

United States Senate

WASHINGTON, DC 20510

May 19, 2022

Joe Bae
Co-Chief Executive Officer
KKR & Co. Inc.
9 West 57111 Street, Suite 4200
New York, NY 10019

Scott Nuttall
Co-Chief Executive Officer
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New York, NY 10019

Dear Mr. Bae and Mr. Nuttall,

We write regarding an alarming investigation revealing that BrightSpring Health Services, which runs hundreds of group homes for residents with severe intellectual and developmental disabilities, has provided grossly substandard care and unsafe living conditions since its acquisition by KKR in 2019.¹

The investigation, based on interviews with BrightSpring employees and an examination of records from BrightSpring-owned small scale intermediate care facilities (ICFs) in California, Indiana, Louisiana, North Carolina, Ohio, Texas, and West Virginia, found that KKR's BrightSpring facilities made up just 16% of ICFs, but accounted for 40% of the serious citations in these states.² These statistics – and the people behind them, who have received inadequate and at times even abusive care – provide yet another example of the long-standing problems of private equity's involvement in our health care system. The industry's model of short-term profit maximization comes at the enormous expense of quality of care for patients and their families.

In light of this troubling report, we request information about your firm's ownership of ICFs, the performance of these facilities before and after your acquisition, and the profits made by your company while people under your care suffered.

In March 2019, your firm acquired BrightSpring Health Services, which operated ICFs for thousands of people with significant intellectual or developmental disabilities, some of whom

¹ BuzzFeed News, "The Private Equity Giant KKR Bought Hundreds Of Homes For People With Disabilities. Some Vulnerable Residents Suffered Abuse And Neglect." Kendall Taggart, John Templon, Anthony Cormier, and Jason Leopold, April 25, 2022, <https://www.buzzfeednews.com/article/kendalltaggart/kkr-brightspring-disability-private-equity-abuse>.

² BuzzFeed News, "To Find Out How This Private Equity Giant Runs Group Homes, BuzzFeed News Had To Do Some Serious Digital Sleuthing," John Templon, Kendall Taggart, Anthony Cormier, and Jason Leopold, April 25, 2022, <https://www.buzzfeednews.com/article/johntemplon/kkr-buzzfeed-news-data-analysis>.

cannot speak, wash, or feed themselves.³ At the time of the \$1.3 billion acquisition, KKR and BrightSpring disclosed that the company had more than 45,000 employees in over 40 states, providing services to over two million people annually.⁴ This acquisition was part of a growing trend of private equity acquisitions in health care – from 2010 to 2019, private equity deals in the health care sector almost tripled in value from \$42 billion to \$120 billion annually,⁵ and there were at least 715 private equity health care deals in 2018 alone.⁶

The *Buzzfeed News* investigation revealed that, after KKR’s acquisition, care at BrightSpring ICFs deteriorated, with regulators finding 118 instances of “dangerously low staffing” in seven states – double the rate found in non-KKR owned facilities.⁷ During that same period, KKR boasted that the company increased BrightSpring’s revenue from \$2.5 billion in 2018 to \$5.6 billion in 2022.⁸ But there is no indication that these revenues were used to improve quality of care in ICFs: “conditions [at BrightSpring ICFs] grew so dire that nurses and caretakers quit in droves, a state prohibited the company from accepting new residents, and some of the most vulnerable people in its care suffered and died.”⁹

BrightSpring ICFs had a myriad of problems. Nurses and care facility staffers had an alarmingly high turnover rate, driven by horrifying employment conditions and uncompetitive salaries, which often failed to match those at competitor facilities and were barely above the minimum wage.¹⁰ The dangers presented by these staffing shortages were compounded by BrightSpring’s failure to properly train its ICF staff. More than 100 inspection reports reviewed by *Buzzfeed News* identified inadequate training as a problem in BrightSpring’s homes – so much so that nurses left the organization because they feared that they were putting their patients, and their licenses, in danger¹¹:

In late 2021, those concerns made it directly to Bob Barnes, the president of BrightSpring’s group home division, which often goes by the name ResCare Community Living. Residents were sitting in soiled clothes for hours on end, nurses were stretched too thin to keep them safe, and staff didn’t know how to

³ Business Wire, “KKR Completes Acquisition of BrightSpring Health Services,” press release, March 5, 2019, <https://www.businesswire.com/news/home/20190305005975/en/KKR-Completes-Acquisition-of-BrightSpring-Health-Services>.

⁴ *Id.*

⁵ Stat News, “Private equity, health care, and profits: It’s time to protect patients,” Jeanne A. Markey and Raymond M. Sarola, March 24, 2022, <https://www.statnews.com/2022/03/24/private-equity-health-care-profits-time-to-protect-patients/>.

⁶ Home Health Care News, “Largest Private Equity Health Care Deals of 2018: Kindred, Curo Make the List,” Robert Holly, January 2, 2019, <https://homehealthcarenews.com/2019/01/largest-private-equity-health-care-deals-of-2018-kindred-curo-make-the-list/>.

⁷ *Buzzfeed News*, “The Private Equity Giant KKR Bought Hundreds Of Homes For People With Disabilities. Some Vulnerable Residents Suffered Abuse And Neglect.” Kendall Taggart, John Templon, Anthony Cormier and Jason Leopold, April 25, 2022, <https://www.buzzfeednews.com/article/kendalltaggart/kkr-brightspring-disability-private-equity-abuse>.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

properly care for them, according to the nurses' accounts described in the emails. A nurse said clients could die.¹²

BrightSpring and KKR's failure to protect their ICF clients resulted in injuries and even deaths. In West Virginia, BrightSpring ignored several warnings of "immediate jeopardy" from state officials that led to at least one preventable death. Authorities subsequently found a "statewide pattern of increased significant and serious deficient practices and operations in ways that jeopardize the health, safety, welfare, and clinical treatment of consumers" that started just months after KKR's acquisition of the company, leading West Virginia officials to order BrightSpring to cease accepting new clients in the state.¹³

Following KKR's acquisition, BrightSpring managers reported facing pressure to keep ICF homes full to maximize profits. Maintenance conditions in BrightSpring facilities also suffered from underinvestment, with state inspection reports citing mold, broken furniture, bedbugs, and unsanitary and unsafe conditions. Even as the quality of care in BrightSpring ICFs declined, your firm chose to keep profits for yourself at every opportunity, rather than improve conditions for your patients.

Much of this underinvestment appears to be the result of debt taken on during the KKR takeover, combined with cost-cutting measures designed to pad the profits of both BrightSpring and KKR. During its acquisition, BrightSpring's KKR-controlled board of directors approved a plan for BrightSpring to take on \$1.1 billion in debt. Since then, BrightSpring has paid more than \$135 million a year in interest on the loans. BrightSpring also paid out an \$8.1 million "transaction fee" to KKR and its minority partner at the time of the acquisition, and 1% of its earnings as a "monitoring fee."¹⁴ Meanwhile, BrightSpring CEO Jon Rousseau doubled his salary to \$1.6 million.¹⁵

Now, KKR and BrightSpring executives who oversaw the company's operations following the acquisition are poised for yet another payday. In October 2021, the company filed to go public in a \$100 million initial public offering, citing its access to a "\$1.5 trillion combined market opportunity."¹⁶ Executives, including BrightSpring CEO Rousseau who owns approximately 243,000 stock options, stand to cash out without answering for the dangerous decline in quality that staff, patients, and their families experienced.¹⁷

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Home Health Care News, "BrightSpring Files to go Public, Eyes \$1.5 Trillion Opportunity," Robert Holly, October 19, 2021, <https://homehealthcarenews.com/2021/10/brightspring-files-to-go-public-eyes-1-5-trillion-opportunity/#:~:text=BrightSpring%20Health%20Services%20filed%20the,Louisville%2C%20Kentucky%2Dbased%20company.>

¹⁷ Buzzfeed News, "The Private Equity Giant KKR Bought Hundreds Of Homes For People With Disabilities. Some Vulnerable Residents Suffered Abuse And Neglect." Kendall Taggart, John Templon, Anthony Cormier, and Jason Leopold, April 25, 2022, [https://www.buzzfeednews.com/article/kendalltaggart/kkr-brightspring-disability-private-equity-abuse.](https://www.buzzfeednews.com/article/kendalltaggart/kkr-brightspring-disability-private-equity-abuse)

We have long been worried about the deleterious impact of private equity on health care and patient care. Your company illustrates how private equity firms exploit the health care industry to squeeze out profits at every stage. Private equity has moved into health care services from rural hospitals to nursing homes and hospice centers to health care billing management and debt collection systems, exacerbating existing problems like surprise medical billing, inadequate training, and a lack of oversight and due process.¹⁸ One study on the impact of private equity in health care found that, in nursing homes, private equity ownership increased the short-term mortality of residents by 10%, representing more than 20,000 lives lost each year.¹⁹ A 2022 report from the Private Equity Stakeholder Project found that, in behavioral services for children and adolescents, private equity's "focus on reducing expenses at its youth services companies in many cases means cutting staff, relying on unlicensed staff, and failing to adequately train staff."²⁰ If the allegations in the new report are true, KKR's takeover of BrightSpring, and its horrific impact on thousands of ICF residents with intellectual and developmental disabilities, appears to be another example of the pernicious influence of private equity on patient care.

In order to understand the impact KKR has had on the quality of care for BrightSpring Health Services' patients, we ask that you provide answers to the following questions no later than June 2, 2022:

1. For each state in which BrightSpring Health Services operates ICFs or other residential care facilities please provide the following information, for each full year since its acquisition by KKR in March 2019, and the preceding three years.
 - a. Total number of facilities, by type of facility
 - b. Total revenue, and the total revenue from Medicare, and from Medicaid
 - c. Total expenses, broken down by type of expense. Please include information on:
 - i. Total debt payments resulting from the KKR takeover of BrightSpring.
 - ii. Total salaries and other compensation for company executives.
 - iii. Any payments to any other entity affiliated with, or owned or operated by KKR.
 - d. Total number of patients for each facility, and the total number whose care is paid for by Medicare, and by Medicaid.
 - e. Net income

¹⁸ NBC News, "Private equity firms now control many hospitals, ERs and nursing homes. Is it good for health care?," Gretchen Morgenson and Emmanuelle Saliba, May 13, 2020, <https://www.nbcnews.com/health/health-care/private-equity-firms-now-control-many-hospitals-ers-nursing-homes-n1203161>; USA Today, "Dentists under pressure to drill 'healthy teeth' for profit, former insiders allege," David Heath, Mark Greenblatt, and Aysha Bagchi, May 19, 2020, <https://www.usatoday.com/in-depth/news/investigations/2020/03/19/dental-chain-private-equity-drills-healthy-teeth-profit/4536783002/>.

¹⁹ Stat News, "Private equity, health care, and profits: It's time to protect patients," Jeanne A. Markey and Raymond M. Sarola, March 24, 2022, <https://www.statnews.com/2022/03/24/private-equity-health-care-profits-time-to-protect-patients/>.

²⁰ Private Equity Stakeholder Project, "The Kids Are Not Alright: How Private Equity Profits Off of Behavioral Health Services for Vulnerable and At-Risk Youth," February 2022, Eileen O'Grady, p. 4, https://pestakeholder.org/wp-content/uploads/2022/02/PESP_Youth_BH_Report_2022.pdf.

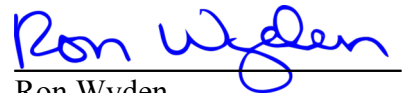
- f. Total number of employees for each facility
 - i. Average salary information for employees, broken down by type of employee, including caretakers and nurses
2. For each of the five highest paid BrightSpring executives, please provide total compensation for each year since March 2019, including pay, bonuses, or other compensation. Please provide a description of the nature of any bonuses received by these individuals.
3. Since its March 2019 acquisition by KKR, have any of the residential or ICFs operated by BrightSpring Health Services been found to have violated any federal or state laws or regulations? If so, please provide a complete list, including the date and description, of all such violations. Please also include a list of all deficiencies identified in state or federal surveys of the facilities owned by the company for each year.
4. Since its March 2019 acquisition by KKR, have any of the residential or ICFs operated by BrightSpring Health Services reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state laws or regulations or deficiencies in providing care? If so, please provide a complete list, including the date and description, of all such settlements.
5. Since its March 2019 acquisition by KKR, have any of the residential or ICFs operated by BrightSpring Health Services reached a settlement with any individual who was provided services by the company related to a potential violation of any federal or state laws or regulations or deficiencies in providing care? If so, please provide a complete list, including the date and description, of all such settlements.

Thank you for your attention to this matter.

Sincerely,



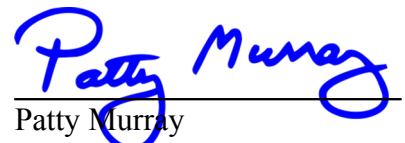
Elizabeth Warren
United States Senator



Ron Wyden
United States Senator



Bernard Sanders
United States Senator



Patty Murray
United States Senator