



Michigan Elder
Justice Initiative



The National
CONSUMER VOICE
for Quality Long-Term Care

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25



Public Funds into Private Pockets:



How Nursing Homes May Be Hiding Profits
and Depriving Residents of Care and
Quality

June 4, 2025

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Why Michigan Elder Justice Initiative and Consumer Voice Prepared This Report

In a project supported by Arnold Ventures, the Michigan Elder Justice Initiative (MEJI) and the National Consumer Voice for Quality Long Term Care (Consumer Voice) collaborated to promote greater transparency and accountability in funding for Michigan's nursing homes. MEJI protects the rights of and empowers low-income older adults and adults with disabilities. It is proud to house the Michigan Long Term Care Ombudsman Program which advocates for the health, safety, well-being, and rights of residents of nursing homes and other licensed long term care facilities. Every week, ombudsmen meet with residents, speak with families, tour facilities, and engage with staff to address resident concerns. Consumer Voice is in its 50th year as the primary national advocacy organization for long term care consumers. It works to empower long term care residents, their families, and advocates in the pursuit of quality care and services, quality of life, and protection of rights.

Despite years of advocacy to address widespread substandard care, neglect, and understaffing in nursing homes, both MEJI and Consumer Voice were stymied by the for-profit nursing home industry's insistence that there simply was not enough money to do better. According to the industry, most nursing homes were barely solvent or already underwater, a narrative that many policymakers sympathetically endorsed. But in Michigan, new for-profit nursing homes continued to be built, few nursing home corporations landed in bankruptcy court, and some nursing homes that received the same reimbursement as poorly performing facilities offered residents both quality of care and life. While MEJI and Consumer Voice knew that nursing homes received billions of dollars of public funds, neither we nor anyone else could decipher exactly where that money went. Along with policymakers, researchers, and other advocates, we began to understand that nursing home corporations' byzantine corporate structures and confusing financial arrangements made it impossible to determine how much public funding was siphoned off for profits.

This report is an effort to demonstrate how four troubled nursing home chains in Michigan paid millions of dollars to corporations with which they had common ownership or control while simultaneously providing substandard care and staffing to thousands of vulnerable nursing home residents across the state. The numbers speak for themselves and come from the cost reports the nursing homes themselves submitted to the Centers for Medicare and Medicaid Services. They create a clarion call for more transparency and accountability. Only when policymakers and regulators can follow and better regulate the use of public funds can we be sure they support residents' urgent needs, not provider profits.

Executive Summary

Nationally, Medicare and Medicaid pay nursing homes nearly \$70 billion^[1] each year to provide care to nursing home residents. Despite that funding, too often nursing home residents receive such poor care that it imperils their health and safety.^[2] However, when nursing home owners are confronted with the quality of care in their nursing homes, they often reply that they do not receive enough money to provide high-quality care or better staffing.^[3]

Recently, however, more attention has been paid to how nursing homes use taxpayer dollars. Members of Congress sent a letter^[4] to several nursing home chains, questioning why their nursing homes were staffed so poorly when they were spending hundreds of millions of dollars on stock dividends, buybacks, and bonuses. One particular practice that has drawn scrutiny is the use of related party transactions to tunnel, or hide, profits. A recent study^[5] found that the average nursing home uses this practice to hide hundreds of thousands of dollars in profits each year.

[1] Medicare Payment Policy, MedPAC, March 15, 2024, https://www.medpac.gov/wp-content/uploads/2024/03/Mar24_Ch6_MedPAC_Report_To_Congress_SEC.pdf.

[2] According to data from the Centers for Medicare and Medicaid Services, in the period from November, 2021 - November, 2024, nursing homes across the country received 404,615 citations for failures to meet federal requirements. Michigan's more than 400 nursing homes were cited for 15,391 deficiencies. <https://nursinghome411.org/data/enforcement/citations/>.

[3] For example, a 2023 issue brief by the American Health Care Association and National Center for Assisted Living states: "Medicaid currently fails to cover the actual cost of nursing home care, at an average of 82 cents for every dollar. This underfunding makes it difficult for nursing homes to invest in their workforce, care services, and modernization efforts." AHCA Issue Brief, "Medicaid: The Foundation of Long Term Care in America," <https://www.ahcanca.org/>. In addition, a recent article asserting that more than a quarter of all nursing homes spend less than \$10/day to feed residents quoted Holly Harmon, senior vice president for the American Health Care Association and National Center for Assisted Living, which represents more than 14,000 nursing homes and long-term care facilities across the country. Ms. Harmon asserted: "We all know nursing homes are woefully underfunded, and soaring inflation in recent years has impacted the cost of food not just for everyday Americans, but nursing homes as well...." Sherman, Livio, and Miller, "The Hunger Games – Many Nursing Homes Feed Residents on Less Than \$10/Day: 'That's Appallingly Low,'" May, 1, 2025, <https://www.mlive.com/news/2025/04/many-nursing-homes-feed-residents-on-less-than-10-a-day-thats-appallingly-low.html>.

[4] Warren, Blumenthal, Sanders, Schakowsky, "Follow-up Letter to For-Profit Nursing Homes on Executive Pay," September 13, 2024, https://www.warren.senate.gov/imo/media/doc/warren_blumenthal_sanders_schakowsky_follow-up_letter_to_for-profit_nursing_homes_on_exec_pay.pdf.

[5] Gandhi, Ashvin and Olenski, Andrew, "Tunneling and Hidden Profits in Health Care," NBER Working Paper, No. w32258, March, 18, 2024, <https://ssrn.com/abstract=4762965>.

A related party is a company that does business with a nursing home and has common ownership or control with the nursing home. In simpler terms, one person or company owns both companies. A 2023 study^[6] found that nationwide, in 2019, nursing homes paid related parties \$11.23 billion. Overall, 9.54 percent of nursing homes' total net operating revenues were paid to related-party organizations.^[7]

In a 2024 study, Drs. Ashvin Gandhi and Andrew Olenski analyzed Illinois Medicaid cost reports and estimated that the average nursing home uses related party transactions to hide hundreds of thousands of dollars in profits each year.^[8] They determined that for-profit nursing homes' use of related party companies is "substantial and widespread."^[9] Our analysis of federal Medicare cost reports found that in Michigan, during the years 2021-2023, nursing homes paid nearly \$1.2 billion to related party companies.

Despite paying nursing homes tens of billions of dollars annually, the federal government and many states fail to require transparency and accountability for how Medicare and Medicaid dollars are spent. Current Medicare and Medicaid cost reporting systems do not require adequate disclosure of expenditures, particularly related party transactions. A 2024 Report by the US Office of Inspector General found that for Medicare cost reporting periods ending during FYs 2015 through 2020, skilled nursing facilities (SNFs) reported receiving a total of \$160.4 billion in Medicare payments and paying a total of \$65.4 billion to related parties.^[10] The report concluded, "Medicare administrative contractors (MACs) did not review, as part of their oversight activities, the disclosure or reporting of related parties and their costs, and CMS did not provide sufficient guidance to SNFs that explained how to determine Medicare-allowable related-party costs." This report focuses on the lack of transparency and accountability, particularly for related party transactions, in Michigan. It scrutinizes the financial reports of four for-profit nursing home chains — Ciena Healthcare, Mission Point Healthcare Services, SKLD, and Villa Healthcare — and demonstrates how the quality of care is inadequate in these chains.

[6] Harrington, Charlene and Richard Mollot, et al., "United States Nursing Home Finances: Spending, Profitability and Capital Structure," International Journal of Social Determinants of Health and Health Services, 1-12, December 19, 2023, <https://pubmed.ncbi.nlm.nih.gov/38115716/>.

[7] Harrington, Mollot, et al. p. 1.

[8] Gandhi and Olenski p. 3.

[9] Gandhi and Olenski p. 3.

[10] Department of Health and Human Services Office of Inspector General, "Some Selected Skilled Nursing Facilities' Compliance With Medicare Requirements for Reporting Related-Party Costs," A-07-21-02836, December 2024, <https://oig.hhs.gov/documents/audit/10131/A-07-21-02836.pdf>.

These corporations were selected because they each operate more than 10 nursing homes, have a history of providing substandard care, and the cost reports for the homes they operate document substantial related party transactions.^[11] For comparison, this report will frequently contrast the care quality in these chains to non-profit homes in Michigan. This report concludes with recommendations that will increase transparency in how taxpayer dollars are spent and help hold nursing homes accountable for using taxpayer funds to provide residents with both quality of care and quality of life.

When nursing homes use financial strategies that siphon money away from resident care, it affects facility staffing and every aspect of residents' quality of life. Money diverted to profits results in lower wages and poorer working conditions, which translates into high staff turnover and staff shortages. Staff report that the frequent practice of being mandated to work overtime (to stay on for a second shift because there is no one to relieve them) causes health, mental health, and childcare challenges.^[12]

Staffing challenges have a profound impact on residents since high quality care results, in large part, from having sufficient staff to complete the myriad tasks residents need help with every day. Local long-term care ombudsmen in Michigan and Health Inspection reports have documented that residents:

- Have to wait hours for assistance,^[13]
- Get bathed as little as once a month,^[14] and
- Cannot get the help they need to eat their meals^[15]

Moreover, artificially tight budgets can result in insufficient quantity and quality of food for residents,^[16] lack of basic supplies and durable medical equipment, lack of transportation and activities, and a host of other challenges.

[12] Michigan Nursing Home Workforce Stabilization Council Final Recommendations, December 1, 2023. Addendum.

[13] Health Inspection Report, Michigan Department of Licensing and Regulatory Affairs, 5/29/2024 Mission Point Nursing and Rehabilitation Center of Flint, p. 27.

[14] Health Inspection Report, Michigan Department of Licensing and Regulatory Affairs, 7/17/2024 Mission Point Nursing and Physical Rehabilitation of Forest Hills, p. 53.

[15] Health Inspection Report, Michigan Department of Licensing and Regulatory Affairs, 1/31/2025 Kith Haven, p. 20.

[16] Sherman, Livio, and Miller, "The Hunger Games – Many Nursing Homes Feed Residents on Less Than \$10/Day: 'That's Appallingly Low,'" May, 1, 2025, <https://www.mlive.com/news/2025/04/many-nursing-homes-feed-residents-on-less-than-10-a-day-thats-appallingly-low.html>.

“ —

“Some food served is not recognizable as food.”

-Resident at a Villa nursing home

“ —

“Budget cuts have affected every area mentioned: food, activities, staffing, medications, maintenance and housekeeping.”

-Resident at a SKLD nursing home

Some residents have resorted to calling 911, not for emergencies, but because they cannot get the routine assistance they need. In response to a significant spike in these calls, at least one Michigan municipality passed an ordinance that imposes fines on nursing homes and other senior residential facilities for requests by residents for non-emergency assistance. The Sterling Heights ordinance explains the fines are necessary because of “a lack of facility staffing, a disinterest by the facility in addressing these needs for their residents, a lack of proper equipment at the facility, or other reasons that do not warrant or justify the use of city emergency responder resources.”^[17]

On 5/20/24 at 9:10 AM, during an interview with Resident #40, she stated “it takes an hour or longer sometimes for them to answer your call light. Today they still haven't changed my brief. They dropped off my breakfast and left. I have the same brief on that I had on all night. The girl came in at 4:00 am and said I was dry. If you ring your light they will ask you what you want and leave and it will be 2 hours before they come back. I asked for ice water this morning and they still haven't brought it. This is the same water I got last night.”

-5/29/2024 Health Inspection Report - Mission Point Nursing and Rehabilitation Center of Flint, p. 27.

[17] Bonvissuto, Jennifer, “Operators hit with fees for ‘misuse’ of 911 for nonemergency calls,” McKnights Senior Living, January 18, 2024, <https://www.mcknightsseniorliving.com/news/operators-hit-with-fees-for-misuse-of-911-for-nonemergency-calls/#:~:text=The%20city%20of%20Sterling%20Heights,for%20a%20nonemergency%20medical%20response>.

Data Sources and Key Terms

Survey Reports: We reviewed three years of health inspection reports (CMS 2567) for homes operated by Ciena, Mission Point, SKLD, and Villa. The extremely detailed reports, known as “annual surveys” or “complaint surveys,” identify when nursing homes fail to meet minimum federal and state standards and categorize citations according to the scope and severity of the violation. They are prepared by the Michigan Department of Licensing and Regulatory Affairs, the agency that licenses and regulates Michigan nursing homes, in compliance with federal requirements.

Interviews: We interviewed residents of nursing homes operated by the four chains and worked with local long term care ombudsmen who interviewed residents for this study. In addition, we had extensive conversations with the State Ombudsman and local ombudsmen about their experiences in homes operated by the four chains.

Medicare and Medicaid Cost Reports: Each year, every nursing home that receives Medicare dollars must file a Medicare cost report (CMS-2540-10) with the Centers for Medicare and Medicaid Services (CMS), which includes payments from both Medicare and Medicaid. In Michigan, a nursing home receiving Medicaid funding must also complete and submit a Medicaid cost report (MSA-1579) to the Michigan Department of Health and Human Services (MDHHS). Each report contains detailed financial information on a facility’s finances, including wage data, expenditures, profit and loss, and related party spending. The financial information used in this report is from the federal Medicare cost reports filed by the nursing homes owned by the chains referenced.

CMS Five-Star System Data: CMS maintains a rating system for all the nursing homes in the country that participate in Medicare and/or Medicaid. The “5-Star” system is a relative measure that assigns stars from one to five stars (with five being the highest) based on a nursing home’s performance compared to other nursing homes. The 5-Star ratings are reported on CMS’s Nursing Home Care Compare website^[18], which also provides information on staffing in each home and whether a home has been cited for abuse.

The 5-Star system reports health inspection, staffing, and quality measure ratings, as well as a composite overall rating for each nursing home.

[18] <https://www.medicare.gov/care-compare/?providerType=NursingHome>

- Data for the **health inspection rating** comes from the results of annual surveys conducted by state health agencies.
- The **staffing rating** is based on the number of hours of staffing per resident per day (HRPD). Staffing data is provided to CMS by providers through the Payroll Based Journal (PBJ) system. PBJ contains detailed information on hours worked by direct care staff and other nursing home employees.
- The **quality measure rating** is composed, in large part, of health care outcomes self-reported by nursing homes and not audited by the state or federal government.
- The overall rating is a combination of the health, staffing, and quality measures.

Related party: Is defined by 42 C.F.R. § 413.7 as:

- § 413.17 Cost to related organizations.
- (a) Principle. Except as provided in paragraph (d) of this section, costs applicable to services, facilities, and supplies furnished to the provider by organizations related to the provider by common ownership or control are includable in the allowable cost of the provider at the cost to the related organization. However, such cost must not exceed the price of comparable services, facilities, or supplies that could be purchased elsewhere.
- (b) Definitions –
 - (1) Related to the provider. Related to the provider means that the provider to a significant extent is associated or affiliated with or has control of or is controlled by the organization furnishing the services, facilities, or supplies.
 - (2) Common ownership. Common ownership exists if an individual or individuals possess significant ownership or equity in the provider and the institution or organization serving the provider.
 - (3) Control. Control exists if an individual or an organization has the power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution.

Related party transactions (Figure 1, below) are reported on page A-8-1 of the cost report. Currently, the only information CMS requires regarding related party transactions is the name of the related party, the allowable expense under the Medicare program (Column 4), and the actual amount paid (Column 5). It is common for the amount paid to exceed the Medicare-allowed cost.^[19]

[19] U.S. Department of Health and Human Services: Office of the Inspector General, "Some Selected Skilled Nursing Facilities Did Not Comply With Medicare Requirements for Reporting Related-Party Costs," A-07-21-02836, December 18, 2024, <https://oig.hhs.gov/reports/all/2024/some-selected-skilled-nursing-facilities-did-not-comply-with-medicare-requirements-for-reporting-related-party-costs/>

05-11		FORM CMS-2540-10		4190 (Cont.)	
STATEMENT OF COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND HOME OFFICE COSTS			PROVIDER CCN:	PERIOD: FROM	WORKSHEET A-8-1 TO
PART I - COSTS INCURRED AND ADJUSTMENTS REQUIRED AS A RESULT OF TRANSACTIONS WITH RELATED ORGANIZATIONS OR CLAIMED HOME OFFICE COSTS					
Line No.	Cost Center	Expense Items	Amount Allowable In Cost	Amount Included in Wkst. A., col. 5	Adjustments (col. 4 minus col. 5)
1	1.				
2	4.				
3	30.				
4					
5					
6					
7					
8					
9					
10	TOTALS (sum of lines 1-9)				
	(Transfer column 6, line 10 to Wkst. A-8, col. 3, line 12)				

Figure 1: Section A-8 of the Medicare Cost Report (CMS-2540-10)

Michigan's cost report is similar and requires the same related party transaction disclosures as its federal counterpart, including the expense item, the related organization row number, the cost center, the account reference number, the amount and the allowable costs.^[20]

The Rise of Related Parties

In 2003, an article^[21] published in the Journal of Health Law suggested that nursing homes should undergo corporate restructuring to help avoid civil liability for negligent care. The article stated that by using separate, single-purpose corporations, nursing home owners could insulate assets that would otherwise be subject to civil judgment. The article's chief recommendation was that owners separate the operational side of the nursing home from the real estate side. The article stated:

"There is an emphasis on separating the ownership of the real estate from the ownership of the operating entity that holds the license and Medicare and Medicaid provider agreements. This is normally achieved by having the operating entity lease the facility from the real property entity. This can be accomplished even where there is identical ownership and control between and among the real-property entity and the operating entity."

[20] Michigan Department of Health and Human Services, "Nursing Facility Cost Reporting Forms and Instructions," New Cost Report Update, March 2025, <https://www.michigan.gov/mdhhs/doing-business/providers/providers/billingreimbursement/nursing-facility-cost-reporting-forms-and-instructions>.

[21] Casson JE, McMillen J., Protecting nursing home companies: limiting liability through corporate restructuring. J Health Law. 2003 Fall; 36(4):577-613. PMID: 15068276



An additional benefit to owners was not mentioned in the article: they could use the corporation that owned the real estate (which they own) to charge rent and lease fees to the nursing home (which they also own). As a result, owners began charging themselves to rent their own facilities. Since the publication of the 2003 article, the use of related party transactions has proliferated, with some estimating that 75% of nursing homes engage in this practice.^[22] The use of these transactions has evolved to include not only real estate but almost every aspect of nursing home operations, from maintenance and housekeeping to food service to skilled rehabilitation services.

The Gandhi and Olenski study^[23] estimated that the average for-profit nursing home hides or tunnels \$379,382 per year in profits through related-party transactions. The study found that rental and lease fees, along with management fees, made up roughly 60% of all related party transactions. The authors estimated that approximately 36% of real estate transactions between facilities and related-party companies, such as rent and lease payments, represented hidden profits, while 41.7% of management fees paid by a nursing home to a related party also constituted hidden profits. To put that in perspective, the four chains examined in this report, from the years 2021-2023, reported \$269 million in payments to related parties in rent and other real estate payments, and \$141 million in management fees. Using the findings from the Gandhi and Olenski report, this could mean that these four Michigan chains hid \$155 million in profits in just these related party transactions alone.

In addition to being able to hide profits, related party transactions serve another purpose: making nursing homes look less profitable. Related party transactions are expenses on the federal cost reports, meaning that they reduce the amount of profit nursing homes declare, despite these payments being made to the owners of the nursing home. This practice allows nursing homes to assert that they do not have enough money to provide high-quality care and that there isn't enough money to pay workers sufficient wages to attract and retain sufficient quality staff.

[22] Gandhi and Olenski at 10. See also Harrington and Mollot, et al. at 1 which estimated that 77% of nursing homes use related party transactions.

[23] Gandhi and Olenski at 3.

As noted above, related party payments documented in federal cost reports are often higher than the allowable cost for that service. Figure 3 below shows that facilities are required to disclose the approved cost (column 4) and how much the facility actually paid the related party (column 5). It is notable that no other financial information about related party transactions is required in the cost report. CMS does not require a facility to document in the Medicare cost report what it got for the payments, how much was cost or profit to the related party, or to explain the discrepancy between the approved cost and what was actually paid.

Figure 2 shows a federal cost report submitted by the Villa corporation. This home had reported \$1.527 million in allowable costs billable to several related parties. However, this home paid \$1.7 million to those related parties, an overpayment of \$173,103. From 2021 to 2023, this home and its sister homes, all owned by Villa, paid \$10.1 million more than the allowable costs to related parties, according to the Medicare cost reports they filed. Notably, these excess payments are not required to be returned to federal or state governments.

PART I - COSTS INCURRED AND ADJUSTMENTS REQUIRED AS A RESULT OF TRANSACTIONS WITH RELATED ORGANIZATIONS OR CLAIMED HOME OFFICE COSTS						
Line No.	Cost Center	Expense Items	Amount Allowable In Cost	Amount Included in Wkst. A., col. 5	Adjustments (col. 4 minus col. 5)	
1	2	3	4	5	6	
1	1. CAP REL COSTS - BLDGS & FIXTURES	RENT	819,429	882,390	(62,961.)	1
2	1. CAP REL COSTS - BLDGS & FIXTURES	INTEREST DEPRECIATI	15,517		15,517.	2
3	4. ADMINISTRATIVE & GENERAL	MANAGEMENT FEES	260,387	428,973	(168,586.)	3
4	4. ADMINISTRATIVE & GENERAL	REALTY AG	42,927		42,927.	4
5						5
6						6
7						7
8	49. DRUGS CHARGED TO PATIENTS	DRUGS	56,660	56,660		8
9	7. HOUSEKEEPING	HOUSEKEEPING CONT	77,547	77,547		9
10	TOTALS (sum of lines 1-9)		1,527,309	1,700,412	(173,103.)	10
(Transfer column 6, line 10 to Wkst. A-8, col. 3, line 12)						

Figure 2: Section A-8 of the Medicare Cost Report for a Villa Facility (CMS-2540-10)

CMS requires that related party transactions be reasonable and prudent.^[24] In other words, a nursing home must pay a related party company what it would have paid to a non-related party on the open market. Yet, neither federal nor state cost reports gather sufficient information to verify that transactions are reasonable and prudent. In Figure 2, the facility paid \$428,973 in management fees to its related party company. We have no idea what services the facility received for these payments or what another unrelated entity would have charged for the same services. Greater transparency is necessary to make sure taxpayer dollars are being spent appropriately.

[24] Ctrs. for Medicare & Medicaid Servs, U.S. Dep't. of Health & Hum. Servs., Program Manuals §2102.3 (Rev. 454)

This report looks at four for-profit nursing home chains operating in Michigan: Ciena Healthcare, SKLD, Villa Healthcare, and Mission Point Healthcare. Each of the chains has a long history of poor performance and Michigan Long Term Care Ombudsman Program data consistently reveal a disproportionate number of ombudsman complaints and cases concern homes owned by these chains. We analyzed federal cost report data from 2021 to 2023 for all four chains. The chains own a total of 98 homes in Michigan, almost 23% of Michigan's 429 nursing homes. During 2021 to 2023, they paid related party companies \$544.5 million; \$122.57 million of which exceeded the Medicare allowable costs, according to their own cost reports.

Review of a call light log with a reference date of 3/11-3/26/24 revealed 9 occurrences in which the response time to Resident #79's call light was greater than 25 minutes including:

3/15/24 at 5:03pm, Resident #79's call light was activated for 1 hour and 46 minutes.

3/15/24 at 11:32pm, Resident #79's call light was activated for 3 hours and 14 minutes.

3/22/24 at 5:16pm, Resident #79's call light was activated for 3 hours and 32 minutes.

Resident #77's call light was greater than 25 minutes including:

3/2/24 at 7:22am, Resident #77's call light was activated for 2 hours and 57 minutes.

3/4/24 at 10:42am, Resident #77's call light was activated for 2 hours and 21 minutes.

3/5/24 at 7:18am, Resident #77's call light was activated for 2 hours and 49 minutes."

4/3/2024 Health Inspection Report - Royalton Manor, LLC, Ciena Healthcare p. 2

During that same time, the average staffing level in the chains' nursing homes was 3.53 hours per resident per day (HPRD). This average is well below the state average in Michigan of 3.99 HPRD. In comparison, the average non-profit nursing home in Michigan had a staffing level of 4.73 HPRD. These four chains staff at levels 38% lower than non-profit homes.

Average Staffing Hours Per Resident Per Day

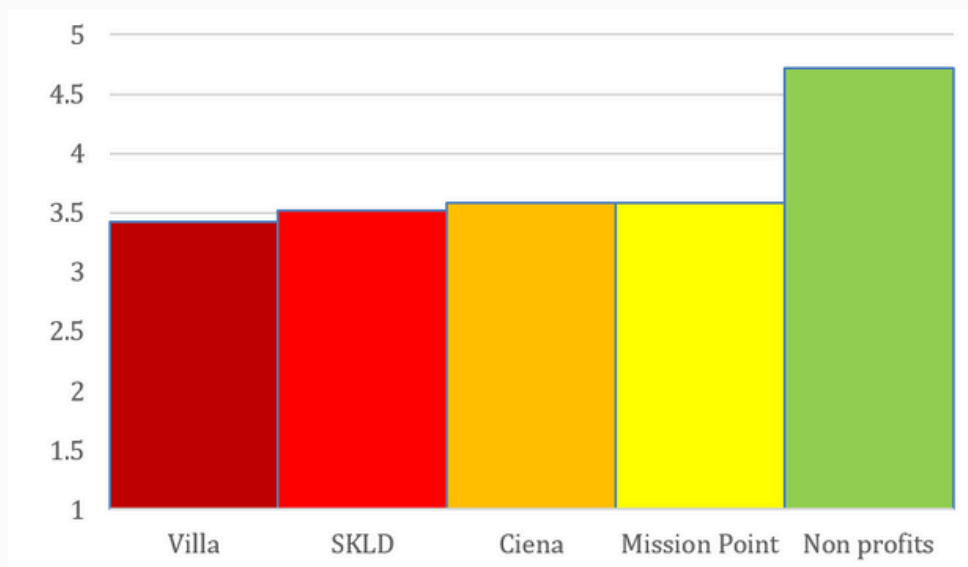


Figure 3: Comparative Staffing Data

Critically, over half a billion dollars were funneled through companies owned by nursing facilities with little to no accountability. Below is a detailed analysis of financial practices and quality of care for the selected chains.

Ciena

Ciena owns and operates 48^[25] homes in Michigan. Their cost reports for the years 2021 to 2023 show that they paid related party companies \$301.1 million. During that same period, Ciena reported a profit of \$2 million for those homes. As an example, if only 5%, (\$15 million) of the \$301.1 million, was profit to the related parties, that would increase the profitability of these homes by nearly 800%.

To illustrate how related parties make nursing homes look less profitable, Notting Hill of West Bloomfield, a Ciena owned facility, reported a loss of \$4.1 million over the years 2021-2023, yet during that period they paid related party companies \$11.3 million, according to their cost reports. It is not apparent, however, how much of that \$11.3 million was for services provided, administrative expenses, or profit because neither the federal nor state cost reports require this information to be disclosed.

[25] Ownership data from CMS shows that Ciena owns 48 homes in Michigan. Our paper obtained data for 45 of these homes. The homes not included in this report are Ely Manor in Allegan, Regency at Canton in Canton, and Regency at Troy in Troy.

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“During 3rd shift, I wait a long time for help, and sometimes they never come. Some aides don't respect you like they should. I sit here with poop on me and get no help.”

-Resident at a Ciena nursing home

Staffing levels in Ciena homes fall well below what many clinical experts believe is necessary to protect all residents. On average, a resident in a Ciena home receives 3.58 HPRD. In comparison, in recent comments on the federal minimum staffing rule, experts^[26] recommended 4.20 HPRD, 37 more minutes per resident per day. The average non-profit nursing home in Michigan staffs at 4.72 HPRD, 32% higher than Ciena homes. Importantly, data show^[27] that nursing homes with lower staffing are much more likely to be cited for resident abuse. Seven of Ciena's homes, 16% of their facilities, have been tagged for abuse. Conversely, only 4% of non-profit homes in Michigan have been tagged for abuse. Ciena's 5-Star ratings are lackluster, as well, scoring 2.84 overall stars, 3.38 stars in staffing, and 2.78 stars in health inspections.

In an observation on 01/30/25 at 9:20 AM, Resident #64 was lying in bed with breakfast meal tray in front of resident no attempt to feed self. Resident #64 stated that his hands shake when he's eating, and no one helps him with meals.

1/31/2025 Health Inspection Report - Kith Haven, page 20 of 48.

Ciena's cost reports show that from 2021 to 2023 it reported \$227.38 million in Medicare allowable costs. Yet, the payments to related parties, \$301.1 million, exceeded the allowable costs by \$73.73 million. As noted, although these payments exceeded the allowable costs, Ciena is not required to explain the discrepancy, nor is it required to return the funds for the disallowed costs.

[26] Harrington, et al., "Expert Comments to Centers for Medicare & Medicaid Services," October 24, 2023, https://theconsumervoice.org/uploads/files/general/Expert_comments_to_CMS_Minimum_staffing.pdf

[27] https://theconsumervoice.org/wp-content/uploads/2024/05/Staffing-Matters.pdf?_rt=N3wxfHN0YWZmaW5nIG1hdHRlcnN8MTc0NzkzMTAwMA&_rt_nonce=399b8d075c



“They also run out of linens and my bed won't get changed but once a week.”

-Resident at a Ciena nursing home

Over the three years, Ciena nursing homes paid \$196 million in rent and other real estate costs to related party companies. At the same time, Ciena homes paid \$77.36 million in management fees to related parties. Applying the findings of the Gandhi and Olenski report, this could mean that more than \$100 million in profit was hidden in these related party transactions. However, this estimate is speculative, since so much of the data necessary to make the determination is missing or incomplete in federal and state cost reports.

Villa

Villa operates 16 nursing homes in Michigan. Their cost reports from 2021 to 2023 reveal that during this period, they paid related parties \$137.45 million while reporting a profit of \$19.7 million. To illustrate the potential effect of related-party payments on reported profitability, Villa at Rose City reported a loss of \$2.1 million over three years, as well as asserting it paid \$4.4 million to related parties. The portion of these payments that could be considered profit is unknown, as previously noted, because neither CMS, nor MDHHS, requires such disclosures. During this time, Villa paid related party companies \$44.85 million in real estate-related expenses and \$33.58 million in management fees. Using the percentages identified in Gandhi and Olenski's study, these transactions could mean roughly \$30.1 million in profit was hidden in payments to related parties.

Villa's nursing homes rate below average on CMS's Nursing Home Compare website. Ten of their sixteen homes have an overall rating of 1 or 2 stars, and the average overall star rating for all their homes is 2.38, indicating the homes are below average. Villa facilities' health inspections average only 2.2 stars, again suggesting they are below average. Nurse staffing levels are low compared to expert recommendations, at 3.42 HPRD, compared to 4.72 HPRD in non-profit facilities.

SKLD

SKLD owns and operates 11 for-profit nursing homes in Michigan, according to CMS ownership information. SKLD cost reports show that these nursing homes paid \$39.9 million to related party companies from 2021 to 2023. For that same period, SKLD reported a profit of \$3.49 million. If, for example, a mere 5% of the nearly \$40 million paid to related parties was profit to the owners, this would double the profit of the homes.

In addition, of the \$39.9 million in related party transactions, \$14.2 million were rent or lease payments for real estate, along with \$20.31 million in “management fees.” Like the analysis of Ciena, if we applied the estimates from the Gandhi and Olenski study, these numbers suggest that SKLD could be tunneling \$13.58 million in profits, roughly four times the profit SKLD claimed on its cost reports.

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“Oftentimes we don’t even get water.”

-Resident at a SKLD nursing home

SKLD has low 5-star ratings according to CMS’s Care Compare site. SKLD’s overall average 5-star score is only 2.09 stars, with their health inspection rating averaging 2 stars, along with an average 2.73 star staffing rating. Staffing is low in SKLD nursing homes, as well. On average, a resident in a SKLD home receives only 3.52 HPRD. This average is 34% lower than the average non-profit home in Michigan.

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“There is always something broken: Hoyer lifts, battery chargers, shower heads, shower beds and chairs, clogged drains, broken pipes. Always a delay in getting things fixed. Delivery issues, time constraints. Currently, a pipe is broken in the kitchen so they can’t wash dishes. Residents have to eat using plastic utensils and Styrofoam. Been this way for a month. Hard for someone with a disability to eat using plastic utensils.”

-Resident at a SKLD nursing home

Mission Point

According to data from CMS, Mission Point owns and operates 23 homes in Michigan. Of all the chains analyzed in this report, Mission Point performs most poorly in measures of quality. The average overall star rating of a Mission Point home is 2.05 and their average health inspection rating is only 1.86 stars. Six of their 23 homes, over 25%, are either a Special Focus Facility or a candidate for the Special Focus Facility Program, a federal program that identifies the poorest participating homes.^[28] Over 25% of their homes have been tagged for resident abuse by CMS. Over the past three years, their homes have been assessed over \$3.6 million in fines for violations of federal law or regulations, which surpasses Ciena by nearly \$600,000 despite the fact that Ciena has more than twice as many homes as Mission Point.

In an interview on 07/12/24 at 10:39 AM, Resident #406 reported it had been approximately 4-6 weeks since her hair has been washed and she had not received a bath or a shower.

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From 2021-2023, Mission Point reported \$66.01 million in payments to related parties, \$24.57 million of which exceeded the allowable cost listed on the cost report. During that same time, Mission Point reported a net loss of \$60.7 million for all of its nursing homes. We cannot determine from the cost reports how much of those losses were actual, since we do not have sufficient information on how much profit was hidden in the related party payments. However, we can determine that Mission Point paid \$14.28 million in rent and other real estate related payments to related parties, along with \$9.99 million in management fees to related party companies. Applying the findings of the Gandhi and Olenski report, this could mean that these transactions alone hid \$9.3 million in profits.

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“Mission Point is not using wipes and has poor quality of incontinence products. They are limiting the number of incontinence products (diapers) per day and never has [sic] enough towels and wash cloths.”

-Resident at a Mission Point nursing home

[28] Department of Health and Human Services, Centers for Medicare & Medicaid Services, March 2025, <https://www.cms.gov/files/document/sff-posting-candidate-list-march-2025.pdf>.



Our analysis of the practices of these four chains demonstrates that they mimic the financial practices of many other for-profit nursing homes in Michigan and across the country. Related party expenses, primarily rents and management fees, are used to funnel money to companies that share common ownership with the nursing home. This practice potentially serves two purposes: 1) the tunneling or hiding of profits, and 2) making the facility appear to have insufficient funding to provide quality care.

The quality of care in these homes is below average in almost all measures. Unlike their non-profit counterparts, these nursing homes, on average, staff well below recommended levels, drawing into question where the billions of taxpayer dollars are going. And most importantly, thousands of Michigan residents are suffering harm or are at risk of harm in many facilities that have been cited for abuse, chronically understaffed, short of even the most basic supplies, and the subject of multitudes of fines and other sanctions.

What can be done?

The COVID-19 pandemic, and its disproportionate impact on nursing home residents has resulted in many states taking a closer look at nursing home quality and how nursing homes spend taxpayer dollars. California, Connecticut, and Pennsylvania have implemented stricter Medicaid cost-reporting requirements. Other states, such as New Jersey, currently have legislation pending that would require heightened disclosure on Medicaid cost reports.

To ensure that taxpayer dollars are being spent on care and not diverted to excessive and hidden profits, Michigan should:

- Require each nursing home to submit an audited consolidated cost report annually. This report would require nursing home chains to comprehensively report financial information on all the companies they own or operate that are related to the operation of nursing homes they own or operate.
- Increase the auditing capacity of both CMS and MDHHS to enable them to audit every cost report for every nursing home rather than the small sample performed now.
- Require increased disclosure requirements for related party companies. Nursing homes should be required to show what they received for payments made to a related party, how much was profit to the related party, and document that this cost was reasonable.

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- Make information on cost reports easily accessible to the general public, policymakers, researchers, and advocates.
 - Require nursing homes to document that they spend a required percentage of public funds on services that have a direct and positive impact on residents including staffing, resident care, and resident quality of life.

Across the nation, billions of dollars are funneled through related party companies with little to no accountability. Taxpayer dollars meant for resident care disappear into an often-confusing web of shell companies and other businesses. Absent increased transparency and accountability requirements from state and federal governments, we may never know how Medicare and Medicaid dollars allocated for care of nursing home residents are spent. Michigan, following in the footsteps of a number of other states, should implement a variety of common sense legislative and regulatory reforms to ensure taxpayer funds are used appropriately and to limit provider profits and maximize residents' quality of care and life.