1 of 1 DOCUMENT

The Boston Globe

April 19, 1992, Sunday, City Edition

Charles Brennick of New Medico faces the challenge of his life

BYLINE: By **John H. Kennedy,** Globe Staff

SECTION: ECONOMY; Pg. 71

LENGTH: 1952 words

Lugging a suitcase stuffed with $ 100 bills - at times as much as $ 1 million worth - Charlie Brennick would head to the baccarat tables in Las Vegas in the 1970s. It was his way of trying to try to bail out his struggling nursing homes.

Brennick's business was faltering and he was determined to raise the money to save it. As it turns out, he lost big: $ 7 million over two years, according to his lawyer. It was an act of desperation, his lawyer said at the time, that he ultimately learned was not the answer to his financial problems.

Brennick, who managed to emerge from bankruptcy, may have thought he had met his biggest test in business in those days. But today he faces a potentially harder one.

Two congressional subcommittees have fielded complaints about New Medico, Brennick's chain of head-injury rehab facilities. Former patients and employees are suing, and the US Attorney's office in Boston, along with the FBI, is conducting an investigation of Brennick's companies, target of allegations ranging from bad patient care to questionable business practices.

Company officials have denied the allegations against the chain, saying patient care in New Medico facilities is among the best and their business practices are not just lawful, but ethical.

But with all the official scrutiny has come more attention to Brennick himself, a 58-year-old, intensely private man who friends say is wholly dedicated to work and family.

Brennick is not giving interviews. But those who know him say he appears girded to endure and learn from the maelstrom swirling around his companies. His empire stretches through 15 states, employs 7,500 people and cares for 5,000 patients.

"He's a guy who looks at virtually every experience as a learning experience," said New Medico spokesman Jack Barrette. "He's looking for a life lesson in this as well."

Former and current employees, and others in the industry, paint a picture of Brennick that is full of contradictions. One employee describes him as a selfless person who quietly devotes time and money to such charities as an orphanage in South America.

This is the same Brennick who was arrested in 1988 in Lynn, where one of New Medico's companies has its headquarters.

Lynn vice squad officers said they found Brennick in his car having sex with an alleged prostitute. While he was being arrested, according to an account in the Daily Evening Item of Lynn quoting police at the time, Brennick allegedly handed more than $ 3,000 to an officer and said: "We can forget about this arrest, right? Take off the handcuffs and I'll be on my way." Police said Brennick was carrying more than $ 26,000 in cash in the car.

The charges were later dismissed. But despite the affidavit of a police officer given in Brennick's defense, New York regulators overseeing his nursing home operations there said the arrest has raised questions over

what they can expect from the business operations Brennick runs. Those regulators have still not decided whether to grant him licenses for new facilities.

Even the story of Brennick's Las Vegas gambling adventures has invited skepticism from some. Creditors seeking Brennick's assets to help pay off his debts in the 1970s were never able to independently confirm his story to a bankruptcy trustee that he lost $ 7 million through his gambling, according to a source familiar with the proceeding.

Brennick's lawyer, Charles Stillman, said Brennick told the story under oath and "nobody challenged it."

If anyone has the capacity to bounce back, it is Brennick.

Said Stillman: "To come back to the gambling metaphor, I'd put my money on **Charles Brennick.**"

Brennick, a thin, avuncular man, is by reputation more comfortable doing business in the Cafe Fleuri at the posh Meridien Hotel in Boston than he is at New Medico's offices two blocks away on Atlantic Avenue.

In fact, company officials say, he has no office, preferring to do business in the restaurant, another employee's office or over the telephone. It allows Brennick mobility and flexibility, rather than being captive to a desk.

Brennick is constantly in touch with his empire by telephone - from his New Hampshire home on the shores of Lake Winnipesaukee, where he lives with his second wife, Sylvia; from the Meridien; or from his car phone.

"It was not uncommon to see him with a phone in each ear," said one former executive. "I have never, ever, seen him play," said Stillman, who has known Brennick for more than 20 years.

Over coffee and a cigarette - a habit he is constantly trying to kick - Brennick scribbles notes on sheets from legal pads, which become part of a record system he stores in his pockets. Company folklore has it that Brennick has been known to take notes on a tablecloth, then buy it.

One former employee sized him up this way: "Charles was a Midas kind of person, everything he touched seemed to turn to gold. But you don't cross Charles.

"Charles is a businessman first. His interest is the bottom line. He would chew up one side and down the other of upper management to meet his goals and budgets," said the employee, who left the company a few years ago after a dispute.

Once a week the top managers meet with Brennick in sessions that last hours and have been known to drag into the early morning hours.

One ex-employee who worked in the Lynn offices in the 1980s said Brennick was "very friendly, smiling, very quiet," but added that he "believed that the best way to get 150 percent out of people was to make them compete against each other. He would give two people comparable types of authority and let them slug it out."

Jeffrey Goldshine, president of New Medico Associates, has another view.

"Patient care has always been his highest priority," said Goldshine in a recent interview. "He is a dedicated, hard-working, seven-day-a-week CEO of an organization who is constantly looking for ways to ensure that we do what's right for our patients."

Added Stillman, "He's an entrepreneur, yes, and he wants to make money, but that's patient care where he starts from."

There is no mistaking that part of Brennick's credo is hard work. He is known to work 16- and 17-hour days.

And the payoff has been handsome. The New Medico companies boast gross revenues of $ 370 million a year, according to Goldshine.

One source who claims to have seen Brennick's 1986 financial statement pegged his wealth then at about $ 50 million. NBC News, citing unidentified company documents, said Brennick earned a salary of more than $ 1 million from just one facility in 1989.

Born in Somerville in 1933, one of Brennick's first jobs was in the rest home operated by his mother, Josephine. Work, rather than education, became Brennick's ticket to a good life; he suffered from dyslexia and never got past the sixth grade. He stayed in the nursing home business and by the late 1960s and early 1970s had built one of the largest chains in the Northeast.

Family has been a constant thread throughout his business affairs. Brennick became a partner with his younger brother, John, and his brother-in-law Walter Margerison, in addition to associate Dan Donovan. His cousin Gerard Martin also at one point worked with Brennick. (All four split off from New Medico years ago. Martin, for example, now heads the well-known and publicly traded Greenery Rehabilitation Group, which conducted merger talks with New Medico that fell through in 1988).

Today five of Brennick's sons, ranging from 21 to 35, work for New Medico.

By the late 1960s and early 1970s scandal washed over the nursing home industry generally and at one point Brennick's operations were swept up in it. One employee, an administrator of one of Brennick's Connecticut nuring homes, was indicted. She was convicted of lying to a grand jury and was given probation.

Stillman said the investigators appeared at the time to be combing company records for any evidence of overbilling, but added that the nursing homes and Brennick "got a clean bill of health."

"No charges of any kind were brought against a New Medico nursing home or Mr. Brennick," he said.

By the early 1970s Brennick and his partners together or separately owned or operated about two dozen nursing homes in Massachusetts, Connecticut and New York. According to some industry officials and other nursing home operators, they generally had a good reputation.

But they apparently were so overleveraged financially that the chain, managed by MediCo Associates, took a fall. Brennick was caught in a pattern of acquiring and building new homes by refinancing the old ones.

"He was building and building and building and using refinancing to accomplish that," said Bill DeTellis, former executive director of the Massachusetts Federation of Nursing Homes. "It hit everybody. The only reason it hit Brennick more was because Brennick was a player, a grower."

In a financial statement given to Security National Bank in 1973, Brennick, then only 40, estimated his net worth at $ 10.2 million.

He later testified after filing for bankruptcy in 1976 that, according to a creditor, "what he really needed was at least $ 20 million to resolve his financial problems." Soon after, he headed for Las Vegas.

Despite the money he lost in Vegas, according to his account, and while the banks fumed about the bankruptcy filing, a business reorganization plan did go through and Brennick and his partners emerged with all but a few nursing homes that had been sold, and MediCo became New Medico.

Indeed, it was after bankruptcy that Brennick expanded the whole direction of his business.

By about 1982 strides in medicine and emergency medical response systems helped save people who would have died before. The problem was there was no place for them to go after acute-care hospitals were finished treating them. So nursing homes, previously filled with geriatric patients, were converted to also serve this new group of patients who needed a whole range of treatment and rehabilitation.

Brennick was considered a pioneer in creating a middle ground between acute-care hospitals and traditional geriatric facilities.

The idea was a good business move, but Brennick may have been predisposed because of a family tragedy that occurred years before. His first child by his second wife, Sylvia, died in a car accident while a teen-ager. Details are sketchy, but company employees say that same weekend the daughter of a friend of Brennick's survived in another accident.

Goldshine said Brennick felt there was nothing worse than what he was going through, until he talked to his friend, whose daughter was brain-injured.

As Goldshine described the conversation, the friend said:

"Charlie, what happened to your daughter wasn't the worst thing that could have happened. She died, it's

over with. My daughter, on the other hand is still alive, and we wonder every day whether her needs are being cared for, whether someone is attending to her . . . . That's the worst."
Today New Medico relies heavily on real estate investment trusts, which either own or hold the mortgages to about half its facilities.

Because of reports of New Medico's problems, the publicly traded Health & Rehabilitation Properties Trust of Newton has suffered some fluctuation in its stock price, since it relies on rent and mortgage payments from New Medico for up to 40 percent of its revenues.

Another publicly traded real estate trust, Meditrust, has about 10 percent of its holdings in New Medico. Meditrust, whose founder and chairman is Abe Gossman, well-known in the health-care industry as ang home operator. "Big companies can do it. But for some, the services they delivered got away from them."

LOAD-DATE: April 21, 1992

LANGUAGE: ENGLISH

GRAPHIC: PHOTO, **Charles Brennick**

Copyright 1992 Globe Newspaper Company