

Client Screening Request

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- Client Screening Report

Request Date: 10/17/2017

Additional CC:

Discipline *: Health

Company Name:

Genesis HealthCare, Inc. III



Moody's Rating:

Ratings withdrawn August 12, 2016

Requestor:

Jill Herbold;

D & B Credit Score Class:

65(moderate risk of payment delinquency over next 12 months)

A.M. Best Rating:

N/A

On High Risk Client List?

Yes No

D & B Financial Stress Class: 18 (moderate to high risk of financial stress, including bankruptcy, over next 12 months)

WorldCheck Rating:

- N/A
- Criminal
- Money Laundering
- Terrorism
- Corruption
- [Redacted]

Ownership:

Founded in 2007 when Genesis Health Ventures separated their in-patient care and pharmacy divisions to become the for-profit company Genesis HealthCare, Inc. (GHC), is headquartered in Kennett Square, Pennsylvania. GHC is a provider of short-term post-acute, rehabilitation, skilled nursing and long-term care services. As of January 2017, GHC operates approximately 500 skilled nursing centers and assisted/senior living residences in 34 states across the United States and has approximately 80,000 employees. They also supply rehabilitation therapy to approximately 1,700 healthcare providers in 45 states and the District of Columbia. GGC is a publicly traded corporation traded on the NYSE as GEN.

The Delaware Secretary of State's business registrations file showed that Genesis Healthcare, Inc. was registered as a Corporation on October 21, 2005, under the file registration number 4049146.

Officers:

The officers named below were profiled using Google and Factiva sources, and were screened for criminal activity using LexisNexis State and Federal Court Dockets. I found no evidence of adverse media attention for any of these named officials. My Lexis search for litigation involvement produced a small handful of cases for Mr. Hager in his capacity as an executive at GHC, but none of these cases were of a concerning nature. I also found a handful of traffic violations for a Mr. George Hager of Pennsylvania, but due to the commonness of the name, these cases may not have involved our Mr. Hager. I found no litigation involvement for Mr. Bach or Mr. DiVittorio.

- **CEO:** George V. Hager, Jr.: Mr. Hager's profile is here: <http://www.geneshcc.com/about-us/company-profile/leadership-team/george-v.-hager-jr.>
- **Executive VP & COO:** Paul D. Bach: Mr. Bach's profile is here: <http://www.geneshcc.com/about-us/company-profile/leadership-team/paul-d.-bach.>
- **Senior VP & CFO:** Tom DiVittorio: His profile can be seen here: <http://www.geneshcc.com/about-us/company-profile/leadership-team/tom-divittorio.>

Prior Health Risk Assessment: Yes No

Noteworthy News:

My scan of local and national newspapers, news wires, trade journals, and Internet search engines found a moderate media footprint for GHC, with very little of the available coverage being adverse in tone. Most available coverage focused on the entity's purchasing of new companies and the selling of others, stock and investment information, and company profiles. I have included two of the newsworthy articles below that can be considered adverse in tone. But in the end, I found no red flags that would be of concern to Millinam, and nothing that would bring into question GHC's suitability as a client.

- **June, 2017:** Genesis Healthcare will pay the federal government \$53.6 million to settle six lawsuits alleging that companies the post-acute care system acquired submitted false Medicare claims for unnecessary treatment and delivered grossly substandard nursing care, the U.S. Justice Department announced Friday. Kennett Square, PA-based Genesis has acquired a number of post-acute care providers over the past several years. One of its acquisitions and its subsidiaries—Skilled Healthcare Group, Skilled Healthcare and Creekside Hospice—were accused of billing Medicare for hospice services for patients who were not terminally ill and thus not eligible for the Medicare hospice benefits. The federal government also alleged the companies inappropriately billed the CMS for physician evaluation management services from April 2010 through March 2013. (*Source: Modern Healthcare, June 16, 2017. Full article here: <http://www.modernhealthcare.com/article/20170616/NEWS/170619910>.*)
- **May, 2017:** Genesis Healthcare Inc. on Tuesday reported a loss of \$50.8 million in its first quarter, compared to \$43.0 million in the previous year's quarter. On a per-share basis, the company said it had a loss of 55 cents. Losses, adjusted for restructuring costs and non-recurring costs, came to 50 cents per share. The operator of nursing homes and senior living communities posted revenue of \$1.39 billion in the period, compared to \$1.47 billion in the 2016 first quarter. "First quarter results were in line with our expectations and we are very pleased with the execution and management of the controllable aspects of our business," said George V. Hager Jr., Chief Executive Officer of Genesis ... "We continue to believe industry fundamentals will remain under pressure in 2017, but are encouraged by sequential volume and mix trends more in line with historical seasonal patterns and some moderation in labor inflation. We are also ahead of schedule on our non-strategic asset divestitures, which will allow for increased focus on markets where we have geographic density." (*Source: Southern Chester County News, May 09, 2017. Details here: <http://www.southernchestercountyweeklies.com/article/SC/20170509/NEWS/170509939>.*)

Litigation History:

Screening for involvement in illegal activity via news sources, Internet search engines, and LexisNexis federal and state court databases and dockets I found only a handful of cases involving GHC, with no evidence of any issues of concern. I found no evidence that GHC is litigious or susceptible to litigation, and no evidence that they have ever been in a legal dispute with a professional advisor.

Comments:

GHC was previously screened twice, the last time being on September 06, 2013 by Chelo Gable for Mike Blivess.

At the leadership level, GHC screens acceptably as I uncovered no evidence of adverse media coverage or litigation history for any of the named official. At the entity level, there is available a moderate amount of press attention, none of which was particularly adverse in tone or content, with the possible exception of the May, 2017 news article I included in the News section above. I found no worrisome involvement in litigation, and nothing that would be of concern to Milliman.

As for their financial condition, Moody's withdrew their ratings in August, 2016. In the attached financial report, D&B offers less than stellar ratings picture of GHC, reflective of an entity with a moderate risk of payment issues and a moderate to high risk of financial distress in the near term. These ratings remain unchanged since the last 2013 screen. These ratings were also supported by the presence of 199 Trade Experiences with which to determine that GHC pays its financial obligations within terms 73% of the time, then requiring generally 12 days beyond terms to satisfy their past due accounts. Notable is their Largest High Credit of \$200,000 with evidence of a Highest Past Due amount of \$95,000. Notable also is the presence of 1 Lien, 36 Suits, and 91 UCC Filings.

To conclude Jill, to the extent of my research I can find no material evidence to suggest that continuing a business relationship with GHC would pose an undue risk to Milliman. D&B considers them to be in a stable financial condition, but because their rather poor ratings have remained unchanged since the 2013 screen, you may want to consider asking for a retainer, but that is up to you. I hope this information helps you in making your determination. If you need more research into GHC, please let me know and I will be happy to help.

Dan Ritchie c-dan.ritchie@milliman.com.



Add attachment

- Screening Details

Screener *:

Completed Date:

Report Status:

New Pending Secondary-Review
 Secondary-Screen Sent/Complete
 Cancel

Due Date:

Health Risk Assessment Form Returned:

Yes No

Client Risk Assessment Statement:

Conditional Acceptance
 Non-Acceptance
 Standard Acceptance

- Data from Consultant

Date *:

Client *:

10/17/2017

Discipline(s) Involved *:

- Casualty
- Employee Benefits
- Health
- Life

Client Status *:

- New Client Existing Client
- RMAP Referral

Client Website URL (if known):

<http://genesishcc.com>

Casualty consultants: please indicate if this is an 'existing client' being screened to comply with discipline periodic screening requirements.

Type of Client *:

- Public sector/government
- Publicly traded company
- Private company
- New Entity (less than 1 year old)
- Captive Insurance Company

For international screens, please select 'INTL'

Client Location *:

- US
- International

State *:

PA

Consultant *: 

HQ Address:

Genesis HealthCare Headquarters
101 East State Street
Kennett Square, PA 19348

Names/Titles of Officers (if known):

Do you know of any litigation or other issues of which we should be made aware *: Yes No

Additional Comments to Aid the Screening:

 Click here to attach a file

* -indicates required field