

## Health Care Impact Statement

Regarding the Proposed Sale and Change in Control and Governance of Providence St. Elizabeth Care Center by Providence Health System – Southern California to Toluca Way Health Holdings LLC and West Star Healthcare LLC, affiliates of The Ensign Group, Inc.

Prepared for the Office of the Attorney General  
California Department of Justice  
Healthcare Rights and Access Section

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Principal

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## **A. Qualifications**

I am a licensed nursing home administrator and recognized expert with over 36 years of experience in nursing home operations and quality improvement. I am an author and coauthor of two books, “Meeting the Leadership Challenge in Long-Term Care,” and “A Long-Term Care Leader’s Guide to High Performance,” and I have published multiple articles related to improving clinical and human resource outcomes in senior care communities. I have served on the Centers for Medicare and Medicaid Services (CMS) technical expert panel, which designed the Quality Assurance Performance Improvement (QAPI) federal regulation and provider education materials. In addition, I have served as project manager of California’s and Rhode Island’s federally funded Quality Improvement Organizations (QIOs), under contract with CMS, as part of the National Nursing Home Quality Initiative. I have also served as the chairman of California’s Advancing Excellence in Nursing Homes campaign, and I served as lead faculty for the California Association of Health Facilities’ Long-Term Care Leadership Academy in California for over 20 years. Throughout the COVID-19 pandemic, I served on the Alameda County Public Health Department’s long-term care facility COVID-19 outbreak team. I currently serve as a court-appointed compliance monitor over a mid-sized nursing home chain in California.

## **B. Scope of the Health Care Impact Statement**

I have been retained by the Office of the Attorney General to provide this Healthcare Impact Statement regarding the potential impact on health care quality and the availability and accessibility of health care services from the proposed sale of the assets of Providence St. Elizabeth Care Center (St. Elizabeth), a 52-bed skilled nursing facility (SNF) located at 10425 Magnolia Boulevard in North Hollywood, California, by Providence Health System – Southern California,<sup>1</sup> a California nonprofit religious corporation (Providence), to Toluca Way Health Holdings LLC, a Nevada limited liability company, and concurrent transfer of the operations to West Star Healthcare LLC, a Nevada limited liability company, both affiliates of The Ensign Group, Inc. (Ensign), a Delaware corporation.<sup>2</sup>

This Health Care Impact Statement is prepared pursuant to and in accordance with California Corporations Code 5914 et seq, and California Code of Regulations, title 11, section 999.5. Pursuant to Corporations Code section 5917, the Attorney General shall consider any factors that the Attorney General deems relevant when making a determination on whether to consent to any agreement or transaction for which written consent is required, including but not limited to, whether the agreement or transaction creates a significant impact on the availability and accessibility of health care services in the affected communities. Pursuant to California Code of Regulations, title 11, section 999.5, subdivision (e)(5), the Attorney General shall prepare an independent health care impact statement to address these factors.

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<sup>1</sup> <https://www.providence.org/>

<sup>2</sup> For ease of reference, The Ensign Group, Inc. and its affiliates Toluca Way Health Holdings LLC and West Star Healthcare LLC are collectively referred to as Ensign for the remainder of this Health Care Impact Statement.

The health care impact statement shall include an assessment of the effect of the transaction on the provision of health care services to Medi-Cal patients, county indigent patients, and any other class of patient, the staffing for patient care, the retention of employees and their right to provide input on health quality and staffing issues. (Cal. Code Regs., tit. 11, § 999.5, subd. (e)(6)(C).) Specifically, I have been asked to provide an independent analysis on the proposed sale and transfer of control of nonprofit St. Elizabeth to for-profit Ensign and its for-profit affiliates and assess whether the transaction would create any potential negative impacts on the availability, accessibility, and quality of health care services provided by St. Elizabeth. In addition, I have been asked to recommend potential conditions that the Attorney General might consider to mitigate any potential negative impacts of the transaction should the Attorney General decide to consent to the transaction.

This Health Care Impact Statement evaluates the relevant factors related to the proposed sale, including the performance history of applicant Providence in comparison to the historical performance of the SNFs currently operated by the proposed buyer, Ensign and its affiliates, members, and owners, and in comparison, to state and national averages. It concludes with recommended mitigating conditions to reduce potential adverse effects on health care quality, staffing, and access.

**C. Proposed Transaction**

If the Attorney General consents to the proposed transaction, St. Elizabeth’s assets and control and governance shall transfer from Providence to Ensign and its affiliates. Ensign’s members and owners include individuals who jointly or separately own, operate, and hold ownership interests in over 82 SNFs located in California and approximately 350 SNFs nationwide.

Ensign, incorporated in Delaware and founded in 1999, is a holding company that has wholly owned, independently operated SNFs. Ensign is a publicly traded company that went public in 2007 and is listed on NASDAQ under the ticker symbol ENSG.<sup>3</sup> Ensign charges fees to their SNFs for access to the Ensign Service Center, which provides centralized payroll, general accounting, human resources, information technology, legal support, risk management, and other centralized services to its SNFs.

Providence owns and operates St. Elizabeth, a non-profit 501(c)(3) organization that has been serving seniors since 1964. The proposed transaction is one component of a broader transaction in which Providence is selling seven additional SNFs in other states to Ensign. See Table 1 below.

**Table 1. Providence Health Facilities included in the broader transaction with Ensign**

<b>Health Facility</b>	<b>Address</b>	<b>Operator</b>
St. Joseph Care Center	17 E 8 <sup>th</sup> Ave., Spokane, WA 99202	Providence Health & Services - Washington
Emilie Court Assisted Living	34 E 8 <sup>th</sup> Ave., Spokane, WA 99202	Providence Health & Services - Washington

<sup>3</sup> [www.ensigngroup.net](http://www.ensigngroup.net)

Marionwood Care Manor	3725 Providence Point Drive, Issaquah, WA 98029	Providence Health & Services - Washington
Mother Joseph Care Center	3333 Ensign Rd., Olympia, WA 98506	Providence Health & Services - Washington
Benedictine Nursing Center	540 S. Main St., Mt. Angel, OR 97362	Providence Health & Services - Oregon
Extended Care and Transitional Care Center	920 Compassion Circle, Anchorage, AK 99504	Providence Health & Services - Washington
Horizon House	4140 Folker Street, Anchorage, AK 99508	Providence Health & Services - Washington

Providence, a California nonprofit religious corporation and regional subsidiary of Providence Health & Services, a Washington nonprofit religious corporation, owns and maintains the license for St. Elizabeth. Accordingly, St. Elizabeth has been governed by Providence. Providence owns and operates a network of hospitals, acute care facilities, medical foundation clinics, home health services, and SNFs. Providence also owns Providence Health Insurance, a licensed health plan.

#### **D. List of Materials Relied Upon**

The following is a list of documents, research studies, materials, and information from public websites that I consulted in the drafting of this report. These sources are noted as references in footnotes.

- Providence’s Notice of Proposed Submission and Request for Consent and supplemental materials.
- Records of Centers for Medicare & Medicaid Services (CMS) Care Compare Archives - <https://data.cms.gov/provider-data/archived-data/nursing-homes>
- Records of CMS Care Compare - <https://www.medicare.gov/care-compare/>
- Records of Nursing Home Care Compare Five-Star Quality Rating System Technical User’s Guide, January 2026 - <https://www.cms.gov/medicare/provider-enrollment-andcertification/certificationandcompliance/downloads/usersguide.pdf>
- Medi-Cal Cost Reports - <https://reports.siera.hcai.ca.gov>
- Records of state licensing and federal certification inspections and surveys from the California Department of Public Health (CDPH) and CMS
- Records of CMS Payroll Based Journal (PBJ) staffing database - <https://data.cms.gov/quality-of-care/payroll-based-journal-daily-nurse-staffing/data>
- Records of CMS Nursing Home Affiliated Entities - <https://data.cms.gov/quality-of-care/nursing-home-chain-performance-measures/data>
- Summaries of interviews with stakeholders
- Published literature on skilled nursing and quality of long-term care

#### **E. Overview of Providence St. Elizabeth Care Center**

In California, a SNF provides 24-hour skilled nursing care and rehabilitative services to individuals with complex medical needs. The majority of new resident admissions come directly from general

acute care hospitals. After being discharged from a hospital, many residents recover at a SNF and then discharge to a lower level of care.

A SNF is often referred to by various names, including “nursing home,” “convalescent hospital,” “long-term care facility,” and “rehabilitation center.” These facilities are designed to care for individuals who require ongoing medical care and assistance with activities of daily living (ADLs), those who are recovering from recent hospitalization, or those who have other complex health-related issues. The California Department of Public Health (CDPH) regularly inspects SNFs every 12- 30 months and performs additional inspections in response to complaints and facility self-reported incidents to determine compliance with both state and federal nursing home regulations.<sup>4</sup>

St. Elizabeth has historically provided care and services to both Medicare and Medi-Cal elderly residents who live locally and are connected to Providence via their Providence Health Insurance plan or through treatment in one of Providence’s general acute care hospitals. From 2022-2024, about 80% of St. Elizabeth’s beds were occupied with 31% of the residents covered by Medicare, 40% covered by Medi-Cal, 22% private pay, and 7% covered by other commercial insurance.

#### **F. Providence St. Elizabeth Care Center Under Ensign Control**

On June 1, 2025, Providence and Ensign obtained CDPH approval to enter into an interim management agreement prior to the completion of the transaction. Under the agreement, Ensign has been providing management operation services at St. Elizabeth since June 1, 2025.<sup>5</sup>

##### **1. Onsite Visit**

On May 5, 2026, I conducted an onsite review of St. Elizabeth where I observed, in response to the advertising deficiency discussed below, a banner that read Providence St. Elizabeth Care Center hanging over the sign bearing the new name of the facility under Ensign’s management. I toured the facility, where I observed the environment and residents and met the staff and administrative team. After the tour, I had the opportunity to interview the resident council president, the Medical Director, two family members of residents at St. Elizabeth, the Administrator, and the Director of Nursing (DON). Almost a year had elapsed since Ensign started managing St. Elizabeth and, according to the individuals I spoke with, the SNF is on an upward trajectory.

The onsite visit took place on May 5, 2026, and the facility was celebrating Cinco de Mayo with residents and staff enjoying food and live music. I noticed the friendly staff, the fresh paint and new floors, and the well-groomed residents. The facility was clean and there were no unpleasant

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<sup>4</sup> Health and Safety Code section 1422, subdivision (b).

<sup>5</sup> Copies of the Side Letter and Interim Management Agreement, are included as Exhibits 3 and 4 to Providence’s notice of the transaction pursuant to California Code of Regulations, title 11, section 999.5(d)(1)(B), respectively, and the documentation evidencing CDPH’s approval of the change of management in connection therewith is included in Exhibit 5 to the notice pursuant to section 999.5(d)(1)(B).

odors. The residents' call lights were being answered timely and a group of residents were engaged with Activities Department staff in a central dining room.

According to the Administrator, 52 beds are now in service at St. Elizabeth after they moved the therapy gym from a 4-bed resident room to a converted dining/activity room to accommodate the increase in short-stay rehabilitation residents. The census was 48 residents with 73% considered short-stay and covered by Medicare or Medicare Advantage plans.

The DON reported that they have significantly increased the direct care Registered Nurse (RN) staffing levels to meet the increase in the aggregate resident acuity levels. The DON reported that the RN staffing levels have been doubled, and now St. Elizabeth has RN coverage across all three shifts. In addition, the DON reported that the staffing levels on the overnight shift doubled as well.

I also met the Operations Manager who reports to the Administrator. The Operations Manager role is unique to Ensign SNFs; you do not find this position in other SNFs in California. The Operations Manager was active on the nursing units and addresses issues for residents that do not require RN or Certified Nursing Assistant (CNA) competencies. As such, the Operations Manager may save the nursing staff time by resolving issues in their early stages.

The St. Elizabeth leadership team shared the metrics that help drive their operations and where they ranked compared to other local Ensign SNFs. Resident post-discharge satisfaction survey scores, new employee onboarding satisfaction survey scores, staffing hours per patient day (HPPD), and staff turnover rates appear to be tabulated by the Ensign Service Center and distributed back to the Ensign SNFs. In each measure of performance, St. Elizabeth has ranked favorably among its Ensign peers from October 2025 through April 2026.<sup>6</sup>

## 2. Deficiencies

Despite these positive metrics provided by the facility, since Ensign began operating St. Elizabeth, the SNF has received more health inspection deficiencies, as discussed below, than other nursing homes in California that are 59 beds or less. In California, a "deficiency" is a finding by CDPH that either a state or federal nursing home regulatory requirement is not being met. Nursing home regulatory deficiencies are identified through a combination of health inspections and compliance surveys that occur every 12 to 30 months pursuant to Health and Safety Code section 1422, subdivision (b). CDPH surveyors observe facility practices, review records, and check compliance with nursing home regulations.<sup>7</sup> Deficiencies are documented and describe the federal or state requirement that was not met and the scope and severity of each deficiency. Once deficiencies are found, facilities must develop a plan of correction within specified timeframes. If a nursing home fails to timely correct a deficiency, CDPH can impose civil monetary penalties, which are per-day fines for each day that a nursing home remains out of compliance.

CMS contracts with CDPH to conduct federal nursing home recertification surveys and investigate complaints and self-reported incidents. The California state surveyors follow standardized federal survey protocols to assess whether facilities meet federal nursing home requirements. These

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<sup>6</sup> Ensign ranking data was provided by the leadership team at St. Elizabeth.

<sup>7</sup> Health and Safety Code section 1422, subdivision (c).

surveys are based on the Requirements for Long Term Care Facilities to participate in Medicare (42 CFR Part 483, Subpart B) and are designed to detect violations in areas such as resident care, safety, infection control, staffing, and quality of life.

While under Ensign's operational control, St. Elizabeth was cited by CDPH surveyors for violating the following nursing home requirements, among others:

- In late December 2025, St. Elizabeth's annual recertification survey by CDPH went poorly, and the facility was issued two Immediate Jeopardy deficiencies (deficiencies assessed at the highest scope and severity) for violations of federal regulations related to medication error rate of 5% or greater and a significant medication error.<sup>8</sup> In addition, St. Elizabeth was issued a related level A state citation and corresponding \$20,000 fine for violating similar state regulations under title 22.
- On January 2, 2026, CDPH inspectors stated that the facility failed to obtain approval from CDPH prior to implementing its new facility name, Toluca Lake Transitional Care, on signboards and official documents.<sup>9</sup> The inspectors noted that the deficient practice resulted in false advertising by using an unlicensed facility name. The inspectors also found a violation of a requirement that spaces approved for specific uses at the time of licensure shall not be converted to other uses without the approval of CDPH, noting that Providence failed to obtain approval from CDPH prior to the conversion of the St. Elizabeth activity room into the rehabilitation gym.<sup>10</sup>
- In late February 2026, St. Elizabeth received a B citation for violating residents rights associated with safe transfers and discharges of residents.<sup>11</sup> CDPH investigated a complaint regarding an unsafe discharge of a resident and found that St. Elizabeth failed to provide the resident written notice that Medicare-covered services were ending, including information on how to file an appeal.
- Also in late February 2026, CDPH noted that St. Elizabeth failed to provide discharge instructions to support a safe transition to home and failed to develop and implement an individualized discharge care plan and that these failures placed the resident at significant risk with the potential for rehospitalization.<sup>12</sup>

### 3. Interviews with Management, Staff, Residents, and Stakeholders

The St. Elizabeth Administrator and DON that I interviewed at St. Elizabeth shared some positive changes at St. Elizabeth and acknowledged there is still work to do to achieve their goals. The Administrator and DON described their ongoing plans of correction to ensure the deficiencies are

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<sup>8</sup> 42 C.F.R. §§ 483.45, subd. (f)(1), 483.45, subd. (f)(2). These types of deficiencies are discussed in greater detail in the State and Federal Deficiencies subpart of the Performance Analysis section, below.

<sup>9</sup> California Code of Regulations, title 22, Section 72509, subdivision (a).

<sup>10</sup> California Code of Regulations, title 22, Section 72603.

<sup>11</sup> 42 CFR § 483.15(c)(7).

<sup>12</sup> 42 CFR § 483.15.

not repeated. However, considering that the Immediate Jeopardy deficiency related to medication errors received in 2025 was a repeat deficiency from 2024, Ensign failed to ensure that the plan of correction from 2024 was in place to prevent the repeat deficiency in 2025. The DON described their current plan of correction related to the deficiencies, which includes ongoing competency training of all of the licensed nurses every quarter. The Administrator said that he is focused on regulatory compliance and raising their star rating on CMS Care Compare.

In other interviews at St. Elizabeth, key constituents expressed gratitude for the positive changes and investments that Ensign has made since June 2025. Family members of residents and the Resident Council president expressed their gratitude for the caring staff and the hands-on managers at St. Elizabeth who support them. The Medical Director described the improved relationships with hospitals outside of the Providence Health system who are referring new residents to St. Elizabeth, and he described the nursing home's positive reputation in the medical community.

However, in June 2026 I met with a stakeholder who reported that St. Elizabeth is on track to log more complaints to their office this year compared to last year, and noted that there has been an increase in complaints from residents at St. Elizabeth. At the conclusion of the interview, the stakeholder expressed trepidation regarding the proposed transaction based on experience with Ensign SNFs and first-hand discussions with some former Ensign administrators. The stakeholder shared that failure to staff the nursing homes to meet the aggregate resident acuity levels and a concentrated focus on profit were cited as the common concerns by the former administrators.

#### 4. Summary of Onsite Visit, Deficiencies, and Interviews

The onsite review of St. Elizabeth and the interviews with key constituents provide important insight regarding the proposed transaction. Since June 2025, Ensign has made improvements to the physical space, steered St. Elizabeth toward a higher census, and improved the mix of payors, which has led to increased financial stability for the facility. On the other hand, St. Elizabeth's health inspection results have not improved under Ensign's control. However, the posted staffing levels and the increase in RN hours that I observed during the onsite review gave me confidence that St. Elizabeth's star rating will increase.

### **G. Performance Analysis**

#### 1. CMS Care Compare Star Ratings

Over 20 years ago, CMS launched the Care Compare website that provides performance ratings for SNFs across the United States. It includes a set of star ratings (1 – 5 stars) for each SNF that participates in Medicare or Medicaid, which is known as Medi-Cal in California. The Care Compare rating system features an overall star rating based on a nursing home's ratings across three types of performance domains, each of which has its own associated five-star rating. See Table 2 below.

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**Table 2. CMS Care Compare Performance Domains.**<sup>13</sup>

Care Compare Performance Domain	Subject of Evaluation
Health Inspections	Outcomes of Regulatory Inspections
Staffing	Staffing Levels and Staff Stability
Quality Measures	Clinical Care Outcomes

Care Compare provides consumers with a simple way to distinguish between high- and low-performing nursing homes through a single, user-friendly interface that aggregates complex measures of performance from multiple datasets.

The star rating under the Health Inspections domain is based on outcomes from CDPH federal recertification surveys and complaint investigations. SNFs that participate in Medicare and Medicaid have onsite recertification and regulatory focused inspections. Inspections are unannounced and conducted by a team of healthcare professionals who spend several days in the SNF to assess compliance with federal and state nursing home requirements and regulations.

The star ratings under the Staffing domain are based on six measures including three nurse staffing-level measures and three measures of staff turnover. Staffing star ratings are based on a nursing home’s staffing levels compared to their aggregate resident clinical acuity level (acuity = clinical care complexity and labor intensity) to ensure consumers are not misled by staffing hours alone.

Quality Measures (QM) star ratings are based on resident assessments and Medicare claims. The ratings for the quality measures are based on 15 individual quality measures that are posted on the Care Compare website and updated quarterly. These include quality measures such as the percentage of residents with pressure wounds, the percentage of resident falls and sustained serious injuries, the percentage of resident emergency room visits, and 12 other quality measures. St. Elizabeth’s consistent 5-star rating in the QM domain (Table 3 below) means the nursing home was performing much above average on the set of clinical and resident-outcome measures CMS uses to evaluate and rate care quality.

## 2. St. Elizabeth Star Ratings

St. Elizabeth’s overall star rating on Care Compare has averaged 2.75 stars (out of a possible 5 stars) over the past four years, which is considered slightly below average compared to other nursing homes in California.<sup>14</sup> See Table 3 below.

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<sup>13</sup> <https://www.cms.gov/medicare/provider-enrollment-and-certification/certificationandcompliance/downloads/usersguide.pdf>.

<sup>14</sup> Reported ratings in the month of April of each year. CMS star ratings range from 1 star (well below average) to 5 stars (well above average). A 3-star rating is considered “average.”

**Table 3. St. Elizabeth star ratings on CMS Care Compare.<sup>15</sup>**

Year	Overall	Health Inspection	Quality Measures	Staffing
2023	3	3	5	1
2024	4	3	5	3
2025	2	1	5	3
2026	2	1	5	3
<b>Average</b>	<b>2.75</b>	<b>2</b>	<b>5</b>	<b>2.5</b>

### 3. Ensign Star Ratings

As of December 2025, Ensign owned and operated 334 SNFs in 17 states with available data.<sup>16</sup> The total number of Ensign SNFs increases every quarter as they acquire additional SNFs throughout the US.<sup>17</sup> In May 2026, Ensign had twice as many 5 star rated nursing homes as 1 star rated nursing homes in the US. And the Ensign SNFs’ average overall star rating of 3.2 stars was higher than St. Elizabeth’s 2-star rating. See Table 4 below.

**Table 4. Ensign’s 334 SNFs average star ratings compared to St. Elizabeth on Care Compare, May 2026.<sup>18</sup>**

SNF(s)	Overall	Health Inspection	Quality Measures	Staffing
<b>St. Elizabeth</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>3</b>
<b>Ensign US Average</b>	<b>3.2</b>	<b>2.9</b>	<b>4.4</b>	<b>2.4</b>

Ensign and its affiliates own approximately 82 SNFs that operate in California, of which 76 had data that were examined for this analysis. See Table 5 below.

**Table 5. Ensign California SNFs average star ratings compared to St. Elizabeth on CMS Care Compare, May 2026.<sup>19</sup>**

SNF(s)	Overall	Health Inspection	Quality Measures	Staffing
<b>St. Elizabeth</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>3</b>
<b>Ensign CA SNFs Average</b>	<b>3.5</b>	<b>3.1</b>	<b>4.6</b>	<b>3.1</b>
<b>CA SNFs Average</b>	<b>3.2</b>	<b>2.8</b>	<b>4.2</b>	<b>3.1</b>

The data above reflects that the average overall star rating of the 76 Ensign SNFs in California was 3.5 stars, which is above the state average. Across all the CMS Care Compare performance

<sup>15</sup> <https://data.cms.gov/provider-data/archived-data/nursing-homes>

<sup>16</sup> <https://www.medicare.gov/care-compare/> (accessed May 2026).

<sup>17</sup> [Nursing Home Giant Ensign Adds More Than 1,200 Beds Across California, Iowa and Wisconsin - Skilled Nursing News](#)

<sup>18</sup> <https://www.medicare.gov/care-compare/> (accessed May 2026).

<sup>19</sup> <https://data.cms.gov/provider-data/archived-data/nursing-homes>

measures, Ensign’s California SNFs met or exceeded the average star ratings for all nursing homes in California, and they compare favorably to St. Elizabeth star ratings as well.

In February 2023, Sabra Health Care REIT sold 17 SNFs in California to Ensign and its affiliates.<sup>20</sup> A closer analysis of how these 17 SNFs in California changed as a result of that transaction allows for deeper insight into how St. Elizabeth may be similarly impacted by the proposed transaction. See Table 6 below.

**Table 6. List of 17 California SNFs acquired by Ensign in early 2023.**

SNF Name	Licensed Beds	Address	City
Alamitos-Belmont Rehabilitation Hospital	94	3901 East 4th St	Long Beach
Beachside Nursing Center	59	7781 Garfield Ave	Huntington Beach
Broadway by the Sea	98	2725 East Broadway	Long Beach
Chatsworth Park Health Care	128	10610 Owensmouth	Chatsworth
Coventry Court Health Center	97	2040 S Euclid Ave	Anaheim
Danville Post-Acute Rehab	68	336 Diablo Rd	Danville
Edgewater Skilled Nursing Center	81	2625 East 4th St	Long Beach
Fairfield Post-Acute Rehab	99	1255 Travis Blvd	Fairfield
Fairmont Rehabilitation Hospital	59	950 S. Fairmont	Lodi
Garden View Post-Acute Rehabilitation	97	14475 Garden View Lane	Baldwin Park
Grand Terrace Health Care Center	59	12000 Mount Vernon Ave	Grand Terrace
Lake Balboa Care Center	50	16955 Vanowen St	Van Nuys
Lomita Post-Acute Care Center	71	1955 West Lomita Blvd	Lomita
New Orange Hills	145	5017 East Chapman Ave	Orange
Madera Post Acute Center	148	11900 Ramona Blvd	El Monte
Pacifica Nursing & Rehab Center	68	385 Esplanade	Pacifica
Palm Terrace Care Center	71	11162 Palm Terrace Lane	Riverside

In May 2026, or approximately three years after those 17 SNFs were acquired by Ensign, four were rated 5 stars and four others were rated just 1 star on CMS Care Compare. Under Ensign’s control, the average star rating of the 17 SNFs was 3.3 stars, and their average ratings met or exceeded the state average across all three CMS Care Compare performance domains. See Table 7 below.

**Table 7. Ensign’s 17 SNFs ratings on Care Compare, May 2026.<sup>21</sup>**

Star Ratings - May 2026	Overall	Health	Quality	Staffing
Alamitos-Belmont Rehabilitation Hospital	3	2	5	3
Beachside Nursing Center	5	4	5	2
Broadway by the Sea	1	1	4	3

<sup>20</sup> <https://skillednursingnews.com/2023/02/ensign-adds-17-skilled-nursing-communities-as-sabra-deal-closes/>

<sup>21</sup> [Find Healthcare Providers: Compare Care Near You | Medicare](#) (accessed May 2026).

Chatsworth Park Health Care	1	1	4	3
Coventry Court Health Center	4	3	5	4
Danville Post-Acute Rehab	4	3	5	3
Edgewater Skilled Nursing Center	2	2	3	3
Fairfield Post-Acute Rehab	5	4	5	4
Fairmont Rehabilitation Hospital	4	3	5	4
Garden View Post-Acute Rehabilitation	4	3	5	3
Grand Terrace Health Care Center	4	4	4	3
Lake Balboa Care Center	5	5	5	5
Lomita Post-Acute Care Center	3	2	5	3
New Orange Hills	1	2	3	1
Madera Post Acute Center	1	1	4	3
Pacifica Nursing & Rehab Center	5	5	5	4
Palm Terrace Care Center	4	3	5	3
<b>Ensign Average</b>	<b>3.3</b>	<b>2.8</b>	<b>4.5</b>	<b>3.2</b>
<b>CA Average</b>	<b>3.2</b>	<b>2.8</b>	<b>4.2</b>	<b>3.1</b>

The ratings help to maintain a facility’s good standing with Medicare Advantage and other insurance plans and attract a greater number of residents and their families who are searching for a nursing home.

#### 4. Ensign Star Ratings Compared to St. Elizabeth

Compared to St. Elizabeth, the average star ratings of the 17 Ensign SNFs were higher in three of four CMS Care Compare performance ratings. See Table 8 below.

**Table 8. Comparison of Providence St. Elizabeth Care Center to the 17 Ensign SNFs, May 2026.<sup>22</sup>**

As of May, 2026	Current Star Ratings St. Elizabeth Care Center	Current Average Star Ratings of 17 Ensign CA SNFs
<b>Overall Star Rating</b>	<b>2</b>	<b>3.3</b>
<b>Health Inspections</b>	<b>1</b>	<b>2.8</b>
<b>Staffing</b>	<b>3</b>	<b>3.2</b>
<b>Quality Measures</b>	<b>5</b>	<b>4.5</b>

<sup>22</sup> <https://www.medicare.gov/care-compare/> (accessed May 2026).

According to the St. Elizabeth Administrator, if the sale closes, St. Elizabeth will be part of an Ensign “cluster” with four nearby Ensign SNFs. The cluster model is unique to Ensign and focuses on developing mutual support and collaboration among a small cluster of Ensign SNFs that are geographically close together. Ensign SNFs in a cluster are accountable for each other’s performance and they are consistently ranked by the Ensign Service Center according to key performance metrics. Two of the four SNFs in the cluster were acquired by Ensign in 2023 and are included among the 17 Ensign SNFs referenced above. See Table 9 below.

**Table 9. Ensign cluster of SNFs that St. Elizabeth will join.**

<b>Cluster</b>	<b>Licensed Beds</b>	<b>Address</b>	<b>City</b>
St. Elizabeth Care Center	52	10425 Magnolia Blvd.	North Hollywood
Chatsworth Park Health Care	128	10610 Owensmouth	Chatsworth
Lake Balboa Care Center	50	16955 Vanowen St	Van Nuys
Mission Care Center	59	4800 Delta Ave	Rosemead
Panorama Gardens Nursing and Rehabilitation	151	9541 Van Nuys Blvd	Panorama City

The Ensign SNFs within the cluster have lower average ratings than the state average on three of the four performance domains on CMS Care Compare. See Table 10 below.

**Table 10. Ensign cluster SNFs ratings on CMS Care Compare.<sup>23</sup>**

	<b>Jun-26</b>	<b>Jun-26</b>	<b>Jun-26</b>	<b>Jun-26</b>
<b>Cluster</b>	<b>Overall</b>	<b>Health</b>	<b>QM</b>	<b>Staffing</b>
Mission Care Center	4	3	5	3
Panorama Gardens Nursing and Rehabilitation	3	2	5	3
Chatsworth Park Health Care	1	1	4	3
Lake Balboa Care Center	4	3	5	3
<b>Cluster Average</b>	<b>3</b>	<b>2.25</b>	<b>4.75</b>	<b>3</b>
<b>17 Ensign SNFs Average</b>	<b>3.3</b>	<b>2.8</b>	<b>4.5</b>	<b>3.2</b>
<b>CA Average</b>	<b>3.2</b>	<b>2.8</b>	<b>4.2</b>	<b>3.1</b>

The cluster’s below-average rating of 2.25 stars under health inspections reflects the most recent survey results. A 5-star rating in any of the three domains on CMS Care Compare adds a star to the SNF’s overall rating.

5. Ensign Star Ratings as a Predictor of St. Elizabeth’s Future Performance Under Ensign’s Control

To further assess the potential impact of the proposed sale of St. Elizabeth, the 17 Ensign SNFs’ performance ratings were compared to the performance ratings under their previous management company and Real Estate Investment Trust (REIT). The year 2019 was selected as the baseline

<sup>23</sup> <https://www.medicare.gov/care-compare/> (accessed June 2026).

comparison year because each of the 17 Ensign SNFs was operating under previous owners, and it is the last full year of data prior to the start of the COVID-19 pandemic. The years 2024 and 2025 were utilized for comparison purposes, as Ensign had full operational control of the 17 SNFs and the public health emergency of COVID-19 had ended.

In 2019, while operated by the prior management company and REIT, the 17 SNFs had higher average overall and health inspection star ratings than the same SNFs did in May 2026 under Ensign. The average staffing and quality measure ratings among the 17 SNFs remained the same. See Table 11 below.

**Table 11. Comparing 17 SNFs change in Care Compare star ratings, 2019 vs. 2026.<sup>24</sup>**

Date	Overall	Health	Quality	Staffing
April, 2019	3.8	3.3	4.5	3.2
May, 2026	3.3	2.8	4.5	3.2

The 17 SNFs that Ensign acquired in 2023 were generally higher performing SNFs under the prior owners. Under Ensign control, the average staffing and quality measure ratings have been maintained, but the average health inspections star ratings have declined, which has negatively impacted their average overall star rating.

The star ratings for the Health Inspections domain on CMS Care Compare are based on the number, scope, and severity of deficiencies identified during the two most recent inspections, as well as findings from the 24 most recent months of complaint inspections. To assign a star rating, CMS assigns points to each deficiency cited, and the higher scope and severity of the deficiency, the more points are assigned. Each nursing home is then ranked within the state based on their total number of health inspection deficiency points. The top 10% of the nursing homes with the fewest deficiency points within each state receive a 5-star rating on CMS Care Compare, while the bottom 20% are rated 1 star, and the remaining 70% are ranked 2 to 4 stars based on their ranking. See Exhibit 1 below.

**Exhibit 1. Federal Deficiency Scope and Severity Scale<sup>25</sup>**

Severity	Scope		
	Isolated	Pattern	Widespread
Immediate jeopardy to resident health or safety	<b>J</b> 50 points* (75 points)	<b>K</b> 100 points* (125 points)	<b>L</b> 150 points* (175 points)
Actual harm that is not immediate jeopardy	<b>G</b> 20 points	<b>H</b> 35 points (40 points)	<b>I</b> 45 points (50 points)
No actual harm with potential for more than minimal harm that is not immediate jeopardy	<b>D</b> 4 points	<b>E</b> 8 points	<b>F</b> 16 points (20 points)
No actual harm with potential for minimal harm	<b>A</b> 0 point	<b>B</b> 0 points	<b>C</b> 0 points

Note: Figures in parentheses indicate points for deficiencies that are for substandard quality of care.

<sup>24</sup> <https://data.cms.gov/provider-data/archived-data/nursing-homes>

<sup>25</sup> Nursing Home Compare Five-Star Quality Rating System Technical User’s Guide, January 2026. <https://www.cms.gov/medicare/provider-enrollment-and-certification/certificationandcompliance/downloads/usersguide.pdf>.

At the top of the scope and severity scale above are the most severe and potentially life-threatening regulatory deficiencies that present Immediate Jeopardy, a situation in which immediate corrective action on the part of nursing home managers is necessary because the facility’s noncompliance with one or more federal regulations has caused, or is likely to cause, serious injury, harm, or death to a resident. One level below Immediate Jeopardy deficiencies are Actual Harm deficiencies, in which a resident or residents suffered actual physical or emotional harm due to noncompliance with one or more federal regulations.

Since June 1, 2025, when Ensign began operating St. Elizabeth, the facility has been cited by CDPH for failing to follow 32 federal nursing home requirements, including two Immediate Jeopardy deficiencies. See Table 12 below.

**Table 12. Violations of federal nursing home requirements at St. Elizabeth since 6/1/25.<sup>26</sup>**

Date	Regulations	Scope and Severity*	Description
11/25/25	F684 – Quality of Care	D	The inspectors found that the facility failed to ensure one resident received care in accordance with professional standards of practice to attain or maintain the highest practicable physical well-being, when RN failed to conduct an assessment after CNA reported that she overheard the resident state he was going to hurt himself if he was not allowed to leave the facility.
12/4/25	F 755 – Pharmacy Services	E	The facility failed to maintain accountability of controlled substances which increased the risk of drug diversion and the risk that residents could have received too much or too little medication possibly resulting in serious health complications requiring hospitalization.
12/10/26	F912 - Bedrooms must offer at least 80 square feet per resident.	B	The facility converted room 25 from a therapy room to a 4-bed room which did not meet the 80 square feet per resident requirement.
12/29/25	21 Deficiencies Cited During Recertification Survey	D to IJ	Twenty-one deficiencies including two Immediate Jeopardy deficiencies exceed the average among other SNFs that are less than 59 beds.
1/30/26	Six Deficiencies Cited During a Follow-up to the	D to E	Six additional deficiencies for violations of regulations that pertain to resident rights, staff competencies, discharge practices, and others.

<sup>26</sup> <https://www.cdph.ca.gov/Programs/CHCQ/LCP/CalHealthFind/Pages/SearchResult.aspx>

	Recertification Survey		
4/2/26	Two Deficiencies During a Complaint Investigation	D	Violations of resident rights, and resident nutrition and hydration requirements.

\*See Exhibit 1 for description of deficiency scope and severity levels.

Again, St. Elizabeth was issued two Immediate Jeopardy deficiencies in late December 2025. According to ProPublica’s Nursing Home Inspect database, a total of 233 nursing homes in California have received Immediate Jeopardy deficiencies in the last three years out of 1,164 total homes, which is 20% of the state’s nursing homes. This state average is higher than the national average (16%), but less than in Los Angeles County, where 40% of the nursing homes have been cited for Immediate Jeopardy deficiencies in the last 3 years.<sup>27</sup>

According to CMS Care Compare, there are 24 SNFs within five miles of St. Elizabeth, and just one is rated higher than 3 stars (Palazzo Post Acute at 4 stars). Not a single SNF is rated 5 stars and 38% of the SNFs near St. Elizabeth are rated 1 star. Furthermore, of the eight SNFs in North Hollywood and nearby Burbank, six have a 1-star rating under the Health Inspections domain on CMS Care Compare.<sup>28</sup>

In 2024, under Providence management, St. Elizabeth fared no better during their annual inspection and was cited by CDPH for 22 deficiencies, including two Immediate Jeopardy level deficiencies for a medication error rate over 5%, and other pharmacy services violations. And in 2023, the annual recertification survey results for St. Elizabeth were below average when they were cited for 19 deficiencies.

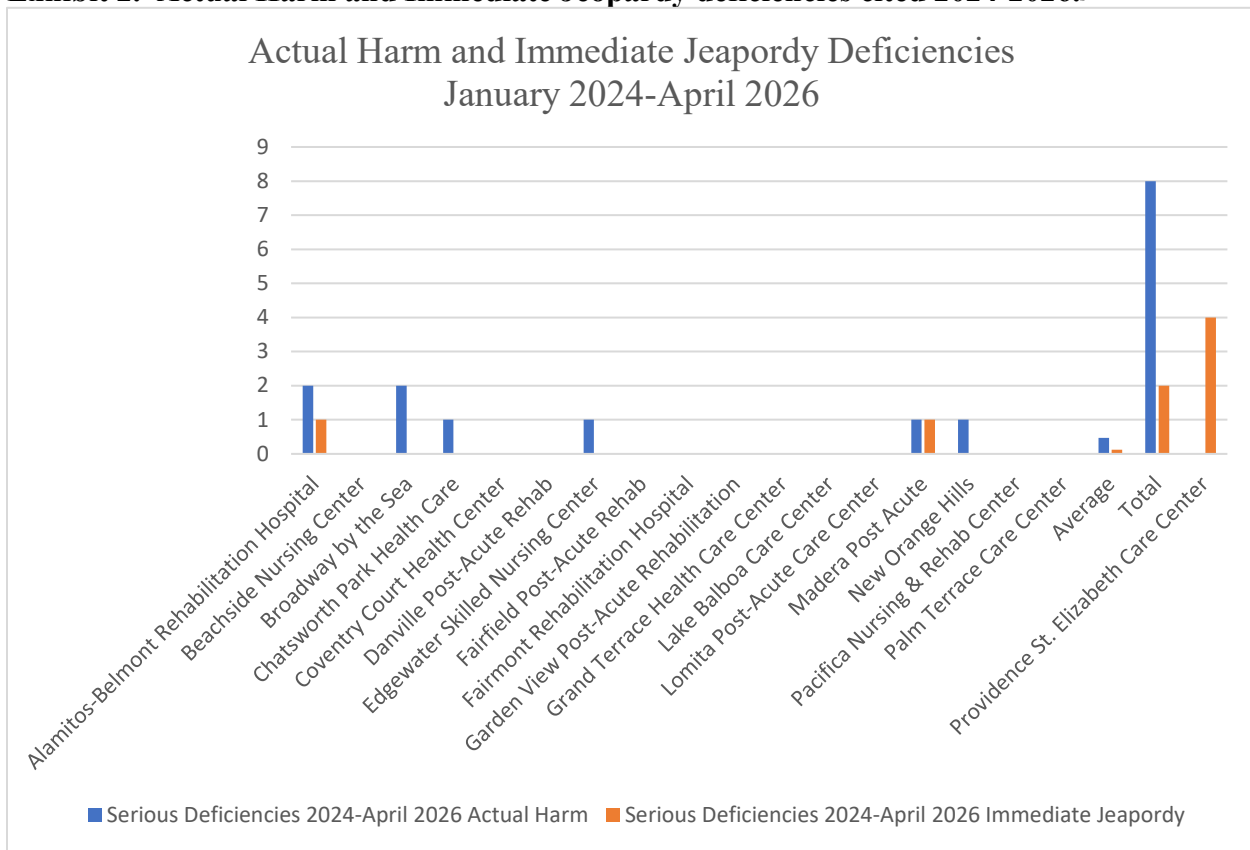
Since January 2024, the 17 SNFs under Ensign control had an aggregate total of eight Actual Harm deficiencies and two Immediate Jeopardy deficiencies (12%), which is less than the average rate of Immediate Jeopardy deficiencies (40%) among nursing homes in Los Angeles County over the past 3 years. More than half of the 17 Ensign SNFs (65%) had no serious deficiencies cited. See Exhibit 2 below.

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<sup>27</sup> [www.propublica.org](http://www.propublica.org) (accessed May 2026).

<sup>28</sup> <https://www.medicare.gov/care-compare/> (accessed May 2026).

**Exhibit 2. Actual Harm and Immediate Jeopardy deficiencies cited 2024-2026.<sup>29</sup>**



Since January 2024, two of the four Ensign cluster SNFs received an Actual Harm level deficiency, and one (Panorama Gardens) was issued an Immediate Jeopardy deficiency. See Table 13 below.

**Table 13. Serious deficiencies issued to Ensign cluster SNFs in the past 3 years.<sup>30</sup>**

SNF Name	Actual Harm	Immediate Jeopardy
Chatsworth Park Health Care	1	0
Lake Balboa Care Center	0	0
Mission Care Center	0	0
Panorama Gardens Nursing and Rehabilitation	1	1
<b>Average</b>	<b>0.5</b>	<b>0.25</b>
<b>Total</b>	<b>2</b>	<b>1</b>
<b>St. Elizabeth</b>	<b>0</b>	<b>4</b>

Life safety inspections of California SNFs are conducted annually and usually occur just after the completion of the CDPH annual health inspection. These inspections are designed to ensure

<sup>29</sup> <https://www.cdph.ca.gov/Programs/CHCQ/LCP/CalHealthFind/Pages/SearchResult.aspx>

<sup>30</sup> <https://www.medicare.gov/care-compare/> (accessed June 2026)

compliance with the Life Safety Code, which is a set of fire protection requirements published by the National Fire Protection Association (NFPA) and designed to provide a reasonable degree of safety from fire. Life safety deficiencies are based on violations of the Life Safety Code regulations.

Since 2023, the health and life safety deficiencies issued to St. Elizabeth have slightly declined. However, during this timeframe, St. Elizabeth has received twice as many health inspection and life safety code deficiencies than the average among all nursing homes of similar size (less than 59 beds) in the state. See Table 14 below.

**Table 14. Health inspection and life safety deficiencies issued to Providence St. Elizabeth Care Center from 2023 through May 2026.<sup>31</sup>**

Year	Health and Life Safety Deficiencies	State Average Health and Life Safety Deficiencies <sup>32</sup>
2026	6	3
2025	28	14
2024	32	18
2023	33	14
<b>Average</b>	<b>24.75</b>	<b>12.25</b>

Small nursing homes (less than 59 beds) like St. Elizabeth are more likely to receive fewer deficiencies than larger nursing homes. Their advantage stems from the fact that the CDPH inspectors select a smaller resident sample size during their annual inspections. As such, they are more likely to receive fewer deficiencies, which is why CDPH adjusts the statewide averages (above) based on facility type and facility size.

The 17 Ensign SNFs analyzed here had fewer health inspection and life safety code deficiencies cited than the state average for other SNFs of similar size. And more than half (65%) of the Ensign SNFs had fewer health and life safety deficiencies than their peers. See Table 15 below.

**Table 15. Ensign SNFs health and life safety inspection deficiencies cited in 2025 compared to state averages adjusted for facility size.<sup>33</sup>**

SNF Name	Health and Life Safety Deficiencies	State Average <sup>34</sup>
Alamitos-Belmont Rehabilitation Hospital	2	21
Beachside Nursing Center	16	14

<sup>31</sup> <https://www.cdph.ca.gov/Programs/CHCQ/LCP/CalHealthFind/Pages/SearchResult.aspx>

<sup>32</sup> Statewide averages are calculated for each metric, for each year, based on facility type and facility size.

<sup>33</sup> <https://www.cdph.ca.gov/Programs/CHCQ/LCP/CalHealthFind/Pages/SearchResult.aspx>

<sup>34</sup> Statewide averages are calculated for each metric, for each year, based on facility type and facility size.

Broadway by the Sea	11	21
Chatsworth Park Health Care	21	27
Coventry Court Health Center	27	21
Danville Post-Acute Rehab	1	14
Edgewater Skilled Nursing Center	12	21
Fairfield Post-Acute Rehab	11	21
Fairmont Rehabilitation Hospital	23	14
Garden View Post-Acute Rehabilitation	17	21
Grand Terrace Health Care Center	6	14
Lake Balboa Care Center	11	14
Lomita Post-Acute Care Center	32	21
New Orange Hills	23	27
Madera Post Acute Center	33	27
Pacifica Nursing & Rehab Center	0	21
Palm Terrace Care Center	30	21
<b>Average</b>	<b>16.25</b>	<b>20</b>
<b>Providence St. Elizabeth Care Center</b>	<b>28</b>	<b>14</b>

The Ensign cluster SNFs also had fewer health and life safety deficiencies compared to the state average. See Table 16 below.

**Table 16. Ensign Cluster SNFs health and life safety inspection deficiencies cited in 2025 compared to state averages adjusted for facility size.<sup>35</sup>**

SNF Name	Health and Life Safety Deficiencies	State Average <sup>36</sup>
Chatsworth Park Health Care	21	27
Lake Balboa Care Center	11	14
Mission Care Center	16	14
Panorama Gardens	21	27
<b>Cluster Average</b>	<b>17.25</b>	<b>20.5</b>

CMS Care Compare star ratings and health inspection results show the Ensign SNFs compare favorably to other SNFs. The two groups of Ensign SNFs examined here averaged fewer health and life safety deficiencies, and they had fewer serious health deficiencies than their peers. As a result, while the 17 Ensign SNFs purchased in 2023 saw their average overall star rating on CMS Care Compare decline compared to under former ownership in 2019, their average overall rating was higher than the average in California.

In summary, the 17 SNFs analyzed in this section saw their average overall and health inspection star ratings on CMS Care Compare decline while under Ensign control, but they had fewer health and life safety inspection deficiencies than the state average and they incurred fewer serious

<sup>35</sup> <https://www.cdph.ca.gov/Programs/CHCQ/LCP/CalHealthFind/Pages/SearchResult.aspx>

<sup>36</sup> Statewide averages are calculated for each metric, for each year, based on facility type and facility size.

deficiencies than the average for the other SNFs in Los Angeles County. St. Elizabeth currently has lower overall and health inspection star ratings than the average of Ensign SNFs. Ensign's stated commitment to investment in higher staffing levels with additional RNs at St. Elizabeth should lead to better compliance and star ratings.

## H. Staffing Analysis

According to CMS, "There is considerable evidence of a relationship between nursing home staffing levels and resident outcomes."<sup>37</sup> Inadequate staffing at nursing homes leads to higher resident mortality rates and more falls, pressure wounds, urinary tract infections, weight loss, and dehydration.<sup>38</sup> In fact, numerous research studies show that there is a strong relationship between nursing home residents' positive care outcomes and *higher* total nursing staff hours.<sup>39</sup> Finally, researchers find that CNA staffing levels predict missed or omitted ADL care and can explain the relationship between poor resident outcomes and low staffing levels.<sup>40</sup>

Federal nursing home regulations specify that each nursing home must provide nursing services to meet the care needs of its residents. Pursuant to 42 Code of Federal Regulations, section 483.70, subdivision (e)<sup>41</sup>:

The facility must have sufficient nursing staff with the appropriate competencies and skill sets to provide nursing and related services to assure resident safety and attain or maintain the highest practicable level of physical, mental, and psychosocial well-being of each resident, as determined by resident assessments and individual plans of care and considering the number, acuity, and diagnosis of the facility's resident population.

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<sup>37</sup> *Design for the Nursing Home Compare Five-Star Quality Rating System, Technical Users Guide*, April 2019. <https://www.cms.gov/medicare/provider-enrollment-and-certification/certificationandcompliance/downloads/usersguide.pdf>

<sup>38</sup> Harrington, C., et al., *Experts Recommend Minimum Nurse Staffing Standards at Nursing Facilities in the US*. *The Gerontologist*. 40(1):5-16. (2000).

<sup>39</sup> See Centers for Medicare & Medicaid Services, Abt Associates Inc., *Appropriateness of Minimum Nurse Staffing Ratios in Nursing Homes. Report to Congress: Phase II Final*. Volumes I-III. Baltimore, MD: CMS, 2001; Schnelle, J.F., Schroyer, L.D., Saraf, A.A., and Simmons, S.F., *Determining nurse aide staffing requirements to provide care based on resident workload: A discrete event simulation model*, *JAMDA*. 2016; 17:970-977; Dellefield, M.E., Castle, N.G., McGilton, K.S., & Spilsbury, K. *The relationship between registered nurses and nursing home quality: An integrative review (2008-2014)*, *Nursing Economics*, 2015; 33 (2):95-108 and 116; Castle, N. *Nursing home caregiver staffing levels and quality of care: A literature review*. *Journal of Applied Gerontology*, 2008; 27: 375-405.

<sup>40</sup> Kalisch, B.J. et al., *Do staffing levels predict missed nursing care?*, *Int. J. Qual Health Care* (2011), 23:302-308.

<sup>41</sup> <https://www.govinfo.gov/content/pkg/CFR-2019-title42-vol5/pdf/CFR-2019-title42-vol5-sec483-70.pdf>

Nursing homes are required to conduct clinical assessments of each resident at regular intervals. In their aggregate, these assessments provide evidence of the average acuity level of the nursing homes' resident population. This in turn establishes the type and amount of nursing staff needed to meet the residents' needs.

To allow consumers to accurately assess nursing home staffing levels, CMS case-mix adjusts a nursing home's staffing hours under the Staffing domain of CMS Care Compare by incorporating the residents' aggregate acuity level into the calculation. A facility with a 1-star or 2-star rating under the Staffing domain reflects that the nursing home had insufficient staffing levels for the residents' aggregate acuity level, whereby a 4- or 5-star staffing rating is indicative of staffing levels that are sufficient to meet the aggregate acuity level of the residents.

Section 6106 of the Affordable Care Act<sup>42</sup> requires all nursing homes certified by Medicare to electronically submit direct care staffing information based on their payroll data. The payroll data, when combined with census information, can then be used to report on the level of staff in each nursing home. Therefore, CMS has developed the Payroll Based Journal (PBJ) system for nursing homes to submit payroll information to CMS.<sup>43</sup> This system allows nursing home staffing data to be collected on a regular basis and submitted to CMS. Each nursing payroll data submission is audited to ensure accuracy, and all SNFs have access to this system at no cost. CMS PBJ data was utilized for this analysis.

California's SNFs must adhere to specific minimum staffing requirements, which are based on a low acuity<sup>44</sup> resident population. California requires SNFs to have:

- A minimum of one RN or licensed vocational nurse (LVN) always awake and on duty for facilities licensed for 59 or fewer beds.
- At least one RN or LVN awake and on duty at all times for facilities licensed for 60 to 99 beds, in addition to the director of nursing services.
- At least one RN awake and on duty at all times for facilities licensed for 100 or more beds, in addition to the director of nursing services.
- A minimum of 3.50 total nursing HPPD, of which 2.40 HPPD must be CNAs.<sup>45</sup>

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<sup>42</sup> Patient Protection and Affordable Care Act, Pub. L. No. 111-148, 124 Stat. 119 (2010), § 6106.

<sup>43</sup> <https://www.cms.gov/medicare/quality-initiatives-patient-assessment-instruments/nursinghomequalityinits/downloads/pbj-policy-manual-final-v25-11-19-2018.pdf>

<sup>44</sup> Acuity of residents is a measure of their clinical complexity and the nursing staff time needed to deliver safe care.

<sup>45</sup> Specifically, the formula for calculating the standard 3.50 HPPD is as follows: Total number of actual direct care service hours performed by direct caregivers per patient day divided by the average census during the patient day. The formula for calculating the standard 2.40 HPPD for CNAs is as follows: Total number of actual direct care service hours performed by CNAs per patient day ÷ the average census during the patient day.

According to Medi-Cal cost reports, from 2019-2024, total nursing HPPD at St. Elizabeth consistently exceeded the California state minimum requirement of 3.50 total nursing HPPD, and 2.40 CNA HPPD. See Table 17 below.

**Table 17. St. Elizabeth Direct Care HPPD 2019 to 2024.**<sup>46</sup>

Year	RN HPPD	CNA HPPD	Total Nursing HPPD
2024	.14	2.30	3.93
2023	.11	2.24	4.51
2022	.13	2.70	4.23
2021	.22	2.70	4.12
2020	.26	2.80	4.16
2019	.13	2.53	3.85
<b>Average</b>	<b>.17 RN HPPD</b>	<b>2.54 CNA HPPD</b>	<b>4.13 HPPD</b>

For a SNF with under 59 beds like St. Elizabeth (52 beds), the DON hours count towards the direct care RN HPPD. In Table 13 above, the direct care RN HPPD was so low, it appears that St. Elizabeth had relied on the DON to deliver direct resident care. Including DON hours increases the average to .31 RN HPPD to the Table above.

Although CDPH allows DON hours to count toward direct care hours, small nursing homes should not rely on the DON to provide direct resident care. A DON has numerous managerial tasks to complete each day, regardless of the size of the SNF. Thus, if a DON is required to deliver clinical care and complete resident assessments as the RN, the opportunities for omissions of managerial and clinical supervision increase substantially. During the onsite tour, the St. Elizabeth Administrator and DON both verbalized their commitment to sustaining the current direct care RN hours and excluding the DON hours from their RN HPPD calculation.

The research regarding the positive impact of higher RN hours in nursing homes is compelling. One literature review focused exclusively on RN staffing in nursing homes and found that higher RN staffing was associated with better resident care quality, including decreased mortality, fewer pressure wounds, and reduced probability of rehospitalization.<sup>47</sup>

CMS points out the importance of RN staffing, stating:

Registered nurses (RNs) are licensed healthcare professionals who are responsible for the coordination, management and overall delivery of care to the residents. Some nursing home residents who are sicker than others may require a greater level

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<sup>46</sup> <https://reports.siera.hcai.ca.gov> The total HPPD in 2024 includes .15 agency HPPD. The total HPPD in 2023 includes .76 agency HPPD.

<sup>47</sup> Dellefield, M.E. Castle, N. McGilton, K. *The relationship between registered nurses and nursing home quality: An integrative review* (2008-2014) *Nursing Economics*. 2015; 32:95-106.

of care, and nursing homes that have more RN staff may be better able to meet the needs of those residents.<sup>48</sup>

RNs have advanced education and training and are essential to design, implement, and monitor individual resident care plans. RNs are trained in infection control, resident assessment, and care planning. In fact, RNs are the only discipline that can clinically assess a resident. Furthermore, RNs are responsible for supervising LVNs and CNAs.<sup>49</sup>

In the fourth quarter of 2025, the 16 Ensign SNFs<sup>50</sup> averaged .56 RN HPPD, which was less than the average RN HPPD among all nursing homes in California (.67 RN HPPD), but slightly higher than the average of the SNFs under the prior operators in 2019. See Table 18 below.

**Table 18. Analysis of changes in RN HPPD for 16 SNFs, 2019 vs Q4 2025.<sup>51</sup>**

SNF	2019	Q4 2025
Alamitos-Belmont Rehabilitation Hospital	0.41	0.46
Beachside Nursing Center	0.55	0.41
Broadway by the Sea	0.42	0.43
Chatsworth Park Health Care	0.34	0.40
Coventry Court Health Center	0.54	0.48
Danville Post-Acute Rehab	0.79	0.60
Edgewater Skilled Nursing Center	0.25	0.49
Fairfield Post-Acute Rehab	0.96	1.04
Fairmont Rehabilitation Hospital	0.57	0.51
Garden View Post-Acute Rehabilitation	0.36	0.43
Grand Terrace Health Care Center	0.59	0.45
Lake Balboa Care Center	0.73	0.86
Lomita Post-Acute Care Center	0.46	0.42
Madera Post Acute Center	0.27	0.37
Pacifica Nursing & Rehab Center	1.06	1.18

<sup>48</sup> CMS Five-Star Technical User’s Manual January 2025,

<https://www.cms.gov/medicare/provider-enrollment-and-certification/certificationandcompliance/downloads/usersguide.pdf>

<sup>49</sup> California Nurse Practice Act - <https://rn.ca.gov/practice/npa.shtml>

<sup>50</sup> Sixteen instead of 17 SNFs because New Orange Hills did not submit fourth quarter 2025 staffing data.

<sup>51</sup> <https://data.cms.gov/quality-of-care/payroll-based-journal-daily-nurse-staffing/data> (accessed May 2026) for the fourth quarter of 2025. The 2019 RN HPPD data was collected from Medi-Cal cost reports at <https://reports.siera.hcai.ca.gov>. This does not include DON hours.

Palm Terrace Care Center	0.28	0.45
<b>Average</b>	<b>.54 HPPD</b>	<b>.56 HPPD</b>
<b>Providence St. Elizabeth Average</b>	<b>.13 HPPD</b>	<b>.61 HPPD</b>
<b>California SNFs Average</b>	<b>.62 HPPD</b>	<b>.67 HPPD</b>

Nursing homes in California are required to post their daily nursing hours in a visible location for consumers to see. Specifically, they must display the projected number of nursing staff directly responsible for resident care for each shift and their projected total nursing HPPD and CNA HPPD.

During my onsite review of St. Elizabeth on May 5, 2026, the posted staffing levels were projected at 4.17 total nursing HPPD, 2.67 CNA HPPD, with .67 direct care RN HPPD. The St. Elizabeth PBJ data for the third and fourth quarters of 2025 contained multiple errors due to an inflated facility census caused by five residents remaining in the system after they had discharged after Ensign started managing the facility on June 1, 2025. Therefore, I relied upon PBJ data for the fourth quarter of 2024 to May 31, 2025, and utilized the facility’s internal state-required staffing records for the fourth quarter of 2025 and first quarter of 2026 staffing data in the Table below, where I included DON hours. See Table 19 below.

**Table 19. St. Elizabeth staffing HPPD Q4 2024 to Q1 2026.<sup>52</sup>**

<b>Time Period</b>	<b>Managing Entity</b>	<b>RN HPPD</b>	<b>CNA HPPD</b>	<b>Total Nursing HPPD</b>
Q4 2024	Providence	.29	2.31	3.50
Q1 2025	Providence	.29	2.34	3.45
4/1/25-5/31/25	Providence	.36	2.34	3.66
Q4 2025	Ensign	.74	2.58	4.28
Q1 2026	Ensign	.73	2.67	4.47

Utilizing CMS archived 2019 PBJ staffing data, under prior owners, the 16 SNFs<sup>53</sup> saw their average total nursing HPPD increase slightly compared to the fourth quarter of 2025 under Ensign. See Table 20 below.

**Table 20. Ensign 16 SNFs total nursing HPPD, 2019 vs 2025.<sup>54</sup>**

<b>Total Staffing HPPD</b>	<b>2019</b>	<b>Q4 2025</b>
Alamitos-Belmont Rehabilitation Hospital	4.50	4.20
Beachside Nursing Center	4.50	4.32

<sup>52</sup> <https://data.cms.gov/quality-of-care/payroll-based-journal-daily-nurse-staffing/data> (accessed May 2026). Includes DON HPPD. Ensign started managing St. Elizabeth on 6/1/25.

<sup>53</sup> Sixteen SNFs had data, not 17. New Orange Hills did not submit PBJ date for the fourth quarter of 2025.

<sup>54</sup> <https://data.cms.gov/provider-data/archived-data/nursing-homes>

Broadway by the Sea	3.95	4.36
Chatsworth Park Health Care	3.83	4.12
Coventry Court Health Center	4.54	4.18
Danville Post-Acute Rehab	4.00	4.47
Edgewater Skilled Nursing Center	3.75	4.31
Fairfield Post-Acute Rehab	4.45	4.30
Fairmont Rehabilitation Hospital	4.32	4.57
Garden View Post-Acute Rehabilitation	4.10	4.06
Grand Terrace Health Care Center	4.38	4.48
Lake Balboa Care Center	4.69	4.86
Lomita Post-Acute Care Center	4.22	4.09
Madera Post Acute Center	4.21	3.99
Pacifica Nursing & Rehab Center	5.37	5.40
Palm Terrace Care Center	4.23	4.46
<b>Average</b>	<b>4.31 HPPD</b>	<b>4.39 HPPD</b>
<b>St. Elizabeth Average</b>	<b>3.85 HPPD</b>	<b>4.28 HPPD</b>
<b>California Average</b>	<b>4.29 HPPD</b>	<b>4.52 HPPD</b>

Under Ensign control, St. Elizabeth’s total nursing HPPD was under both the average of the 16 Ensign nursing homes and the average among all nursing homes in California. However, first quarter 2026 staffing data shows that St. Elizabeth had reached 4.47 total nursing HPPD. In the fourth quarter of 2025, the four Ensign SNFs in the cluster had staffing levels that were lower than the state average, and lower than the average among the 17 Ensign SNFs. See Table 21 below.

**Table 21. Ensign Cluster SNFs staffing HPPD Quarter 4 2025.**<sup>55</sup>

<b>Cluster</b>	<b>RN HPPD</b>	<b>CNA HPPD</b>	<b>Total Staffing HPPD</b>
Mission Care Center	0.65	2.34	4.46
Panorama Gardens Nursing and Rehabilitation	0.32	2.53	3.81
Chatsworth Park Health Care	0.40	2.55	4.12
Lake Balboa Care Center	0.86	2.52	4.68
<b>Average</b>	<b>0.56</b>	<b>2.49</b>	<b>4.28</b>
<b>California Average</b>	<b>0.67</b>	<b>2.65</b>	<b>4.52</b>

Both groups of Ensign SNFs had lower average RN, CNA, and total nursing HPPD than their peers in California. I expect that Ensign will sustain the first quarter 2026 staffing levels at St. Elizabeth,

<sup>55</sup> <https://data.cms.gov/provider-data/archived-data/nursing-homes>

which were higher than the average of both groups of Ensign SNFs that were analyzed. The higher staffing levels at St. Elizabeth should translate into better regulatory compliance.

## I. Staff Turnover Analysis

The association between staff stability and quality outcomes has been well documented in published nursing home research.<sup>56</sup> Measures of staff stability (staff turnover, staff retention) are mutually reinforcing measures and are important proxies for clinical outcomes of care.<sup>57</sup> In fact, CMS has explored the relationship between staff turnover and quality and their analysis reflects that when the staff turnover rate decreases, the SNF sees an increase in their overall CMS Care Compare star rating, suggesting that lower staff turnover is associated with higher overall quality and better compliance with federal nursing home regulations.<sup>58</sup>

Based on my experience, and highlighted in my books,<sup>59</sup> SNFs with lower direct-care staff turnover rates have a foundational *clinical* advantage over other SNFs with high staff turnover rates. When nursing staff turnover is low, the nursing staff are more likely to know the residents very well. As a result, they can identify a resident's change in condition sooner and escalate their observation to the other nurses and medical director. The early identification of a change in condition enables the nursing staff to implement clinical interventions timely. Therefore, the nursing staff turnover rate is an important predictor of clinical quality.

Researchers have found that high turnover means poorer health outcomes for nursing home residents.<sup>60</sup> A review of CMS data by Consumer Voice, a nursing home resident advocacy organization, shows that nursing homes with higher turnover have higher instances of resident abuse, poorer Medicare star ratings, and greater numbers of substantiated resident complaints.<sup>61</sup>

A 2025 study of over 2,500 SNFs that changed ownership between January 2018 and June 2023 found that after a sale, facilities often took on more patients per day but did not proportionally increase staffing. This led to a decline in nurse staffing by about 0.09 hours per resident per day

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<sup>56</sup> Bostick, Rantz, Flesner, Riggs. *Systematic Review of Studies of Staffing and Quality in Nursing Homes*. JAMDA. April 2006, <https://pubmed.ncbi.nlm.nih.gov/16843237/> (accessed December 2025).

<sup>57</sup> Collier and Harrington. *Staffing Characteristics, Turnover Rates, and Quality of Resident Care in Nursing Facilities*. Research in Gerontological Nursing. July 2008, <https://pubmed.ncbi.nlm.nih.gov/20077960/> (accessed December 2025).

<sup>58</sup> CMS QSO-22-08-NH, January 2022, <https://www.cms.gov/files/document/qso-22-08-nh.pdf>

<sup>59</sup> Farrell, David et al., *Meeting the Leadership Challenge in Long-Term Care: What You Do Matters* (2011) and Brady, Cathie et al., *A Long-Term Care Leader's Guide to High Performance: Doing Better Together* (2018).

<sup>60</sup> Zhen, Qing et al., "Association between staff turnover and nursing home quality – evidence from payroll-based journal data," J Am Geriatr Soc. 2022;1–9.

<sup>61</sup> [https://theconsumervoice.org/wp-content/uploads/2024/06/High\\_Staff\\_Turnover-A\\_Job\\_Quality\\_Crisis\\_in\\_Nursing\\_Homes.pdf](https://theconsumervoice.org/wp-content/uploads/2024/06/High_Staff_Turnover-A_Job_Quality_Crisis_in_Nursing_Homes.pdf)

and noted that staffing imbalances can contribute to turnover, which in turn may disrupt the residents' continuity of care.<sup>62</sup>

In 2024, the 17 Ensign SNFs' average staff turnover rate was 49%, which exceeded the average among all SNFs in the state (41%), and was significantly higher than the staff turnover rate of the 17 SNFs under previous operators in 2019 (32%). The proposed sale of St. Elizabeth to Ensign may have a negative impact on the staff turnover rate, like the SNFs in Table 22 below.

**Table 22. Nursing staff turnover rates of 17 SNFs in 2019 under previous owners vs 2024 under Ensign control.**<sup>63</sup>

<b>SNF Name</b>	<b>2019</b>	<b>2024</b>
Alamitos-Belmont Rehabilitation Hospital	39%	32%
Beachside Nursing Center	29%	41%
Broadway by the Sea	30%	87%
Chatsworth Park Health Care	41%	40%
Coventry Court Health Center	42%	36%
Danville Post-Acute Rehab	31%	26%
Edgewater Skilled Nursing Center	34%	72%
Fairfield Post-Acute Rehab	41%	56%
Fairmont Rehabilitation Hospital	33%	46%
Garden View Post-Acute Rehabilitation	37%	42%
Grand Terrace Health Care Center	36%	42%
Lake Balboa Care Center	20%	44%
Lomita Post-Acute Care Center	28%	46%
New Orange Hills	35%	65%
Madera Post Acute Center	23%	56%
Pacifica Nursing & Rehab Center	20%	32%
Palm Terrace Care Center	27%	68%
<b>Average</b>	<b>32%</b>	<b>49%</b>
<b>CA State Average</b>	<b>Not Available</b>	<b>41%</b>

The staff turnover rate of the four Ensign SNFs in the cluster was also higher than the state average. See Table 23 below.

<sup>62</sup>Prusynski R, Amaravadi H, Frogner B. Impacts of Skilled Nursing Facility Change of Ownership on Staffing: A Staggered Difference-in-Difference Analysis Journal of the American Medical Directors Association, 2025; 26

<sup>63</sup> [www.medicare.gov](http://www.medicare.gov)

**Table 23. Ensign Cluster SNFs staff turnover rates 2024.**<sup>64</sup>

<b>Cluster</b>	<b>Staff Turnover</b>
Mission Care Center	49%
Panorama Gardens Nursing and Rehabilitation	48%
Chatsworth Park Health Care	36%
Lake Balboa Care Center	44%
<b>Cluster Average</b>	<b>44%</b>
<b>CA State Average</b>	<b>41%</b>

Both groups of Ensign SNFs had higher average staff turnover rates than their peers. Therefore, St. Elizabeth will likely see higher staff turnover rates if the transaction is approved. Nursing home transitions to new owners can lead to significant changes to employee pay, benefits, health plans, pregnancy disability leave accruals, and other human resource policies. Thus, for these and other reasons, SNF ownership changes can trigger staff to reevaluate their employment, and more staff departures can result.

#### **J. Clinical Quality Measures Analysis**

Some resident clinical quality measures reported on Care Compare serve as important proxies when analyzing nursing home staffing levels and turnover rates. Two quality measures displayed on Care Compare—the percentage of long-stay residents who had one or more falls with a major injury and the percentage of long-stay residents with pressure wounds—are both highly sensitive to, and impacted by, nurse staffing levels, and the stability and consistency of the nursing staff on duty each shift.<sup>65</sup>

Care Compare describes these two quality measures as follows:<sup>66</sup>

*Percentage of long-stay residents experiencing one or more falls with major injury.*

This measure reports the percentage of long-stay residents who have experienced one or more falls with major injury reported in the target period or look-back period (one full calendar year).

*Percentage of long-stay residents with pressure wounds.*

This measure captures the percentage of long-stay residents with Stage II-IV or unstageable pressure wounds in the target period or look-back period (one full calendar year).

In May 2026, St. Elizabeth had a lower percentage of long-stay residents who fell and experienced serious injury, and a lower percentage of long-stay residents with pressure wounds than the state

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<sup>64</sup> <https://reports.siera.hcai.ca.gov>

<sup>65</sup> Bostick, Rantz, Flesner, Riggs. *Systematic Review of Studies of Staffing and Quality in Nursing Homes*. JAMDA. April 2006, <https://pubmed.ncbi.nlm.nih.gov/16843237/>.

<sup>66</sup> *Nursing Home Care Compare Technical Users Guide*, January 2026

average. In addition, 15 Ensign SNFs had average quality measures<sup>67</sup> that were also below the state average. See Table 24 below.

**Table 24. Quality Measures for Ensign SNFs vs. St. Elizabeth, May 2026.<sup>68</sup>**

SNF Name	LS Falls with Major Injury	LS Pressure Wounds
Alamitos-Belmont Rehabilitation Hospital	1.40%	0.70%
Beachside Nursing Center	1.60%	7.80%
Broadway by the Sea	0%	3.20%
Chatsworth Park Health Care	4.40%	7.50%
Coventry Court Health Center	0%	3.50%
Danville Post-Acute Rehab	3.80%	2.90%
Edgewater Skilled Nursing Center	0.90%	6.70%
Fairfield Post-Acute Rehab	0%	3%
Fairmont Rehabilitation Hospital	5.60%	7.10%
Garden View Post-Acute Rehabilitation	0%	4.80%
Grand Terrace Health Care Center	3.10%	3.50%
Lomita Post-Acute Care Center	0%	7.60%
New Orange Hills	0.20%	4.60%
Madera Post Acute Center	1.50%	4%
Palm Terrace Care Center	0%	0%
<b>Ensign Average</b>	<b>1.50%</b>	<b>4.46%</b>
<b>State Average</b>	<b>1.60%</b>	<b>4.50%</b>
<b>Providence St. Elizabeth Care Center</b>	<b>0%</b>	<b>4.30%</b>

The Ensign cluster SNFs had slightly higher rates of long-stay residents with pressure ulcers and falls with injury. See Table 25 below.

**Table 25. Ensign Cluster SNFs Quality Measures May 2026.**

Cluster	LS Falls with Injury	LS Pressure Ulcers
Mission Care Center	<b>0</b>	<b>4.90%</b>
Panorama Gardens Nursing and Rehabilitation	<b>1.10%</b>	<b>2.70%</b>
Chatsworth Park Health Care	<b>4.40%</b>	<b>7.50%</b>
Lake Balboa Care Center	<b>NA</b>	<b>NA</b>

<sup>67</sup> Only 15 of the 17 Ensign SNFs had long-stay resident quality measures.

<sup>68</sup> <https://www.medicare.gov/care-compare/> (accessed May 2026) Pacifica and Lake Balboa had no long-stay quality measures due to very low long-stay residents.

<b>Cluster Average</b>	<b>1.83%</b>	<b>5.03%</b>
<b>State Average</b>	<b>1.60%</b>	<b>4.50%</b>
<b>15 Ensign SNFs Average</b>	<b>1.50%</b>	<b>4.46%</b>

The Ensign cluster SNFs had a higher average percentage of long-stay residents who experienced falls with injuries and long-stay residents with pressure ulcers, yet the average among the group of 15 Ensign SNFs is lower than the state average.

## **K. Financial Analysis**

### **1. New Resident Admissions**

In June 2025, St. Elizabeth began implementing strategic changes designed to increase revenue by admitting more short-term, clinically complex, higher-paying Medicare and Medicare Advantage residents from hospitals outside of the Providence Health System. As a result, St. Elizabeth has increased their total census and the percentage of short-stay Medicare and Medicare Advantage population to 73% on May 5, 2026.

New resident admissions are an indicator for determining whether a SNF is serving a high percentage of short-stay rehabilitation residents. Admitting a new SNF resident is a time-consuming process requiring RNs and LVNs to conduct clinical assessments, develop a care plan, order medications, and clarify physician orders. As such, nurse staffing levels must accommodate the increased workload commensurate with an increase in new resident admissions (and discharges).

According to Medi-Cal cost report census data, compared to their performance under prior owners in 2019, the 17 Ensign SNFs experienced a decrease in resident admissions in 2024. In fact, the SNFs' new resident admissions declined by 35% in 2024 compared to 2019 under previous ownership. See Table 26 below.

**Table 26. New resident admissions 2019 vs 2024.<sup>69</sup>**

<b>Admissions</b>	<b>2019</b>	<b>2024</b>
Alamitos-Belmont Rehabilitation Hospital	599	471
Beachside Nursing Center	893	690
Broadway by the Sea	473	337
Chatsworth Park Health Care	863	434
Coventry Court Health Center	805	484
Danville Post-Acute Rehab	720	297
Edgewater Skilled Nursing Center	382	191
Fairfield Post-Acute Rehab	645	513

<sup>69</sup> <https://reports.siera.hcai.ca.gov>

Fairmont Rehabilitation Hospital	486	338
Garden View Post-Acute Rehabilitation	463	316
Grand Terrace Health Care Center	651	410
Lake Balboa Care Center	605	531
Lomita Post-Acute Care Center	529	314
New Orange Hills	993	463
Madera Post Acute Center	700	233
Pacifica Nursing & Rehab Center	1,019	1,017
Palm Terrace Care Center	749	525
<b>Ensign Total</b>	<b>11,575</b>	<b>7,564</b>
<b>Ensign Average</b>	<b>681</b>	<b>445</b>
<b>St. Elizabeth</b>	<b>146</b>	<b>219</b>

The 17 Ensign SNF’s decrease in new resident admissions was likely due to a strategic shift away from Kaiser Medicare Advantage to Medicare and Medicare Advantage residents, where they have greater control over residents’ length of stay. Their strategic shift resulted in fewer admissions and a much higher aggregate profit (see Table 27) of the 17 SNFs in 2024 compared to 2019.

St. Elizabeth has seen an increase in new resident admissions since Ensign started managing the facility in June 2025. According to the St. Elizabeth Administrator, St. Elizabeth has added 4 beds that were out of service, and they are accepting new admissions from local hospitals which are outside of the Providence Health system. As a result, St. Elizabeth is averaging 40 new resident admissions per month in 2026, which is significantly higher than the average of 18 new admissions per month under Providence management.

2. Profitability

In 2019, under previous ownership, the 17 SNFs earned an aggregate total of just under \$3.6 million in profit. In 2024, under Ensign operational control, those same SNFs saw their aggregate profit increase by 78% to almost \$23 million. See Table 27 below.

**Table 27. Profit of 17 SNFs in 2019 under prior owners compared to 2024 under Ensign.**<sup>70</sup>

<b>Profit</b>	<b>2019</b>	<b>2024</b>
Alamitos-Belmont Rehabilitation Hospital	\$2,000	\$1,460,000
Beachside Nursing Center	\$493,000	\$935,000
Broadway by the Sea	\$216,000	\$473,000
Chatsworth Park Health Care	\$330,000	\$1,330,000
Coventry Court Health Center	\$927,000	\$1,530,000
Danville Post-Acute Rehab	\$53,000	\$852,000
Edgewater Skilled Nursing Center	\$306,000	\$781,000

<sup>70</sup> *Id.*

Fairfield Post-Acute Rehab	\$816,000	\$2,250,000
Fairmont Rehabilitation Hospital	- \$103,000	\$933,000
Garden View Post-Acute Rehabilitation	- \$449,000	\$1,540,000
Grand Terrace Health Care Center	- \$772,000	\$654,000
Lake Balboa Care Center	\$661,000	\$2,600,000
Lomita Post-Acute Care Center	\$164,000	\$1,520,000
New Orange Hills	\$1,370,000	\$1,230,000
Madera Post Acute Center	- \$1,290,000	\$387,000
Pacifica Nursing & Rehab Center	- \$284,000	2,300,000
Palm Terrace Care Center	\$1,150,000	\$2,190,000
<b>Total</b>	<b>\$3,590,000</b>	<b>\$22,965,000</b>
<b>Average</b>	<b>\$211,176</b>	<b>\$1,350,882</b>

The four Ensign cluster SNFs earned an aggregate profit of over \$7.81 million in 2024, and their average profit exceeded the average profit of the group of 17 Ensign SNFs. See Table 28 below.

**Table 28. Ensign Cluster SNFs Profit 2024.**<sup>71</sup>

<b>Cluster</b>	<b>Profit</b>
Mission Care Center	\$1.35m
Panorama Gardens Nursing and Rehabilitation	\$2.5m
Chatsworth Park Health Care	\$1.33m
Lake Balboa Care Center	\$2.63m
<b>Cluster Total</b>	<b>\$7.81m</b>
<b>Cluster Average</b>	<b>\$1.98m</b>
<b>17 Ensign SNFs Average</b>	<b>\$1.35m</b>

A research study that examined Ensign’s organizational structure, operations, and care outcomes between 2007 and 2021, called the for-profit, publicly traded company’s financial growth “remarkable” but found the nurse staffing levels were lower than the average among other SNFs.<sup>72</sup>

Ensign’s financial engineering resulted in remarkable financial growth and profits, with \$2.4 billion in annual revenues in 2020 and rapid growth in share prices (from \$3.71 to \$81.95 by November 2021).

Even though Ensign has remarkable financial resources to operate its [nursing homes], its strategy has been to keep its staffing levels low to maximize profits, based on evidence of its low staffing prior to and during the 2020 to 2021 pandemic.

<sup>71</sup> <https://reports.siera.hcai.ca.gov>

<sup>72</sup> Kingsley, David & Harrington, Charlene. (2022). *Financial and Quality Metrics of A Large, Publicly Traded U.S. Nursing Home Chain in the Age of Covid-19*. International journal of health services: planning, administration, evaluation. 52.

The researchers noted that RN staffing levels at Ensign SNFs did not match the resident acuity levels.<sup>73</sup> In May 2026, this did not appear to be the case at St. Elizabeth, where Ensign has increased RN staffing levels since they began managing the facility in June 2025. As has been previously noted, St. Elizabeth’s staffing data for the first quarter of 2026 reflects RN HPPD that exceeded the state average.

According to Medi-Cal cost reports, from 2019 to 2024, St. Elizabeth lost over \$12.5 million,<sup>74</sup> despite having a robust percentage of Medicare residents. See Table 29 below.

**Table 29. St. Elizabeth profit/(loss) from 2019-2024.**<sup>75</sup>

Year	Profit
2024	(\$3.16m)
2023	(\$2.13m)
2022	(\$3.76m)
2021	(\$1.74m)
2020	(\$1.05m)
2019	(\$673k)
<b>Total</b>	<b>(\$12.51m)</b>

While St. Elizabeth showed a loss of over \$3 million in 2024 based on the most recent available data, the Ensign SNFs analyzed here had an average profit of over \$1.3 million per SNF and their profit likely grew in 2025. Indeed, Ensign’s 2025 Annual Report indicates that both revenue and profit at their affiliated SNFs was higher in 2025 compared to 2024:

“...our consolidated revenues for the year were \$5.06 billion, an increase of 18.7% over the prior year. Lastly, our GAAP net income was \$344.0 million for the year and our adjusted net income for the year was \$386.6 million, an increase of 15.4% and 20.6%, respectively, over the prior year.”<sup>76</sup>

The key variable associated with the increase in Ensign’s revenue and profit in 2025 was the increase in their percentage “skilled mix” of Medicare, managed care and other health insurance plans. See Exhibit 3 below.

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<sup>73</sup> *Id.*

<sup>74</sup> <https://reports.siera.hcai.ca.gov>

<sup>75</sup> *Id.*

<sup>76</sup> Ensign 2025 Annual Report, page 2.

[https://s203.q4cdn.com/190017989/files/doc\\_financials/2025/ar/2025-Annual-Report.pdf](https://s203.q4cdn.com/190017989/files/doc_financials/2025/ar/2025-Annual-Report.pdf)

**Exhibit 3. Ensign 2025 Annual Report – Percentage of Skilled Nursing Days.**<sup>77</sup>

	Year Ended December 31,							
	Same Facility		Transitioning		Acquisitions		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
<b>PERCENTAGE OF SKILLED NURSING DAYS</b>								
Medicare	11.4 %	11.0 %	13.9 %	13.9 %	10.1 %	7.5 %	11.6 %	11.4 %
Managed care	14.8	14.4	11.2	10.3	9.5	7.1	13.5	13.4
Other skilled	6.1	5.7	4.5	3.6	4.3	3.0	5.6	5.1
<b>Skilled mix</b>	<b>32.3 %</b>	<b>31.1 %</b>	<b>29.6 %</b>	<b>27.8 %</b>	<b>23.9 %</b>	<b>17.6 %</b>	<b>30.7 %</b>	<b>29.9 %</b>
Private and other payors	9.9	10.5	8.8	10.1	13.6	16.1	10.3	10.7
Medicaid	57.8	58.4	61.6	62.1	62.5	66.3	59.0	59.4
<b>TOTAL SKILLED NURSING</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Ensign SNFs’ “skilled mix” drives their revenue, as indicated in the daily reimbursement rates in Exhibit 4 below.

**Exhibit 4. Ensign 2025 Annual Report – Daily Revenue Rates by Payor Source.**<sup>78</sup>

The following table reflects the change in skilled nursing average daily revenue rates by payor source, excluding services that are not covered by the daily rate<sup>(1)</sup>:

	Year Ended December 31,							
	Same Facility		Transitioning		Acquisitions		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
<b>SKILLED NURSING AVERAGE DAILY REVENUE RATES</b>								
Medicare	\$ 794.60	\$ 756.42	\$ 867.32	\$ 824.75	\$ 733.57	\$ 640.67	\$ 800.94	\$ 767.72
Managed care	580.98	555.22	612.73	569.70	563.86	475.65	583.47	555.37
Other skilled	647.55	627.88	602.64	560.62	702.70	657.94	647.69	620.42
Total skilled revenue	668.90	639.75	730.74	695.94	660.49	577.33	677.40	647.28
Medicaid	306.45	297.15	295.11	282.49	331.49	303.57	308.27	294.78
Private and other payors	296.84	277.27	313.66	285.73	346.37	301.84	308.27	280.24
Total skilled nursing revenue	\$ 422.67	\$ 401.49	\$ 425.65	\$ 397.59	\$ 412.24	\$ 351.38	\$ 421.69	\$ 398.66

(1) The rates are based on contractually agreed-upon amounts or rates, excluding the estimates of variable consideration under the revenue recognition standard, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606.

In the exhibit above, the average Medicare and managed care daily reimbursement rates are \$250-\$400 higher than the Medicaid (Medi-Cal) reimbursement rates. As such, Ensign and other nursing home companies are focused on caring for these residents covered by Medicare, managed care, and other health insurance plans.

3. Payors or “Skilled Mix”

Since June 2025, under Ensign’s operational control, St. Elizabeth has increased the percentage of Medicare and Medicare Advantage (managed care) residents substantially. Because the number of SNF beds in each facility is static, one would expect that the percentage of long-stay Medi-Cal residents would decline through attrition as more Medicare and Medicare Advantage short-stay

<sup>77</sup> *Id.* at p. 94.

<sup>78</sup> Ensign 2025 Annual Report, p. 94.

[https://s203.q4cdn.com/190017989/files/doc\\_financials/2025/ar/2025-Annual-Report.pdf](https://s203.q4cdn.com/190017989/files/doc_financials/2025/ar/2025-Annual-Report.pdf)

rehabilitation residents are accepted, and this has likely been the case at St. Elizabeth since Ensign began managing the SNF.

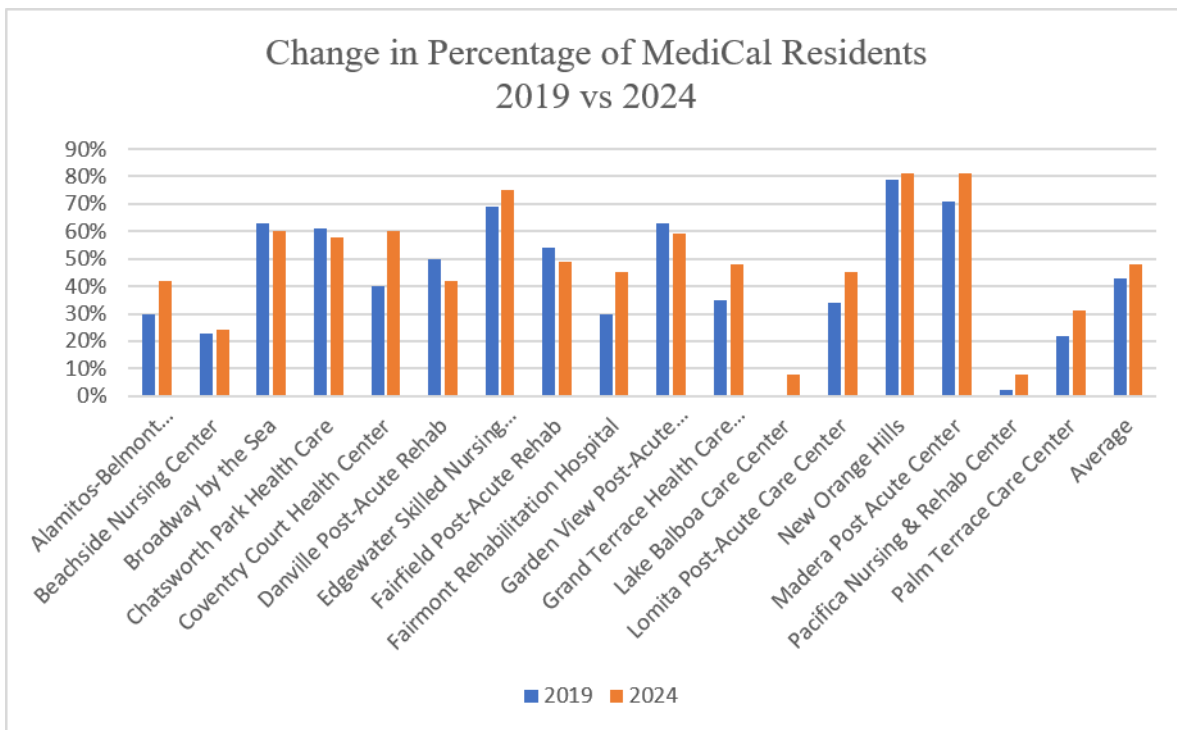
Historically, St. Elizabeth has served fewer Medi-Cal residents than other nursing homes in California, which average 66% Medi-Cal, while the percentage of self-paying residents has exceeded the state average.<sup>79</sup> See Table 30 below.

**Table 30. St. Elizabeth Care Center Payor Mix 2022-2024.**<sup>80</sup>

Year	Medicare	Medi-Cal	Self-Pay	Managed Care	Other Payors
2022	29%	54%	17%	0%	0%
2023	34%	31%	25%	10%	0%
2024	42%	36%	19%	1%	2%

Medi-Cal cost report data reflects that the 17 SNFs saw an increase in the percentage of Medi-Cal residents in 2024 under Ensign compared to 2019, under the previous owners. See Exhibit 5 below.

**Exhibit 5. Change in the percentage of Medi-Cal resident days 2019 vs 2024.**<sup>81</sup>



<sup>79</sup> <https://www.cahf.org/about/consumer-help/facts-statistics/>

<sup>80</sup> <https://reports.siera.hcai.ca.gov>

<sup>81</sup> <https://reports.siera.hcai.ca.gov>

In 2024, the Ensign cluster SNFs and the 17 Ensign SNFs both had an above average percentage of short-stay, high-reimbursement residents, and their average percentage of Medi-Cal residents was below the state average. This indicates that the payor mix at St. Elizabeth will be similar in relation to the state average post-transaction. See Table 31 below.

**Table 31. Ensign Cluster SNFs percentage of Medicare + Medicare Advantage and Medi-Cal residents in 2024.**<sup>82</sup>

Cluster	Medicare + Medicare Advantage	Medi-Cal
Mission Care Center	69%	24%
Panorama Gardens	17%	80%
Chatsworth Park	30%	64%
Lake Balboa	96%	1%
<b>Cluster Average</b>	<b>53%</b>	<b>42%</b>
<b>17 Ensign SNFs Average</b>	<b>49%</b>	<b>57%</b>

#### 4. Related Party Expenses

According to its 2024 Medicare cost report, St. Elizabeth was charged by Providence for over \$900,000 in related party expenses. See Exhibit 6 below.

**Exhibit 6. St. Elizabeth 2024 Medicare Cost Report.**<sup>83</sup>

Health Financial Systems		PROVIDENCE ST ELIZABETH CARE CENTER		Period:	Run Date Time:	In Lieu of Form CMS-2540-10	
Provider CCN: 055192				From: 01/01/2024	5/26/2025 4:45 pm		
				To: 12/31/2024	MCRIF32	2540-10	
					Version:	11.1.179.1	
STATEMENT OF COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND HOME OFFICE COSTS						Worksheet A-8-1 Parts I & II PPS	
<b>PART I. COSTS INCURRED AND ADJUSTMENTS REQUIRED AS A RESULT OF TRANSACTIONS WITH RELATED ORGANIZATIONS OR CLAIMED HOME OFFICE COSTS:</b>							
Line No.	Cost Center	Expense Items	Amount Allowable In Cost	Amount Included in Wkst. A, col. 5	Adjustments (col. 4 minus col. 5)		
1.00	2.00	3.00	4.00	5.00	6.00		
1.00	1.00	CAP REL COSTS - BLDGS & FIXTURES	HB0456 CAPITAL RELATED BUILDING	7,763	0	7,763	1.00
2.00	2.00	CAP REL COSTS-MVBLE EQUIP	HB0456 CAPITAL RELATED EQUIPMENT	27,368	0	27,368	2.00
3.00	3.00	EMPLOYEE BENEFITS	HB0456 HEALTH AND BENEFIT PLANS	599,495	592,408	7,087	3.00
4.00	3.00	EMPLOYEE BENEFITS	HB0456 PENSION	141,798	130,003	11,795	4.00
5.00	3.00	EMPLOYEE BENEFITS	HB0456 WORKERS COMP	105,968	87,562	18,406	5.00
6.00	3.00	EMPLOYEE BENEFITS	HB0456 HUMAN RESOURCES	147,920	0	147,920	6.00
7.00	4.00	ADMINISTRATIVE & GENERAL	HB0456 DATA PROCESSING	191,691	0	191,691	7.00
8.00	4.00	ADMINISTRATIVE & GENERAL	HB0456 PURCHASING RECEIVING AND STOR	8,072	0	8,072	8.00
9.00	4.00	ADMINISTRATIVE & GENERAL	HB0456 CASHIERING/ACCOUNTS RECEIVABL	34,190	0	34,190	9.00
9.01	4.00	ADMINISTRATIVE & GENERAL	HB0456 FINANCE AND REIMBURSEMENT	11,237	0	11,237	9.01
9.02	4.00	ADMINISTRATIVE & GENERAL	HB0456 OTHER ADMINSTRATIVE AND GENER	337,072	0	337,072	9.02
9.03	4.00	ADMINISTRATIVE & GENERAL	HB0456 GENERAL ACCOUNTING	4,095	0	4,095	9.03
9.04	4.00	ADMINISTRATIVE & GENERAL	HB0456 PROFESSIONAL LIABILITY	9,389	103,864	-94,475	9.04
9.05	4.00	ADMINISTRATIVE & GENERAL	HB0456 COMMUNICATIONS	9,316	0	9,316	9.05
10.00	<b>TOTALS (sum of lines 1-9). Transfer column 6, line 10 to Worksheet A-8, column 3, line 12.</b>			1,635,374	913,837	721,537	10.00

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<sup>82</sup> <https://reports.siera.hcai.ca.gov>

<sup>83</sup> Notice of Transaction, Exhibit 11, Medicare Cost Reports (2020-2023), page 393.

St. Elizabeth has historically paid Providence Health System for related party expenses. Research has shown that many SNFs have related party expenses.<sup>84</sup> The use of related parties has evolved to include many aspects of nursing home operations. It is now common for SNFs to do business with several related parties, including management companies, physical therapy companies, real estate holding companies, and staffing companies. If the transaction is approved, St. Elizabeth will incur similar related party expenses under Ensign. The Ensign Service Center model has the potential to bring St. Elizabeth marketing support, access to new physician groups, local clinical support and expertise, and operational efficiencies, but at a cost.

A related party is defined by CMS as an entity that has common ownership and control over the reporting facility. (42 CFR § 413.17(6)(1)).

- Related to the facility—The organization providing services, supplies, or facilities is associated or affiliated with, has control of, or is controlled by the facility.
- Common ownership—Entities and/or individual(s) possess significant ownership or equity in the facility and the organization(s) providing services, facilities, and supplies.
- Control—Entities and/or individual(s) have the power, directly or indirectly, to influence, direct, or control the actions and policies of the facility.

In 2003, an article published in the *Journal of Health Law* suggested that SNFs undergo corporate restructuring utilizing related parties.<sup>85</sup> By using separate, single-purpose related party entities, SNFs can separate the operational side from the real estate side of its businesses:

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.

Nursing home Medicare cost reports are financial documents submitted by Medicare-certified entities, such as SNFs, to CMS. According to CMS, these reports are essential for monitoring spending, verifying reimbursement, and ensuring transparency in the healthcare industry.<sup>86</sup>

These reports are available to the public and include:

- Provider Information: Details about the facility, including characteristics and utilization data.
- Costs and Charges: Breakdown of costs and charges by cost center, both total and for Medicare.

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<sup>84</sup> Ashvin Gandhi and Andrew Olenski, “Tunneling and Hidden Profits in Health Care,” NBER Working Paper 32258 (2024), <https://doi.org/10.3386/w32258>.

<sup>85</sup> Casson JE, McMillen J. *Protecting nursing home companies: limiting liability through corporate restructuring*. *J Health Law*. 2003 Fall;36(4):577-613. PMID: 15068276

<sup>86</sup> <https://www.cms.gov/data-research/statistics-trends-and-reports/cost-reports>

- Medicare Settlement Data: Information regarding payments and settlements related to the facility's services.
- Financial Statement Data: Comprehensive financial statements that reflect the facility's financial health and operations.
- Related Parties Data: Information regarding payments to commonly owned entities.

Nursing homes are required to report related party expenses on page A-8-1 of their Medicare cost reports. Related parties refer to any organization or individual that has a direct or indirect financial interest in the SNF. These can include related management companies, staffing agencies, or any other entities that share ownership or control with the SNF. Related party costs must be reported accurately to ensure that taxpayer funds are used for resident care and not inflated related party profits. The reporting requirements are outlined in federal statute, which mandates that costs be reported at the actual cost incurred by the related organization and not at the price charged to the facility.<sup>87</sup> This regulation is crucial for maintaining program integrity and ensuring fair market value in Medicare reimbursements.<sup>88</sup>

The 2024 Medicare cost reports were examined for eight of Ensign's California SNFs. The 2024 Medicare cost report for Lake Balboa Care Center, which is in the cluster of Ensign SNFs that St. Elizabeth will join if the transaction is approved and has a capacity similar to St. Elizabeth (50 vs 52 beds), shows that the Lake Balboa Care Center paid Ensign and its affiliates \$1,316,028 in related party expenses, which did not exceed the allowable cost.<sup>89</sup> More than likely, St. Elizabeth will incur similar related party expenses if the transaction is approved. See Exhibit 7 below.

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<sup>87</sup> 42 CFR §413.17 Cost to related organizations.

<sup>88</sup> <https://www.cms.gov/data-research/statistics-trends-and-reports/cost-reports>

<sup>89</sup> Lake Balboa 2024 Medicare cost report, page 15.

# Exhibit 7. Lake Balboa Care Center 2024 Medicare Cost report.

Health Financial Systems		In Lieu of Form CMS-2540-10	
NIGHTFALL HEALTHCARE, INC.		Period: 01/01/2024	Run Date Time: 4/23/2025 10:32 am
Provider CCN: 056180		To: 12/31/2024	MCRIF32 Version: 10.23.179.0



STATEMENT OF COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND HOME OFFICE COSTS

**Worksheet A-8-1**  
**Parts I & II**  
PPS

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)		
1.00	4.00	ADMINISTRATIVE & GENERAL	744,042	784,907	-40,865	1.00	
2.00	1.00	CAP REL.COSTS - BLDGS & FIXTURES	4,078	0	4,078	2.00	
3.00	2.00	CAP REL.COSTS - MOVABLE EQUIPMENT	5,913	0	5,913	3.00	
4.00	30.00	SKILLED NURSING FACILITY	168,392	0	168,392	4.00	
5.00	3.00	EMPLOYEE BENEFITS	235,870	263,225	-27,355	5.00	
6.00	4.00	ADMINISTRATIVE & GENERAL	73,534	150,480	-76,946	6.00	
7.00	4.00	ADMINISTRATIVE & GENERAL	98,890	89,661	9,229	7.00	
8.00	4.00	ADMINISTRATIVE & GENERAL	0	28,860	-28,860	8.00	
9.00	51.00	SUPPORT SURFACES	-1,066	-1,107	41	9.00	
10.00	<b>TOTALS (sum of lines 1-9). Transfer column 6, line 10 to Worksheet A-8, column 3, line 12.</b>		<b>1,329,653</b>	<b>1,316,026</b>	<b>13,627</b>	10.00	

**PART II. INTERRELATIONSHIP TO RELATED ORGANIZATION(S) AND/OR HOME OFFICE:**

The Secretary, by virtue of the authority granted under section 1814(b)(1) of the Social Security Act, requires that you furnish the information requested under Part II of this worksheet.

This information is used by the Centers for Medicare and Medicaid Services and its intermediaries/contractors in determining that the costs applicable to services, facilities, and supplies furnished by organizations related to you by common ownership or control represent reasonable costs as determined under section 1861 of the Social Security Act. If you do not provide all or any part of the requested information, the cost report is considered incomplete and not acceptable for purposes of claiming reimbursement under title XVIII.

Symbol (1)	Name	Percentage of Ownership	Related Organization(s) and/or Home Office			
			Name	Percentage of Ownership	Type of Business	
1.00	B	0.00	ENSIGN SERVICES,INC	0.00	ACCTG, IT, LEGAL, HR SERVICES	1.00
2.00	B	0.00	STANDARD BEARER INSURANCE	0.00	INSURANCE	2.00
3.00	B	0.00	FLAGSTONE HEALTHCARE SOUTH LLC	0.00	HOME OFFICE	3.00
4.00		0.00		0.00		4.00
5.00		0.00		0.00		5.00
6.00		0.00		0.00		6.00
7.00		0.00		0.00		7.00
8.00		0.00		0.00		8.00
9.00		0.00		0.00		9.00
10.00		0.00		0.00		10.00

(1) Use the following symbols to indicate interrelationship to related organizations:

The CMS rules governing related parties have been instituted to avoid potential cost inflation schemes between related parties. Excessive related party costs can shift resources away from a SNF’s operations and towards its owners and investors, leaving the SNF at risk with lower budgeted staffing levels.<sup>90</sup> The CMS related party transaction rules are intended to ensure that there is a “prudent buyer” who will make certain that the monies expended are not used to artificially inflate nursing home costs to the financial benefit of a related party and the detriment of resident quality of care.<sup>91</sup> All eight of Ensign’s SNFs’ 2024 Medicare Cost reports that were examined showed that their related party expenses were less than the amount allowed by CMS.

If approved, after the proposed sale, St. Elizabeth will likely incur higher related party expenses than they were charged by Providence related parties in 2024, and it will have a new facility lease payment, which was confirmed during the onsite review.<sup>92</sup> Providence owns the land and the building. As such, historically, the annual lease and rental expenses at St. Elizabeth has been very

<sup>90</sup> <https://medicareadvocacy.org/hidden-profits-that-detract-from-nursing-facility-care-are-unregulated-and-ignored/>

<sup>91</sup> CMS requires nursing home providers to be “prudent buyers,” meaning they must actively seek to minimize costs by ordering in bulk, negotiating with suppliers, and obtaining multiple quotes for goods or services. If a nursing home is found to have excessive costs beyond what a prudent buyer would pay, absent a “clear justification” for the excess, CMS should not reimburse these costs. Ctrs. for Medicare & Medicaid Servs, U.S. Dep’t. of Health & Hum. Servs., Program Manuals §2103 (Rev. 454).

<sup>92</sup> Onsite review conducted May 5, 2026.

low, and in 2024 it was just \$1,000.<sup>93</sup> If the transaction is approved, the new annual lease expense will increase by \$725,616 a year, which must be covered by additional resident care revenue.<sup>94</sup>

## 5. Standard Bearer Healthcare Real Estate Investment Trust (REIT)

During the onsite visit, it was confirmed that Standard Bearer Healthcare REIT, Inc. a subsidiary of Ensign, will be the lease holder of St. Elizabeth. Healthcare REITs are real estate investment trusts that own and operate properties related to healthcare, including hospitals, medical offices, and SNFs. These REITs generate income by leasing the building and real estate to the healthcare operator. REIT investors have a stable cash flow, driven by Medicare and Medicaid residents, and by long-term leases with creditworthy SNF management tenants who are often affiliated as related parties.

It is common for real estate to be held separately from operations in for-profit nursing homes through the use of two separate companies. These companies may share an owner, such as an operations holding company and a REIT property holding company, which is the case here. This is a strategy pursued to help shield assets in the event of lawsuits or bankruptcies. Some advocates argue that it also provides an avenue to siphon money out of the nursing home to investors.<sup>95</sup>

According to a January 2023 research article published in Health Affairs, REIT investment was associated with higher LVN and CNA staffing levels, but reduced RN staffing levels, suggesting that REIT-owned nursing homes may use lower-cost CNAs and LVNs to substitute for the more expensive RNs.<sup>96</sup>

REITs are required to distribute most of their income to investors and don't have to pay the 21% federal corporate income tax. To work around this rule, REITs typically lease the property to a third company that runs the nursing home or assisted living facility to maintain its tax break.

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<sup>93</sup> <https://reports.siera.hcai.ca.gov>

<sup>94</sup> See Providence's April 10, 2026, Response to Fourth Notice of Deficiency regarding the sale of St. Elizabeth Care Center at <https://oag.ca.gov/system/files/media/secc-supplemental-submission-04102026.pdf>.

According to the 2024 Medi-Cal cost report, the total healthcare expenses of St. Elizabeth Care Center were \$8,449,054 in 2024. The industry average lease payment is 6-8% of a SNF's total healthcare expense.

<sup>95</sup> "Where Do the Billions of Dollars Go? A Look at Nursing Home Related Party Transactions." The National Consumer Voice for Quality Long-Term Care, 2023. <https://theconsumervoice.org/wp-content/uploads/2024/05/2023-Related-Party-Report.pdf>.

<sup>96</sup> Robert Tyler Braun, Dunc Williams, David G. Stevenson, Lawrence P. Casalino, Hye-young Jung, Rahul Fernandez, And Mark A. Unruh. "The Role of Real Estate Investment Trusts In Staffing US Nursing Homes." Health Affairs 42, no. 2 (February 2023): 207–16. <https://doi.org/10.1377/hlthaff.2022.00278>. Weill Cornell Medicine.

According to Kaiser Health News, health care REITs distributed more than \$7 billion in dividends to their investors in 2024.<sup>97</sup>

The financial structure of REITs plays a key role in exacerbating the risk to nursing homes. It appears that The Standard Bearer REIT uses triple-net lease arrangements for its own properties with Ensign subsidiary SNFs. Triple-net leases are long-term leases that require each SNF to pay for building maintenance, insurance, and property taxes. In some cases, especially in smaller, older SNFs like St. Elizabeth, meeting the lease payment can be taxing. This arrangement can strain a SNF’s budget, especially when lease payments are high. The proposed lease arrangements will likely place significant financial pressure on the Administrator and department managers at St. Elizabeth. However, during the onsite review, the St. Elizabeth Administrator represented that the facility was profitable in early May 2026, and that current revenues can cover the new lease payment each month.

The 17 SNFs in California that were acquired by Ensign in early 2023 did not see a large increase in the lease and rental expense line item of their Medi-Cal cost reports. In fact, the lease and rental expense line item of the 17 SNFs declined in 2024 compared to 2019. See Table 32 below.

**Table 32. Lease and rental expense changes among 17 SNFs, 2019 vs 2024.<sup>98</sup>**

SNF Name	2019	2024
Alamitos-Belmont Rehabilitation Hospital	\$2,370,000	\$1,490,000
Beachside Nursing Center	\$1,150,000	\$1,180,000
Broadway by the Sea	\$1,340,000	\$1,510,000
Chatsworth Park Health Care	\$2,330,000	\$2,230,000
Coventry Court Health Center	\$1,500,000	\$1,600,000
Danville Post-Acute Rehab	\$1,780,000	\$1,270,000
Edgewater Skilled Nursing Center	\$863,000	\$1,190,000
Fairfield Post-Acute Rehab	\$2,240,000	\$1,950,000
Fairmont Rehabilitation Hospital	\$2,090,000	\$1,000,000
Garden View Post-Acute Rehabilitation	\$1,790,000	\$1,800,000
Grand Terrace Health Care Center	\$927,000	\$933,000
Lake Balboa Care Center	\$1,700,000	\$968,000
Lomita Post-Acute Care Center	\$1,640,000	\$1,210,000
New Orange Hills	\$2,630,000	\$2,260,000
Madera Post Acute Center	\$2,150,000	\$2,140,000
Pacifica Nursing & Rehab Center	\$2,750,000	\$1,430,000

<sup>97</sup> <https://kffhealthnews.org/health-industry/real-estate-investment-trusts-senior-housing-nursing-homes-profit/>

<sup>98</sup> <https://reports.siera.hcai.ca.gov>

Palm Terrace Care Center	\$1,470,000	\$1,530,000
<b>Average</b>	<b>\$1,807,000</b>	<b>\$1,511,000</b>

As was stated earlier, unlike the SNFs above, St. Elizabeth will have a new \$ 725,616 lease expense if the transaction is approved, and Ensign will have to sustain the high Medicare and Medicare Advantage census they had at St. Elizabeth in May 2026 to cover the new lease payment, related party expenses and meet their budgeted bottom line goals while meeting federal nursing home requirements.

**L. Ethical and Religious Directives**

Providence is a Catholic healthcare provider and has Ethical and Religious Directives (ERDs) in place at St. Elizabeth. Providence has included ERD clauses in its Purchase and Sale Agreement and Operations Transfer agreement. ERDs outline the moral and theological principles guiding Catholic hospitals and health systems in fulfilling their mission of healing and articulate the Church’s deep convictions about human dignity within the modern practice of medicine. The United States Conference of Catholic Bishops (USCCB) recently completed a revision of the ERDs, marking the seventh edition of the document.<sup>99</sup> The ERD document opens with a general introduction that explains its purpose and theological grounding, each addressing a particular area of health care practice:

- The Social Responsibility of Catholic Health Care Services: Articulates the Church’s call to promote the common good, serve the poor, and ensure just stewardship of resources.
- The Pastoral and Spiritual Responsibility of Catholic Health Care: Emphasizes holistic care that attends to spiritual needs.
- The Professional–Patient Relationship: Explores ethical decision-making, informed consent, and the moral responsibilities shared by clinicians and patients.
- Issues in Care for the Beginning of Life: Offers moral guidance for fertility, conception, pregnancy, and reproductive technologies.
- Issues in Care for the Seriously Ill and Dying: Focuses on end-of-life care, pain management, and respect for human dignity in dying.
- Collaborative Arrangements with Other Health Care Organizations and Providers: Outlines principles for partnerships and mergers to ensure Catholic identity is preserved.

Catholic health systems that follow the ERDs are expected to provide care consistent with Church teaching on human dignity, the sanctity of life, and the importance of comfort care. This includes the ability to offer hospice services when medically appropriate, as long as they align with the ERDs’ emphasis on palliative care and patient choice.

Niche religious senior living communities often attract elders who want to live among others who share their values. These environments foster a sense of community and mutual support, which can be especially meaningful in later life.<sup>100</sup> For many nursing home residents, especially those

<sup>99</sup> [https://www.usccb.org/resources/ERDs-7th-ed-Approved\\_2025-11-12.pdf](https://www.usccb.org/resources/ERDs-7th-ed-Approved_2025-11-12.pdf)

<sup>100</sup> <https://health.usnews.com/best-senior-living/articles/finding-your-faith-the-ultimate-guide-to-niche-religious-senior-living-communities>

who are religious, living or recovering in a SNF that respects and supports their faith traditions may be a key factor in choosing a nursing home.

According to St. Elizabeth's Administrator, Providence is no longer sending Providence clergy to the facility now that it is being operated by Ensign. He said that Ensign has instead engaged clergy at the St. Charles Borromeo Catholic Church who come to St. Elizabeth and visit with the Catholic and Christian residents every Wednesday.

If the transaction is approved, the ERDs will not be binding on Ensign. However, the parties represent that Ensign has agreed to operate the facility consistent with the parties' shared values through its community-based superior care approach and to follow its own practice of not participating in physician-assisted suicide at the facility.

#### **M. Conclusion and Recommendations**

In this Health Care Impact Statement, I have evaluated the relevant factors related to the proposed transaction, including St. Elizabeth's performance history in comparison to the performance of SNFs currently operated by the proposed buyer, Ensign. In addition, I compared 17 Ensign SNFs' organizational outcomes in 2024 and 2025 to the same SNFs' data under previous owners in 2019. Furthermore, I examined the performance of the cluster of Ensign SNFs which St. Elizabeth will join if the Attorney General consents to the transaction. Based on my comprehensive analysis of the data covered in this report, I recommend that the transaction should be approved but with conditions to mitigate the potential adverse impacts of the sale on the residents, staff, and community served by the St. Elizabeth.

Over the last five years, St. Elizabeth has not had a strong record of regulatory compliance or a record of high nursing staffing levels. In addition, the facility posted an aggregate loss of over \$12.5 million from 2019 to 2024. Historically, St. Elizabeth has not served a high percentage of Medi-Cal residents compared to the state average.

Since Ensign started managing St. Elizabeth in June 2025, the pattern of poor compliance with federal and state nursing home requirements continued in 2025 and early 2026. St. Elizabeth received two Immediate Jeopardy deficiencies in 2024, and two more in 2025 while under Ensign operational control, and the total number of health and life safety code deficiencies is greater than other nursing homes in California that have less than 59 beds like St. Elizabeth.

During my onsite review of St. Elizabeth in early May 2026, I saw firsthand that Ensign has invested in the physical environment and increased the staffing levels at St. Elizabeth and because of this increased staffing, in particular RN staffing, resident care quality and health inspection outcomes should improve. The posted staffing data reflected significant increases in RN and total nursing HPPD, which corresponded with internal staffing data that was analyzed. During my onsite review, I was satisfied with the environment, the resident grooming, and the leadership team. Some key stakeholders who I interviewed expressed genuine gratitude for the positive changes made by Ensign.

It appears that St. Elizabeth's financial performance has improved based on its high percentage of Medicare and Medicare Advantage residents in May 2026. Based on the higher Medicare and Medicare Advantage occupancy rate (73%), fewer Medi-Cal residents were being served at St. Elizabeth compared to in 2025. If the proposed transaction is approved, St. Elizabeth will have a new triple-net lease of \$725,616 a year, which places additional pressure on the St. Elizabeth management team to prioritize short-term residents with the highest daily reimbursement rates. Therefore, the change in ownership to Ensign will likely lead to reduced access for Medi-Cal residents to SNF beds at St. Elizabeth.

Seventeen SNFs in California purchased by Ensign in early 2023 were examined to determine how St. Elizabeth could be similarly impacted by the proposed transaction. The performance data analyzed in this report shows that the 17 SNFs have performed relatively well across a broad base of metrics compared to their peer SNFs in California, the SNFs in Los Angeles County, and with St. Elizabeth.

The average CMS Care Compare star ratings of the 17 SNFs that were analyzed declined under Ensign control, but they met or exceeded the average star ratings of all nursing homes in California (3.3 stars vs 3.2 stars). The 17 Ensign SNFs had fewer health and life safety deficiencies than their peers in California in 2025, and their average percentage of long-stay residents with pressure wounds and falls with serious injuries were less than the state average among all California nursing homes. In addition, since January 2024, the 17 SNFs under Ensign's control had just two Immediate Jeopardy deficiencies (12%), less than a third of the average (40%) among nursing homes in Los Angeles County, and more than half of the 17 Ensign SNFs (65%) had no serious deficiencies cited.

The 17 SNFs that were examined saw their profit aggregate profit increase by 78% in 2024 under Ensign compared to 2019 financial results under prior owners. However, these 17 SNFs did not experience a large increase in their lease expense after their transition to Ensign and their Medi-Cal average occupancy rate increased slightly.

Compared to the 17 Ensign SNFs, the cluster of Ensign SNFs that St. Elizabeth will be a part of, had lower average star ratings on CMS Care Compare and lower average staffing levels, yet they had a higher average profit with less Medi-Cal residents.

In summary, since June 2025, Ensign has improved the physical environment at St. Elizabeth, increased nursing staffing levels, and created financial stability by improving the occupancy rate and payor mix. However, recent health inspection results at St. Elizabeth have been poor and access to beds for Medi-Cal residents has been minimized. The current performance results of the Ensign cluster are mixed, yet a broader view shows that the Ensign nursing homes in California and Los Angeles County compare favorably to their peers for compliance, staffing, and quality measures. Thus, this Healthcare Impact Statement supports conditional approval of the transaction.

Based on my extensive experience, and the findings documented in this report, I recommend the conditions below, which are designed to mitigate any potential negative impacts of the transaction on the residents and staff at St. Elizabeth. The conditions should be in place to monitor the impact

of the proposed sale for a minimum period of five to seven years after the close of the proposed transaction.

(1) Maintaining State Licensure and Federal Certification.

Ensign should maintain continuous CDPH SNF licensures for St. Elizabeth and continuous federal certification and participation in CMS for both Medicare and Medi-Cal.

(2) Maintaining Operations and Services as a SNF.

Ensign should continuously operate and maintain St. Elizabeth as a SNF with a minimum 52 skilled nursing beds, and continuously operate and maintain the same licensure, types, and/or levels of services being provided as of June 1, 2025.

(4) Complying with Resident Transfer and Discharge Requirements

Ensign should continuously maintain compliance with state and federal requirements that pertain to safe resident transfers and discharges.

(5) Complying with Resident Space Requirements

Ensign should continuously maintain compliance with state and federal requirements that pertain to resident living space requirements (80 square feet per bed), unless CDPH has granted a waiver, which must remain current and up to date.

(6) Establishing a Quality & Staffing Committee.

Ensign should establish a quality committee composed of St. Elizabeth clinical nurses and CNAs, housekeepers, and dietary staff to meet with managers and provide input on quality of care and staffing issues. The quality committee should meet quarterly, at a minimum.

(7) Education and Training to Prevent Repeat Deficiencies

Ensign should continuously adhere to the state requirements that pertain to education and training of the St. Elizabeth nursing staff. In addition, staff education and training associated with health deficiencies and plans of correction should be implemented and strictly adhered to.

(8) Maintaining Appropriate Staffing Levels.

Ensign should continuously maintain compliance with state and federal minimum staffing requirements. Furthermore, staffing levels and staff competencies should be adjusted based on the aggregate acuity level of the residents.

(9) Preserving Access to Medi-Cal Beds at Providence St. Elizabeth Care Center

Ensign should be required to maintain a minimum number of beds accessible to residents whose care is being covered by Medi-Cal. St. Elizabeth has historically served Medi-Cal residents, and

access should be sustained. In consideration of the size of St. Elizabeth (52 beds), the location of the facility, and the financial losses incurred over the past 5 years, Ensign should be required to maintain an average Medi-Cal occupancy rate in the range of 30% - 40%.

(10) Monitoring of St. Elizabeth Care Center

An independent compliance monitor should be considered to monitor compliance with the conditions set forth by Office of Attorney General. Ensign should submit annual reports to the compliance monitor and Office of Attorney General detailing their compliance with the conditions each year. The annual compliance reports should contain summary data from the previous 12 months and include key information such as:

- a. Average projected and actual total nursing staffing HPPD.
- b. Average projected and actual total CNA staffing HPPD.
- c. Average total RN HPPD.
- d. Total average census.
- e. Average percentage of residents whose care was covered by Medicare or Medicare Advantage plans.
- f. Average percentage of Medi-Cal residents.
- g. CDPH activity report including the number of facility-reported incidents, number of complaint investigations, the number of reports involving alleged abuse, and the number of, and description of, the deficiencies received including scope and severity levels.
- h. Copies of the quality committee meeting minutes from the previous quarter.
- i. A list and description of any facility-initiated transfers and discharges.
- j. Copies of CMS Care Compare Provider Rating Reports over the previous 12 months.
- k. Copies of staff education and training records that pertain to any deficiencies from the previous 12 months that have a scope and severity level of G or above.

Respectfully Submitted,

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