

## MEDIA STATEMENT – GENESIS HEALTHCARE – March 17, 2021

---

### **Statement by Genesis HealthCare (“Genesis” or “Company”) regarding the Company’s response to Sen. Elizabeth Warren’s letter, dated March 16, 2021:**

*On February 10, 2021, Genesis responded to Sen. Elizabeth Warren’s letter received on January 27, 2021. Genesis corrected inaccuracies in the January 20, 2021 Washington Post article referenced in Sen. Warren’s letter. On March 16, 2021, we received a follow-up communication from Sen. Warren. An overview of our response can be found below:*

### **Genesis and its leadership and employees have taken extraordinary steps at enormous expense to protect residents, patients and staff from this worldwide pandemic.**

- From the very beginning of the pandemic, the need to acquire personal protective equipment (PPE), testing, and other critical infection-fighting measures, as well as to maintain sufficient staffing levels at its facilities, drove Genesis’ spending decisions.
- Genesis took unprecedented measures, at a staggering cost, to locate PPE supplies – purchasing them on the spot market where needed and paying between 400%-6,600% more than normal prices.
- Regarding case and death rates, due to Genesis’ geographic footprint, its facilities were among the hardest hit early in the pandemic, when shortages of vital supplies and testing were widespread, and the virus was still poorly understood. Genesis, unlike many operators, also voluntarily reported *all* cases going back to the beginning of the pandemic via National Healthcare Safety Network (“NHSN”).
- Based on an analysis of publicly available data by Avalere Health commissioned by Genesis, **Genesis centers had lower average death rates due to COVID-19 compared with non-Genesis facilities located in the same counties where Genesis centers operate.** (See Misconceptions section for more detail.)
- The Company deeply mourns every positive case and death that occurred despite its comprehensive efforts to combat COVID-19.

### **Genesis is greatly appreciative of the government support its facilities have received and has followed, and will follow, all applicable conditions of those funds.**

- All CARES Act funds received by Genesis will be allocated to expenses and lost revenue related to the coronavirus in accordance with the dictates of the law, and such expenses cannot and will not include executive compensation costs.
- Moreover, at no time did Genesis ever limit or reduce spending on measures to protect residents, patients and staff in order to fund executive compensation.

### **The Company has awarded over \$100 million in “hero dollars” to nearly 30,000 employees and contract staff working in its centers and caring for residents and patients.**

- This is in recognition of their care for patients in the face of the crisis and willingness to show up to every shift and fill empty shifts during shortages, all at personal risk.
- The Company spent vastly more on additional pandemic-related pay for frontline workers than it did to retain senior executives.

## MEDIA STATEMENT – GENESIS HEALTHCARE (Cont'd)

### The Company's compensation for its executives was contractual, fair and appropriate.

- In October and November 2020, recognizing the possibility that the Company might have to file for bankruptcy or engage in other restructuring, the Board entered into retention agreements and amended employment agreements with Mr. Hager and several other key executives deemed by the Board as essential to the Company's restructuring efforts and operational turnaround. The potential for Chapter 11 bankruptcy was disclosed in the Company's Q2 and Q3 reports filed publicly with the Securities and Exchange Commission.
- These kinds of retention agreements are often a necessary step companies take to avoid the loss of critical personnel in a crisis situation when stability is paramount.
- At the time, the Board expected and needed Mr. Hager to remain as CEO, and his retention agreement contemplated that he would remain through the end of 2021. However, the Board made governance changes, placed more reliance on outside advisors and entered into challenging negotiations with creditors, all of which reduced Mr. Hager's role. As a result, Mr. Hager and the Board mutually agreed that the time was right for his departure, for what is known as "good reason," and negotiated a separation agreement. Mr. Hager's departure for "good reason" entitled him to a severance payment, per his employment agreement.
- Mr. Hager kept his retention payment, which ***was credited against, and not duplicative of, this severance payment.***
- Mr. Hager's separation payment reflected his strong leadership and tireless commitment to protecting the Company's residents, patients and staff while simultaneously navigating Genesis through challenging financial pressures. It also recognized his 28 years of service at Genesis during which he led the Company through tremendous growth, multiple ownership changes and monumental regulatory changes.

Finally, Sen. Warren's most recent letter questions the transition of Genesis facilities leased from Welltower and what will happen to patients, residents and staff. Throughout this pandemic, we have remained laser focused on ensuring that our facilities are able to continue providing critical care to our residents and patients. With no certainty regarding additional government support, we had to identify other ways to strengthen the Company and chart a path to recovery. As part of a restructuring announced earlier this month, we will be exiting the leases on 51 Welltower facilities, which will be transitioning to new operators over the next several months. The new operators will be vetted by their respective state licensure agencies. We remain committed to a seamless transition of these properties to new operators, ensuring that the wellbeing of our current residents and patients are at the heart of all of our efforts. We expect virtually all employees to be offered opportunities to transition to the new operators.

Genesis is proud of the heroic efforts of its leadership, staff and the enormous efforts made, at great expense, to keep residents, patients and employees safe. The suggestion that the Company's efforts to retain personnel, as it faced unprecedented public health and financial circumstances, somehow compromised its commitment to patient safety is deeply unfair, as is the claim that it used CARES Act funds to pay executive bonuses, which it did not. The record is clear that Genesis devoted enormous resources to its ongoing battle with COVID-19, and that the ongoing efforts of its frontline workers and executives alike helped save lives. In fact, these efforts have had major consequences for the financial viability of the Company, but the lives of residents, patients and employees came first.

\* \* \* \* \*

Misconceptions vs. Reality

---

**Misconception #1:** Deaths at Genesis facilities “are higher than in comparable nursing home chains.”

**REALITY:** *The Washington Post*’s calculations relied on apples-to-oranges data and are incorrect.

- The *Post* seems to have arrived at its claim by dividing overall COVID-19 deaths, as reported by Genesis, by number of licensed beds at Genesis facilities, and then comparing this to similar numbers at other companies’ facilities. This very rough calculation is misleading in several key respects.
- Moreover, the majority of Genesis centers are located in the states where mortality rates from the virus – both inside and outside Genesis centers – were twice as high during the first months of the pandemic than later in 2020. This also skewed rates higher.
- Genesis, unlike many operators, in the interest of transparency, voluntarily reported *all* cases going back to the beginning of the pandemic via National Healthcare Safety Network (“NHSN”). In this database, all such submitted data prior to the “Week Ending 05/24/2020 may include reporting for any time between 01/01/2020 through 05/24/2020”. The period January 1, 2020 through May 24, 2020 comprises “Week 1” in this database. The Centers for Medicare and Medicaid Services (“CMS”), which hosts NHSN’s COVID-19 nursing home data, explicitly warns against using NHSN “Week 1” data for comparative purposes. It also warns that, “Data reported for the week ending 05/24/2020 should not be used to perform trend analysis and longitudinal analyses.”
- According to an analysis of publicly available data by Avalere Health, Genesis centers had lower average death rates than non-Genesis centers in the same counties.
- Where the *Post* figures relied on *the number of licensed beds* – which yields better results for facilities with lower occupancy rates, as empty beds cannot result in cases or deaths – Avalere’s analysis was based more accurately on *occupied* beds.
- Finally, the death counts are inflated, because Genesis worked with States and regional hospital systems to provide COVID-19 patient treatment overflow units; these patients were at much higher risk, and this resulted in higher death counts, which were transparently reported.

**Misconception #2:** Mr. Hager’s severance and other compensation was not justified because the Company was unable to control the spread of the virus.

**REALITY:** Nursing homes have been hit particularly hard by the coronavirus pandemic due to the fragility of their residents and the group setting. Multiple studies have shown that one of the two key factors determining prevalence of the virus in nursing homes is the prevalence of the virus in the surrounding community (the other is facility size). Genesis, in particular, faced unique challenges because its facilities are concentrated in states that had major outbreaks in March and April 2020, when the disease was little-understood, PPE and testing capacity were in extremely short supply and governments were focused on hospitals over other providers.

Genesis went to extraordinary lengths to overcome these structural challenges through early, frequent and centralized communications with its centers; dramatic efforts to secure PPE; and close coordination with federal and state agencies. To protect its vulnerable residents and workers, Genesis took unprecedented measures, at a staggering cost, to locate critical supplies of PPE and tests and to protect residents, patients and staff in a variety of other ways. In many cases, Genesis aggressively implemented infection control procedures in response to the pandemic, in advance, and sometimes *far* in advance, of guidance from federal authorities. All these efforts were led by Mr. Hager and the rest of the executive leadership team – including efforts that have resulted in the highest vaccination rates among nursing home staff in the nation at 62% – far exceeding the 37.5% average. (Note: As of March 16, 2021, 63% of staff and 86% of residents have been vaccinated).