Electronically FILED by Superior Court of California, County of Los Angeles on 03/11/2020 04:10 PM Sherri R. Carter, Executive Officer/Clerk of Court, by R. Perez,Deputy Clerk

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Exempt from filing fees pursuant to Government Code section 6103

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES, CENTRAL DISTRICT

SONIA ANGELL, MD, MPH, DIRECTOR, CALIFORNIA DEPARTMENT OF PUBLIC HEALTH,

Petitioner,

v.

LEGACY HEALTHCARE CENTER, LLC, a California limited liability company; ROSE GARDEN SUBACUTE & REHABILITATION CENTER, LLC, a California limited liability company; and DOES 1 THROUGH 20, INCLUSIVE,

Respondents.

Case No. 20STCP01013

DECLARATION OF T. SCOTT VIVONA IN SUPPORT OF APPLICATION FOR ORDER APPOINTING TEMPORARY RECEIVER AND FOR ORDER TO SHOW CAUSE RE APPOINTMENT OF RECEIVER

Date: March 12, 2020
Time: 8:30 a.m.
Dept: 85
Judge: Hon. James C. Chalfant

[RELATED TO CASE NO. 20STCV04552]

DECLARATION OF T. SCOTT VIVONA

I, T. Scott Vivona, declare as follows:

1. I am currently employed as the Assistant Deputy Director, Center of Health Care Quality, by the California Department of Public Health (CDPH or Department). I currently oversee the management and supervision of the Licensing and Certification Field Operations, which is primarily responsible for ensuring that health care facilities, including skilled nursing facilities, comply with state licensing laws. As the state survey agency acting for the Centers for Medicare and Medicaid Services, CDPH's Licensing and Certification Branch is also responsible for certifying that health care facilities that receive Medicare and Medicaid payments meet federal participation requirements.

2. If called upon to testify, I could competently testify to the following facts as they are personally known to me.

3. I am familiar with the operations of the skilled nursing facilities known as (1) Rose Garden Healthcare Center, located at 1899 N. Raymond Avenue, Pasadena, CA, 91103-1733 (the Rose Garden Facility), and (2) Legacy Healthcare Center, located at 1570 N. Fair Oaks Avenue, Pasadena, CA, 91103-1822 (the Legacy Facility) (collectively, the Facilities).

4. The Facilities are licensed by the Department as skilled nursing facilities and are Medicare and Medi-Cal certified. A true and correct copy of the license most recently issued by the Department for the operation of the Rose Garden Facility is attached as Exhibit 1 and a true and correct copy of the license most recently issued by the Department for the operation of the Legacy Facility is attached as Exhibit 2. Combined, the Facilities have licenses for 149 skilled nursing beds, and the Rose Garden Facility is licensed to offer subacute care.

5. The licenses of respondent Legacy Healthcare Center, LLC (the Legacy Respondent), and respondent Rose Garden Subacute & Rehabilitation Center, LLC (the Rose Garden Respondent) (collectively, Respondents) to operate the Facilities expired on December 27, 2019. Respondents failed to renew their licenses or pay the required renewal fees, and therefore have been operating the Facilities without a valid license since that date.

6. Respondents are required to pay the state-mandated Quality Assurance Fee (the QA Fee) as a condition for participating in the Medi-Cal program. (Health & Saf. Code, §§ 1324.2, 1324.4.) However, Respondents have not paid QA fees for over two years, and together owe back payments of approximately $1.4 million.

7. I am designated to act on behalf of the Director of CDPH for the purposes of appointing a Temporary Manager under section 1325.5 of the Health and Safety Code (Section 1325.5) and for the purposes of appointing Receivers under section 1327 of the Health and Safety Code (Section 1327)..

8. Pursuant to my delegated authority for the purposes of appointing a Temporary Manager, on February 4, 2020, I appointed Seelig & Cussigh HCO, LLC (Seelig) as the Temporary Manager of the Facilities. Seelig has operated the Facilities since February 5, 2020. Respondents did not challenge the appointment of Seelig as Temporary Manager.

9. Seelig was appointed as Temporary Manager of the Facilities after the Department determined that conditions at the Facilities created a situation where the residents of both of the Facilities were in immediate danger of death or permanent injury by virtue of the failure of the Facilities to comply with federal or state requirements applicable to the operation of the Facilities. A true and correct copy of the Statement of Concerns that CDPH served on the Legacy Facility is attached as Exhibit 3 and a true and correct of the Statement of Concerns that CDPH served on the Rose Garden Facility is attached as Exhibit 4.

10. Seelig has prepared two reports documenting the conditions of the Facilities. A true and correct copy of Seelig's 48-hour Report as received by the Department and dated February 7, 2020, is attached as Exhibit 5. A true and correct copy of Seelig's 20-day Report as received by the Department and dated February 25, 2020, is attached as Exhibit 6.

11. Pursuant to my delegated authority to appoint receivers and temporary receivers, subject to court approval, I have nominated Ermel Don Doyle, Jr. (Doyle) as receiver (and as temporary receiver) to take charge of all operations of the Facilities. I am familiar with Doyle, and he satisfies the requirements to serve as a receiver (and temporary receiver), as specified in subdivision (b) of Section 1327 and in California Code of Regulations, title 22, section 72801.

I declare under penalty of perjury under the laws of the State of California, that the foregoing is true and correct of my own knowledge.

Executed this MONDAY the day of March 9th, 2020, at SACRAMENTO, California.

By: T. Scott Vivona

T. Scott Vivona
Assistant Deputy Director
Center for Health Care Quality
California Department of Public Health

LA2020500725
54169975.docx

EXHIBIT 1

License: 970000079
Effective: 12/28/2018
Expires: 12/27/2019
Licensed Capacity: 95

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

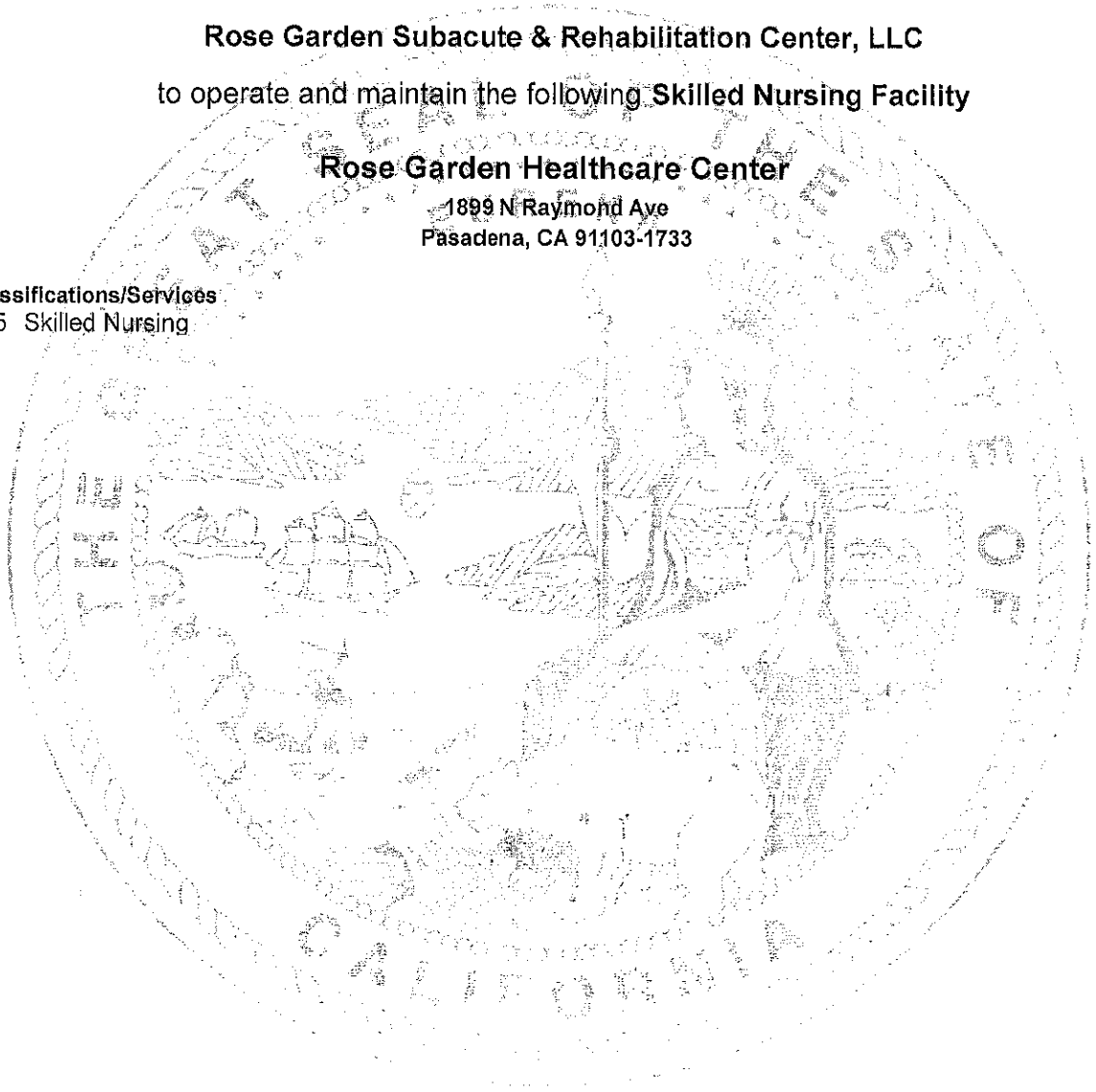
this **License** *to*

Rose Garden Subacute & Rehabilitation Center, LLC

to operate and maintain the following **Skilled Nursing Facility**

Rose Garden Healthcare Center
1899 N Raymond Ave
Pasadena, CA 91103-1733

Bed Classifications/Services
95 Skilled Nursing



This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Sonia Y. Angell, MD, MPH
State Public Health Officer & Director

Nora Salazar, Staff Service Manager II

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. Region 1 District Office, 5050 Commerce Drive, Suite 102, Baldwin Park, CA 91706, (626)430-5600

POST IN A PROMINENT PLACE

EXHIBIT 2

License: 970000089
Effective: 12/28/2018
Expires: 12/27/2019
Licensed Capacity: 54

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

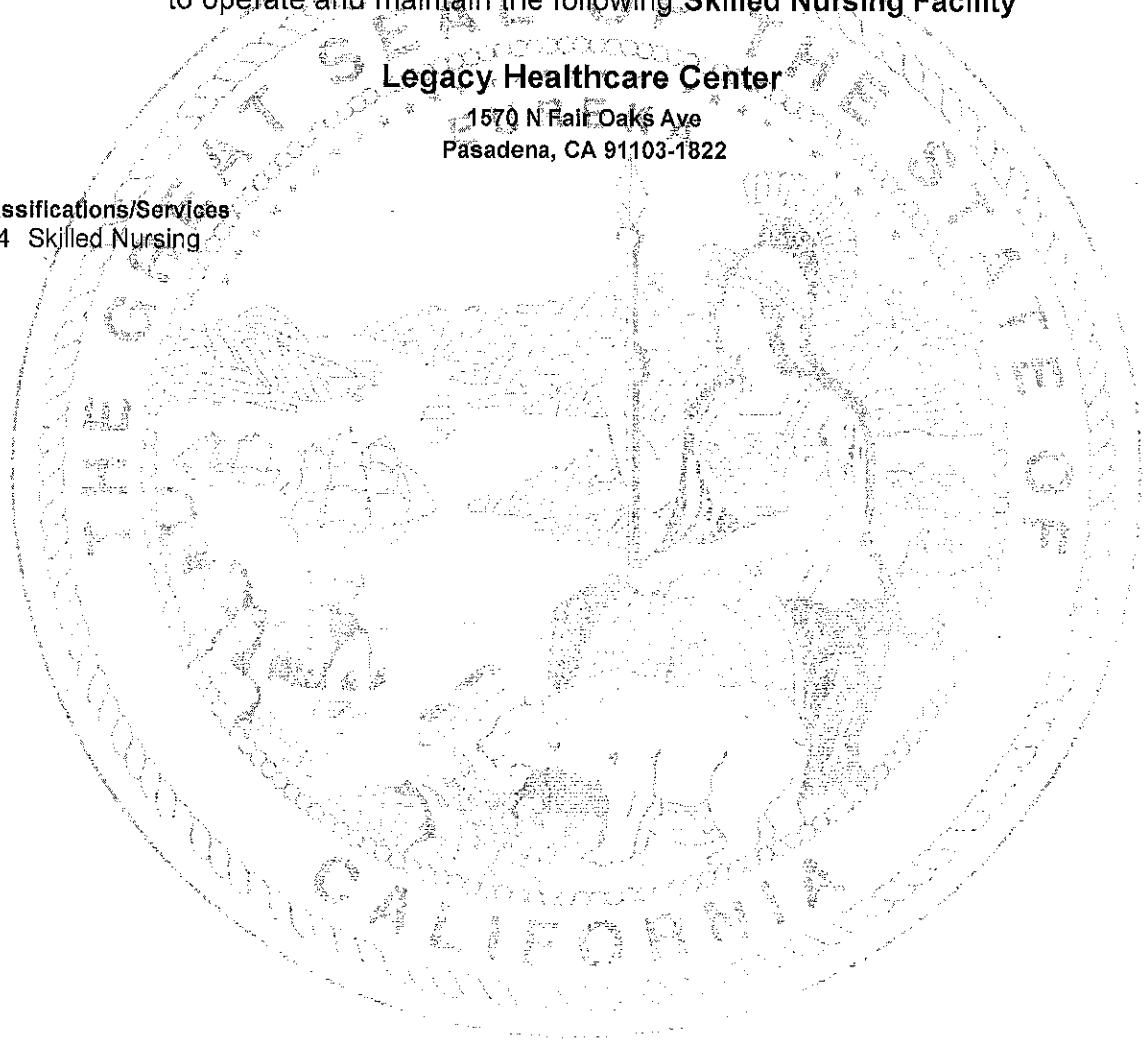
this **License** *to*

Legacy Healthcare Center, LLC

to operate and maintain the following **Skilled Nursing Facility**

Legacy Healthcare Center
1570 N Fair Oaks Ave
Pasadena, CA 91103-1822

Bed Classifications/Services
54 Skilled Nursing



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None

Sonia Y. Angell, MD, MPH
State Public Health Officer & Director

Nora Salazar, Staff Service Manager II

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. Region 1 District Office, 5050 Commerce Drive, Suite 102, Baldwin Park, CA 91706, (626)430-5600

POST IN A PROMINENT PLACE

EXHIBIT 3

State of California—Health and Human Services Agency
California Department of Public Health

SONIA Y. ANGELL, MD, MPH
State Public Health Officer & Director

GAVIN NEWSOM
Governor

February 4, 2020

HAND-DELIVERED

Simcha Stern, Administrator
Legacy Healthcare Center
1570 N Fair Oaks Ave
Pasadema, CA 91103

Re: Statement of Cause and Concerns

Dear Mr. Stern:

Pursuant to the requirements of Health and Safety Code section 1325.5, subdivision (e)(2), the Department of Public Health (Department) is providing you with a Statement of Cause and Concerns and supporting declaration that specifies the factual and legal bases for the Department's appointment of a temporary manager (TM) to the Legacy Healthcare Center. Also included is information regarding your right to contest the Department's appointment of a TM along with the appropriate form to file the petition.

STATEMENT OF CAUSE AND CONCERNS

Legacy Healthcare Center, LLC, is the licensee for Legacy Healthcare Center. Arlene H. Rosales, as trustee of the Arlene H. Rosales Living Trust, is the property owner for 1570 N Fair Oaks Ave, Pasadena, CA 91103, where Legacy Healthcare Center is located. The facility has 54 licensed skilled nursing beds. The current facility census is 44.

On January 29, 2020, the Department received a complaint regarding the facility's failure to pay staff and staff walking out of the facility. During the complaint investigation, the Department the Licensee is not timely paying facility staff. Therefore, multiple facility staff have stopped showing up to work and registry services are being used, but it is becoming increasingly difficult to hire registry staff due to the facility's inability to pay staff.

The Department has identified the following concerns: The Licensee is experiencing financial problems, including making payroll and paying rent pursuant to the lease

agreement. The immediate need for a TM is to ensure sufficient staffing to maintain resident care due to Licensee's inability to pay staff. In addition, the landlord has served the Licensee with an eviction notice, which is due to be enforced on Wednesday, February 5, 2020. Eviction of the Licensee and all occupants creates an immediate danger of death or permanent injury because residents may suffer transfer trauma and/or other physical harm pursuant to Health and Safetcy Code section 1336.2.

Consequently, on February 3, 2020, the Department found that Immediate Jeopardy exists at this facility. The Licensee's "noncompliance with one or more requirements of participation has caused, or is likely to cause, serious injury, harm, impairment, or death to a resident." (See 42 CFR 489.3.).

Licensee has no plans in place to provide for the continued care of its residents.

The Department has determined the following:

1) Due to financial hardship, the Licensee is unable to timely pay facility staff, and

2) Absent the appointment of a TM, the Licensee's failure to meet professional standards of care for residents is imminent.

PETITION FOR HEARING

Pursuant to section 1325.5, subdivision (f), a Licensee may contest the appointment of the TM within 60 days of the date the Statement of Cause and Concerns was mailed, by filing a petition for an order to terminate the appointment of the TM with the Office of Administrative Hearings in the Department of General Services (OAH). Enclosed is a form and information for your use in requesting a hearing, if you choose to do so. Please note that on the same day that the petition is filed with OAH, section 1325.5, subdivision (f)(1), provides that you shall also deliver a copy of the petition to OAH to the Assistant Deputy Director, Center for Health Care Quality, Scott Vivona, at 1615 Capitol Avenue, P.O. Box 997377, Mail Stop 0512, Sacramento, California 95899-7413.

Section 1325.5, subdivision (f), further provides that when the petition is received, OAH will set a date and time for the hearing that is within 5 days, and shall promptly notify both you and the Department of the date, time, and place of the hearing. At the hearing, each party may present relevant evidence, pursuant to Government Code section 11513. Section 1325.5 requires the administrative law judge to issue a written decision on the petition within five business days of the conclusion of the hearing. However, the statute provides that the five-day time period for holding the hearing and rendering a decision may be extended by agreement of the parties.

Section 1325.5, subdivision (f)(3), provides that the administrative law judge shall uphold the appointment of the temporary manager if the Department proves, by a preponderance of the evidence, that the circumstances specified in section 1325.5, subdivision (c), applied to the facility at the time of appointment. If the Department does

not present evidence to satisfy the burden of proof, the administrative law judge shall terminate the TM.

The decision of the administrative law judge is subject to judicial review as provided in Code of Civil Procedure section 1094.5 by the superior court sitting in the county where the facility is located.

Sincerely,

T. Scott Vivona
Assistant Deputy Director

cc: Nwamaka Oranusi, District Manager
Los Angeles District Office
Licensing & Certification Program
California Department of Public Health

Attachments

EXHIBIT 4

State of California—Health and Human Services Agency
California Department of Public Health

SONIA Y. ANGELL, MD, MPH
State Public Health Officer & Director

GAVIN NEWSOM
Governor

February 4, 2020

HAND-DELIVERED

Simcha Stern, Administrator
Rose Garden Healthcare Facility
1899 N. Raymond Ave.
Pasadena, CA 91103

Re: Statement of Cause and Concerns

Dear Mr. Stern:

Pursuant to the requirements of Health and Safety Code section 1325.5, subdivision (e)(2), the Department of Public Health (Department) is providing you with a Statement of Cause and Concerns and supporting declaration that specifies the factual and legal bases for the Department's appointment of a temporary manager (TM) to the Rose Garden Healthcare Facility. Also included is information regarding your right to contest the Department's appointment of a TM along with the appropriate form to file the petition.

STATEMENT OF CAUSE AND CONCERNS

Rose Garden Subacute & Rehabilitation Center, LLC, is the licensee for Rose Garden Healthcare Facility. David Ross, II, LLC, is the property owner for 1899 N. Raymond Ave. Pasadena, CA 91103, where Rose Garden Healthcare Facility is located. The facility has licensed skilled nursing beds of 95. The current facility census is 75 (56 skilled nursing facility beds and 18 subacute beds).

On January 29, 2020, the Department received a complaint regarding the facility's failure to pay staff and staff walking out of the facility. During the complaint investigation, the Department found that the Licensee is not timely paying facility staff. Therefore, multiple facility staff have stopped showing up to work and registry services are being used, but it is becoming increasingly difficult to hire registry staff due to the facility's inability to pay staff.

The Department has identified the following concerns: The Licensee is experiencing

financial problems, including making payroll and paying rent pursuant to the lease agreement. The immediate need for a TM is to ensure sufficient staffing to maintain resident care due to Licensee's inability to pay staff. In addition, the landlord has served the Licensee with an eviction notice, which is due to be enforced on Wednesday, February 5, 2020. Eviction of the Licensee and all occupants creates an immediate danger of death or permanent injury because residents may suffer transfer trauma and/or other physical harm pursuant to Health and Safetcy Code section 1336.2.

Consequently, on February 3, 2020, the Department found that Immediate Jeopardy exists at this facility. The Licensee's "noncompliance with one or more requirements of participation has caused, or is likely to cause, serious injury, harm, impairment, or death to a resident." (See 42 CFR 489.3.).

Licensee has no plans in place to provide for the continued care of its residents.

The Department has determined the following:

1) Due to financial hardship, the Licensee is unable to timely pay facility staff, and

2) Absent the appointment of a TM, the Licensee's failure to meet professional standards of care for residents is imminent.

PETITION FOR HEARING

Pursuant to section 1325.5, subdivision (f), a Licensee may contest the appointment of the TM within 60 days of the date the Statement of Cause and Concerns was mailed, by filing a petition for an order to terminate the appointment of the TM with the Office of Administrative Hearings in the Department of General Services (OAH). Enclosed is a form and information for your use in requesting a hearing, if you choose to do so. Please note that on the same day that the petition is filed with OAH, section 1325.5, subdivision (f)(1), provides that you shall also deliver a copy of the petition to OAH to the Assistant Deputy Director, Center for Health Care Quality, Scott Vivona, at 1615 Capitol Avenue, P.O. Box 997377, Mail Stop 0512, Sacramento, California 95899-7413.

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Section 1325.5, subdivision (f)(3), provides that the administrative law judge shall uphold the appointment of the temporary manager if the Department proves, by a preponderance of the evidence, that the circumstances specified in section 1325.5,

subdivision (c), applied to the facility at the time of appointment. If the Department does not present evidence to satisfy the burden of proof, the administrative law judge shall terminate of the TM.

The decision of the administrative law judge is subject to judicial review as provided in Code of Civil Procedure section 1094.5 by the superior court sitting in the county where the facility is located.

Sincerely,

T. Scott Vivona
Assistant Deputy Director

cc: Nwamaka Oranusi, District Manager
Los Angeles District Office
Licensing & Certification Program
California Department of Public Health

Attachments

EXHIBIT 5

SEELIG & CUSSIGH
MANAGEMENT • MONITORING • REINVENTION
HCO, LLC

MEMORANDUM

TO:	**Mr. Scott Vivona & Ms. Cassie Dunham**
From:	**Seelig+Cussigh HCO, the Temporary Managers**
Date/Time:	**February 7, 2020**
Subject:	**The Temporary Manager's 48-hour Report for Legacy Healthcare Center LLC & Rose Garden Healthcare Center**

This Memorandum is written to serve as the Temporary Manager's[1] report as to their "assessment of the facility's operation compliance with state and federal law, including an analysis of the facility's organizational and financial structure".[2] The Temporary Manager met their responsibility by examining operational compliance as to the applicable state and federal law, as well as conducting a clinical risk management study that has assessed any current or potential risk to Resident's Quality of Care and Safety. We have attached as **Exhibit A** the **"Legacy Healthcare – Rose Garden Healthcare: Information Request and Review"**, which we employed to facilitate a time efficient and effective effort for document production and on-site observation and interviews.

I. Organization and Financial Structure Issues

A. Organization and Management issues at Both Facilities

Key shared organizational issues are:

1. The Administrator has been cooperative and in performing daily management and compliance activities he is competent and has the respect of the employees.
2. As per our review of materials and interview we believe that the key managers at each facility including but not limited to the DON, Activities Director, PT OT Speech Therapy, and other key leadership positions are competent and have been most cooperative
3. Each facility faces the same challenges as to a workforce whose employer has missed a payroll and at the time of our employment there was fear as to the February 10, 2020 payroll also not being paid. Employees have threatened to

[1] In this and all future Reports Seelig+Cussigh HCO LLC (**"S+C"**) professionals (Temporary Managers) include Mr. Seelig, Ms. Lapcewich [a licensed Administrator], and Susan Braun R.N. For convenience these professionals are referred to as the Temporary Manager, their, we, our, or S+C.

[2] Seelig+Cussigh HCO, LLC, Contract 19-10949, page 2 in Exhibit A Scope of Work: Section 4 A. 1)

resign and/or not shown up for shifts.

4. The Facilities have been cited by the LA County Department of Health Services ("DHS") with an IJ for not meeting its payroll responsibility and in the past year both facilities have been cited for care and safety deficiencies. Both DHS and the County Long Term Care Ombudsman ("LTC") program have reported to us specific concerns as to resident care and safety. Both DHS and LTC have provided us with insights into the daily operations that have included defining problems as well as offering us information as to resident-facing staff and managers' performance. The Temporary Managers' have worked closely with DHS and LTC in the past and they have appropriately assisted us on and off premises with our assessment.

In Summary, separately and together CCPH, DHS, LTC have expressed strong concerns as to Staffing at each facility and for all three shifts. The Temporary Manager states in this memo that for both facilities we have made:

1. A proactive effort to have per diem and registry staff available at any time to meet the required staffing ratios.
2. We will be employing for every shift at both facilities an additional CAN.
3. We will employ on this Saturday and Sunday's dayshifts at each facility an additional LVN.
4. Ms. Braun R.N. and/or Mr. Drake will be at a portion of every shift and have gained the assurance of each facility's Director of Nursing that they will assist on-premise should staffing fall below required levels.

Each facility's compliance with state and federal mandated staffing is cited below.

B. As to key to Financial issues relevant to the Temporary Manager's Employment

1. At the time of their employment, the Temporary Managers did not have a view-only access to any and all bank accounts. That was provided by the Licensee two days later and he is cooperative. There was no cash to transfer to the Temporary Managers at the time of their Employment.
2. We received on February 6, 2020 checks totaling $500,000 for both facilities missed payroll; checks totally the same amount were sent today for Monday Delivery.
3. The Temporary Manager has finalized establishing bank accounts and estimates that the checks sent by CDPH and other funds collected will be deposited on Monday February 9, 2020.
4. Since their Employment, the Temporary Managers have collected approximately $140,000 in paper checks for the combined facilities.
5. The Temporary Manager is engaged in a detailed list of supplies, maintenance tasks, employment and staffing levels, and other issues that must be addressed immediately.
6. The Administrator alleges that he has had no access to the Corporate Financial

Issues, based on our current review of information and interview we believe that.

7. The Business Office, Revenue Cycle and other managers responsible for purchasing and supplies are competent and most cooperative. Each alleges they had no access the Corporate Financial Issues, based on our current review of information and interview we believe that.
8. The Billing Services Company has been most cooperative. They have provided us with three-months of EOB's for both facilities. They have assisted us in redirecting ETF payments.
9. All needed supplies and equipment are either on hand or will be purchased by the middle of this coming week.

Our Assessment for each facility is as Follows:

II. Legacy Healthcare Center LLC

The Temporary Manager's assessment as to the quality of care and safety is that at Legacy Healthcare Center as per the standards set by state and federal rules and regulations that this facility is in compliance with or will make any needed corrections to comply with the requirements to provide residents with quality care in a safe environment. This statement is made by the Managers who are in some cases licensed professionals and in all cases highly experienced professionals who have both served as leaders and caregivers in similar settings.

As per the census and staffing at Legacy

Census	Was at the start of Temporary Management and maintains at 44
Staffing: RN	Each shift had the mandated staffing for RN's

Staffing: LVN	Each shift had the mandated staffing for LVN's
Staffing: CNA.	Each shift had the mandated staffing for CNA's
Staffing: RNA	Each shift had the mandated staffing for RNA's
Outside Staffing:	There has been minimal use of Registry and Per Diem staff
Utility: Running Water	Service is on and maintained
Utility: Electricity	Service is on and maintained

Utility: Light	Service is on and maintained
Food	Meets the Dietary and other Regulatory Requirements
Medication / Pharmacy	At Required Levels

III. Rose Garden Healthcare Center

The Temporary Manager's assessment as to the quality of care and safety is that at Rose Garden Healthcare Center as per the standards set by state and federal rules and regulations that this facility is in compliance with or will make any needed corrections to comply with the requirements to provide residents with quality care in a safe environment. This statement is made by the Managers who are in some cases licensed professionals and in all cases highly experienced professionals who have both served as leaders and caregivers in similar settings.

As per the census and staffing at Rose Garden Healthcare Center

	Rose Garden	Rose Garden Subacute
Census at the time of the start of the Temporary Management, which has Remained at	59	17

this level		
Staffing: RN	Each shift had the mandated staffing for RN's	1 Each shift had the mandated staffing for RN's
Staffing: LVN	Each shift had the mandated staffing for LVN's	Each shift had the mandated staffing for LVN's
Staffing: CNA.	Each shift had the mandated staffing for CNA's 5	Each shift had the mandated staffing for CNA's
Staffing: RNA	Each shift had the mandated staffing for RNA's	Each shift had the mandated staffing for RNA's
Staffing: RT **Rose Garden ONLY**	N/A	Each shift had the mandated staffing for RT's
Outside Staffing: (Registry)	There has been minimal use of Registry and Per Diem staff	There has been minimal use of Registry and Per Diem staff
Utility: Running Water	Service is on and maintained	Service is on and maintained
Utility: Electricity	Service is on and maintained	Service is on and maintained
Utility: Light	Service is on and maintained	Service is on and maintained
Food	Meets the Dietary and other Regulatory	Meets the Dietary and other Regulatory

	Requirements	Requirements
Medication / Pharmacy	At Required Levels	At Required Levels

EXHIBIT A:
Legacy Healthcare – Rose Garden Healthcare:
Information Request and Review

Financial

- Billing – Internal/External
- Accounts Receivable 30 – 60 – 90
- Accounts Payable 30 – 60 – 90
- Billing Pending
- List of All Payment Plans by What Is Owed
- Vendor Termination Notices
- List of All Vendors – Food, Pharmacy, Supplies Etc.
- Bank Accounts and Reserves
- Payroll Resources
- Payroll Register

Facility Information

- Immediate Jeopardy Determination Appendix Q
- Disaster Plan
- Transfer Plan
- Census Reports
- Facility Map
- Facility Assessment
- 2567, Unusual Occurrences, Complaints, Citations Etc.

- Resident Council President
- Resident Council Meeting Notes
- Ombudsman's Name and Number
- List of Department Heads and Contact Information
- Staffing and Scheduling
- Registry Temporary Staffing
- Current Openings and Resignations
- Medical Director and Physicians Names and Contact Information
- Facility Meetings and Times
- List of Consultant and Reports
- Medical Records and Current Audits
- Admissions and Discharges Updates
- Casper and Other Quality Reports
- Access Numbers, IT Access Facility Access – Keys
- Three Day Food Supply
- Dietary Walk-Through
- Linen Supply Par Three – Laundry Services?
- Disaster Planning and Reports
- Maintenance Logs
- Generator Testing
- Large Equipment Maintenance
- Environmental Walk-Through
- Pest Control

Nursing

- Change of Condition Reporting
- Skin and Pressure Ulcer Reporting
- Accident and Injury Reports Track and Trending
- Weight Loss
- Supplies
- Policies and Procedures Updated for ROP Phase 12 and Three
- Infection Control Reporting

EXHIBIT 6

SEELIG & CUSSIGH
MANAGEMENT • MONITORING • REINVENTION
HCO, LLC

MEMORANDUM

TO:	**Mr. Scott Vivona & Ms. Cassie Dunham**
From:	**Seelig+Cussigh HCO, the Temporary Managers**
Date/Time:	**February 25, 2020**
Subject:	**The Temporary Manager's 20-day Report for Legacy Healthcare Center and Rose Garden Healthcare Center**

On February 3, 2020, the Temporary Manager Seelig+Cussigh HCO, LLC ("TM")[1] was appointed as a temporary manager of two skilled nursing facilities located in Pasadena, Rose Garden Healthcare Center at 1899 N. Raymond Avenue ("Rose Garden") and Legacy Healthcare Center LLC, 1570 N. Fair Oaks Avenue ("Legacy" and together with Rose Garden, "Facilities"). TM understands that an individual named Dovi Jacobs has a majority ownership of both Rose Garden and Legacy.[2]

This Memorandum is written to serve as the TM's "20-day Report" to the California Department of Public Health (CDPH). The TM employs this Memorandum to Report to explain:

I. Efforts by the TM to bring quality of resident care and safety in compliance with state and federal laws. [Resident Care and Safety]
II. "Whether the facility's financial status is sufficiently stable to provide for the ongoing operation of the facility and to comply with state and federal laws."[3] [Facilities' Financial Stability]
III. TM's current investigation into financial irregularities that have impacted the cash available to the TM, as TM believes that the limited availability of funds will soon compromise patient care and safety at the Facilities. [Current Investigation]
IV. TM's assessment of the current situation and recommendations for additional actions by CDPH. [Assessment & Recommendations]

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[1] In this and all future Reports Seelig+Cussigh HCO LLC ("**S+C**") professionals (Temporary Managers) include Mr. Seelig, Mr. Cussigh, Ms. Lapcewich [a licensed Administrator], Mr. Sean Drake, and Susan Braun R.N. For convenience these professionals are referred to as the "Temporary Manager," "we," "our," or "S+C."

[2] Both licensees, Legacy Healthcare Center, LLC and Rose Garden Subacute & Rehabilitation Center, LLC, are owned 51% by Pasadena Skilled, LLC, which TM understands is wholly owned by Dov Jacobs. TM understands "Dov" and "Dovi" to be the same individual.

[3] Seelig+Cussigh HCO, LLC, Contract 19-10949 with CDPH, page 2 in Exhibit A Scope of Work: Section 4(A)(2).

I. RESIDENT CARE AND SAFETY

The TM's 20-day accomplishments and on-going challenges, pertaining to the Facilities' resident care and safety are summarized as follows:

1. For the first eight days of the TM's appointment, TM faced challenges as to a workforce whose employer had missed a payroll and the employees' fears that the February 10, 2020 payroll would also not be paid. TM observed that many employees threatened to resign and/or not show up for shifts. Therefore, the TM's primary effort was to use every resource available to keep existing staff, including continuous team meetings at both Rose Garden and Legacy, and advancing S+C funds to pay for gas, baby-sitters, and any effort appropriate and necessary to assist the workers of the Facilities to show up for their shift.
2. TM maintained staffing levels and established pre-paid contracts for temporary services.
3. With the greatest amount of the TM's time devoted to holding on to existing staff, TM's team exerted significant amount of time on assessment and training:
    - At all times the Braun R.N. and Lapcewich [Licensed Administrator], assessed the quality of care and intervened, when appropriate, with additional training and mentoring for staff.
    - TM's team of Seelig, Cussigh, and Drake reviewed policies and procedures to build financial systems, while identifying competent Revenue Cycle and Management personnel. Workflow and staffing were strengthened to ensure stronger documentation, billing, and compliance efforts at both Rose Garden and Legacy.
4. Although the Administrator seems to have the respect of the employees at the two facilities, virtually all compliance and financial matters were not under his control nor did he have access to key data. He has, for the most part, been of limited assistance in TM's efforts build core staff competencies and ensure compliance; he has assisted in daily assurance of the staff as to TM's efforts.
5. Based on TM's review of operational documentation, interviews, and on an average of 12 to 16 hours per-day onsite support by the TM's licensed professionals, TM provides the following observations:
    - The Rose Garden Director of Nursing (DON) resigned and has been replaced with what TM believes to be a more competent nurse who is receiving on-site support and training from the TM's nurses. The Legacy DON has extended her employment through February 28 and may extend further. Upon her expected departure, TM will replace the DON with an equally competent DON who will be supported by the TM's nurses.
    - Based on initial assessment, TM believes that the existing Activities Director for PT/OT/ST, and other key leadership positions, are competent and have been cooperative in TM's efforts.

- Business Office team are competent and their work efforts, in particular, support of the Revenue Cycle has improved significantly since TM's work with them.
- Resident-facing staff at the Facilities have been assessed and are undergoing targeted in-service training for all shifts. TM expects to initiate competency testing this week for certain resident-facing staff.

6. A brief summary as to compliance and pending corrections efforts is provided below, although TM expects that *more in-depth reporting will be provided to CDPH in future communications.* As TM stated in the "48-Hour Report" the Facilities were cited by the LA County Department of Health Services ("DHS") with an Immediate Jeopardy ("IJ") for not meeting its payroll responsibility; additionally, in the past year, both facilities have been cited for care and safety deficiencies. Both DHS and the County Long Term Care Ombudsman ("LTC") program have reported to us specific concerns as to resident care and safety." That IJ has been lifted, yet other pending resident care and safety deficiencies have been identified by County DHS and/or the TM. The TM has implanted an intensive and effective training and competencies programs to address the cited deficiencies and, with the Facilities' leadership staff, TM will be implementing effective plans of correction and lasting remediation programs

In the "48-Hour Report" we stated that, "separately and together CCPH, DHS, LTC have expressed strong concerns as to Staffing at each facility and for all three shifts." At the time, those concerns formed our work plan and were the basis for the on-sight monitoring for both Rose Garden and Legacy. For more than 10 days since TM's appoint, the TM's team remained on-site for over 15 hours each day at the Facilities and also maintained constant telephonic remote monitoring with on-site staff. Due in large part to these efforts, TM has stabilized staffing and established trust and respect with all levels of staff at both Rose Garden and Legacy.

We confirmed that starting on February 21, with the 23:00 shifts at both Rose Garden and Legacy, TM will drop its on-site monitoring. We appreciate CDPH's agreement with TM on this issue and find the removal of TM's onsite monitoring appropriate. However, TM has stated that:

- *"We will not stop from having one of our responsible persons Sean Karen RN's from my team check as to staffing before shift*
- *also, they have our cell phones in case of no shows and we do answer*
- *and finally, we have per diem and registry in place and paid for in case of crisis."*

II. FACILITIES' FINANCIAL STABILITY

A. Timeline of TM's Assessment of Facilities' Finances

1. Soon after its engagement, the TM gained view-only access to what Dovi Jacobs

(Dovi) alleged were all of the bank accounts associated with the two Facilities.

2. There was no cash to transfer to the TM at the time of TM's engagement. TM collected and deposited:
    - $72,662 in on-hand paper checks given to TM on the TM's first day (February 5) into the S+C Legacy account [this amount was, we believe, the prior week's collections],
    - $32,333 in on-hand paper checks given to TM on the TM's first day (February 5) into the S+C Rose Garden account [this amount was, we believe, the prior week's collections],
    - $27,547 into the S+C Legacy account between February 5 to February 23, and
    - $37,518 into the S+C Rose Garden account between February 5 to February 23.
3. The TM has therefore collected in eighteen days twenty-five percent or less than the 18-day usual collection amount that TM would expect given the size and ongoing operations of the Facilities. Reasons for this shortfall may be gleaned from below.
4. A "view only" review of Dovi's Wells Accounts appears to show that:
    - Approximately $23,000 in EFT funds into Legacy Accounts from February 5 through the date of this Report; all funds were swept into lenders' accounts,
    - Approximately $31,000 in EFT funds into Legacy Accounts from February 5 through the date of this Report, all funds were swept into lenders' accounts.
    - On February 5, 2020, $50,000 was transferred into a Wells' Rose Garden Account and $25,000 was transferred into a Wells' Legacy Account from "Independence HSM, Inc."; both deposits were immediately transferred to "Independence HCM" and noted as "11/12 PARTIAL LOAN PAYBACK".
5. We received on February 6, 2020, checks totaling $500,000 for both facilities for missed payroll, the same amount was received on February 9, and on February 21, 2020 the TM received checks totaling $496,436.60.
6. TM has finalized establishing bank accounts, which were opened fully capable of receiving funds on February 11, 2020.
7. Although the lack of information and appropriate financial reporting has continued to be an obstacle, TM has attempted to immediately document a detailed list of supplies, maintenance tasks, employment and staffing levels, and other issues that need to be immediately addressed financially.
8. TM's team completed as to their best post-appointment financial reporting documents, although the general lack of information and appropriate financial reporting in the existing operations have been an obstacle. TM's team have constructed an Accounts Payable (AP) ledger that highlights most pressing demands for payments.
9. The Business Office, Revenue Cycle and other managers responsible for purchasing and supplies are competent and have been cooperative. Each state

that they had no access the Corporate Financial issues. TM has expanded the duties of one key employee [the Business Office Manager Mr. Kris Liamkrajang (Kris)] who TM's team finds to be competent and honest. When appropriate, Kris is added to TM's forensics efforts. Under the TM's authority, TM will terminate another business office lead due to the individual's incompetence.

10. TM understands that the billing services company, AXG Solutions ("Billing Company"), is contracted by the Facilities to submit bills to payors once a month. At first, the Billing Company was cooperative, and provided us with key information, including three-months of EOBs for both facilities. They also claimed to have assisted TM in redirecting ETF payments upon the TM's engagement. TM has and continues to ask for key Revenue Cycle data from the Billing Company, some of which was required to be provided to TM at the time of issuing this Memorandum. As explained below, emails and calls on February 24 have raised concerns as to the conduct of the Billing Company. We have requested the following from the Billing Company:
    a. resend every bill that was dropped for month prior (i.e., 2 months of bills);
    b. provide TM with the contact information for each payor for the last month;
    c. conduct an internal review from January 13 to February 11 to confirm whether anyone has changed the routing information with the payors; and
    d. set forth a detailed aging of AR for the last 4 years.
11. At the time of issuing of this Memorandum, all needed supplies and equipment are either on hand or will be purchased. Importantly, as reviewed below, the current collections in combination with the need to pay COD means that the TM has insufficient resources in the very near term to operate the Facilities.

B. TM's Review of Revenue Cycle and Cash Flow

A summary as to the Facilities' Revenue Cycle and an initial assessment by the TM is as follows:

1. The Billing Company reported to the TM that monthly check and EFT collections are approximately $1M for both Facilities (approximately 50% each for checks and EFTs). The Billing Company states that a significant portion of collections come in the last week of the month. Business Officer Manager Kris reports that check collections have and should average a total of approximately $160,000 weekly, thereby an approximate half of collections expected at end of month.
2. TM now understands that the Billing Company did not submit any claims from the two Facilities from January 13 to February 11. The paragraph immediately below (item #6) summarizes TM's investigation and findings on this issue.
3. TM has collected in the eighteen days since our appointment a total of $65,065, approximately 15-20 percent less than the usual.
4. The Billing Company reports, and Kris confirmed, that approximately $1M dollars was billed in January 2020 and December 2019. The TM's limited initial assessment estimates "30-40-day Receivables Collection Cycle."
5. Due to improper staffing and work assignments established by the licensees out

of possession of Rose Garden and Legacy, key Revenue Cycle staff had as of five days ago not processed approximately $400k of Medicare bills. With the TM's assistance with skills development for existing staff members and additional staffing, all of those Medicare bills have been submitted. In the future, TM believes that Medicare claims will be processed in a timely manner. Given that these delays in billing were common in the past, the TM believes that the delays may not have contributed greatly to reduction in collections.

6. The Billing Company has represented to TM that all EFTs except for the Medicare Administrative Contractor Noridian have been rerouted (the TM understands that Noridian cannot be simply rerouted and others will have a delay of a few days). The TM's "view only" access to the Wells Account appears to show that this is the only account receiving checks with approximately $50,000 of EFTs deposited. Once again, this is a reduction in what we estimate based on prior collections. Dovi has stated to TM that he does not have the ability to reroute the majority of those collections. Nonetheless, TM has not been able to capture any of these collections.
7. The TM has corresponded with the Postmaster responsible for the Facility's mail. The Postmaster reports that no "change of addresses forms" have been filed with the Postal Service and that the Postmaster is auditing both Facilities' mail.

The TM had moved immediately after the TM's appointment to determine why the Facilities' check and EFT receipts were totaling less than 30 percent of prior collections. At 8 a.m. on February 23, 2020, the TM received from the CEO of the Billing Company the following email in response to two-weeks' requests for information as to the collection: "*"I spoke to Judy on Friday [February21] and Dovi had instructed us to hold billing before you took over as interim manager. We have since released all billing and Judy is working on a time line (sic) and amounts so you can have a better picture on cash flow."* The TM was able to confirm on a 14:00 phone call with Billing Company that the instructions to cease billing was given on January 13, 2020 and billing was re-established on February 11. There was no clear explanation as to why the Billing Company waited approximately 16-days to inform TM of the instructions by prior licensee to cease billing and collections for the Facilities.

This vast reduction in cash flow has severely hampered the TM's ability to pay for services and Facilities' repairs. In Sections C and D that follow immediately, we provide further information on how this has impacted the business. In Section III, "Current Investigation", we review the steps we are taking to investigate on the financial issues cited above.

C. Summary Financial Report

As was stated to the parties addressed above in a February 20 email that "*By close of business tomorrow all funds collected will be disbursed to must pay vendors or entities, including but not limited to Liability and all other Insurance, Workers Comp, Employees' Kaiser dues, business licenses and credentialing staff needed to drop bills, food,*

supplies, IT staff to allow access for new and temporary staff to Point and Click and other key services. These were all ***must pays****, that for the most part only brought us to COD. arrangements."*

A draft Financial Statement to be provided concurrent with this Report illustrates in greater detail Receipts, Accounts Payable, and Disbursement. In the summary that follows we highlight key disbursements:

Vendor	Amounts paid to date
Workman's Comp Insurance	$33,951
Liability Insurance	$73,434
Workers' Kaiser Dues	Estimated $50,000 in the next week
Food	$16,845
Supplies	$30,596
Utilities	$155
Information Services	$1,770
Office Supplies	$845
Repairs	$7,850
Employment and Registry Services	$2,718

D. Life and Safety Review including the Condition of the Facilities

The TM's Life-Safety Expert Sean Drake (Drake) has reviewed the competencies of Facilities' maintenance staff and key outside vendors and consultants, TM finds them competent to conduct the tasks demanded of them. As to vendors and consultants, all have significant payables past due and, in most instances, had ceased services for the Facilities prior to the TM's payments. Therefore, negotiations with vendors, partial payments and commitments for past due amounts were all necessary to restore access and support.

In summary, Drake reports:

- The staff have made all necessary repairs in a timely manner given the financial limitations imposed by the present situation.
- Most recently, a boiler and other items which costs were under $7,000 were replaced.
- Staff accomplished repair during off hours so as to minimize any inconvenience to clinical staff or residents.
- The TM's review found that some night shift staff reported they did not have access to key systems such as PCC (Point Click Care). That was remedied by the IT Consultant.

The TM projects that going forward, with access to additional funds, there will be an increase in maintenance for the Facilities, albeit largely cosmetic, paint, paving, landscape, etc. To the best of its ability, the TM concludes that the TM has established pro-

cedures and have removed the potential of harm to residents and staff that had or could occur prior to the TM's appointment.

III. CURRENT INVESTIGATION

Upon appointment, the TM investigated and assessed all components of the Facilities' Revenue Cycle and its limited financial reporting systems. As stated above, efforts were made to reroute the EFTs, gain access to Dovi's accounts, review in-house billing and collections' procedures. Within a few days after appointment, the TM initiated and continues an investigation that is summarized as follows:

- Monitoring by the local Postmaster.
- Prior to the February 24 emails and phones calls, an investigation into Billing Company's procedures that includes comparison of generated data.
- A billing and collection expert (the Billing Expert) was added to the TM's professionals prior to the February 24 call with the Billing Company. Based on the call and review of documents, the expert has provided the TM with a severe critique of prior billing practices. For example, the Billing Company's process to only bill accrued claims once a month (rather than twice a month) were likely inadequate to meet the needs of the Facilities.
- Working with the Billing Expert and Kris, the TM will conduct an in-depth audit of past claims submitted and processed, the EOBs established, and the transmittal to or failure to transmit funds to the TM.
- The Billing Expert had immediately after the February 24 call initiated new billing procedures and practices.
- The TM's billing and collection expert will be employed as a replacement to the Billing Company no later than February 26, 2020.
- The TM's Investigations' into any rerouting of EFTs and/or mail will intensify and will include the Billing Expert.
- Other steps demanded by the current situation, which may include, if needed, retaining additional skilled professionals.

In Section IV that follows we offer an assessment of the current situation and recommendations for next steps.

IV. ASSESMENT & RECOMMENDATIONS

A. Assessment

The TM's summary assessment is that the licensee has for many months prior to the Appointment of the TM failed to adequately safeguard the residents and staff of Rose Garden and Legacy, and the People of California, whose funds now attempt to restore resident care and safety. In particular, TM believes that Dovi has:

1. Crippled the funding of the operations by slowing collections through his January 13 request to the Billing Company to immediately stop all billing 21-days prior to the appointment of the TM;
2. Limited collections by poor billing and collection practices both in-house at Rose Garden and Legacy, and through a sub-standard billing company;
3. Prior to and after the appointment of the TM, may have attempted to divert the Facilities' collections to other corporate entities and lenders.
4. After the TM's appointment, failed to cooperate with TM's statutory mandate to "take title to all revenue" of the Facilities. TM believes that receipts into the Facilities' accounts may have been diverted to lenders or other corporate entities unrelated to the operations of Rose Garden and Legacy.
5. Failed to pay (in many instances over 4-months) vendors and fees critical to residents' care and life-safety, including failing to pay CDPH licensing fees of more than $113,800.50 by Rose Garden and $64,686.60 by Legacy.

With the State's financial support, the TM has barely met three payrolls and is about to exhaust cash resources needed to maintain all aspects of operations of the two Facilities. Recommendations to the State based on the reporting above follows.

B. Recommendations

The TM respectfully and urgently recommends:

1. An immediate "all-hands" telephone meeting to include the TM and its counsel[4] and CDPH and its counsel to discuss the concerns raised in this Memorandum.
2. Funding to the TM for the shortfall of funds created by the delays in billing, collections, and diversions of funds by Dovi away from the TM.
3. Further support by CDPH in the TM's current financial investigative efforts, including state investigator resources. If it is determined that unlawful actions

[4] With CDPH's approval, TM has retained the law firm of Nixon Peabody LLP to assist TM navigate the legal issues pertaining to the operations of the Facilities.

were taken by the licensee, consideration of an immediate referral of these matters to appropriate state law enforcement and, if deemed necessary, to federal authorities.

4. A transition plan and milestones to provide guidance and support to the TM regarding the ongoing operations of the Facilities.

Thank you for your financial and professional support. We are available at all times to review this further.