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Via Electronic Mail Only

Health Services Council
3 Capitol Hill
Providence, RI 02908

Re: Change in Effective Control Applications for AdviniaCare's purchase of Greenville Center, Respiratory and Rehabilitation Center of Rhode Island, and Warren Center

To the Health Services Council:

On behalf of the Office of the Health Care Advocate at the Rhode Island Office of the Attorney General (the "Office"), we submit this letter in response to the above-referenced Change in Effective Control ("CEC") Applications submitted by AdviniaCare (the "Proposed Transaction").

This Office has previously commented on the use of related entities in skilled nursing facility ("SNF") transactions in Rhode Island, both generally and as to prior AdviniaCare transactions. As the Council is aware, skilled nursing facilities provide lifesaving care to some of Rhode Island's most vulnerable residents and often operate with limited financial resources funded primarily by public insurance, e.g. Medicaid and Medicare. If resources are not used prudently in the service of resident care, quality of care is likely to suffer.

We have repeatedly raised concerns that applicants' reliance on related entities (commonly owned vendors, real estate companies, or other corporate affiliates) can divert resources from resident care.[1] However, based on the recent applications upon which we have commented, we are not aware of any rejections, denials, or the imposition of meaningful protective conditions. We therefore continue to urge the Council to: (1) reject any application that lacks sufficient disclosure to assess these risks, and (2) where approval is contemplated, impose conditions necessary to ensure that adequate resources remain dedicated to patient care.

[1] *See generally* A. Gandhi and A. Olenski, Tunnelling and Hidden Profits in Health Care, NBER Working Paper 32258 at 2 (March 2024, rev. Sept. 2024), https://www.nber.org/papers/w32258.

I. The Proposed Transaction

The Proposed Transaction will result in the acquisition of three skilled nursing facilities: the Greenville Center (735 Putnam Pike, Greenville, RI 02828), the Respiratory & Rehabilitation Center of Rhode Island (10 Woodland Drive, Coventry, RI), and the Warren Center (642 Metacom Ave, Warren, RI 02885), encompassing a total of 404 beds. Based on the Office's review of licensed facility beds statewide, if the Proposed Transaction were permitted to proceed, AdviniaCare would own 11 of the approximately 75 SNFs licensed in Rhode Island and would be among the largest of chains operating in Rhode Island.[2]

The Proposed Transaction exhibits many of the potentially harmful features exhibited in prior CEC applications on which this Office has previously commented, including but not limited to the following:

- **Separation of real estate from operations:** The Proposed Transaction separates ownership of the nursing home operations from ownership of the underlying real estate, with separate but commonly owned entities acquiring the facilities and entering into lease arrangements. *See* Application, at 1-2; Tab 24. This structure raises concerns about the diversion of operating revenues through rent payments, including whether the proposed rents reflect fair market value, whether independent appraisals substantiate those amounts, and whether the resulting lease obligations are sustainable given the facilities' projected operating performance.
- **Debt financing:** The Applicants propose financing the $30.9 million transaction with $24.72 million in debt (80%) and $6.18 million in equity (20%), with the debt carrying an anticipated 8% interest rate and a three-year term. *See* Application, at 1, 9. This leverage raises concerns about the facilities' ability to meet debt-service obligations while maintaining adequate resources for staffing and patient care.
- **Reliance on related entities:** The Proposed Transaction involves multiple entities with overlapping ownership and control, including separate real estate and operating companies and an affiliated corporate manager, AdviniaCare LLC. *See* Application, at 1-4, 28; Tabs 15, 26. These arrangements warrant scrutiny of management and other fees to affiliated entities, including the amounts budgeted for outside vendors and service providers, whether such payments reflect fair market value, and whether related-party expenses will be accurately disclosed in future government reporting.
- **Diffusion of control and accountability:** The Proposed Transaction distributes ownership, operational management, and financial responsibilities across numerous legal entities and investors. *See, e.g.*, Application, at 1-4; Tab 26, AdviniaCare Respiratory and Rehabilitation at Coventry, LLC Operating Agreement §§ 5.1, 5.4, and 5.6. Cross-indemnification provisions throughout the transaction documents raise further questions about accountability for regulatory

[2] RIDOH, Licensee Search, https://datahealth.ri.gov/find/licensees/ (last accessed Oct. 27, 2026).

compliance, financial obligations, and resident care when responsibilities are divided.

Changes in nursing home ownership, particularly acquisitions by private equity firms, have been associated with increased health care expenditures, reductions in staffing, and adverse patient outcomes. A national study found that private equity acquisitions of nursing homes were associated with a 3.9% increase in Medicare expenditures, equivalent to approximately $1,081 in additional annual spending per resident.[3] These findings are particularly concerning in Rhode Island, where approximately 72% of nursing facility residents rely on Medicare or Medicaid as their primary payer.[4] Nursing home care is already expensive for many consumers, with a national survey finding that a majority of adults would be unable to afford one year of care.[5]

Beyond the financial consequences, research has identified significant risks to resident health and safety following certain nursing home acquisitions. One national study found that private equity ownership increased mortality among Medicare patients by an estimated 11%.[6] These adverse outcomes may be attributable, at least in part, to reductions in staffing and resources devoted to patient care. A national study examining more than 11,500 SNFs found that changes in ownership were associated with a 2.23% decline in nursing staff hours.[7] Other research has found that private equity investment in nursing homes was associated with an 8% reduction in total wage expenditures,[8] a 12% relative decline in nurse staffing hours, and a 14% relative increase in health deficiency scores.[9]

The concerns associated with related entities have continued to arise across transactions before the Council, but we highlight the concerns about consolidation here due to the growth in AdviniaCare's footprint across Rhode Island and the prospect that continued growth could expose or create systemic financial risks that ultimately impact patient care.

II. Conditions on Licensure Transfer

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[3] Braun et al., Association of Private Equity Investment in US Nursing Homes With the Quality and Cost of Care for Long-Stay Residents, JAMA Health Forum (2022).
[4] KFF Health News, "Distribution of Certified Nursing Facility Residents by Primary Payer Source" 2025, Distribution of Certified Nursing Facility Residents by Primary Payer Source | KFF State Health Facts
[5] KFF Health News, " The Affordability of Long-Term Care and Support Services: Findings from a KFF Survey | KFF" November 14, 2023, https://www.kff.org/health-costs/the-affordability-of-long-term-care-and-support-services/.
[6] Gupta et al., Owner Incentives and Performance in Healthcare: Private Equity Investment in Nursing Homes, Review of Financial Studies (2024).
[7] Impacts of Skilled Nursing Facility Change of Ownership on Staffing: A Staggered Difference-in-Difference Analysis (2025).
[8] Williams, D., et al. Nursing home finances associated with real estate investment trust and private equity investments. Health affairs scholar (2024), 2(4). https://doi.org/10.1093/haschl/qxae037.
[9] Stevenson D, et al. Trends in Ownership Structures of U.S. Nursing Homes and the Relationship with Facility Traits and Quality of Care (2013-2022): ASPE; 2023 Nov 13.

While we believe the CEC application presents grounds for denial based on the concerns described above, any approval – if granted – should be conditioned on the applicant meeting safeguards necessary to protect resident care. The Council and RIDOH have broad statutory authority to impose conditions directly tied to ensuring safe, adequate resident care. This authority permits conditions to be imposed addressing the applicant's financial structure, related entity arrangements, and operational risks documented in the application.

The Health Services Council and RIDOH are authorized to impose "any condition" on the issuance or transfer of a license, provided such condition "directly relates to the statutory purpose expressed in § 23-17-3 or to the review criteria set forth in § 23-17-14.3." R.I. Gen. Laws § 23-17-6(b). The cross-referenced purpose of the statute is to "provide for the development, establishment, and enforcement of standards:

> (1) For the care and treatment of individuals in health care facilities;
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> (2) For the maintenance and operation of health care facilities which in the light of advancing knowledge, will promote appropriate access and safe and adequate treatment for individuals receiving health care facility services; and
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> (3) For the encouragement of quality improvement in all aspects of the operations of health care facilities."

The review criteria contained at R.I. Gen. Laws § 23-17-14.3 provide for a significant range of potential licensure conditions related to (1) "character, commitment, competence, and standing in the community of the proposed owners, operators, or directors of the health care facility," (2) "the extent to which the facility will provide or will continue to provide … safe and adequate treatment for individuals receiving the health care facility's services," and (3) "The extent to which the facility will provide or will continue to provide appropriate access with respect to traditionally underserved populations." *Id.*

In light of AdviniaCare's growing footprint in the Rhode Island market and the systemic risks this expansion exposes, the Office again urges the Health Services Council and RIDOH to consider imposing conditions to ensure safe and adequate care is provided to residents and to ensure the facilities continue to operate solvently without losing access to resources necessary to provide such care. Among other types of conditions available to the Health Services Council and RIDOH, we outline examples of conditions for consideration below. These examples are not exhaustive and are offered to illustrate the types of safeguards the Council and RIDOH may employ when the record reveals risks associated with related-party arrangements, debt load, or diffusion of operational control.

<u>Illustrative Types of Transaction Conditions</u>

- **Related-party disclosures and cost reporting:** Require AdviniaCare to identify all applicable related entities disclosed in the CEC application in future Medicaid, Medicare, and other government cost reports requiring such

disclosures, including payments for rent, management services, and other goods or services.

- **Financial assurance and escrow requirements:** Require AdviniaCare to maintain a funded escrow account, performance bond, or other financial security accessible to the State under specified circumstances to address insolvency risks and ensure continuity of resident care. Financial guarantees could also be imposed on a financially responsible parent entity.
- **Limitations on related-party payments:** Impose restrictions on increases in rent, management fees, and other payments to affiliated entities, including requirements for independent fair market value assessments and prior regulatory approval of material increases or new related-party arrangements.
- **Enhanced reporting and independent monitoring:** Require AdviniaCare to more frequently report financial and operational data to RIDOH and, at its expense, to retain an independent financial or operational monitor to periodically assess financial condition, related-party transactions, and compliance with licensure conditions, with regular reporting to RIDOH. Any such reporting and monitoring could include the collection of information on intercompany and other financial transfers between AdviniaCare entities to allow RIDOH to assess exposure to system-wide risks that could spread beyond isolated issues at individual facilities.
- **Restrictions on distributions and indebtedness:** Limit distributions to owners or affiliates, additional borrowing, or encumbrances of facility assets where such actions would jeopardize financial viability or resources available for resident care.
- **Resident care protections:** Require maintenance of specified staffing, services, and quality measures, together with advance notice and regulatory review of material operational changes that could affect resident care or access to services.

III. Conclusion

The Office recommends that the Health Services Council recommend denial of the pending CEC application or consider the imposition of conditions, as appropriate, to safeguard resident care and ensure the continued solvency and responsible operation of these facilities. As similar ownership and financial structures continue to appear in CEC applications, we emphasize that the issues highlighted in this letter are generally identifiable within the application materials and fall squarely within the Council's and RIDOH's established statutory authority to evaluate. It is appropriate for the Council and RIDOH to apply these statutory tools consistently and prospectively across similar applications.

Going forward, the Office encourages the Council to rigorously apply its authority by examining related-party arrangements, financial obligations, and operational control structures in each application and determining whether denial of the application, or the imposition of conditions is warranted.

We appreciate your attention to this matter. Please let us know if you have any questions.

Sincerely,

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