 percent.

And despite this, the scope of private equity's impact on our health care system remains opaque. So that is why I was proud to support Chairman Neal's bill, the Transparency in Health Care Investments Act, which would increase transparency in how private equity firms are operating in the health care space.

So, Dr. Howell, how can you discuss how transparency measures like the chairman's bill would help us better understand private equity's role in our health care system?

How can transparency measures help us ensure better patient care at private equity-owned facilities?

And what kind of transparency measures would you want to have, so that the public can better understand what is really going on?

*Ms. Howell. Thanks. Yes, so right now there is just no good ownership information about providers that accept Medicare or Medicaid. For researchers and journalists, it is important to provide this, you know, not just for private equity, but for all ownership types, so that we can kind of do our job at understanding how ownership affects patient and taxpayer outcomes, and holding, you know, particular chains accountable, in the case of journalists.

So I and my coauthor at Wharton, Atul Gupta, who is really a health care expert, believe that ownership files should be publicly available for any health care provider that accepts Medicaid and Medicare. So not just nursing homes, but physicians, hospitals, et cetera, and not just for private equity, but for all types of ownership. And these data should include the tax ID, so that researchers can follow firms, as well as the name of the chain and corporate entity that owns the facility.

Now, in terms of the specific data requested in the bill, I absolutely agree that debt amounts, leverage -- which means the debt-to-equity ratio -- as well as real estate sales, lease payments, and all expenditures not occurring at the facility itself and, thus, potentially diverted to related party firms, are super helpful. So I think most of that is in the bill, although I have not read it closely.

*Ms. Chu. Thank you for that.

And Dr. King, in your testimony you noted there are serious concerns with the growth of private equity and its impact on racial and ethnic minority populations and, in fact, that private equity can lead to increased costs for our most vulnerable, and disproportionate adverse health

outcomes for our racial and ethnic minority patients. So could you discuss your concerns with the impact of growing -- the growing role of private equity on racial and ethnic minorities?

Are you concerned that private equity investments could lead to worse health outcomes for these patients?

*Mr. King. So my concern is several-fold.

One, I want to make sure that a horrible situation, in many cases, doesn't get worse. We have to start with the fact that there is tremendous disparity and inequity that already existed before private equity firms outpaced the oversight process of CMS.

What we don't know, but we are already hearing data, and I appreciate my colleagues on the panel mentioning data that says private equity firms are causing problems that were bad to get worse.

So what we need to make sure, for minorities and vulnerable communities, that we know what is being done, where it is being done, and how that balance that you talked about between profit and patient, how that is affecting their health care. That is the real concern.

And are they being targeted, from a marketing perspective, as a place to go to gain profit and to reduce, through the elimination of some of our safety hospitals, access that people do have, particularly those who are still under and non-insured?

So the issues are very broad, but they need to be reviewed.

*Chairman Pascrell. Dr. King, thank you very much.

Thank you, Congresswoman Chu.

And I would like to call on now -- the chair now recognizes for five minutes the gentlewoman from the Virgin Islands, Ms. Plaskett.

*Ms. Plaskett. Thank you very much, Mr. Chairman, and thank you to the witnesses and to my colleagues for being here on this important subject. I had a couple of just short comments, and wanted to ask a few questions.

We can see greater innovation in for-profit services across the economy. I was involved in the health care sector prior to coming to Congress, and I have seen innovative partnerships translate into new facilities opening, and increased access to care for patients in both rural and urban under-served areas. We clearly have a health care deficit in this country, and that needs to address, in combination with government, nonprofits and for-profits, all working together.

I noted you were very involved with that at CMS and throughout your career, Dr. King. I am interested in how we get all participants to fill gaps and get to solutions. There are some for-profit companies doing that.

I am hopeful that telehealth can be a solution on access and affordability, including in under-served urban areas. There are companies providing telehealth services, including language assistance offerings, which reduces barriers for under-served communities to access health care. We need to break these barriers down, be it language, income, disability, geographics.

From your experience in Baltimore, can you speak broadly about recent partnerships that seek to expand access to care in under-served areas?

*Mr. King. Sure. I think one of the main things that can increase access is partnerships with many of our community-based organizations. I think the answers are right in front of us. I think, particularly partnerships between hospitals and churches and community-based organizations could really expand things a great deal, in terms of quality.

For example, one of the things that could be done that we have talked about here is expanding the role of federally-qualified health centers so that churches play that role; expand the role even with nursing homes, with churches, but instead of being in a nursing home,

people who want to stay at home; and with technology, information of things, where you can tell whether a person is eating or whether that individual is taking their medicine.

If you working with a palliative care method like they have here at Johns Hopkins, and you are augmenting with church and community members who are augmenting family, why does the nursing home, until that person is severely ill, have to be the option?

Why that -- why can't that person, like my dad did before his death, choose to stay at home and, with technology and the service of the community that is already trusted, why can't they take care of that individual --

*Ms. Plaskett. Thank you.

*Mr. King. -- at home?

*Ms. Plaskett. Thank you, sir.

Mr. Tosh, CMS made it more difficult to obtain certain nursing home data under the Trump Administration. How is that concerning, or why might that be concerning?

*Mr. Tosh. Well, it is very concerning, because, without that information, we can't determine what the appropriate staffing levels should be at the facility. We can't make any estimation as to if that facility even had the money to increase staffing to an appropriate level.

And under the Trump Administration, they cut off almost all information about nursing homes. You could not -- even to this day, you can file a Freedom of Information Act request for a facility's cost report, which, for 25 years, was open records. If you file a FOIA request today, you will get a rejection letter back, telling you that that information is now trade secret, and you are not entitled to it.

*Ms. Plaskett. Thank you.

In closing, it strikes me that, undoubtedly, both nonprofits and for-profits have strengths and weaknesses.

Dr. King, in your testimony you allude to private equity having benefits like increased access to capital, and perhaps also efficiencies. Is there any holistic policies we can use to help broadly strengthen senior care in a discussion about for-profit area, as well?

*Mr. King. I think we can definitely use the trillion-dollar levers that CMS currently has, in terms of its overall payment, both in nursing homes and broader.

We can provide both incentives, expand them, and penalties, where they are necessary.

I would postpone, first of all, these purchases. Stop this, do a broad review.

Then the last place is make the corrections that need to be made to our systems.

That is the process that I would go through. But that level of incentives and penalties can be used to correct this issue.

*Ms. Plaskett. Thank you so much.

I yield back. Thank you, Mr. Chairman, for your indulgence.

*Chairman Pascrell. Thank you, Congresswoman Plaskett.

And now we are going to turn to, for five minutes, the gentleman from Ohio, Mr. Wenstrup.

*Mr. Wenstrup. Well, thank you, Mr. Chairman. I want to thank everybody for joining us today. You know, as a physician, I came to Congress, in many ways, to be a voice for patients, and for patient care. And I am always concerned with the impact of consolidations, and different ownership structures, and how it affects patient care. You know, my -- right before I came to Congress, our large orthopedic group became part of a hospital system, and it said it is a different way of operation.

But as the Oversight Committee (sic), I think a more pressing concern today is the mishandling of the COVID-19 nursing home deaths, or treatments, actually, or lack of treatments. And it kind of sickens me, really, to see what has happened.

Members of this committee have long called for an investigation into the nursing home deaths and the data coverups, et cetera, all those things that took place during the pandemic. And as everyone knows, we have talked about one of the most egregious COVID-19 nursing home responses was New York, but they weren't alone.

So Governor Cuomo was hailed as setting the gold standard -- a standard of pandemic responses by President Biden, but directing nursing homes to accept COVID-19 patients, that to me is not the gold standard.

And the practice of isolating sick patients isn't new, yet infected patients with COVID-19 were mandated to return to congregate living facilities. So in New York, where they had access to the United States naval ship Comfort, the Javits Center, you know, places to free up space in hospitals for COVID patients, and to isolate COVID patients, the governor still sent patients back to nursing homes, where our most vulnerable individuals, not just vulnerable to COVID, vulnerable to virtually any type of contagious-type disease, our seniors, this is where they were living. And for many that was a death sentence.

You know, I am just really curious what infectious disease doctor would have recommended this to Governor Cuomo. Or did any? Or were these governors just practicing medicine without a license?

Because these are, like, medical standards. Isolating contagious patients isn't a new best practice that just came out of COVID. I treated a lot of infections. Isolation is routine. I served on our board of health in Cincinnati and, you know, covering up data, you have bad data, you cannot make good decisions. So it wasn't just a bad decision at the beginning, but you are

making a situation where you are going to make more bad decisions, if you are covering up the data.

And I do want to say one thing in my experience in medicine, but also serving on the board of health -- to what Mr. King was talking about -- I am a big believer in our federally-qualified health centers for the health of our nation, for prevention, and for early diagnosis and treatment. They are a great asset to medicine in America.

But, you know, it has been a year since that order went out in New York, and we want answers. We need answers. It is how we solve problems, is by having answers. And I think one of the hardest parts about all this is the families who lost a loved one because of mismanaged nursing home policies, and they deserve answers.

Now, this committee has demonstrated an ability to come together to protect patients, and we need to do that, and look at every component of it. So, as the sole House committee with jurisdiction over skilled nursing facilities, it is time we come together, investigate the COVID-19 nursing home deaths, the data reporting, get the right answers.

There are several people on both sides of the aisle that have run for Congress to be part of solutions for best care for patients across the United States, and we need to take advantage of that while we have got these members here. And we need to get input on all of that.

Again, I go back to was an infectious disease doctor consulted on this? Who is making the decisions? People need to stay in their lane. And I think that politicians, in many cases, have gone out of their lane, and we should rely on the experts. And you have a lot of power, as a politician, sometimes. It is wise to make good decisions.

So my question would be to Ms. Colucci. You know, given everything that her family has been through, I would want to know -- and I will ask her separately, because I know there is technical problems. But what else do you want Members of Congress -- or what else do you think Members of Congress need to know about what has happened in your personal situation?

And how can we do more to make sure something like this never happens, and to be ahead of things?

With that, Mr. Chairman, I will yield back, because I will try to --

*Ms. Colucci. Can I --

*Mr. Wenstrup. -- reach out to her directly.

*Ms. Colucci. Can someone --

*Chairman Pascrell. Thank you.

*Ms. Colucci. Can you hear me?

*Chairman Pascrell. Thank you, Mr. Wenstrup.

*Ms. Colucci. Can I be heard?

*Chairman Pascrell. Very briefly.

*Mr. Wenstrup. If we can hear you, please go ahead.

*Ms. Colucci. Okay, please. Thank you so much, and I apologize for my Internet problems.

As a board member of Voices for Seniors, we have found that this -- what happened in New York and other states is not a political issue at all. And I didn't mean to make it sound like that is how I thought it was. This has affected people, from Democrats to Republicans, to people that do not care at all about politics. It has affected people of every race and every religion.

And this is something that we need to be -- as Americans, we all bleed the same color red. And we need to find out why this happened, as an American, so we can prevent this from

happening again. Science was known, and it was not followed in certain states. And we need to find out why.

We need to find out why it was necessary to cover up numbers, being an obstruction to justice, to our Department of Justice, when they were just trying to inquire and find out why this happened.

And for the families of the 15,000 just in New York State, we need to know why, so we can, you know, like I said, help this end.

Right now we have seniors in nursing homes that have been kept in solitary confinement now for a year. That is cruel and inhumane treatment. Not only were the residents in the facilities exposed to COVID, but so were the workers, and they dedicate themselves -- and, as we have heard -- for insufficient salaries, and they deserve to be protected, also. And that is why it is so important to find out why the numbers were hidden, and have a true, honest investigation.

*Chairman Pascrell. Thank you, Ms. Colucci, I appreciate it.

And thank you, the gentleman from Ohio, Mr. Wenstrup, Dr. Wenstrup. Thank you for your questions.

And now we are going to go to Mr. Doggett of Texas, the great state of Texas.

*Mr. Doggett. Well, thank you very much, Mr. Chairman. Of course, this whole issue that we are considering today is squarely within the jurisdiction of the Health Subcommittee, which has already considered some aspects of this question in our hearing last summer. But I am very pleased that you are leading in addressing this also, because this whole question of private equity and its role in health care is a pervasive issue that has received very little attention.

Indeed, the concern runs far beyond nursing homes. For hospitals that have outsourced their emergency room physician staffing, KKR and Blackstone swallowed up about 30 percent of the market, involving 80,000 health professionals. And of course, over the last year-and-a-half, we have seen them actively involved in a $50 million phony ad campaign that they financed to first try to block any action on surprise medical bills, and then to try to weaken it as much as possible.

Similarly, 2 private equity firms owned 68 percent of the air ambulance Medicare market, which was not adequately included in the surprise medical billing legislation, and for which some people are victimized at incredible levels, particularly in our rural areas.

Now, I am pleased -- and join with you -- Mr. Chairman, in praising Chairman Neal for his interest in this topic. Indeed, I believe that he has the only bill that has, to date, come out of our committee dealing directly with the topic of today's hearing on private equity and health care. His H.R. 5825, which you and our colleague, Ms. Chu, referred to, was reported out of our committee on February the 12th of last year.

I have not heard much about it since then. It has not been reintroduced. I hope that he will continue to lead on this. But since his staff was so involved in preparing for today's hearing, let me -- I didn't see any reference by our witnesses in their testimony to the bill. But let me ask Ms. Howell about it.

Do you feel that the legislation, the Transparency in Health Care Investments Act that our committee approved last February, would be helpful in addressing this?

*Ms. Howell. So, yes, I do think that more transparency in health care, particularly around ownership, on expenditures, and on staffing could be tremendously useful, both for researchers, and for journalists, and for the public at large, including patients.

And just to add on to what I said earlier about the need to -- you know, one thought I had was that it would be helpful to include all ownership, and not just private equity. I think that would generate, you know, more information about the overall health care industry.

And then I also want to emphasize that I think it would be helpful to include evidence of employment contracts, which -- I am not sure if it is in the bill or not, because --

*Mr. Doggett. Great.

*Ms. Howell. -- evidence about staff turnover, and using contractor nurses who have to work, you know, three jobs in order to make a living, and so they give that --

*Mr. Doggett. Great.

*Ms. Howell. Yes.

*Mr. Doggett. Thank you very much. Were you given a copy of H.R. 5825 as part of your presentation today? Have you had a chance to look at the specifics of it?

*Ms. Howell. I haven't had a chance to look at the specifics. I have seen a summary.

*Mr. Doggett. Okay. Since my time is running out, if you can react to it, I think, since it is the only legislation in this area, and I am hoping that it hasn't been abandoned, it would be helpful to have these improvements as we look at it going forward.

Dr. King, as my time expires here, let me ask you about one piece of legislation that I have introduced, and that concerns the value of a multi-agency task force that would involve CMS, HHS, DOJ, CDC in analyzing quality metrics at nursing homes. That is in my Nursing Home Transparency and Oversight Act that I will be introducing soon. How would the establishment of such a task force ensure that public resources haven't been wasted, and valuable health care dollars are used as they are intended for the actual care of patients?

*Mr. King. First, a task force could take a look at the safety issues that are an immediate concern. Of course, they could look at the adherence of the nursing homes in this instance, as to the clinical quality measures that already exist.

I think beyond that, here is my advice to you on this piece. Two critical pieces that haven't been discussed that need to be looked at, as well, is the leadership issue having to do -- because we found in clinical quality, as I was deputy director of clinical quality in CMS, that leadership is a critical issue, and it has come up here about the health of the employees, the health of the employees. But that leadership issue is also a critical piece.

But they could find out a great deal about what is going on in that institution and where the data is deficient that comes to CMS.

*Mr. Doggett. Thank you, and thank you, Mr. Chairman, and to all our witnesses.

*Chairman Pascrell. Thank you, Mr. Doggett for your splendid presentation and questions, and thank you, Doctor, for helping there at the end.

And now I am going to call on, for the next five minutes, the gentleman from Pennsylvania, Mr. Evans.

*Mr. Evans. Thank you, Mr. Chairman.

Dr. King, what -- how troubled should we be when a private equity firm buys a safety net hospital, and then it is closed?

*Mr. King. So I don't think there should be a greater concern. When we go from the standpoint of understanding why safety net hospitals exist for the under-insured, for the under-served, and then to have a private equity firm buy that and, in some cases, close those hospitals or drive it in a direction of profit-making to a greater extent, the heart of the safety net hospital is just the opposite of that tension. It is let's take care of these people, regardless of their insurance status, and let's not use them in any way to over-bill CMS for our profit. Let's make

sure we are looking at the least, the last, and, in many times, the lost. And that is what safety net hospitals are all about.

*Mr. Evans. Dr. Howell, how would you respond to those suggesting that there are no reasons to be concerned about the rapid growth of private equity in our health care system?

*Ms. Howell. Our data on nursing homes, as well as other research, suggests that there is, in fact reason to be worried.

As one important example, private equity-owned hospitals, which are more likely to be in rural areas, have been shown to report worse performance, based on patient quality ratings, and have fewer full-time employees per occupied bed. And we, as I mentioned, find that private equity leads to higher mortality and higher taxpayer spending at nursing homes. So I think there is good reason to be worried.

*Mr. Evans. I yield back to you, Mr. Chairman. I thank you.

*Chairman Pascrell. I appreciate your time, Mr. Evans, and the panel today did a fantastic job, all of them, all five. I would like to thank those witnesses for joining us today.

And please be advised that members have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

And just before we end right here, I want to say I can say at the end of this hearing that it is more -- I thought it was a critical issue. I think it is very critical, and we better address it, because it has been going on and on and on.

And we are talking about both the public and the private sector. With the private sector we are concerned about this private equity, and with the public sector we are concerned, as well, not with private equity, obviously, but how the money is being spent, and is it truly helping those that are the most vulnerable in our society.

Your questions were all excellent on both sides of the aisle, and I want to say to everybody thank you and have a blessed, blessed holiday. Regardless of what your religion is, God is with us. We are trying to do God's work here. If you haven't figured that out, something is wrong. So have a good holiday, everybody, and God bless you all.

[Whereupon, at 2:47, the subcommittee was adjourned.]

Submissions for the Record

Congresswoman Jackie Walorski, Letters

The ERISA Industry Committee, Testimony

Private Equity Stakeholder Project, Testimony

David E. Kingsley, PhD, Testimony

Questions for the Record

Congresswoman Jackie Walorski

Congressman Llyod Smucker

Answers to Questions for the Record

Grace Colucci