Supplement to 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

September 1, 2026

by David J. Farrell, MSW

Principal

Farrell Consulting Services LLC

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I. Proposed Transaction

In light of the investigative reports published in June 2026 by Hunterbrook Media LLC (Hunterbrook) and Muddy Waters Research LLC (Muddy Waters) regarding The Ensign Group Inc.'s (Ensign) business and regulatory practices,[1] I have been retained by the Office of the Attorney General to provide this supplement to the Health Care Impact Statement dated July 10, 2026,[2] that I authored regarding the potential impact on health care quality 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,[3] 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 Ensign , a Delaware corporation.[4] On June 1, 2025, Providence and Ensign obtained California Department of Public Health (CDPH) approval to enter into an interim management agreement prior to the completion of the transaction. Under the agreement, Ensign has been providing management services at St. Elizabeth since June 1, 2025.

II. Hunterbrook Media and Muddy Waters Research Reports

Hunterbrook published a report on June 8, 2026, titled "Ensign: The Nursing Home Empire Built on Fatal Neglect" [5] that alleged a systemic strategy of understaffing Ensign nursing homes to inflate profits. According to Hunterbrook, Ensign facilities provided nearly 27% fewer nursing hours than recommended by the Centers for Medicare & Medicaid Services (CMS), a practice that allegedly saved the company an estimated $161 million over five months in 2024.

The Hunterbrook report also alleged that Ensign engaged in a pattern of deliberate misrepresentation of poor resident outcomes to inflate its Quality Measures star rating on CMS Care Compare. The report made additional allegations that are not addressed in this report.

On June 11, 2026, Muddy Waters published "Ensign: Deceiving the Government at Estimated ~20% of Facilities,"[6] which focused on a different allegation: the practice of "renting" the licenses of off-site nursing home administrators who cover multiple SNFs. California law allows administrators to cover up to three SNFs, within an hour's drive, with a sum total of no

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[1] https://hntrbrk.com/investigations/ensign (June 8, 2026), https://muddywatersresearch.com/research/2026/mw-is-short-ensg/ (June 11, 2026)
[2] https://oag.ca.gov/system/files/media/secc-hcis-farrell.pdf
[3] https://www.providence.org/
[4] For ease of reference, Ensign and its affiliates, including 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.
[5] https://hntrbrk.com/investigations/ensign
[6] MW is Short Ensign (NASDAQ: ENSG) - Muddy Waters Research

more than 200 beds, as long as all three SNFs are under the same governing body.[7] But Muddy Waters alleged that roughly 20% of Ensign SNFs used consulting agreements with off-site administrators who were not actually overseeing operations at the nursing homes. If true, the practice would save Ensign millions in administrator salaries, and the report noted that one licensed administrator per facility would severely compress the company's profit margins and limit its aggressive growth model.

III. Performance Analysis

A. Current CMS Care Compare Star Ratings

The CMS Care Compare star ratings for nursing homes are updated each month, and on August 14, 2026, St. Elizabeth's Overall star rating was just 1 star (out of a possible 5 stars), which is considered well below average compared to other nursing homes in California.[8] St. Elizabeth's Health Inspection rating dropped to 1 star after CDPH inspectors identified two immediate jeopardy deficiencies during the recertification survey in December 2025. The facility's Staffing star rating has increased to 4 stars, while the Quality Measures star rating declined to 4 stars after CMS raised the star rating thresholds for numerous quality measures in July 2026. See Table 1 below.

Table 1. St. Elizabeth star ratings on CMS Care Compare.[9]

Year	Overall	Health Inspection	Quality Measures	Staffing
2023	3	3	5	1
2024	4	3	5	3
2025	2	1	5	3
August 2026	1	1	4	4

The Hunterbrook report was critical of the gap between the "self-reported" measures and "independent" measures within the CMS Care Compare star rating system and alleged that Ensign inflated its "self-reported" measures to achieve a higher star rating. A nursing homes' health inspection results, comprised of findings by CDPH health inspectors, are the primary driver of each nursing homes' Overall star rating. Hunterbrook correctly identified health inspection results as "independent" measures of quality. Based on such "independent" ratings, St. Elizabeth only achieved a 1-star rating in the Health Inspection domain in 2025 through present and has a current 1-star Overall rating as of August 2026.

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[7] California Code of Regulations Title 22, Section 72513.

[8] Design for Care Compare Nursing Home Five-Star Quality Rating System: Technical Users' Guide July 2026: https://www.cms.gov/medicare/provider-enrollment-and-certification/certificationandcomplianc/downloads/usersguide.pdf#xd_co_f=MWRmOGM4NzAtMjU3Yy00YjgxLTlkYmYtZDI2OTQwZjNkMDZj~

[9] https://data.cms.gov/provider-data/archived-data/nursing-homes

I learned that the administrator of St. Elizabeth also serves as the administrator of Lake Balboa Care Center, a 50-bed Ensign SNF located in Van Nuys California, which is approximately a 15-minute drive from St. Elizabeth. It is unknown whether St. Elizabeth's administrator is employed pursuant to the type of consulting agreement described in the Muddy Waters report. Nonetheless, the administrator works at St. Elizabeth on a less than full-time basis. St. Elizabeth's current 1-star rating in the Health Inspection domain indicates that its current less than full-time administrator may not be sufficient and supports the need for a full-time administrator who can provide adequate attention to the management and administration of the facility.[10]

The majority of quality measures that are utilized by CMS to determine a nursing homes' star rating under the Quality Measures domain on CMS Care Compare are "self-reported" and not "independent." Of the fifteen quality measures that CMS uses to determine the star rating, ten are "self-reported" quality measures derived from resident assessments completed by nursing home staff, and five quality measures are "independent" measures calculated from Medicare claims-based data of discharged residents.

The star ratings under the Staffing domain of CMS Care Compare are based on six self-reported measures including three nurse staffing measures and three staff turnover measures. The Staffing star ratings are based on a nursing home's staffing levels, how its nursing hours *compare to its expected hours* based on its aggregate resident clinical acuity level (acuity = clinical care complexity and labor intensity), and as compared to its peers nationwide. Based on such self-reported ratings, St. Elizabeth fared better with a 3-star rating in the Staffing domain in 2025 and improved to a current 4-star rating as of August 2026. (See Table 1 above.)

B. Staffing

Numerous research studies reveal that there is a strong relationship between nursing home residents' care outcomes and higher total nursing staff hours.[11] Inadequate staffing at nursing homes leads to higher resident mortality rates, more pressure wounds, more urinary tract

[10] California Code of Regulations, title 22, section 72513, subdivision (b).
[11] 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. J. American Medical Directors Association. 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 Economic$, 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.k.

infections, and more weight loss and dehydration.[12] According to CMS, "There is considerable evidence of a relationship between nursing home staffing levels and resident outcomes."[13]

Acuity-based staffing is a federal requirement for nursing homes under Nursing Services, 42 C.F.R. §483.35:

> The facility must have sufficient nursing staff with the appropriate competencies and skills sets to provide nursing and related services to assure resident safety and attain or maintain the highest practicable 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 diagnoses of the facility's resident population* in accordance with the facility assessment required at §483.71. [italics added for emphasis,]

After publication of my July 10, 2026, Healthcare Impact Statement on the proposed transaction, the Payroll Based Journal (PBJ) data for the first quarter of 2026 (Q1 2026) was released by CMS. The PBJ data for St. Elizabeth for Q1 2026 shows an increase in hours per patient day (HPPD) for registered nurses (RN), certified nursing assistants (CNA), and total nursing. See Table 2 below. A more mixed picture emerges when viewing this increase in HPPD with other measures.

Table 2. St. Elizabeth Direct Care HPPD (includes DON HPPD).[14]

Source	SNF(s)	Timeframe	RN HPPD	CNA HPPD	Total Nursing HPPD
PBJ	St. Elizabeth	2019-2024	.31	2.54	4.30
PBJ	St. Elizabeth	Q1 2025	.29	2.34	3.75
PBJ	St. Elizabeth	Q1 2026	.85	2.66	4.76
PBJ	California SNFs Average	Q1 2026	.67	2.65	4.52

St. Elizabeth's overall 1-star rating based primarily on its 1-star rating in the Health Inspections domain (an independent measure) could be improved by staffing increases sufficient

[12] Harrington, C., et al. (2000) Experts Recommend Minimum Nurse Staffing Standards at Nursing Facilities in the US." The Gerontologist. 40(1):5-16.
[13] Nursing Home Compare Five-Star Quality Rating System Technical Users Guide July 2026.
[14] https://reports.siera.hcai.ca.gov

to meet patient needs. While CMS rates Ensign 4 stars in the Staffing domain, this measure is self-reported and based on a comparison to the national average, which understates a facility's staffing needs because California is among only a handful of states that have minimum staffing requirements.

Staffing adequacy is particularly important given Ensign's focus on increased admission of high-acuity residents. In June 2025, St. Elizabeth began implementing strategic changes designed to increase revenue by admitting more short-term, clinically complex/higher-acuity, higher-paying Medicare and Medicare Advantage residents from hospitals outside of the Providence Health System. Indeed, according to Q1 2026 data, the latest nursing Case Mix Index score for St. Elizabeth is 1.70, reflecting an aggregate resident acuity level that is high, indicating that a majority of residents had time-consuming, complex medical needs.[15]

St. Elizabeth has increased its total census and the percentage of short-stay Medicare and Medicare Advantage residents. These types of residents typically stay less than 20 days, resulting in a high volume of admissions and discharges. Admitting a new resident is a time-consuming process requiring RNs and LVNs to conduct clinical assessments, develop a care plan, order medications, and clarify physician orders. Therefore, nurse staffing levels must accommodate not only the increased workload commensurate with an increase in new resident admissions (and discharges), but also the clinical complexity of the residents' high-acuity conditions.

Maintaining nursing and other direct care staff at St. Elizabeth is imperative to meet the needs of these high-acuity and high-turnover residents. To determine whether Ensign was staffing its nursing homes according to the residents' aggregate acuity levels, Hunterbrook compared Ensign nursing homes' staffing levels to the staffing levels recommended by Charlene Harrington in her peer-reviewed study titled, "Nursing Home Guide to Adjusting Nurse Staffing for Resident Case-Mix."[16] 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. Using Harrington's study as a guide, and the same methodology used by Hunterbrook, St. Elizabeth's HPPD fell well short of the expected hours based on its aggregate resident acuity levels.

According to Harrington's study, the expectation was for St. Elizabeth to have higher staffing levels, and higher levels of clinical competencies (RNs), to handle the residents' complex medical needs. See Table 3 below.

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[15] https://data.cms.gov/provider-data/archived-data/nursing-homes#2026-annual-files (accessed August 15, 2026).

[16] Harrington, C., et al, in "Nursing Home Guide to Adjusting Nurse Staffing for Resident Case-Mix," Journal of the American Geriatrics Society, 2025; O:1-9.

Table 3. St. Elizabeth Direct Care HPPD compared to Expected HPPD based on Harrington's research study.[17]

St. Elizabeth	Timeframe	RN HPPD	CNA HPPD	Total Nursing HPPD
Actual	Q1 2026	.85	2.66	4.76
Expected	Q1 2026	1.22	3.35	5.48

Harrington's study is based on evidence from time-and-motion studies. In contrast to how St. Elizabeth fared using Harrington's methodology to determine whether St. Elizabeth's staffing levels met its residents' complex clinical needs, St. Elizabeth saw its CMS Staffing rating increase from 3 stars to 4 stars based on self-reported data. According to CMS, 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' needs, whereas a 4-5-star Staffing rating is indicative of staffing levels that are sufficient to meet the residents' needs. However, the Care Compare website only displays each facility's actual reported staffing levels compared to the national average[18] and respective state average and does not show the facility acuity or account for variation in resident acuity. Thus, facilities with higher-acuity residents with staffing levels only slightly above the average may appear to offer better quality of care, but in reality, they may not meet their residents' care needs.

C. Quality Measures

St. Elizabeth currently has a 4-star rating under the Quality Measures domain on CMS care Compare, with 4 stars for long-stay residents (resident stays of over 100 days), and 4 stars for short-stay residents (resident stays of less than 100 days). As explained above in subsection III. A., the majority of quality measures that are utilized by CMS to determine a nursing homes' star rating under the Quality Measures domain on CMS Care Compare are "self-reported" and not "independent." According to current Medicare claims-based data (independent measures), St. Elizabeth is scoring worse than the national average in two of the five Quality Measures, and worse than the state average in two of four Quality Measures on CMS Care Compare. See Table 4 below.

[17] https://agsjournals.onlinelibrary.wiley.com/doi/10.1111/jgs.19501?af=R

[18] California has established minimum staffing standards, unlike the vast majority of states that contribute to the national average. Because most states do not have established minimum staffing standards, using the current national average – otherwise known as "grading on the curve" – understates the staffing needed for licensed nurses and CNAs to accomplish their care-giving tasks.

Table 4. Resident Medicare Claims-Based Quality Measures for Q1 2025 – Q4 2025 (independent).[19]

Quality Measures (Not Self-Reported)	St. Elizabeth	State Average	National Average
Percent of Short-Stay residents who were re-hospitalized (lower is better)	29.2%	23%	23.8%
Percent of Short-Stay residents who were sent to the emergency room (lower is better)	9.4%	11.2%	12%
Percent of Short-Stay residents who successfully transitioned back to the community (higher is better)	58.35%	NA	50.57%
Percent of Long-Stay residents who were hospitalized (lower is better)	2.40%	2.25%	1.90%
Percent of Long-Stay residents sent to the Emergency room (lower is better)	1.29%	1.57%	1.79%

According to the current "self-reported" quality measure data, St. Elizabeth is worse than its peers in California for four of the eight quality measures with state averages utilized to calculate its rating on CMS Care Compare. See Table 5 below.

Table 5. Resident Assessment Quality Measures Q2 2025 – Q1 2026 (self-reported).[20]

Quality Measures (Self-Reported)	St. Elizabeth	State Average	National Average
Percent of Short-Stay residents who received an antipsychotic medication (lower is better)	0%	1.5%	1.6%
Percent of Short-Stay residents whose pressure ulcers worsened (lower is better)	.55%	NA	2.22%
Percent of Short-Stay residents whose mobility improved (higher is better)	53.33%	NA	58.21%
Percent of Long-Stay residents who received an antipsychotic medication (lower is better)	0%	12.1%	15.4%
Percent of Long-Stay residents with pressure ulcers (lower is better)	8%	4.3%	4.6%

[19] https://www.medicare.gov/care-compare/ Visitors to this web page can search by facility type and location or name to view the CMS star ratings for the facility.
[20] *Id.*

Percent of Long-Stay residents with a UTI (lower is better)	1.4%	1.2%	1.6%
Percent of Long-Stay residents whose ability to walk declined (lower is better)	13.8%	9.8%	14.1%
Percent of Long-Stay residents whose ADL care needs increased (lower is better)	9.6%	10.2%	13.9%
Percent of Long-Stay residents with falls and major injuries (lower is better)	0%	1.6%	3.2%
Percent of Long-Stay residents who had their catheter left in place (lower is better)	4.8%	.8%	.8%

In 2025,[21] St. Elizabeth only served about 45 residents a day, with even fewer residents classified as long-stay (stays of more than 100 days), therefore the denominator for calculating each of its quality measures is quite low. As a result, just one or two residents with a condition at St. Elizabeth can inflate its quality measure percentages.[22] In contrast, most nursing homes in California and the United States have a larger denominator, serving an average of 86 residents a day.[23] Thus, the relatively low resident census at St. Elizabeth could have a distorting effect on its quality measures ratings on CMS Care Compare.

IV. Financial Analysis

A. Profitability

St. Elizabeth's 2025 Medi-Cal cost report was recently made public, after the issuance of my July 10, 2026, Health Care Impact Statement. It reflects that the facility had a financial turnaround of over three million dollars compared to the prior year.[24] One reason for the turnaround was new resident admissions, which are an indicator for determining whether a SNF is serving a high percentage of short-stay rehabilitation residents. St. Elizabeth saw its number of new resident admissions more than double in 2025 (474 new admissions) compared to 2024 (219 new admissions).[25] See Exhibit 3 below.

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[21] August 2026 Quality Measure data is derived from resident assessments completed from Q2 2025 – Q1 2026.
[22] Example: 1 resident with a pressure ulcer divided by 20 long-stay residents = 5%.
[23] California data - https://www.nursinghomedatabase.com/analysis/geographic-analysis/CA , US Data - https://seniorsmutual.com/nursing-home-statistics/
[24] https://reports.siera.hcai.ca.gov/
[25] *Id.*

Exhibit 3. St. Elizabeth Medi-Cal Cost Report 2025.[26]

SUMMARY INDIVIDUAL DISCLOSURE REPORT(SIDR)

Facility No.: 206190752
RPE Date: 12/31/2025

01/01/2025 thru 12/31/2025
(Using Data SUBMITTED by Facility on 07/29/2026)

Print Date: 08/04/2026
Days in Report: 365

PROVIDENCE ST. ELIZABETH CARE CENTER
10425 MAGNOLIA BLVD

NORTH HOLLYWOOD, CA 91601-0000

Phone: (818) 984-2918
Owner: PROVIDENCE ST. ELIZABETH CARE CENTER
County: Los Angeles

Related to Other Facilities: YES
Parent Organization: PROVIDENCE

Type of Care: SNF
Type of Control: NOT-FOR-PROFIT

HSA: 11 - Los Angeles
HFPA: 0907

LICENSED BEDS*	
Average	52
End of Period	52
Total Patient Days	15,726
Admissions	474
Discharges	459
Occupancy Rate	82.86%
* Excluding beds in suspense	

SUMMARY INCOME STATEMENT	
Routine Services Revenue	$7,122,680
Ancillary Services Revenue	$3,259,502
Less: Deductions from Revenue	($259,334)
Net Patient Services Revenue	$10,641,516
Other Operating Revenue	$16,375
Total Health Care Revenue	$10,657,891
Total Health Care Expenses	$10,149,438
Income/(Loss) From Health Care Operations	$508,453
Nonhealth Care Revenue And Expenses, Net	$19
Less: Total Income Taxes	$384,200
Less: Total Extraordinary Items	
Net Income/(Loss)	$124,272

SUMMARY BALANCE SHEET	
Current Assets	$6,490,000
Assets Whose Use is Limited	
Net Property, Plant, and Equipment	$3,254,000
Investments and Other Assets	
Intangible Assets	
Total Assets	$9,744,000
Current Liabilities	$1,826,000
Deferred Credits	
Net Long-Term Debt	
Total Liabilities	$1,826,000
Total Equity	$7,918,000
Total Liabilities and Equity	$9,744,000

According to Medi-Cal cost reports, from 2019 to 2024, St. Elizabeth lost over $12.5 million,[27] despite having a robust percentage of Medicare residents. In 2024 alone, St. Elizabeth lost over $3 million. However, St. Elizabeth was profitable in 2025. See Table 6 below.

Table 6. St. Elizabeth profit/(loss) from 2019-2024.[28]

Year	Profit
2025	$124k
2024	($3.16m)
2023	($2.13m)
2022	($3.76m)
2021	($1.74m)
2020	($1.05m)
2019	($673k)

B. 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

[26] *Id.*
[27] https://reports.siera.hcai.ca.gov
[28] *Id.*

Advantage short-stay rehabilitation residents are accepted, and this has been the case at St. Elizabeth since Ensign began managing the SNF. In 2025, St. Elizabeth saw a significant uptick in its skilled mix of residents, while the percentage of residents covered by Medi-Cal declined. As a result, St. Elizabeth has increased its total census and percentage of short-stay Medicare and Medicare Advantage residents, which appears to be the key variable associated with the increase in St. Elizabeth's revenue and profit in 2025. See Table 7 below.

Table 7. St. Elizabeth Care Center Payor Mix 2022-2024.[29]

Year	Medicare	Medicare Managed Care	Self-Pay	Medi-Cal +	Other Payors
2024	29.53%	11.81%	19.54%	37.09%	2.03%
2025	42.68%	14.71%	8.99%	27.50%	5.95%

C. St. Elizabeth Lease Payment

In my July 10, 2026, Health Care Impact Statement, it was noted that St. Elizabeth will have a new $720,000 annual lease expense if the transaction is approved, payable to Standard Bearer Healthcare REIT, Inc. a subsidiary of Ensign, which will be the lease holder of St. Elizabeth. After the July 10, 2026, Healthcare Impact Statement was published, Ensign notified the Attorney General's Office that the amount of St. Elizabeth's lease payment will be $417,996 a year.[30]

V. Conclusion and Recommendation

In this supplemental report to my original Health Care Impact Statement, I have evaluated the relevant factors related to the proposed transaction in light of the Hunterbrook and Muddy Waters reports and performance metrics that have been released since my original report. Based on my comprehensive analysis of the reports and current data, I recommend that the transaction should be approved but with enhanced conditions to mitigate the potential adverse impacts of the sale on the residents, staff, and community served by St. Elizabeth.

Over the last five years, St. Elizabeth has had a poor record of compliance with federal and state nursing home requirements. Since Ensign started managing St. Elizabeth in June 2025, the

[29] https://reports.siera.hcai.ca.gov , Medi-Cal + includes Medi-Cal Fee for Service, Medi-Cal Managed Care, Community Coverage Fee for Service, Community Coverage Managed Care. In California, the community coverage fee for nursing home services in a medical cost report is the reimbursement amount under applicable programs (Medicare, Medicaid, or VA PDPM/CNH fee schedule).

[30] Letter from Ensign to CA Department of Justice dated July 20, 2026.

pattern has continued in 2025 and 2026. As a result, in August 2026, St. Elizabeth had a 1-star rating on CMS Care Compare, the lowest rating possible, primarily due to its 1-star rating under the Health Inspections domain. The 1-star rating under the Health Inspections domain is a result of both its high volume of deficiencies and the scope and severity of some of the deficiencies that CDPH has issued to St. Elizabeth over the past 12-15 months.

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. The Q1 CMS PBJ staffing data shows increases in RN, CNA and total nursing HPPD at St. Elizabeth.[31] Yet, according to Harrington's study, St. Elizabeth's staffing levels still fall below the expected hours based on St. Elizabeth's high aggregate resident acuity levels. St. Elizabeth's 1-star rating in the Health Inspections domain and Ensign's focus on admitting high-acuity, short-stay residents underscore the importance of increasing staffing to levels sufficient to meet resident needs.

According to the 2025 Medi-Cal cost report, St. Elizabeth's financial performance has improved as its high percentage of Medicare and Medicare Advantage residents increased. But access to beds for other payors has been minimized and fewer Medi-Cal residents were being served at St. Elizabeth in 2025 compared to 2024. Specifically, St. Elizabeth had 10% fewer Medi-Cal residents in 2025 than in 2024.

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, St. Elizabeth would benefit from the attention of a full-time Administrator because health inspection results at St. Elizabeth have been poor, and access to beds for Medi-Cal residents has declined significantly.

Based on my extensive experience, and the findings documented in this supplemental report, if the Attorney General conditionally consents to the proposed transaction, I recommend the additional 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 closing date of the proposed transaction.

(A) Employing a full-time licensed nursing home Administrator.

Ensign should continuously employ a full-time licensed nursing home administrator at St. Elizabeth who will *not* be responsible to serve as the licensed administrator of any other nursing home.

(B) Maintaining Appropriate Staffing Levels.

[31] Pursuant to the discussion above in subsection III. B, CMS data on Staffing measures is self-reported by facilities and is compared to a national average that does not reflect California's stricter standard regarding staffing minimums.

Ensign should continuously maintain staffing levels and staff competencies necessary to assure resident safety and to attain or maintain the well-being of each resident, including consideration of the aggregate acuity and nursing care needs of the facility's residents.

(C) Monitoring of St. Elizabeth Care Center.

An independent compliance monitor should be considered to monitor St. Elizabeth's compliance with the conditions set forth by the Attorney General. The compliance monitor should conduct both onsite reviews and offsite analysis of Ensign reports and publicly available information to determine if St. Elizabeth is complying with the conditions set forth by the Attorney General.

Ensign should submit quarterly reports to the compliance monitor and Attorney General detailing its compliance with the conditions each quarter. The reports should contain summary data from the previous three 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, complaint investigations, 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.
i. A list and description of any facility-initiated transfers and discharges.
j. Copies of CMS Care Compare Provider Rating Reports over the previous three months.
k. Copies of staff education and training records that pertain to any deficiencies from the previous three months that have a scope and severity level of G or above.

(D) Onsite reviews by the independent compliance monitor should occur every quarter and should include the following activities while onsite:

1. Interview residents, their family members, and the staff, and observe for compliance with all aspects of resident care. The president of the residents' council should be interviewed during each onsite review.
2. Conduct a staffing audit for compliance with state staffing standards. In addition, findings should be compared to PBJ reported data.
3. Make observations of staff sufficiency markers including but not limited to call bell response time, residents calling out, odors, and residents left in bed. Residents and staff should be interviewed and asked about facility staffing levels and call bell response times on all three shifts.

4. Request reports and information related to new deficiencies or citations issued by CDPH. The administrator and director of nursing should be interviewed related to the plans of correction of each deficiency and citation issued by CDPH. Review all policy and procedure changes, and in-service education records related to deficiency plans of correction.
5. Adhere to reporting observations and findings of abuse and neglect to the proper authorities as required by law.
6. Document findings and send a summary report to the St. Elizabeth leadership staff and the Attorney General within two business days of the onsite review.

Respectfully Submitted,

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