

ELIZABETH WARREN
MASSACHUSETTS

COMMITTEES:
BANKING, HOUSING, AND URBAN AFFAIRS
HEALTH, EDUCATION, LABOR, AND PENSIONS
ARMED SERVICES
SPECIAL COMMITTEE ON AGING

United States Senate

UNITED STATES SENATE
WASHINGTON, DC 20510-2105
P: 202-224-4543

2400 JFK FEDERAL BUILDING
15 NEW SUDBURY STREET
BOSTON, MA 02203
P: 617-565-3170

1550 MAIN STREET
SUITE 406
SPRINGFIELD, MA 01103
P: 413-788-2690

www.warren.senate.gov

January 27, 2021

Robert Fish
Chairman and Chief Executive Officer
Genesis Healthcare, Inc.
101 East State Street
Kennett Square, PA 19348

Dear Mr. Fish:

I write to express concern about the inexplicable and unseemly decision by Genesis Healthcare, Inc. (Genesis) and its board to approve and pay exorbitant bonuses to its top executives after more than 2,800 residents in its facilities died of coronavirus disease 2019 (COVID-19).¹ The company's former CEO – George Hager, Jr. – is reported to have been paid a “retention” bonus of \$5.2 million in October 2020,² only to turn around and announce his retirement earlier this month.³ I would like an explanation for this unfathomable greed amidst a public health tragedy and economic crisis, and to know why Genesis, which claimed to be on the brink of bankruptcy⁴ and accepted \$300 million in state and federal aid under the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act),⁵ gave its top executive – who was unable to keep nursing home residents safe – a multimillion dollar bonus, in addition to a \$650,000 retirement bonus and \$300,000 consulting contract.⁶

On January 5, 2021, Genesis announced that, effective immediately, Mr. Hager was retiring as the company's CEO.⁷ According to a recent report, Genesis approved and paid Hager a hefty \$5.2 million “retention” bonus just two months before this sudden retirement announcement – on

¹ Washington Post, “Departing CEO paid \$5.2 million ‘retention’ bonus by nursing home chain that lost 2,800 residents to covid,” Will Englund, January 20, 2021, <https://www.washingtonpost.com/business/2021/01/20/genesis-nursing-homes-ceo-bonus/>.

² *Id.*

³ Genesis Healthcare, Inc., “Genesis Healthcare Announces Leadership Change,” press release, January 5, 2021, <https://www.genesishcc.com/happenings/corp/genesis-healthcare-announces-leadership-change>.

⁴ Philadelphia Business Journal, “Genesis Healthcare warns bankruptcy is a possibility as Covid-19 woes continue,” John George, November 9, 2020, <https://www.bizjournals.com/philadelphia/news/2020/11/09/genesis-health-nursing-homes-covid-19-losses.html>.

⁵ New York Times, “Nursing Home Operator Genesis Details Coronavirus Aid,” Matthew Goldstein, May 27, 2020, <https://www.nytimes.com/2020/05/27/business/genesis-earnings-nursing-homes-coronavirus.html>.

⁶ Washington Post, “Departing CEO paid \$5.2 million ‘retention’ bonus by nursing home chain that lost 2,800 residents to covid,” Will Englund, January 20, 2021, <https://www.washingtonpost.com/business/2021/01/20/genesis-nursing-homes-ceo-bonus/>.

⁷ Genesis Healthcare, Inc., “Genesis Healthcare Announces Leadership Change,” press release, January 5, 2021, <https://www.genesishcc.com/happenings/corp/genesis-healthcare-announces-leadership-change>.

top of a \$935,000 annual bonus he received in 2020.⁸ These extraordinary payments were awarded despite the fact that under his leadership, there were 14,352 confirmed cases of COVID-19 and 2,812 COVID-19 deaths at the more than 350 Genesis facilities spanning 25 states as of December 2020.⁹ To be clear: the pandemic has killed over 400,000 Americans¹⁰, and it is possible that even aggressive actions by Mr. Hager and other Genesis executives would not have prevented outbreaks at company facilities. But there is no rationale whatsoever for offering Mr. Hager a multimillion dollar windfall in the wake of these fatalities. Indeed, while “[n]ursing homes and other long-term-care centers across the country have been hit particularly hard by the coronavirus, which poses greater risk to elderly people and those with underlying health conditions,”¹¹ the number of cases and deaths at Genesis facilities “are higher than in comparable nursing home chains.”¹² Even worse, reports indicate that “[n]early all of [Genesis’s] nursing homes reported continuing shortages of personal protective equipment through the months of the pandemic...with the situation easing only toward the end of November – after Hager’s big payout was approved.”¹³

Mr. Hager is being handsomely rewarded by Genesis despite this failure to protect the wellbeing of its vulnerable residents and staff; not only is he going to be allowed to keep his \$5.2 million “retention” bonus after his sudden retirement, he is also set to receive an additional \$650,000 bonus and a \$300,000 consulting contract, according to a Securities and Exchange Commission filing.¹⁴ In addition, “the Genesis board also decided in October to put aside \$2.1 million in a trust the company described as beyond the reach of creditors, to be used for bonuses for seven of the company’s high-ranking officers.”¹⁵

Genesis’ decision to award its executives millions in bonuses and pay is even more troubling because it comes after the company accepted millions of dollars in taxpayer-funded aid. In early 2020, Genesis reported that it “received approximately \$180 million in federal grants under the CARES Act in addition to other federally sponsored sources of near term capital,”¹⁶ including “\$27 million in state funding and \$158 million in advance Medicare payments.”¹⁷ Another report

⁸ Washington Post, “Departing CEO paid \$5.2 million ‘retention’ bonus by nursing home chain that lost 2,800 residents to covid,” Will Englund, January 20, 2021, <https://www.washingtonpost.com/business/2021/01/20/genesis-nursing-homes-ceo-bonus/>.

⁹ Washington Post, “Departing CEO paid \$5.2 million ‘retention’ bonus by nursing home chain that lost 2,800 residents to covid,” Will Englund, January 20, 2021, <https://www.washingtonpost.com/business/2021/01/20/genesis-nursing-homes-ceo-bonus/>; Genesis Healthcare, Inc., “Our Services” page, accessed on January 21, 2021, <https://www.genesishcc.com/our-services/rehabilitation-therapy/our-services>.

¹⁰ Centers for Disease Control and Prevention, “CDC Covid Data Tracker,” accessed on January 26, 2021, https://covid.cdc.gov/covid-data-tracker/#cases_casesper100klast7days.

¹¹ Washington Post, “More than 50 dead as coronavirus ravages Massachusetts nursing home,” Allyson Chiu, May 5, 2020, <https://www.washingtonpost.com/nation/2020/05/05/massachusetts-nursing-home-coronavirus/>.

¹² Washington Post, “Departing CEO paid \$5.2 million ‘retention’ bonus by nursing home chain that lost 2,800 residents to covid,” Will Englund, January 20, 2021, <https://www.washingtonpost.com/business/2021/01/20/genesis-nursing-homes-ceo-bonus/>.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ U.S. Securities and Exchange Commission, “Genesis Healthcare Reports First Quarter 2020 Results,” May 27, 2020, <https://www.sec.gov/Archives/edgar/data/1351051/000155837020006986/tmb-20200527xex99d1.htm>.

¹⁷ New York Times, “Nursing Home Operator Genesis Details Coronavirus Aid,” Matthew Goldstein, May 27, 2020, <https://www.nytimes.com/2020/05/27/business/genesis-earnings-nursing-homes-coronavirus.html>.

specified that Genesis received “\$186 million in CARES Act grants, \$157 million in advance Medicare payments, \$90 million in deferred payroll taxes, and \$56 million in state aid.”¹⁸ In just the first nine months of 2020, Genesis stated that “it received \$254 million in federal relief tied to the pandemic, and pledges of \$85 million from several of the states where it operates.”¹⁹

Yet, in early November 2020, Mr. Hager stated that “[t]he virus continues to have a significant adverse impact on the company’s revenue and expenses...While we are grateful for federal and state financial support received and committed to date, the stimulus funds recognized in the third quarter of 2020 fell nearly \$60 million short of the company’s Covid-19-related costs and the estimated impact of lost revenue...the company remains reliant on adequate and timely government-sponsored financial support to meet its obligations to patients, residents, caregivers and stakeholders.”²⁰ At the time of this statement, Hager had received over \$6 million in bonuses from the company, nearly \$4 million more than he earned in 2019 prior to the pandemic.²¹

Genesis has stated that one of the measures it has taken to weather its pandemic woes and supposed financial strain is “[a]pplying for, and receiving, government-sponsored financial relief related to the pandemic and taking advantage of other existing government-sponsored funding programs implemented to support businesses impacted by Covid-19” in addition to “[a]dvocating, for itself and the skilled nursing industry, regarding the need for additional government-sponsored funding.”²² On a November conference call with analysts, Mr. Hager is reported to have said “[t]here is no question Genesis will need ongoing support from the federal government and our capital partners to sustain operations....We are aggressively managing liquidity at every turn. That being said, we are still burning cash.”²³ I now know that millions of dollars of that cash was spent on Mr. Hager’s lavish bonuses and handouts to other top executives.

CARES Act funding should not be used to line the pockets of company executives who fail to address the public health threats from the pandemic, and your company should not be seeking additional public funds while giving departing executives multimillion dollar bonuses.

¹⁸ Skilled Nursing News, “COVID-19 Strains Cast ‘Substantial Doubt’ on Nursing Home Giant Genesis’s Ability to Survive Next Year,” Alex Spanko, August 10, 2020, <https://skillednursingnews.com/2020/08/covid-19-strains-cast-substantial-doubt-on-nursing-home-giant-genesis-ability-to-survive-next-year/>.

¹⁹ Washington Post, “Departing CEO paid \$5.2 million ‘retention’ bonus by nursing home chain that lost 2,800 residents to covid,” Will Englund, January 20, 2021, <https://www.washingtonpost.com/business/2021/01/20/genesis-nursing-homes-ceo-bonus/>.

²⁰ Philadelphia Business Journal, “Genesis Healthcare warns bankruptcy is a possibility as Covid-19 woes continue,” John George, November 9, 2020, <https://www.bizjournals.com/philadelphia/news/2020/11/09/genesis-health-nursing-homes-covid-19-losses.html>.

²¹ Intercept, “One In Six COVID-19 Deaths In Vermont Came From A Single Nursing Home,” Matthew Cunningham-Cook, December 2, 2020, <https://theintercept.com/2020/12/02/vermont-nursing-home-covid-genesis/>.

²² Philadelphia Business Journal, “Genesis Healthcare warns bankruptcy is a possibility as Covid-19 woes continue,” John George, November 9, 2020, <https://www.bizjournals.com/philadelphia/news/2020/11/09/genesis-health-nursing-homes-covid-19-losses.html>.

²³ Washington Post, “Departing CEO paid \$5.2 million ‘retention’ bonus by nursing home chain that lost 2,800 residents to covid,” Will Englund, January 20, 2021, <https://www.washingtonpost.com/business/2021/01/20/genesis-nursing-homes-ceo-bonus/>.

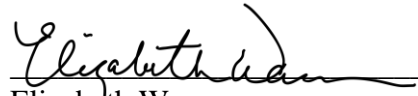
In order to better understand the decisions of your company, I am requesting answers to the following questions no later than February 10, 2021:

1. Please provide a full and complete list of all pandemic-related state and federal funding or other assistance that Genesis has received to date since January 1, 2020.
2. Please provide a full and complete list of all pay, bonuses, and other compensation received or due to Mr. Hager on or after January 1, 2020.
3. Please explain why Genesis has offered and/or given multiple bonuses to Mr. Hager and other company executives at a time that it describes itself as financially strained and advocated for government funds. Please provide all Board minutes, since January 2020, relating to these compensation discussions.
4. What specific benchmarks related to the health and welfare of Genesis residents were in place with regard to decisions about Hager's bonuses and other ongoing payments? Did the company determine that he met those benchmarks despite the deaths of nearly 3,000 residents?
5. Please provide a complete, detailed timeline of the board of director's decision to approve a "retention" bonus for Hager in October 2020 and why such a bonus was deemed effective and reasonable. Was the Board at the time aware that Hager would be departing two months later?
6. Does the board have the ability to claw back any of the compensation provided to Hager? Does the board intend to do so?
7. Please provide more detailed information regarding the \$2.1 million bonuses for seven high-ranking executives. Who received these funds and what was the justification for these payments? When were they or when will they be disbursed? How were each of these decisions made?
8. Please provide detailed information for how much in 'hero' dollars were given out to support Genesis staff,²⁴ how decisions were made with allocations of those funds, and when and to whom those funds were dispersed.

Thank you for your prompt attention to this important matter, and I look forward to your response.

²⁴ Washington Post, "Departing CEO paid \$5.2 million 'retention' bonus by nursing home chain that lost 2,800 residents to covid," Will Englund, January 20, 2021, <https://www.washingtonpost.com/business/2021/01/20/genesis-nursing-homes-ceo-bonus/>.

Sincerely,


Elizabeth Warren
United States Senator