TRENDS IN LONG-TERM CARE

HEARINGS

BEFORE THE

SUBCOMMITTEE ON LONG-TERM CARE

OF THE

SPECIAL COMMITTEE ON AGING

UNITED STATES SENATE

NINETY-SECOND CONGRESS

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[1] Senator Winston Prouty, Vermont, served as ranking minority member of the committee from September 1969, until his death September 10, 1971. Senator Robert T. Stafford, Vermont, was appointed to fill the vacancy on September 17, 1971.

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TRENDS IN LONG TERM CARE

TUESDAY, SEPTEMBER 14, 1971

U.S. SENATE,
SUBCOMMITTEE ON LONG-TERM CARE OF THE
SENATE SPECIAL COMMITTEE ON AGING,
Chicago, Ill.

The subcommittee met, pursuant to notice, at 9 a.m., Cook County Building, 118 North Clark Street, Chicago, Ill., Senator Charles H. Percy, presiding.

Present: Senator Percy.

Also present: Val Halamandaris, professional staff member; Constance Beaumont, research assistant for Senator Percy; Pamela Phillips, clerk; Janet Neigh, clerk; and Jerry Strickler, printing assistant.

OPENING STATEMENT BY SENATOR PERCY, PRESIDING

Senator PERCY. The hearing will be in order.

This is a public hearing conducted by the Subcommittee on Long-Term Care of the Senate Special Committee on Aging.

The committee's purpose in coming here today is to follow up on the inquiry it began last April into nursing home conditions in the Chicago area.

To place today's hearing in perspective, I would like to retrace very briefly the events which have led up to it.

Early this year, a task force, composed of members of the Better Government Association and reporters of the Chicago Tribune, carried out an in-depth, on-the-spot investigation of nursing homes in the Chicago area.

While the task force found that a few homes are very good and that many are adequate, it also found an inordinately large number of homes unfit for anyone—let alone helpless and chronically ill elderly people.

The subsequent revelations by the Chicago Tribune on nursing home conditions were serious and shocking enough to stimulate numerous actions on the part of government officials as well as others involved.

The mayor of Chicago ordered city building, fire, and health inspectors to increase their surveillance of nursing homes.

The State department of public aid withheld public aid payments to nursing homes suspected of being substandard.

The Metropolitan Chicago Nursing Home Association said its ethics committee would investigate the charges made by the Tribune, and if

found to be accurate, the association would consider suspending those homes in violation of the law.

The Governor increased the number of State inspectors of nursing homes, and appointed a special deputy to crack down on substandard facilities.

Because Federal funds and laws were involved, the Senate Special Committee on Aging held hearings to determine what action Congress might take.

Testimony presented to this committee substantiated the original charges made by the Tribune and the BGA; namely, that many old and very vulnerable people were being cruelly and unnecessarily mistreated; and while the old people were suffering, the owners and operators of some nursing homes were getting richer.

The investigation further revealed that existing laws and regulations were only laxly enforced, partly because no one individual or governmental agency is held accountable for the treatment of nursing home patients.

Attempts to upgrade nursing home care have been made since the April hearings, and yet reports of the mistreatment of patients and misuse of Government funds continue to surface. I am still receiving many letters from distraught relatives of nursing home patients, asking me to help end abuses.

During this hearing, we will determine how far we have come in the 5 months which have elapsed since April when the committee was last here.

We will look closely at what State health officials have done, and at what recommendations they have for future action.

We will reexamine the use of drugs in nursing homes. Are they a blessing or a curse?

What differences are there between mental illness and senility?

How and when should patients be rehabilitated? And, finally, who owns nursing homes, and what are the implications of interlocking ownership and management?

Although this committee will necessarily focus on the responsibilities of Government health officials and representatives from the nursing home industry, it will also remind the general public of its obligations.

I have been in nursing homes on Sunday when there was not a single visitor that day, and at anytime during the course of the day after the time I had made the visit.

After all, Government can do little without the support and backing of its constituency. People must indicate how they feel about this issue and what they want done.

Committee hearings, or even better laws and enforcement of the laws, will never substitute for the personal visits to nursing home patients that families and friends can make.

Entry into a nursing home is invariably a traumatic experience, even under the best of circumstances. People must visit the homes more often, and provide the companionship and support which make the adjustments more bearable.

We will now proceed with the hearing, but in closing, I wish to reiterate the commitment of the Aging Committee—and my own personal commitment—to pursue this issue until we have adequate assurance that our older citizens are treated as they should be, with honor, respect, and good care.

I cannot ever believe that the benevolent hand of government is a substitute for the benevolence of a friend, or the benevolence of a neighbor. We all share a responsibility in this area.

So we will now proceed with the hearing.

All too often, we seem to seize on an issue, and it becomes a very hot issue at the time, it is very much in the press, but then we let it go by. This is why I have not only come back to Chicago to conduct these hearings, to take an inventory as to what has happened, but also why I accepted an invitation to address the owners and managers of the nursing homes in the metropolitan area of Chicago last June. I tried to be forthright and candid with them just as I have tried to be honest with the public in this area.

I pointed out to them certain virtues that their associations possess—and they certainly have some virtues—and I pointed out some deficiencies which should be corrected, and which I hoped would be corrected within the private association of owners and operators of nursing homes.

It is my general conclusion that proper action has not yet been taken.

I wish to serve notice to the nursing home industry, that I will be back many times until we rectify serious nursing home deficiencies.

The issue may not always stay in the spotlight of the public, but I am going to see that we persist in our efforts to correct the problems.

I think it is one of the great tragedies that the growing aging population of this country—some 20 million people today, within a few decades to be 40 million people—is treated in a shameful condition. I have recently visited refugee camps in India and Pakistan, where I found refugees treated better than American citizens have been treated in some nursing homes in this country.

I would like to mention that I invited Senator Adlai Stevenson to join us during this hearing. Though he is not a member of the committee, he is deeply interested in the problem. I am sorry that other commitments did not permit him to be here, but certainly I will consult with him just as I will discuss this hearing with other members of the committee later.

I would like to introduce Mr. Val Halamandaris, a professional staff member of the Senate Committee on Aging and Mrs. Constance Beaumont of my own staff. They have become personally quite knowledgeable about our problems in Chicago, and I am grateful for their interest.

Our first witness today is Mr. William R. Hutton, executive director of the National Council of Senior Citizens.

Mr. Hutton, we welcome you this morning.

We are delighted to have you, and we appreciate your candid and straightforward testimony as to how you see this problem.

STATEMENT OF WILLIAM R. HUTTON, EXECUTIVE DIRECTOR OF THE NATIONAL COUNCIL OF SENIOR CITIZENS, WASHINGTON, D.C.

Mr. HUTTON. Thank you very much, Senator Percy.

I am very happy to be here.

The National Council of Senior Citizens which speaks for some 3 million members across the Nation, has been increasingly concerned with the abuse of tranquilizer drugs in the care of nursing home patients.

I appreciate this opportunity to present the national council's views on this important issue.

At the outset, I wish to congratulate the subcommittee chairman, Senator Frank Moss, and you, Senator Percy, and the other distinguished subcommittee members for following up the request of the National Council of Senior Citizens for a congressional investigation of the growing practice in nursing homes throughout the land of giving patients tranquilizer drugs for the sole purpose of keeping them quiet and easy to manage.

Tranquilizer drugs are chemical straitjackets when so used, Nelson H. Cruikshank, president of the National Council of Senior Citizens, recently declared in a widely published protest against improper use of such drugs in a great many U.S. nursing homes.

It is the firm belief of the National Council of Senior Citizens, based on letters and phone calls from members and the public, that the unwarranted use of tranquilizer drugs in nursing homes is far more widespread than has been generally realized.

Dr. Robert Butler, Washington, D.C., physician who specializes in gerontology, tells me that from time to time, in his private practice, he sees a confused nursing home patient exhibiting symptoms resembling those of Parkinson's disease due to prolonged dosage involving tranquilizer drugs following hospitalization for surgery.

Dr. Butler states that he will take the patient off all tranquilizer drugs with the result that the patient's confusion and Parkinson-like symptoms will disappear and the patient can be returned home to his family.

What has happened, according to Dr. Butler, is that, during hospitalization, the patient will be given tranquilizer drugs to calm him before surgery.

That use of tranquilizer drugs makes sense, the doctor asserts.

The practice of giving the patient tranquilizer drugs continues, however, after surgery, causing symptoms that lead to the patient's being transferred to a nursing home where the patient's condition goes from bad to worse as long as use of tranquilizer drugs persist, Dr. Butler explained.

You will recall, Mr. Chairman, the testimony earlier this year before your distinguished subcommittee of another doctor who specializes in gerontology, Dr. Lionel Z. Cosin, clinical director of the geriatric department of the Oxford United Hospitals, Oxford, England.

You, Mr. Chairman, asked Dr. Cosin if unwarranted use of tranquilizer drugs on nursing home patients is bad medicine.

Dr. Cosin said:

There is a gross overuse of drugs (in the care of the elderly in the United States. I think this is a failure on the part of internal medicine to identify problems which result in disturbed behavior in elderly patients * * *

Dr. Cosin put it this way:

The psychotic and psychiatric manifestations, the manifestations of disturbance, are really not that important (in the overall context of treating elderly patients) because, with good nutrition, good biochemical balance, a good, sensible environment, the disturbed patient will usually become calm * * * I think, in fact, there is a good case for giving the tranquilizers to the staff and not to the patients.

Nevertheless, the use of tranquilizer drugs in nursing homes has grown by leaps and bounds, judging from reports from members of the National Council of Senior Citizens.

Manufacturers of tranquilizer drugs have found nursing homes a highly profitable market for their products as evidenced by the way these manufacturers advertise these drugs.

And the widespread use of tranquilizers on Medicaid patients leads us to the assumption that the Federal Government is actually paying the bill for keeping so many Americans in chemical straitjackets. That is why we felt the Federal Government should study the situation.

With your permission, Mr. Chairman, I would like to submit for the record of this hearing a copy of an advertisement by Roche Laboratories that appeared in the October 1970, issue of Physicians Management magazines, urging use of Valium, a tranquilizer, to, in the words of the ad, "ease patient care."

The ad states:

Most elderly patients, in addition to having one or more physical disabilities, suffer anxiety and apprehension, often with secondary depressive symptomology * * * factors which can make management more difficult. Relief of these emotional complications * * * Valium (diazepam) therapy usually results in benefits to the patients and staff.

Senator PERCY. Before you proceed, without objection the insertion will be made part of the record.

(The advertisement referred to follows:)

[From Physicians Management, Oct. 1970]

TO HELP PROMOTE PATIENT COMFORT AND EASE PATIENT CARE

VALIUM® (DIAZEPAM) TABLETS FOR RELIEF OF PSYCHIC TENSION

More and more, the responsibilities of the nursing profession are being magnified by the increased number of aged in our population and the expanding facilities for their care. Most elderly patients, in addition to having one or more physical disabilities, suffer anxiety and apprehension, often with secondary depressive symptomatology . . . *factors which can make management more difficult.* Relief of these emotional complications with adjunctive Valium® (diazepam) therapy usually results in benefits to both patients and staff.

By relieving psychic tension, Valium (diazepam) therapy offers benefits to both patients and staff:

Reduces emotional distress and anxiety-aggravated symptons—a more comfortable, *less complaining patient.*

Helps reduce psychic tension associated with secondary depressive symptoms—a more cheerful, *less demanding patient.*

Relieves pronounced anxiety, thus often helps increase self-care and improve sleep patterns and behavior—a more contented, *less dependent patient.*

Lessens apprehension and agitation, increasing communication and willingness to participate in activities—a more sociable, *more cooperative patient.*

In elderly patients, recommended, dosage is 2 mg to 2½ mg once or twice daily, initially, *to be increased gradually as needed and tolerated.*

Please consult complete product information, a summary of which appears on the following page.

Indications: Tensions and anxiety states; somatic complaints which are concomitants of emotional factors; psychoneutrotic states manifested by tension, anxiety, apprehension, fatigue, depressive symptoms or agitation; acute agitation, tremor, delirium tremens and hallucinosis due to acute alcohol withdrawal; adjunctively in skeletal muscle spasm due to reflex spasm to local pathology, spasticity caused by upper motor neuron disorders, athetosis, stiff-man syndrome, convlusive disorders (not for sole therapy).

Contraindicated: Known hypersensitivity to the drug. Children under 6 months of age. Acute narrow angle glaucoma.

Warnings: Not of value in psychotic patients. Caution against hazardous occupations requiring complete mental alertness. When used adjunctively in convulsive disorders, possibility of increase in frequency and/or severity of grand malseizures may require increased dosage of standard anticonvulsant medication; abrupt withdrawal may be associated with temporary increase in frequency and/or severity of seizures. Advise against simultaneous ingestion of alcohol and other CNS depressants. Withdrawal symptoms have occurred following abrupt discontinuance. Keep addiction-prone individuals under careful surveillance because of their predisposition to habituation and dependence. In pregnancy, lactation or women of childbearing age, weigh potential benefit against possible hazard.

Precautions: If combined with other psychotropics or anticonvulsants, consider carefully pharmacology of agents employed. Usual precautions indicated in patients severely depressed, or with latent depression, or with suicidal tendencies. Observe usual precautions in impaired renal or hepatic function. Limit dosage to smallest effective amount in elderly and debilatated to preclude ataxia or oversedation.

Side effects: Drowsiness, confusion, diplopia, hypotension, changes in libido, nausea, fatigue, depression, dysarthria, jaundice, skin rash, ataxia, constipation, headache, incontinence, changes in salivation, slurred speech, tremor, vertigo, urinary retention, blurred vision. Paradoxical reactions such as acute hyperexcited states, anxiety, hallucinations, increased muscle spasticity, insomnia, rage, sleep disturbances, stimulation, have been reported; should these occur, discontinue drug. Isolated reports of neutropenia, jaundice; periodic blood counts and liver function tests advisable during long-term therapy.

Mr. HUTTON. "Benefits to the staff * * *" in the form of a "less demanding patient," using the words of the ad.

The National Council has pointed out, conscientious doctors may use tranquilizer drugs in a carefully administered program to help genuinely disturbed patients but it appears that many doctors, who are less than conscientious, give blanket instructions to nursing home staffs to administer tranquilizer drugs to patients who do not require them.

I need not document the adverse effects of this practice other than to note that it can reduce an ambulatory nursing home patient to a zombie, causing the patient's muscles to atrophy from inaction with very great detriment to the patient's health, as Drs. Butler and Cosin have pointed out.

Here are typical comments of National Council members on this situation:

"They keep my mother doped with drugs and leave her unattended for hours at a time," a Bridgeport, Conn., woman writes.

"My poor, dear father—he is 77—is told to get back in bed and lay down whenever he decides to walk around.—If he doesn't do what they tell him, they give him a drug that keeps him in bed," a Cleveland, Ohio, member writes.

A St. Louis, Mo., member reports: "My brother-in-law who is 81, can't get anyone to attend him when he calls for assistance—then, when someone finally answers his call for help, they give him a tranquilizer."

A San Francisco, Calif., member writes: "We took my father, who is 68 and feeble, to a nursing home because we thought he might get better there. His mind has always been bright as a dollar but now he acts as if he was doped.

"He says they give him medicine that contains dope whenever he wants to get up and move around."

At this point, I want to say a word on behalf of those nursing homes that offer first-class medical care and a healthful environment and for the outstanding men and women who operate these establishments.

The trouble is it is very, very hard to find homes like this in this country.

There are nursing homes like this but how do you find them, National Council members ask.

Nine out of 10 U.S. nursing homes are run for profit—and for many of the 23,000 establishments that are licensed as nursing homes—profit is the main consideration.

Patient care is, all to often, a secondary consideration.

The skyrocketing use of tranquilizer drugs in nursing homes is a symptom of this failure of U.S. doctors to come to grips with the medical problems of the elderly as Dr. Cosin, the British gerontologist I have referred to, frequently points out.

The National Council of Senior Citizens would very much like to see a new approach by U.S. doctors to medical care of the elderly—an approach calling for closer monitoring of the medical and social problems of elderly patients with a view to keeping these patients independent and self-sufficient in their own homes as long as possible.

Programs of progressive patient care in line with this goal have been demonstrated by Dr. Cosin in Oxford, England, in Israel, and last year in Cherry Hospital on the eastern shore of North Carolina.

Positive treatment leading to rehabilitation and the patient's return to the mainstream of society should be the goal of the nursing home.

If the nursing home patient receives little or no positive remedial care but instead is kept in a comatose state with tranquilizer drugs, this makes the nursing home a warehouse for the dying.

Since nine out of 10 nursing homes are run for profit, there is an incentive for them to retain their patients so they can make a profit from them just as long as possible.

Positive treatment leading to early discharge might cut down on the nursing home's profit.

Widespread abuse of tranquilizer drugs in nursing homes is a disgrace to the medical profession which condones it.

Congressman David Pryor reports that a drug salesman recently told him 80 to 90 percent of his orders for tranquilizer drugs come from nursing homes.

Congressman Pryor learned by working as a volunteer in Washington, D.C., nursing homes, how nursing home patients are neglected in many of these establishments.

The casual manner in which doctors prescribe tranquilizers for nursing home patients opens the way for nursing home attendants to administer tranquilizer drugs whenever they wish.

In fact, I recently received a letter from a Boston, Mass., member of the National Council of Senior Citizens stating that his 71-year-old wife, who is a nursing home patient, is given a tranquilizer if she asks for a glass of water.

The National Council of Senior Citizens urges the medical profession to move against this insidious evil. We likewise ask the Federal Government and the States to insist on standards of care in nursing homes and homes for the aged that will prevent wanton use of tranquilizer drugs as a substitute for proper care and treatment.

Abuse of tranquilizer drugs in nursing homes has become so flagrant and subversive of good medical treatment that it calls for action now by all responsible parties to put an end to it.

Again, may I thank you for permitting me to present the views of the National Council of Senior Citizens on a topic of concern to all Americans and especially the elderly.

We are grateful that you are holding this hearing today to focus public attention on this serious matter.

Senator PERCY. Thank you very much indeed. Your comments bring to mind a personal experience I had, in undertaking the care of a young man a number of years ago. Mrs. Percy and I had the son of dear friends of ours move into our home.

We found after a while his unusual behavior was due to his addiction to a tranquilizer required by a prescription, called Miltown, and this young man could not live without it. He could not get the satisfaction that he apparently required from it, other than through taking increasingly large doses, and he certainly was an addict to what, presumably, was a very mild drug.

Is it possible that, once given these drugs and tranquilizers, a person does become so dependent upon them that he becomes addicted in a way?

Mr. HUTTON. That is very true. Our doctors tell us quite a number of the tranquilizers have this effect. If they are not really addictive drugs, they can cause this dependence on which many older people cling.

I travel around the country whenever I can, visiting the area councils, and I go into the nursing homes. I also presided, this past year, as the chairman of the Board for Licensing Nursing Home Administrators in the State of Maryland.

I know what I am speaking about. I have been in hundreds and hundreds of nursing homes across this country. Very few of them are well run, but in all of them, I have seen cases of excessive use of tranquilizers.

Senator PERCY. When did you and the National Council of Senior Citizens first become interested and concerned about the use of tranquilizers and other drugs in nursing homes?

Mr. HUTTON. Frankly, sir, we began to get increasing notice of it only 2 years ago.

We had known before that time that there was a considerable increase, but then the advertising of tranquilizer drugs developed with the arrival of Miltown and these new tranquilizers. They were promoted throughout the medical journals, and the journals which are bought by nursing home administrators. I think you can understand,

if you have got a 200-patient nursing home, and you have got them all tranquilized, so they do want to just stay in bed, and they are not asking for a glass of water here, or to be taken here, patients are easier to manage and you do not have to have so many on staff.

You might even be able to cut down on food, et cetera—and these are some of the things which worry the National Council.

Senator PERCY. So long as the Government is paying for the tranquilizers anyway.

Mr. HUTTON. That is right. If you are running a home for profit, and you have got a tranquilized patient body, then the chances are you can save money on staff and food, by keeping these poor people like zombies.

We believe the time has come when the Federal Government must take a closer look, because our Federal money, the money of our people, is involved.

Senator PERCY. Has the council taken any kind of official position on this, passed any resolutions; are you in a program to carry action forward?

Mr. HUTTON. Yes; we are. We have asked our clubs throughout the country to send out visiting committees.

I noted in your remarks, requests to the general public. How right you are the general public does not go to look at the nursing homes. Of course, you will have a tough time to get inside some of them, but if you set up a proper committee in the local community area, they will most likely let you in.

I always say to our club members—if you want to look for a vacant car parking space, you go to the nearest nursing home. You will always find spaces there. When you take your car there, go inside and have a look at how these people are being kept. It is a tragedy.

Senator PERCY. In any of your conventions, have you issued any resolution or statements which could be incorporated in the record officially?

Mr. HUTTON. Yes, we have, sir; and I would be very happly to forward the resolutions of the 1971 convention, sir—at which we were very glad to have you appear—in which the National Council's Health Committee have a very strong resolution on nursing homes, and pushing for increasing the standards of nursing homes in this country.

I was a member of the Federal Government's Committee on Nursing Home Standards and experienced a great deal of difficulty in getting the Federal Government to move.

I have also just finished a stand of 3 years on the Advisory Insurance Benefits Council of Federal Government (HIBAC) and I know we have a very long way to go before we can begin to catch up with some of the little industrial nations of Europe as far as care of the elderly is concerned. I do not really believe our system of emphasizing institutional care is the right idea.

We'd like to keep people out of the nursing homes—keep them longer in their homes. This is what we hope to develop through the National Council.

Senator PERCY. If you will give us those statements, we will incorporate them in the record of the hearing at this point.

(The resolutions follow:)

NATIONAL COUNCIL OF CITIZENS TENTH ANNUAL CONVENTION, WASHINGTON, D.C., JUNE 1971

EXCERPT FROM RESOLUTION ON HEALTH CARE

Long term care

A nationwide program of comprehensive long-term care is urgently needed and should be developed without further delay. The deficiencies of long term care, so evident in existing health services, are becoming more and more acute.

Programs of long term care, sought by delegates to the National Council's tenth annual convention, should recognize the potentials of such innovations as day care hospitals and neighborhood health services so as to obviate need for expensive nursing home care and provide a more pleasant environment for those requiring long term care.

Investigation of nursing home industry

The nursing home industry has greatly expanded since the mid-1960's. A substantial proportion of U.S. nursing homes provide sub-standard services to patients in their care, independent studies of the nursing home industry show.

Congressman David Pryor, who has reported on the floor of the House of Representatives neglect and brutal treatment of patients in Washington, D.C., area nursing homes where he volunteered his services recently, is conducting public hearings in many areas of the nation to demonstrate the extent and seriousness of deficiencies in the nation's nursing homes and he has introduced in the House of Representatives a resolution calling for a Congressional investigation of the nursing home industry.

Delegates to the National Council of Senior Citizens tenth annual convention urge the U.S. House of Representatives to authorize promptly the requested investigation of the nation's nursing home industry.

NATIONAL COUNCIL OF SENIOR CITIZENS NINTH ANNUAL CONVENTION, WASHINGTON, D.C., JUNE 1970

RESOLUTION

Exploitation and abuse of the elderly sick

Whereas, the National Council of Senior Citizens is deeply committed to assuring that the highest standard of care shall be afforded the one million of our fellow seniors who are in nursing homes, financed under the Medicare, Medicaid, and other programs,

Whereas, there is mounting and deeply distressing evidence that in too many nursing homes, elderly people are neglected, treated with indignity, receiving minimal, if any, health care,

Whereas, the many State and Federal agencies, including the Department of Health, Education, and Welfare, and State Health and Welfare departments, have failed to secure the appropriations required, or to exercise the aggressive leadership required to enforce standards of safety, health, and general welfare of residents, with the result that too many elderly persons have been neglected, and the payments for their care misused.

Whereas, as a result in part of the failure of governmental authorities to enforce standards, commercial operators, looking for quick returns on their investments, have invaded the nursing home field by establishing what amounts to chains of motels insufficiently concerned with the health and welfare of the residents in their charge, and have succeeded in converting nursing home programs into housing programs instead of health programs, and have imposed upon elderly people who are sick a "buyer must beware" philosophy,

Be it resolved, the National Council of Senior Citizens hereby salutes Congressman David Pryor of Arkansas, who, by working as a volunteer in the Washington area nursing homes, exposed the extent to which many older people are dehumanized in many nursing homes in the "thirsty quest for big profits," and further, the lack of leadership and cooperation of the governmental bodies with respect to protecting the sick elderly,

Resolved, that the National Council of Senior Citizens endorses the resolution introduced by Congressman Pryor, calling for the establishment of a select committee on nursing homes and homes for the aged, charged with studying a

wide range of Federal programs concerned with nursing care, viz. HEW, through Medicaid, Medicare, and the Public Health Services, the Mortgage Insurance Program of the Housing and Urban Development Agency, the Loan Program of the Small Business Administration, and the responsibilities of the Securities and Exchange Commission for the supervision of corporation issuing stock for nursing home operations;

Be it further resolved, that a substantial increase in direct grants and loans be made to non-profit and governmentally operated nursing homes, with a five-year goal of providing 50% of the homes under non-profit auspices.

Be it further resolved, that substantial funds be provided for alternative methods of care—foster homes, sheltered low-cost supervised housing, and day care centers,

Resolved, that the National Council of Senior Citizens, through its affiliated clubs, develop a program of citizen review teams in which responsibility for periodic inspection and visiting of nursing homes in the clubs' areas would be vested.

NATIONAL COUNCIL OF SENIOR CITIZENS, EIGHTH ANNUAL CONVENTION, WASHINGTON, D.C., JUNE 1969

RESOLUTION

Nursing home standards

The National Council of Senior Citizens is deeply concerned for the well-being of nearly half a million of our fellow citizens who are in nursing homes under Medicaid and other Federal-State programs.

Mounting evidence of poor professional standards, exploitation, and neglect of these patients cries out for corrective action.

The National Council reiterates its appreciation for and support of the legislative leadership of Senators Frank E. Moss and Edward M. Kennedy in their efforts to relieve the plight of these patients by improving the quality of nursing home care.

We note with dismay and indignation that the Department of Health, Education, and Welfare has done nothing of significance to make effective the commendable guidelines for Federally assisted nursing home care set out in the 1967 amendments to the Social Security Act.

The passive posture of Federal Medicaid administrators, their retreat from recognized professional standards for nursing home care in the face of opposition by provider groups, and the action of these administrators in employing a paid representative of the nursing home industry to write regulations for nursing home participation in the Medicaid program, all reflect on the integrity of the program's administration and cast doubt on its commitment to quality medical care for all.

The National Council of Senior Citizens calls upon the Department of Health, Education, and Welfare to: purge itself of undue influence of vendors' special interests; assume an aggressive role in looking after the health and welfare of the Medicaid patients in nursing homes; and assign resources and priorities to fully implement and enforcement guidelines for nursing home standards laid down by Congress.

The National Council of Senior Citizens calls upon Congress to exercise its broad responsibility to assess the performance of Federal Medicaid administrators in implementing the nursing home standards, to insist that the law be fully enforced, and to assure that Congressional concern for the proper care and protection of patients is honored.

Senator PERCY. Lastly, Mr. Hutton, you obviously came to these conclusions probably as a result of some process. Have you received any complaints, have you had people come forward or write to you, and, if so, would you tell us whether this is a very serious problem, as a number of people see it, or whether it is an isolated complaint?

Mr. HUTTON. Well, we have received many complaints.

I would say in the course of this past year, we have had perhaps more than a hundred complaints to the National Council, and the complaints that we have gotten came from the more enlightened mem-

bers of our groups, people who know that in fact there is something to complain about.

The real trouble is, sir, that the general public trusts the doctor, trusts the nurse, and they really do not know in fact the patient has become over-tranquilized, inactive, because of the drugs concerned.

Some people who do not even visit the patients that they put in the homes really do not care.

It is only the outside visitor who really knows, and the perceptive visitor who can really know how to notice it. When great deterioration takes place, and the family of patients are hep to it, they let us know. We have noticed increasing complaints in the past 2 years—and more particularly since the tranquilizer ads were unveiled in the magazines.

Senator PERCY. So that we can follow up on this matter, I would like to have any specific complaints that you think would be of general interest. We will incorporate those in the record at this point.

(The statement follows:)

STATEMENT IN RESPONSE TO REQUEST FROM SENATOR CHARLES PERCY (R-ILL.) FOR SPECIFIC COMPLAINTS ABOUT ABUSE OF TRANQUILIZER DRUGS IN NURSING HOMES FOLLOWING UP HEARING CONDUCTED BY SENATOR PERCY, OCTOBER 8, 1971, AT CHICAGO FOR THE SUBCOMMITTEE ON LONG-TERM CARE OF THE SENATE SPECIAL COMMITTEE ON AGING

The National Council of Senior Citizens has found that nursing home patients, even their relatives, are often afraid to complain about the abuse of tranquilizer drugs in nursing homes.

The patients and their relatives appear to fear reprisals by members of the staff at nursing homes where the over-use of tranquilizer drugs occurs.

Because of this, reporters for the news media are often the best source of information on this and other harmful conditions in sub-standard nursing homes.

Representatives of the news media are free agents, whereas nursing home patients and their relatives are concerned lest the relatives, who complain about this, will be asked to remove the patients involved in such complaints.

The National Council of Senior Citizens and our affiliates receive many complaints about mistreatment of nursing home patients but very often these complaints are confidential because of the threat of reprisals by nursing home workers.

However, some specific complaints of sub-standard nursing care which were not confidential have been forwarded for investigation by the Bureau of Health Services of the Department of Health, Education and Welfare.

Below are some recent complaints to the National Council of Senior Citizens headquarters regarding abuse of tranquilizer drugs in nursing homes across the United States.

Mrs. J., Syosset, N.Y.—My brother—he's 63—had a stroke that paralyzed an arm and leg. I looked after him a while and he was always bright and cheerful. Finally, he entered a nursing home and, whenever I go to see him, he's either sleeping or acts half-asleep. I suspect they give him drugs to make him sleep a lot.

Mr. T., Kansas City, Mo.—My mother is in a nursing home because she broke her hip and needs special care. I realize it's hard for her to get around but she acts like she's half dead. She tells me the medicine they give her makes her that way.

Mrs. L., Los Angeles, Calif.—I would like to do something to help my mother who is 73. She has arthritis and has had to go to a nursing home. Ever since she went there, she acts like she's doped and I am afraid they keep her that way because then she doesn't need so much looking after.

Mr. C. H., Seattle, Wash.—I know a lady who is a practical nurse and works in a nursing home. She tells me they give the nursing home patients drugs to keep them quiet and easy to handle. I am glad I don't have to be in that nursing home.

Senator PERCY. Just so we would get a handle on this problem, and not feel as though we were responding to an isolated letter here and there, this committee directed the Comptroller General of the United States on July 22, 1971, to make an analysis of the prescribed drugs provided to old-age recipients of nursing homes under the Medicaid program.

We requested they do this in a number of States: Illinois, Ohio, and New Jersey.

I have now a letter from the Comptroller General of the United States, dated September 10, 1971, to the chairman of this subcommittee, and we will incorporate this letter in the record at this particular point.

(The letter follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., September 10, 1971.

B-164031 (3).

Hon. FRANK E. MOSS,
Chairman, Subcommittee on Long-Term Care, Special Committee on Aging, U.S. Senate

DEAR MR. CHAIRMAN: Enclosed are listings of prescribed durgs provided to recipients of old-age assistance in nursing homes under the Medicaid program in Illinois. This information was obtained pursuant to your request of July 22, 1971.

The information was furnished to us by officials of the Illinois Department of Public Aid in the form of computer printouts listing purchases by drug name, number of prescriptions, and amount paid during the first month of each quarter of calendar year 1970. With the assistance of a registered pharmacist on our staff, we grouped these drugs into 25 categories of drugs. The categories which we used are those contained in the American Hospital Formulary Service published by the American Society of Hospital Pharmacists.

As shown on schedule I, Central Nervous System drugs—which include tranquilizers—represent about 35 percent of all amounts paid for drugs on behalf of nursing home patients during these months. On schedules II through V we have identified the specific types of drugs which account for the majority of the purchases under the Central Nervous System category.

Schedule VI consists of selected statistical information on the Medicaid and intermediate-care programs in Illinois for 1970 and schedule VII is a general definition of the drug categories used in schedule I.

In accordance with your request of July 22 and subsequent discussions with your office, similar information is being obtained in Ohio and New Jersey; when completed we will furnish you a report on the results of our work in all three States.

We plan to make no further distribution of this report unless copies are specifically requested and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

R. F. KELLER,
Acting Comptroller General of the United States.

Enclosures.

SCHEDULE I.—ILLINOIS MEDICAID DRUG PROGRAM

NUMBER OF PRESCRIPTIONS AND AMOUNT PAID FOR DRUGS PROVIDED TO RECIPIENTS OF OLD-AGE ASSISTANCE IN NURSING HOMES FOR JANUARY, APRIL, JULY, AND OCTOBER 1970

Category	Prescriptions	
	Number	Amount
Antihistamine drugs	6,716	$21,328.43
Anti-infective agents	20,503	103,455.06
Antineoplastic agents	19	73.68
Autonomic drugs	11,045	44,794.87
Blood derivatives		
Blood formulation and coagulation	4,430	9,623.40
Cardiovascular drugs	26,689	81,836.27
Central nervous system drugs [1]	85,234	407,101.31
Diagnostic agents	146	228.34
Electrolytic, caloric, and water balance	24,636	96,896.38
Enzymes	302	2,288.26
Expectorants and cough preparations	3,884	8,842.61
Eye, ear, nose, and throat preparations	761	1,572.71
Gastrointestinal drugs	32,650	108,458.43
Gold compounds		
Heavy metal antagonists		
Hormones and synthetic substitutes	13,852	62,212.44
Local anesthetics		
Oxytocics		
Radioactive agents		
Serums, toxoids and vaccines	3,429	10,056.74
Skin and mucous membrane preparations	7,167	24,794.98
Spasmolytic agents	3,228	10,398.80
Vitamins	29,929	84,984.09
Unclassified therapeutic agents	109	638.65
Other unclassified drugs [2]	19,104	85,774.24
Total	293,833	1,165,359.69

[1] This category, which includes tranquilizers, represents about 35 percent of all amounts paid for drugs on behalf of nursing home patients.

[2] Includes drugs purchased under national formularies such as the National Formulary and U.S. Pharmacopeia; compounded prescriptions; specially approved drugs, and medical supplies such as cotton, gauze, syringes, and hypodermic needles.

SCHEDULE II.—ILLINOIS MEDICAID DRUG PROGRAM

NUMBER OF PRESCRIPTIONS AND AMOUNT PAID FOR CENTRAL NERVOUS SYSTEM DRUGS PROVIDED TO RECIPIENTS OF OLD-AGE ASSISTANCE IN NURSING HOMES FOR JANUARY, APRIL, JULY, AND OCTOBER 1970

	Prescriptions	
	Number	Amount
General anesthetics		
Analgesics and antipyretics	23,666	$114,943.22
Narcotic antagonists		
Anticonvulsants	2,151	5,554.54
Psychotherapeutic agents:		
Antidepressants	3,456	22,496.69
Tranquilizers	32,153	207,015.48
Other psychotherapeutic agents	186	1,367.54
Respiratory and cerebral stimulants	1,615	6,721.23
Sedatives and hypnotics	22,007	49,002.61
Total	85,234	407,101.31

SCHEDULE III.—ILLINOIS MEDICAID DRUG PROGRAM

NUMBER OF PRESCRIPTIONS AND AMOUNT PAID FOR TRANQUILIZERS PROVIDED TO RECIPIENTS OF OLD-AGE ASSISTANCE IN NURSING HOMES FOR JANUARY, APRIL, JULY, AND OCTOBER 1970

Name	Prescriptions	
	Number	Amount
Combid	323	$1,910.00
Compazine	1,179	5,313.91
Equagesic	189	1,423.81
Fluephenazine dihydrochloride	181	1,157.57
Haldol	258	2,178.01
Hydroxyzine	1,321	10,384.23
Librax	246	1,477.79
Librium	3,265	21,351.37
Mellaril	6,854	53,526.51
Meprobamate	1,738	7,346.58
Serax	227	1,542.32
Sparine	2,164	15,006.00
Stelazine	1,100	8,059.72
Thorazine	10,146	55,924.11
Trancopal	19	115.28
Trilafon	895	6,038.73
Valium	1,901	13,270.28
Vesprin	147	889.26
Total	32,153	207,015.48

SCHEDULE IV.—ILLINOIS MEDICAID DRUG PROGRAM

NUMBER OF PRESCRIPTIONS AND AMOUNT PAID FOR ANALGESICS AND ANTIPYRETICS PROVIDED TO RECIPIENTS OF OLD-AGE ASSISTANCE IN NURSING HOMES FOR JANUARY, APRIL, JULY, AND OCTOBER 1970

Name	Prescriptions	
	Number	Amount
Acetaminophen	944	$2,687.44
Analgesic balm	105	111.94
Aspirin, phenactic, and caffeine	291	314.98
Aspiran	237	279.28
Aspirin, buffered	539	797.14
Aspirin, enteric coated	2,276	6,449.56
Butazolidin	636	3,802.40
Codeine with aspirin, phenacetin and caffeine	1,104	3,079.14
Codeine phosphate	26	68.73
Colchicine	53	138.42
Crystoids	1	1.25
Darvon	1,790	9,087.60
Darvon compound	10,524	59,491.90
Darvon with acetylsalicylic acid	341	2,125.43
Demerol HCL	134	445.94
Dilaudid HCL	9	19.44
Fiorinal	236	709.36
Indocin	2,126	16,636.09
Leritine	5	16.42
Methadone HCL	6	16.26
Morphine sulfate	9	28.19
Pabalate	411	1,585.14
Pabalate—sodium free	844	3,579.33
Percodan	72	278.86
Sodium salicylate	637	1,620.97
Talwin	310	1,572.01
Total	23,666	114,943.22

SCHEDULE V.—ILLINOIS MEDICAID DRUG PROGRAM

NUMBER OF PRESCRIPTIONS AND AMOUNT PAID FOR SEDATIVES AND HYPNOTICS PROVIDED TO RECIPIENT OF OLD-AGE ASSISTANCE IN NURSING HOMES FOR JANUARY, APRIL, JULY, AND OCTOBER 1970

Name	Prescriptions	
	Number	Amount
Amobarbital	277	$545.53
Amobarbital sodium	325	711.99
Butabarbital sodium	1,306	3,157.47
Chloral hydrate	6,141	15,294.31
Doriden	2,964	8,419.60
Pentobarbital sodium	2,187	3,643.83
Phenobarbital	4,043	6,579.52
Placidyl	1,932	5,808.53
Secobarbital sodium	2,832	4,841.83
Total	22,007	49,002.61

ILLINOIS MEDICAID DRUG PROGRAM

Selected Statistical Information on Illinois Medicaid and Intermediate-Care Programs for Calendar 1970

Medicaid program (started January 1966):
- 1970 expenditures:
  - Amount (millions) ---- $200.6
  - Federal share (millions) ---- $100.3

Drugs:
- 1970 expenditures:
  - Amount (millions) ---- 22.2
  - Federal share (millions) ---- 11.1
  - Percent if total Medicaid expenditures ---- 11.1

Nursing home care:
- Skilled nursing care:
  - 1970 expenditures:
    - Amount (millions) ---- 5.3
    - Federal share (millions) ---- 2.7
    - Percent of total Medicaid expenditures ---- 2.7
    - Patient days of care paid for ---- 598,349
- Intermediate nursing care:[1]
  - 1970 expenditures:
    - Amount (millions) ---- 62.6
    - Federal share (millions) ---- 31.3
    - Patient days of care paid for ---- 7,773,530

[1] Provided to eligible persons not in need of skilled nursing care but in need of more intensive care than that provided in residential facilities.

General Definition of Drug Categories

Antihistamine Drugs.—Products used to alleviate the symptoms of hayfever, allergy, and the common cold.

Anti-Infective Agents.—Products used in the treatment of bacterial and viral diseases.

Antineoplastic Agents.—Products used in the treatment of cancer.

Autonomic Drugs.—Products whose primary effect is on the nervous system and includes drugs used to treat abnormalities in smooth muscle tone and certain abnormal eye conditions.

Blood Derivatives.—Products used in blood replacement.

Blood Formulation and Coagulation.—Products used to enhance formation of blood cell products and components, including the treatment of anemia and the treatment and prevention of blood clotting.

Cardiovascular Drugs.—Products used to treat abnormal blood pressure, heart congestion, and cardiac insufficiency.

Central Nervious System Drugs.—Products whose primary effect is on the brain and are used to excite, sedate, tranquilize, or relieve pain.

Diagnostic Agents.—Products used in diagnose diseases and in laboratory analysis.

Electrolytic, Caloric, and Water Balance.—Products used to restore water balance of body fluids. Also, products are used to help eliminate abnormal water retention in tissues.

Enzymes.—Products derived from naturally occurring substances and generally used to expedite or retard a natural body process. Frequently, these products are also used to treat undesirable blood coagulation.

Expectorants and Cough Preparations.—Products used to alleviate coughs and to break up excessive sputum.

Eye, Ear, Nose, and Throat Preparations.—Anti-infectives, anti-inflammatories, and pain reducers used in treatment of eye, ear, nose, or throat disorders.

Gastrointestinal Drugs.—Drugs used to treat hyper-acidity, diarrhea, nausea, and vomiting.

Gold Compounds.—Products containing gold and generally used in treatment of rheumatoid arthritis.

Heavy Metal Antagonists.—Products used primarily to treat certain types of poisoning.

Hormones and Synthetic Substitutes.—Products used to treat hormonal deficiencies, inflammations, diabetes, and thyroid conditions.

Local Anesthetics.—Preparations used for relieving pain on body surfaces, joints, and mucous membranes.

Oxytocics.—Products used to control or induce uterine contractions.

Radioactive Agents.—Radioactive products used most frequently as diagnostic agents or tracers.

Serums, Toxoids, and Vaccines.—Naturally occurring substances generally used to treat or prevent infection and to treat certain types of poisoning.

Skin and Mucous Membrane Preparations.—Products used to treat infections, inflammations, and itching of the skin.

Spasmolytic Agents.—Products which act largely on smooth muscle tissue in treating asthma and occasionally in treating gastrointestinal disorders.

Vitamins.—Products used to supplement body enzymes.

Unclassified Therapeutic Agents.—Products of naturally occurring substances which are not classified elsewhere.

Senator PERCY. A few figures in this letter are very interesting. Total medical expenditures for Illinois in 1970 came to $2,600,000. The Federal share was $1,300,000, so clearly we have a stake in this, too.

Total expenditures for drugs was $22.2 million. From this total, which represents a 4-month period, we computed certain percentages. Central nervous system drugs, including tranquilizers, represent 35 percent of the total ($407,101.31). These figures indicate this is not only a very big business, but according to our direct testimony, one in which patients are being tranquilized. They are put in a position where they will not complain, not ask for too much service, and then the service can be cut down, so as to maximize the possibility of profit.

This is not always the case. There are legitimate and proper prescriptions prescribed for tranquilizers, but the evidence is overwhelming that they may be indiscriminately used. I am grateful to you, Mr. Hutton, for your testimony and for alerting the committee to this problem.

Mr. HUTTON. I submit that this is the first official backing for the National Council's complaints on this subject that have been made in these past 2 years, and I would be very interested in seeing that report.

Senator PERCY. The report is now public and available for your examination.

We want to be as specific as possible in this area, and we will give operators of nursing homes every opportunity to fully answer to the public and to the Federal Government with respect to their usage of these drugs for their patients, and whether they are really serving the kind of purpose that this kind of expenditure, in just one State, the State of Illinois, has shown.

Thank you very much.

Mr. HUTTON. Thank you, sir.

Senator PERCY. We will call Dr. Paul Gordon, associate professor, Department of Pharmacology, and chief, Geriatric Research Unit of the Chicago Medical School, University of Health Sciences.

Senator PERCY. Dr. Paul Gordon, we are delighted to have you here.

We want to inquire of you whether, through your own experience, you feel there is a proper and legitimate expense for drugs that you can, by your own medical expertise, justify on aging patients.

STATEMENT OF DR. PAUL GORDON, ASSOCIATE PROFESSOR, DEPARTMENT OF PHARMACOLOGY, AND CHIEF, GERIATRIC RESEARCH UNIT OF THE CHICAGO MEDICAL SCHOOL, UNIVERSITY OF HEALTH SCIENCES*

Dr. GORDON. Well, not being a clinician, I will not talk about medical aspects of the drugs in current use in nursing homes. I would rather like to address myself to a related issue which, as will be seen, is also important to the purposes of this committee.

The issue concerns medication for the aged of the future, and whether or not such drugs will be developed.

As you probably know, most physicians see aging beyond adulthood, not as a specific state or condition, but rather as a time of decreptitude in which there is an increase in the prevalence of ordinary diseases, for which physicians prescribe the usual drugs: for anxiety they give tranquilizers; for cardiac problems they give the classical group of cardiac drugs that persons of all ages receive.

However, during the last 15 years, enough has been learned about the basic chemical changes that occur, specifically in relation to aging, to generate the expectation that gerontology, if given the opportunity, will be able to exert a partial control over the aging process per se. For example, there have been experimental therapies, which have dramatically altered the function of age in animals.

AGING—NOT THE END

Quite recently scientists have been able to separate themselves from the sentiment that sees aging as the end, about which we can do nothing, except lament as it diminishes those that we love, and to appreciate, instead, that an opportunity has arisen to pit human intelligence against the aging process with the expectation that something of tangible benefit will emerge.

Now, I am not alone in saying this. There are many prominent university scientists in this and other countries who think likewise.

* See appendix 1, item 1, p. 1527.

Drs. Denham Harman of the University of Nebraska and Bernard Strehler of the University of Southern California, among others, agree with this assessment. Contributing to the change in outlook is that our knowledge of chemistry, biochemistry, and drugs has advanced to a point where we find ourselves able to modify and retard aging in animals, and also to enhance the function of aging animal brains, after this function has deteriorated. This is not by the use of tranquilizers or by any drugs that are now in common use in aging.

The most effective drugs that we find are compounds not yet in use in medicine.

Now, this is not a plea for the use of any particular drug in any particular old people's home, or on any particular group of aged.

I am pointing out that we have reached the state of sophistication which should allow the same kind of effort that generated a useful prophylaxis of polio, or treatment of cardiac disease, to generate a partial attenuation of the aging process over the next 5 or 10 years. The class of drugs that we would then use in old people's homes, if they still existed, would be very different and more specifically related to a partial reversal or attenuation of the aging process.

This is not a conviction born of wish, but of a sufficient measure of recent experience that we have had in some of the private old people's homes in this city, and also in some of the State institutions which are now cooperating with us in clinical research.

No National Institute of Gerontology

This feeling of optimism that is shared by many scientists must be contrasted with the relative absence of institutions specifically supporting such research. There is, for example, no National Institute of Gerontology, although the science has come of age, and although we all age. Further, the very limited amount of funding available through the National Institutes of Health for research on aging has been so limited this year that no new projects are being funded.

It is lamentable that the available Federal funding for this class of research is so unrelated to its potential and social importance.

The kind of changes that one would anticipate to emerge from the use of new drugs in aging would include a partial control over the life span. But most important would be the expectation that the experience of the aged years would alter to reflect more vigor and a greater participation in life at hand.

The avowed aim of the new drug research to enrich the years of the later period, is more than just rhetoric. We have seen certain positive effects, in a certain class of patient that ages early and rapidly, that allow us to be encouraged.

Such individuals move to a new higher level of functioning, when treated with a new class of drugs. Other teams have also reported positive drug effects in certain subclasses of aged persons.

In summary, I have offered testimony in support of biological research programs in aging, which are currently drastically underfunded.

Senator Percy. Thank you, Dr. Gordon.

Can we take one particular drug, I understand you have been working on NP–113.

How long have you been working on that particular drug?

Dr. GORDON. The drug identified by that number is Isoprinosine. It represents a new class of pharmaceutical.

Our work on the precursor, inosine, was begun in 1958.

Inosine is a natural compound found in all cells, which appears to function as an important biological signal. This diminishes in aging either because the signal is intrinsically or because tissues become less sensitive.

Senator PERCY. What are your specific hopes for this drug?

Dr. GORDON. This drug is one of a group we have reported on in an article entitled Molecular Approaches to the Drug Enhancement of Deteriorated Functioning in the Aged, in Advances to Gerontological Research. It appears to be the most potent of those few drugs which can beneficially affect the aging process in animals, once the aging process has taken place.

The unanswered question is to what degree, and in what way our animal work will be translated into human terms?

This translation must move over a very large gap, because the rat is a much simpler animal than the human being, and the result is that the kind of definitive projection you may wish, I find very hard to give.

On the one hand, we have done a group of studies, which are in a sense as in the beginning of a wrestling match, descriptive of our attempts to find the right hold, and we now have the variable, or the group of variables which deserve a very careful and large study.

However, let me talk about all possibly useful work, not just our own. If one extrapolates all current findings concerning experimental therapeutic intervention in the aged in the future, we may project the elimination from old people's homes of a class of deteriorate aged who, with one of several therapies, will be able to achieve a new independence of functioning. Within the home, this person may be able to take care of himself to a larger degree.

Senator PERCY. You remove the burden for most of those not in nursing homes, remembering that most people are not in nursing homes, most are in someplace else, and many of them are with their young children?

Dr. GORDON. Yes.

Senator PERCY. It might allow a person now dependent upon his own relatives—a daughter-in-law, whoever it may be—to stay independent, rather than being in a dependent condition. Is that what you are saying?

Dr. GORDON. This would be one of the possible outcomes, yes.

Senator PERCY. Where did you get the money for this research?

Dr. GORDON. Initially, we tried to get it from the National Institutes of Health.

We were a group of scientists who had been awarded NIH grants for other purposes, but were unable to interest the NIH in our program in aging; this was before the consensus was reached that the time was ripe for an attack on aging.

Since that time, we have gotten financial support from private foundations, from private individuals, and from a drug company.

Senator PERCY. Would additional funds help you in this research?

Additional Funding Would Help Research

Dr. Gordon. Additional funds would certainly help us.

It would help our research group, which includes members from the Chicago Medical School, from the University of Chicago, and from North Central College, as well as other groups in the country that are actively engaged in working at the new frontier we are discussing.

We have tried to interest wealthy private persons in supporting this class of research, but have had difficulty in raising money for research on aging.

I am sure that now we will be able to go back to the NIH again, with our more positive finding, and our coherent picture of what it is we are seeking, and compete with our fellows for the small amount of money available, but this is really not the answer.

What is needed is a broad program supporting an attack on the biology of aging, which will have for one of its reasonable goals the development of drugs that will enhance the functioning of the aged.

Senator Percy. This is a case where I could aptly say, "write your Congressman."

I was rather shocked to find that only a small amount of money is available for research in this field. Earlier this year we increased in the Senate the appropriation and funding for research on aging by $5 million to $12 million. Regretfully, the increase lost in the House conference. The House simply would not approve that amount.

When you consider the human cost of senility in an older person, if there is any hope of finding some answer to this, I should think this amount of money would be considered a pittance. Hundreds of millions of dollars are invested in other programs; an investment in aging research should bring considerable returns to society. I certainly hope we can get more funding in the future. Unfortunately, the House does not have an aging committee—despite the efforts of one Congressman to set one up. This Congressman set up an office outside the House Building in a trailer, as he could not even get space inside the House for a committee to devote itself to the problems of 20 million Americans.

I do hope we can get an aging committee in the House. I think the House needs to get a better understanding of the problems through such a committee. I think if they did have a committee, they would not block our efforts to try to provide more research funds.

I would like to ask you another question. Have you worked with human beings in nursing homes? And if you have, what permission do you get from guardians or relatives for carrying on any such experiments?

Dr. Gordon. The answer is yes, we have worked with old people's homes in the Chicago area, in particular, the Drexel Home for the Aged, which as you know is in part a teaching institution for the University of Chicago.

First of all, the research is something that is discussed by the investigating team, and the residents of the home. In a sense, we put to them what I put to you today.

You must understand, of course, that this activity is carried out under the regulations of the Food and Drug Administration, so it is

understood that, by this time, all of the appropriate human toxicity studies have been carried out in various populations, so we are dealing with a drug that is not going to harm. What we do is discuss the whole problem with the old people, as we did with you. It is interesting, you find some who do not want to get better, if that is even a possibility, it is touching really, they wish to have certain parts of their life behind them. Others take the prospect of unknown things as, a frontier that is very exciting, and this is a much more common response. The result is, as in the Drexel Home, where you will find as good care as in any old people's home in the country, that the group of individuals who located themselves in the study, during the period of study and for many months afterwards, had a significantly lower death rate than the other part of the population, although they were not different, except in their choice. They got involved in life again.

Senator PERCY. Did you find them very excited about engaging in an experiment of this type? Were they anxious to participate?

AGED NOT OVERLY ANXIOUS ABOUT EXPERIMENT

Dr. GORDON. I would not say that they are as anxious as people on the good side of the aged stage might be.

The aged individual knows that he is, as in so many other things, probably going to be disappointed, because, in fact, he is old, he is limited, but there is a measure of optimism, I would say tempered optimism and interest. We would have to say this category of events in an old people's home is not an abuse in any sense of the word. And, of course, we must have the formal consent of the patient or his guardian.

In fact, in homes for the aged with a commitment to research, this kind of project is viewed as positive programing for the residents. This is something that the patient can do, like attending in a graduate course, if you will, or engaging in play therapy, or work therapy.

For us, of course, this is an important activity, at the frontier of knowledge.

Senator PERCY. We have 1 minute left, and you wanted to make a comment.

Dr. GORDON. Yes. If in any of your discussions with your peers about funding, you get around to the problems that we have had, if you would get this point across, I would very much appreciate it.

What has impaired our capacity to get down to the business of doing something about the biology of aging with drugs and hormones is the dreadful sense of its inevitability.

People cope with aging by turning away from it. The new piece of information which I wish to offer is that times have changed critically; there is enough information at hand, so that we can say it is worth giving the human intellect a crack at aging. Since it is happening to all of us, we deserve the right to do our best to contain it to whatever degree we can. This is to separate the whole phenomenon from the Ponce de Leon yearning for youth; this is an approach which for the first time we can say offers promise.

Senator PERCY. Thank you very much indeed for being with us.

Our next witness is Dr. Charles H. Kramer, president, Kramer Foundation; clinical director, Plum Grove Nursing Home; clinical

assistant professor of psychiatry, University of Illinois College of Medicine.

Dr. Kramer, we are grateful to you for your being here.

I understand you are president of the Kramer Foundation, and that you have won many awards for excellence.

We are delighted to have you here.

Dr. KRAMER. Thank you.

Senator PERCY. Would you have any testimony, or would you just like to answer any questions?

Dr. KRAMER. I am just glad to talk.

Senator PERCY. All right. Fine.

What we would be interested in is your expert opinion on this problem of aging. We would appreciate your opinion on the difference between senility and psychosis so that we can better understand how to differentiate between the two.

We are trying to better understand the process of aging, and any light you can shed on the subject would be appreciated.

STATEMENT OF DR. CHARLES H. KRAMER, PRESIDENT, KRAMER FOUNDATION; CLINICAL DIRECTOR, PLUM GROVE NURSING HOME; CLINICAL ASSISTANT PROFESSOR OF PSYCHIATRY, UNIVERSITY OF ILLINOIS COLLEGE OF MEDICINE

Dr. KRAMER. The word "senility" is a wastebasket term which is used to describe various clinical syndromes in the older person: childishness, regressive behavior of various kinds, forgetfulness, lack of contact with reality, confusion, and other mental reactions. It is a handy term, but it is inaccurate and imprecise.

Psychosis is a technical, medical term which refers to a form of mental illness in which the individual has impaired contact with reality, deterioration of personality, disturbance of thinking, and frequently disturbance of feeling.

The problem with the two terms is that you can hardly define senility without simultaneously defining psychosis.

If an older person does not know where he is, misidentifies people, does not use good judgment, and his intelligence is not functioning as well as it used to, we speak of him as senile; but if that same person were 30 instead of 70, we call him psychotic.

The underlying pathological process is brain damage, and we use the term "chronic brain syndrome" for those conditions in which there is loss of brain cells. Most people in the older age group have a certain amount of brain damage. This syndrome is a complex resultant of brain damage, plus their particular personality and the way that they react to their brain damage, plus the way the people in their environment manage them in terms of affectionate relationships, power relationships, and so forth.

BEHAVIOR CHANGES ACCORDING TO ENVIRONMENT

It is remarkable how behavior of an older person will change as the environment around him changes. Those who approach him with antagonism will frequently see a more senile person than will some-

one who approaches him as a human being who still has assets and some brain functioning.

Senator PERCY. Assuming you can tell the difference between senility and psychosis, how do we treat these individuals, and can you comment on the kinds of institutions, and the kinds of services that should be provided?

Dr. KRAMER. It is a paradoxical thing.

I have spent many years studying and preparing in this field, not only in medical education, but in psychiatric training. I am a child psychiatrist as well as an adult psychiatrist. I graduated from the Chicago Institute for Psychoanalysis.

I have worked with just about every kind of physical and mental illness, and yet in spite of all that, it really comes down to the question: how do you manage the person's behavior right now?

It may be useful to get the history, to know what the X-rays of the skull show, to have the electroencephalogram, to know his background—all those may be factors. But when it comes down to what to do with him—how do you treat him—you have to deal with the issue at a behavioral level, and then the distinction between senility, psychosis, and chronic brain syndrome becomes meaningless.

Let me give you a practical example. Let us say an old gentleman is sitting in his room, and he does not know where he is, he does not recognize people when they come in, he goes out of his room and gets lost, and he cannot find his way back. Any way you evaluate him, he is not functioning as he was in his previous capacity.

Now, if he carries on an imaginary conversation with his dead wife, in a quiet sort of comforting way, he is no problem to himself, to his neighbors, or to his family. He is no problem to the staff. He can be handled in a relatively unsophisticated institution, and the name of the institution is not terribly important.

If, however, a man with the same loss of brain cells spends the night wailing, or yelling for his wife, or wandering into the next room, or going into the closest trying to find her, or out into the street where he might get hit, he is a serious management problem regardless of diagnosis. These two men might have the same diagnosis. They might have the same brain condition under the microscope. Yet, the management of the first would be relatively simple; management of the second would be extremely complex, and would call upon practically every capability the institution could offer.

I cannot give you a categorical answer as to where this second man should be. He should be in a place where he can be managed, and that comes down to finding the individual institution which will work for this individual man.

Senator PERCY. What are the ingredients, that you would say, are necessary to making a home truly good as a nursing home. After all, I think your nursing home is one of the finest in the Nation.

Dr. KRAMER. We have been trying to find the answer to that question for the last 20 years.

Senator PERCY. Apparently you found it.

Dr. KRAMER. No, I do not think I would be willing to go that far. We have found some of the things that are necessary, and unfortunately, the things that are necessary are expensive and hard to find.

Ingredients of a Good Nursing Home

Probably the most important necessity is a trained staff, a staff that is comfortable with these patients, which has behavior techniques for working with them, who are sufficiently satisfied with their work, their salaries, and their bosses, and so forth, so that they do not take out their irritations on the patients.

The cost of training and maintaining a good staff is very high, and by and large, the geriatric institutions have gotten along with far fewer employes in proportion to patients than most of the others.

We have more staff than patients. Our staff salaries constitute about 65 percent of the total budget, close to what many hospitals have. To maintain a long-term care institution that is financially feasible, and still provide the kind of care I am talking about, is extremely difficult.

Senator Percy. Compare your nursing home to a hospital, and the proportion of your costs that go into the staff. Do you have all medical personnel, or do you feel there has to be a balance between the psychological and medical aspects in caring for the patient?

Dr. Kramer. By medical, you mean what?

Senator Percy. Nurses and doctors, as against those who provide social or psychological services to the aged in need.

Dr. Kramer. Unfortunately, doctors are pretty scarce around long-term care institutions. They pop in and they pop out, and if you can get a note on a chart from them every month, you are doing very well. Perhaps 5 percent of doctors are interested in this field. The rest are afraid of it, they are depressed by it, and they would just as soon avoid it.

That means the care of these patients from the administrative standpoint falls on the shoulders of supervisors and nurses, and the day-to-day care of patients is in the hands of nonprofessionals.

I do not know whether I am answering your question. What I am trying to say is that most patient care is given by people who have the least amount of education in the psychology of people, the sociology of old age, and the dynamics of interpersonal relationships in the institution. That means if you are going to give patients the kind of care they need, you have to train everyone in the institution.

You have to start with the administrator, and go all the way through the lowest of the staff, which is usually an aide, because they are the ones who are there when the patient cries, or gets the news the husband is dead, et cetera. The staff needs to be trained in such things as to how to be a good assistant mourner, how to talk to the family, how to handle a patient who is dying and wants to talk to you but does not know how to ask. These are very complex situations.

Psychiatrists Shy Away From Geriatrics

Most of my psychiatrist friends shy away from this field. That means that a girl with only a high school education may be dealing every day with serious psychological problems, with serious interpersonal relationship problems, and she is expected to manage, not only these, but severe physical disability in patients as well.

I have worked in almost every kind of institution, and the patients in nursing homes and extended care facilities are debilitated and disabled and multiple handicapped as any that I have run into. The only other place that is true would be in geriatric wards in State hospitals, where patients have a combination of physical and psychological impairments.

Senator PERCY. In the selection of people, does it help a great deal, and do you pay particular attention to, trying to find people who really care about the aged, who have a "heart" in addition to their "body," so to speak? Does that make a difference in the quality of service they provide to their patients?

Dr. KRAMER. Caring about the aged is important. Along with that, we usually look for people who have had pretty good family experiences. They may have had a grandparent in the home; they may have helped raise brothers or sisters.

There is not too much difference between changing a baby's diaper and an older person's diaper, except the baby's diaper is a little more acceptable. People who have had child care background and who have raised their families are valuable.

Then there is a screening process that goes on automatically. We expect a lot of our staff. We expect them to come to staff meetings, to take part in family interviews, and to talk to patients—not simply chat with them, but talk to them in a way that might be specifically helpful to them for their particular condition. Talking to a depressive is a very different proposition than talking to a paranoid, and aides need to know that because they do it all the time.

Senator PERCY. In Chicago, taking into account your knowledge of food costs here, what is the proper amount that should be spent per day in a nursing home to properly feed that individual?

Dr. KRAMER. You are way out of my department.

Senator PERCY. Do you have any figures on what the per day cost is?

Dr. KRAMER. No; I do not.

Senator PERCY. Is good food a part of the satisfaction that your patients have?

Dr. KRAMER. Oh, yes. There is no question about that. I guess it is not clear from your material that when you talk to me, you are only talking to one part of a team. My wife is the expert on this particular subject, and we will be glad to send you the figures if you want them.

Senator PERCY. I would very much appreciate your obtaining answers to those questions.

Your advice in this area would be very helpful to us. We would like to know, for the record, not only what you think should be spent, but also the figures that you actually do spend per patient per day, for food costs,[1] because we have had other figures presented to the committee in our earlier hearings.

Finally, I wonder if you could give us your advice as to the use of tranquilizers in the nursing homes.

[1] Dr. Kramer's letter to Senator Percy, dated Sept. 27, 1971, reports the cost to be $1.33 per patient per day for food.

Two Sides to the Tranquilizer

Dr. Kramer. One of the things I learned early in my medical life was that anything that works to the benefit of a person also has a backlash.

Tranquilizers in my experience have been a tremendous help in geriatrics, but they have their negative side. In order to use them properly, it takes a lot of experience, a willingness to take a look repeatedly at what is happening to the patient, and judge whether what is happening now is better than what was happening before.

For example, if a person is agitated, and you give him a tranquilizer, and he sleeps all day in a chair, that is not much of an improvement.

On the other hand, I know many patients who have been able to remain in a lesser care facility because they have been properly tranquilized and they have not had to be transferred to a State hospital. I have known many patients who have been cared for in their own homes on small doses of tranquilizers, when they could not be managed without medication.

I only heard the last part of the previous testimony. I think the work that they are doing should certainly be encouraged and supported. But tranquilizers and medications are limited in that they can accomplish just so much.

One takes the best tranquilizer in the world, but if it is given in a way that antagonizes the patient, or if the patient does not want to accept what that nurse has to offer, the patient may have a paradoxical effect: The patient may get wild. You cannot get away from the social and psychological aspects just by giving a pill.

A Need To Understand Effects of Tranquilizers

Most tranquilizers used in long-term care are managed by the nurses. I say that frankly and will probably get criticized for saying it. They do it under the doctor's direction, of course, they frequently consult with him, and they have the orders on the chart. But a good geriatric nurse has to know the major and minor tranquilizers in detail: what their actions are, what their side effects are, how to use them, how not to use them, and how not to abuse them. The doctor who does not have a nurse who can do that is handicapped, he simply cannot practice without that kind of cooperation from the nurse.

Senator Percy. Let me just pull out of the Comptroller General's report here some expenditures made in January, April, July, October of 1970; expenditures for just two tranquilizers were over a hundred thousand dollars in those 4 months. Those two are Thorazine and Mellaril.

Dr. Kramer. Mellaril is a first cousin of Thorazine.

Senator Percy. Their figures represent very high doses for these drugs. You can imagine what the expenditure per annum nationwide would be for these two tranquilizers.

Dr. Kramer. Well, I do not have any way of comparing those figures with others.

I would be very suspicious that anything useful from the clinical standpoint would be available from accountant's figures. I say that

after having worked with accountants for a long time. I do not think you can make a clinical judgment about how many tranquilizers are used and why by looking at the balance sheet.

In our nursing home we use a lot of tranquilizers. We train our staff how to use them, how not to give overdosage, and so on.

I think that on balance the vast majority of patients who get tranquilizers in my institution are benefited from them. If that means there is a large cost involved, well, the cost is certainly worth it. It is like hiring another nurse when you need one. If you really need one, you have to find the money to pay her.

Senator PERCY. Dr. Kramer, in the last question, is Dr. Karl Menninger regarded within the profession as an expert in this field, and can he contribute valuable information to this committee?

Dr. KRAMER. I would think he could, yes.

Senator PERCY. It is our feeling that he would be one of the Nation's outstanding authorities, and we are attempting to contact him and have reason to believe it might be possible for him to come in as a witness today, around 2:30, so that we very much value your counsel and advice.*

Dr. KRAMER. I do not always agree with Karl, but I think his opinion would be worth listening to.

Senator PERCY. If you disagree, it is even more important that we have him here, but I am sure you have many areas of agreement also.

Dr. KRAMER. May I just elaborate on this last point about tranquilizers.

From time to time there is a movement afoot to discredit nursing homes. I am sure that there are nursing homes that should be very carefully looked into and changed, or put out of business if necessary.

MAJORITY OF NURSING HOME PATIENTS ARE MENTALLY ILL

I think it is also important, though, to say something on the other side. The vast majority of patients in nursing homes are mentally ill. Most people do not realize or appreciate that. This means that nursing homes have been taking care of mentally ill people, who really need psychiatric care, but for whom psychiatric care has not been available.

As a result, the nursing homes of this country take care of more psychiatrically ill elderly people than psychiatric hospitals do, and with far fewer staff and on a fraction of a hospital budget.

The field of long-term care badly needs upgrading. Our Foundation has put on 2-day institutes for over 450 professionals, trying to pass on some of the things we have learned working with older people in institutions.

The field needs more money, more support, more encouragement, more teaching, more esteem. I do not think it needs any more scapegoating, nor any more finger pointing.

There are safeguards set up for controlling the quality of care in institutions. If the existing statutes and regulations are enforced, the people that are not doing a good job can be either put out of business or brought up to standard.

The fact that we are dealing with severely impaired people is frequently overlooked. We have gone through phases, starting with an

*See statement of Dr. Menninger, p. 1513.

old, big house that was converted into a nursing home, it has been torn down and replaced piece by piece, and now we have a modern, shiny, sanitary building. But our incoming patients are just as deteriorated, just as confused as ever, except we now have tools for helping them reach their maximum potential.

The vast majority of nursing home patients are depressed. In fact, I think it is "normal" to be depressed when you find yourself in an institution.

That means these patients need the kind of care they would get if they were in a psychiatric institution, but the patient in the nursing home is paying one-third, one-fourth, one-fifth of what it would cost to be in a psychiatric hospital.

The people who work in long-term care become specialists in their particular way. When we get patients from the big city hospitals and from the psychiatric institutions, and we have to work for weeks and months to correct the mistakes that were made in their previous care, we realize how unfair it is that nursing homes are way down at the bottom of the medical care totem pole.

Nursing Home Patients Very Difficult

Chronic disease in general is way down at the bottom when you poll medical and nursing students. So it is easy to scapegoat nursing homes, easy to scapegoat nursing home administrators, easy to say we are not spending enough for food, or we are giving too many tranquilizers. Possible abuses should be investigated and corrected, but you should not do it without clear appreciation of the fact that these are the most difficult patients a Nation has to deal with. They have physical disability, mental and psychological impairment, and if they have a family, they have a problem with them. And if they do not have a family, that is a problem too.

Senator Percy. Would you say that friends, families, and neighbors in the therapeutic process can play a very major role, that they can assist in helping in terms of compassion, and of understanding?

Dr. Kramer. We insist on all significant family members coming to the home for an interview before the patient is admitted, and we have periodic meetings with the families after admission.

Another myth is that these people are dumped by their families. That may be true in a few homes. It is not true in ours. The number of patients that do not have a family visitor each month is less than 5 percent.

Senator Percy. Thank you very much.

I think that is a most important contribution. We appreciate your being here.

I would like to announce for the benefit of those of you following the proceedings today, what our schedule will be.

We will continue for approximately another hour and recess at 11:45.

We will pick up again shortly after 12:30, as close as we can, and certainly go no later than 12:45, continue for another 3 hours this afternoon, and we will adjourn at approximately 3:45 this afternoon.

Dr. Kramer, we thank you very much.

Senator PERCY. Our next witness is Mrs. Jim Moran, a citizen.

Mrs. Moran, I understand you are appearing as a private citizen, that you had a father in a nursing home, and that your desire is to tell this committee about the circumstances, how you happended to select the nursing home, and the problems you faced?

Mrs. MORAN. Yes, sir; that is so.

Senator PERCY. We welcome you to the committee.

Mrs. MORAN. I have a statement, if you wish me to proceed.

Senator PERCY. Go right ahead.

STATEMENT OF MRS. JIM MORAN, CITIZEN, CHICAGO, ILL.

Mrs. MORAN. On March 23, 1971, my husband and I put my father into the Briarwood Terrace Nursing Home, 2451 W. Touhy, Chicago, Ill. Prior to this, my father had been a patient at St. Francis Hospital, Evanston, Ill. When the doctor advised us that it would be necessary to put my father into a home, we looked at several different homes, inspecting them, asking questions, et cetera. Msgr. Thomas Kelly, of St. Margaret Mary Church, told my husband about Briarwood Terrace and recommended it. We visited Briarwood, talked to the administrator, Mr. James Bowden, and were impressed that the facilities were new and spacious, and the halls were clean. Mr. Bowden assured us that my father would get the care he needed there. We also wanted to put my father into a home that was close by so that we could visit him frequently and also so that his doctor could continue to see him at regular intervals and care for him.

NOT "MEDICARE APPROVED"

We decided to use the facilities at Briarwood and made arrangements for the transfer of my father. After we had made all necessary arrangements, Mr. Bowden informed us that the home was not approved by Medicare; it was a new home and he claimed that approval would be forthcoming "any day" and was only being held up by Government redtape. We were apprehensive when he told us this as we wanted my father in a home approved by the Government so that we would have the protection and reassurance provided by the Government and, also, so that my father could collect any benefits if he was entitled to them. Prior to this, we never thought to ask if the home, was, in fact, approved since their brochure plainly stated that it is "Medicare approved" and "We are fully accredited and meet all State and Federal requirements". The phone book also states, in their ad, that the home is Government approved. However, at this point it would have been extremely difficult to make other arrangements for my father's care and we also had no reason to doubt Mr. Bowden's word that the approval of the home would be forthcoming shortly. As of the date of my last inquiry, September 2, 1971, the home had not been approved by the Government. I feel that it is unfair for the home to be giving the impression that they are approved by the Government when they are not; such misleading advertising should not be allowed.

Shortly after my father was transferred to the home, I walked in to see him at about 9 a.m. I found him in a filthy state, with blood on his

gown and the bed. After doing what I could to make him comfortable, I left, confident that he would be cleaned up and taken care of shortly. I did not say anything to the staff as I realized that the hour was early and they needed a reasonable length of time to do their work. However, I was very upset to find that my father was still in this same state of filth when I returned at about 2:30 p.m. I looked for an attendant; he apologized to me for not cleaning him up sooner and assured me it would not happen again. On March 26, I again visited my father at about 10:30 a.m. I found out that he had still not received any medication since his arrival and had not been gotten out of bed a few times a day as the doctor had ordered. I decided that I had been patient enough and the time had come to find out why the care had been inadequate so far. In the absence of Mr. Bowden, I talked to a woman whose name I believe was Miss McCarthy. When I told her of the situation, she became angry and said they were going to have restricted visiting hours posted very soon so that nosy relatives like myself could not come into the home at any hour looking for a speck of dust underneath the bed.

Restrictive Visiting Hours

Shortly thereafter, new visiting hours were posted. She treated me in a most rude manner until she found out that the home had been highly recommended to us, and she then assured me that my father would get the care he needed. She also asked if my father was a public aid patient. I told her that he was not and they promptly got him out of bed. We thought about transferring my father elsewhere, but we reconsidered and attempted to remain optimistic, knowing that at least we didn't have to worry about roaches, and we were also impressed by the appealing and very adequate meals that we saw served there. We rented a wheelchair from another concern for my father's use; the chair was constantly being used for other patients and my father was denied the use of it when he needed it. Dirty linens, urinals, and dirty bedpans on the bed tray were common. About the only time my father was shaved was when I asked the staff to do it. The staff told me that they were short of razors and/or that the razors were broken, so I brought an electric shaver over to help them out, but this didn't help the situation. I had to constantly ask the staff to tend to my father's bed sore. I was forced to go back and forth to the home to open and close windows, according to the changing weather conditions, after finding my father freezing with an open window, or uncomfortably hot on other occasions.

My father fell out of bed a few times when the staff neglected to put up the sides on his bed. I did not like the method, as it was explained to me, used for the distribution of medicine. A supply of medicine was ordered for each patient for his exclusive use. I felt that accumulating medicine in this manner could lead to either stealing or the use of one patient's medicine for another patient. On or about April 20, I noticed a rapid deterioration in my father's condition. I attempted to get his doctor in to see him to check on his condition as I also knew that doctor was due in to see him again shortly, because of the law requiring a physician to see nursing home patients every 30 days. I was unsuccessful in obtaining the care of a doctor until May 14. Dur-

ing this time, I was extremely distressed with my father's condition. I talked to one of the employees about my father several times and he assured me that my father was about the same and no worse, although my own untrained eyes and instincts told me otherwise. During this time, the home made no attempt, to my knowledge, to comply with the 30-day law, and/or to help me in getting the doctor for my father. Upon bringing these various situations to the attention of the management, I was assured at times that things would be better; the situation would improve at times for a day or so only to deteriorate again.

At other times, I was treated rudely and was also disturbed, while waiting to make my inquiry or complaint, that the nursing station was left unattended for periods of time, all this taking place while what appeared to be bags of medicine were sitting in full view and easy reach on the desk, the bags seemingly having been delivered by a pharmacy.

Bedholding Charge

After my father's death on May 24, 1971, I went to the home on or about May 25 to inform them of my father's death and attempt to obtain a rebate on his room and board, it having been paid in advance through May 31, 1971. After several weeks and several visits to the home, I was finally told that they owed me $40.60. I asked to see the records which were shown to me rather reluctantly. Upon inspecting the records, I found that I was being charged $35 (7 days at $5 per day) for a bedholding charge. When I inquired as to what this was for, I was told that they held the bed for my father for 1 week after he left (he left the home May 24, and died a few hours later at the hospital). I then protested that they could not reasonably expect me to pay a bedholding charge for a dead man. After some discussion, they agreed that they should not charge me the $35 and eventually I received a refund of $75.60.

I feel that it is unfair to all concerned for this home to be allowed to continue to operate under these conditions, giving the impression that they are under the supervision of the U.S. Government. Many poor innocent people may be suffering and it is a terrible burden on the families of the loved ones to see some of the conditions there. It is bad enough to see a loved one that is sick and in dire need of care but the incidents cited above create a distressing situation for the patient and family, both.

Senator Percy. Mrs. Moran, I see that you brought a telephone book with you. Is that a classified ad that you relied on? The nursing home is listed as what, Medicare approved?

Mrs. Moran. Yes; it says approved for Medicare.

Senator Percy. Approved for Medicare?

Mrs. Moran. Yes.

Senator Percy. Now, did you rely on that, as feeling that there was some sort of a Government stamp of approval on the quality of care that your father would receive?

Mrs. Moran. I relied mainly on the brochure, feeling that certainly what was in it should be true, and that it was not up to me to check each one of these points individually.

Senator Percy. And the brochure said what?

Mrs. Moran. The brochure states we are fully accredited and meet all State and Federal requirements, and it also says Medicare approved.

Senator PERCY. In other words, it is thought of as being somewhat like a Good Housekeeping seal of approval on a product, or something of that type. You really relied on that, and felt that the Government was standing behind the quality of service that would be received.

Does the staff know of any procedure whereby the Government goes out and authorizes, or approves certain nursing homes?

I am told the procedure is not like that for the Good Housekeeping seal. It is not like that at all, and it would appear to me the term "Medicare approved" could be misleading. We will, therefore, serve notice that nursing homes who word their advertising statements in such a way as to mislead the public into thinking the home is approved are performing a disservice to the public.

Do you feel, Mrs. Moran, that it might be well to have some sort of a rating system, so that a family trying to find an adequate nursing home, for an aging parent or relative, could rely upon something other than just their own personal visitation and inspection, and have a feeling that a quality of service is being offered?

SOME KIND OF RATING SYSTEM

Mrs. MORAN. Yes; I think that would be an immense help, because it is very difficult to find yourself in a situation where you must, well, the person obviously needs care, and so you rely on your doctor, the hospital, and so on, but as you say, a rating of some type, such as the Chicago Motor Club, shall we say, that type of thing, yes, I think that would be very good as an idea.

Senator PERCY. It is my understanding that there are a number of homes in the Chicago area who do not qualify for Medicare but who advertise that they actually do. To those who do so, I would like to again serve notice that the Senate Aging Committee will publicly condemn this practice.

Nursing homes that have been disapproved, or which are not qualified, but yet continue to say they are qualified for Medicare, will be specifically named publicly.

Thank you very much for your appearance, Mrs. Moran.

Mrs. MORAN. Thank you.

Senator PERCY. I know whenever a private citizen appears before the committee, there is always some hesitancy, but your testimony is very helpful to us, and we very much appreciate the sacrifice that this involves.

At this time, we will turn our attention to experts who are vested with the authority of the State of Illinois, for overseeing long-term care facilities. We are pleased to welcome Dr. Albert W. Snoke and Dr. Bruce Flashner.

Senator PERCY. Dr. Snoke, we are delighted to have you here.

Dr. Flashner, our invitation is also pleasantly extended to you.

Dr. Flashner is able to testify and, among other things, I hope he will give us some feeling as to the reflectiveness of the court inspection proceedings that are used for nursing homes.

I turn the floor over to both of you. If you will identify yourselves, and then make any comments that you might wish to make, it would help the committee and the general public to gain a better understanding of the State's role in this area. It would help us to have an up-to-date report of what has been done by the State's special interagency task force on long-term care facilities.

STATEMENT OF DR. ALBERT W. SNOKE, COORDINATOR OF HEALTH SERVICES, STATE OF ILLINOIS

Dr. SNOKE. I am Dr. Albert W. Snoke, coordinator of health services for the State of Illinois, and I am also acting director for the Comprehensive State Health Planning Agency.

I would like to report to you on the developments and actions relative to long-term care facilities since your last committee meeting on April 3, 1971.

Shortly before you came to Chicago, there was formed, at Governor Ogilvie's direction, an interagency task force on long-term care facilities. Included on the task force were representatives of the departments of public health, public aid, mental health, bureau of the budget, State comprehensive health planning agency, and the Governor's office. I served as chairman.

After we got into the problems related to long-term care facilities, it was obvious we needed to have more detailed involvement by the individuals closest to the scene, and therefore established a small working subcommittee of key members of the departments of public health, public aid, and mental health.

Dr. Bruce Flashner was the chairman of this subcommittee, so I will discuss our activities in general principles only. He knows all of the details.

The deliberations, the activities, and the comments to date have been summarized in a report to the Governor, as of September 1. Copies have been given to your office and to Mr. Halamandaris.* I will not go into it in general detail unless there are some specific questions you may wish to ask.

The report discusses the establishment, and enforcement of standards. It outlines the development of working relationship with the boards of health of the city of Chicago and the County of Cook, and the role of the Advisory Council on Long-Term Care Facilities of the Department of Public Health. Also included is the need for a meaningful data base, the techniques we need to develop on the problems of licensing nursing homes, the problems of ownership, problems of reimbursement procedures, the techniques of review and enforcement of standards, and the results we have had up to date. Reference is also made to the State's Geriatric Transfer Program, and the so-called 7,000 transfers that were supposed to have impaired nursing home operations. I hope that Doctor Flashner will comment on the major contributions that are happening in correcting the pre-admission evaluation program for geriatric patients. Finally, there is the recognition of the most important inter-relationship of the State nursing home problems with the overall social problems of the aged.

MUST FACE OVERALL RESPONSIBILITIES TO AGED

This is probably the basis or the background of why you are here. There is no question in my mind but that we cannot adequately resolve our problems related to nursing homes until we face our overall responsibilities for the care of the aged.

*See appendix 1, item 2, p. 1529.

I would like to make a few personal comments concerning the experience that we have had in these past 6 months in trying to solve a most complicated problem.

We face the difficulty of expecting instant solutions, but also the difficulty of developing solutions that we can expect will last. Reference has been made to a nursing home scandal in 1962. A similar situation has now occurred in 1971. I believe one of the major challenges we face is the development of a constant monitoring system with defined responsibility so that we will not have peaks and valleys of quality control in the future.

Senator PERCY. Doctor Snoke, may I ask you in your comments here to be quite specific about what steps the State has taken since the original Chicago Tribune exposé, to remedy the deficiencies found in our nursing homes in Illinois?

Doctor SNOKE. I will ask Doctor Flashner to go into this detail by detail. But before he does this, may I make an additional comment. We accept our responsibility and will do everything we can, from the point of view of standards, monitoring, inspections and the upgrading of all types of long-term care facilities.

We do face the problem of financing particularly related to medicaid and to welfare. It is an overwhelming burden for the States. We will continue to do everything we can, but there are certain responsibilities that our Federal colleagues must face in regard to financing for welfare if we are to accomplish our mutual objective.

I also have a request and that is that some time in the future that Mr. Halamandaris and the staff from the Better Government Association, will come and meet with our interagency task force. We would like to turn the hearing procedure the other way around for we want to continue to improve, and it will be helpful to get the experience that Mr. Halamandaris and his colleagues have been getting throughout the rest of the country.

Senator PERCY. I will assure you that Mr. Halamandaris will want to cooperate in every way he can, and I would be the first to satisfy you in seeing that he is made available to the State of Illinois, and as a staff member of the entire United States Senate.

Dr. SNOKE. I shall defer now to Dr. Flashner who is the individual that has many of the specific answers because he has been living with the problems.

I am very appreciative of what he has been doing, and I think you will be interested in the specific results.

Senator PERCY. Dr. Flashner, we welcome you as the deputy director of the Illinois Department of Public Aid, and we would be happy to have any comments that you could make.

I would like you to focus specifically on what has been done since the original exposé. Are the conditions any better? Have they been totally and completely cleaned up? What is your attitude toward our court inspection procedure, for instance?

STATEMENT OF DR. BRUCE FLASHNER, DEPUTY DIRECTOR, ILLINOIS DEPARTMENT OF PUBLIC HEALTH

Dr. FLASHNER. First, let me introduce myself.

I am the deputy director of the Department of Public Health, and I am also assistant professor of health care planning at Southern

Illinois University School of Medicine, and as Dr. Snoke described, I became involved in this, because we realized that the only way we were going to make any significant approaches to the problem was through some type of mechanism, whereby we brought all of the State agencies involved in this together, under one umbrella, with responsibility in order that decisions could be made and carried out.

Before I get into the specifics, because it is important, and I feel it is only right for me to say this. I am echoing the comments of the many individuals who work in the various departments, as to the solution of the nursing home problems.

I think that if we had all of the money that would be required for regulatory activities, and if we had sufficient trained personnel, I am personally convinced, and so are many of the individuals who work with us today, day in and day out, that we would be no closer to the solution a year from now than we are right now. I say that, because I think that nursing homes are just one of the inexcusable things that is typical of the approach we take in many segments of our health care system.

A Program for Caring for the Elderly

What we have done is to develop a program for taking care of the elderly. We call that program nursing homes. We are really interested in providing some kind of living environment for older people. It turns out many of these people need a medical backup, so what we have developed is a program where we have a lot of little institutions, scattered all about, which are basically medical institutions, and often getting people into these institutions, we try to provide them with living environment, we try to rehabilitate them with substitute things.

I think we have it backwards. What we need are living environments, with a greater amount of medical backup than normally had.

This is important to those who are trying to regulate this poor program of nursing homes.

What we are being asked to do is to regulate a program, which from both the professional point of view, and governmental point of view, does not make sense.

I do not mean this as an excuse, and I do not think many of us working in this want to excuse themselves.

We will try, and as hard as we can to regulate it, but most of us are aware of the fact that it probably cannot be done, and not to raise the expectation of the public. If we had 2,000 more nursing home inspectors, or with x amount of dollars, it will really not solve the problem unless we are willing to change the whole program.

In terms of specifications, through the interagency mechanism, we have put together all of those individuals who are involved. It was very interesting, but you could not separate the activities of one State department from another.

Mental Health takes care of a lot of mental health patients.

Public Health takes care of licensing and regulated that area, and license regulations are evaluated by somebody else.

Through this agency we have developed a task force approach. Once a week, for at least an hour and a half, we meet with all of the backup work being done through staff. The Department of Public Health provides staff and uses the power which is inherent in the State to withhold payments, to drop patients from one category to

another, and also to review nursing home licenses or revoke the license.

I can give you numbers. Since the March 1 period, we have developed a prerevocation license hearing procedure. We bring the homes to hearings in order to discuss the problems. Then, give them a firm date in which time they have to clean up or else further action will be taken.

There have been five formal revocation licensing hearings, and in four of the five cases, the licenses have been revoked.

There are another two scheduled in the next 2 weeks, and there are another two being evaluated in order to justify withholding payment.

We have also found that 17 nursing homes, or institutions did not meet the standards, and, in fact, the review of their programs showed they were inadequate, and so we have withheld or lowered payments.

Twelve Voluntary Closures

In addition, there has been a large number of voluntary closures. It turned out once we started to enforce the regulations, 12 closings came about voluntarily, and we have had six that changed from one category to another.

They have gone from a skilled to an intermediate, intermediate to a sheltered.

In addition, there has been a feeling on behalf of the institutions, owners, and operators, given the present standards and procedures, that in fact the department is no longer a paper tiger, that in fact when the inspectors come in, they should try to comply, so there has been some improvement. Again, as I pointed out at the beginning, the improvement has been executed, but we are really not going to be able to solve the problems by beefed up regulatory activities.

It just will not happen, even if you put a government employee in each nursing home for each hour of the day, we will still be faced with the problems the people talked about. How do you provide care to the agitated patient and the problem of mixing different patients. We have people who require medication, while others who really require only minimal assistance and could be living in a place receiving their meals and minimal treatment.

These are basic problems you cannot solve by regulations.

Senator Percy. In your area of regulation though, I notice your report, the number of inspectors that the Department of Public Health has now in the State of Illinois, it has increased from 19 to 41?

Dr. Flashner. Right.

Senator Percy. Do you need more, or is that enough?

Dr. Flashner. I think that what we are going to find is that these may be adequate because of two additional aspects.

We are probably going to need some more in the near future.

I do not think we will need a great deal more. One of the things we became greatly aware of, that to just keep doing regulatory activities in the traditional way, by going in, and doing the kinds of examinations that were done, unstructured, uncoordinated, paper type of exams. The inspector wrote the findings down by pencil and paper, and by the time the punishment occurred, it was 6 months later.

What we have done is developed an automated review system, and this has been looked upon by the people in Washington with a great deal of interest.

Our approach to this problem is twofold. There is no reason to go in and inspect continuously those institutions doing a good job, and, as you know, 75 percent are probably doing as good a job as they can, given the situation as it exists.

It is more important to send your personnel to those homes which are not providing the best care. There is a limitation to the number of people available for hire, and even if you had the money, there are limitations. What we did, was to develop an automated type of system, to get rid of all of the paper.

It is as objective as it possibly can be.

I could spend hours discussing the mechanism, but let me say that many feel it is a very new and novel way to carry out inspection and medical review.

Senator PERCY. No matter how many inspectors you have, you must work within the "point system."

It is difficult to get to the heart of the system, and I am very skeptical as I have gone through nursing homes, and I continue to express skepticism about the point system.

This is the system, no matter what you do, you are stuck with it, unless it is changed.

INCENTIVE TO KEEP PATIENTS IN BED

It would seem to me there is an incentive in the system, a built-in incentive, to keep people in bed.

You get eight points for a bedsore. Multiply that by $6 per point, an operator gets $48 a month extra if people have bedsores.

What incentive do the homes have if they are in the business to make money?

What incentive is there to get patients out of bed, when there is a $48 per month extra payment for patients with bed sores?

Dr. FLASHER. I totally agree with you, and I will not defend the point system.

I think from not only a philosophical but from a practical point of view, it is insane to approach the problem that way.

One of the things we have become aware of in the point system is that the problem is more complicated than originally expected.

The point system probably was developed like most things with good intentions.

That is, if you are going to pay the people to do things, you want to know what their programs are, and, therefore, the State developed a system in which each item of care would be listed and paid separately.

Of course, at the time they did not realize, as you pointed out there was an incentive to keep people in their bed.

What we need is a kind of flat rate, one for those who receive medical assistance of any type, and those who just need sheltered care, or care in their living environment, and then whether or not they are to receive those individual programs should not be of concern to the State.

The only concern should be to check to see that the proper care is given to the patients.

In the point system, and I can give you a large number of examples, operators get money for many different things.

If you put money in good programs, you may very well wipe yourself out, because any additional money may be whatever profit there is.

It would make much more sense to pay the people to provide the service.

I will say this, we have developed in Illinois recently, an office of health economics in the Department of Finance.

Alternatives to Present Method of Payment

One of the things we will be looking into with the interagency task force is alternative methods of payment.

In fact, there has been a consulting firm which has been doing this work for the State, and they have come to, I think many of the same conclusions that we are talking about, and so I would expect that sometime in the near future, there will be some substantial changes in this point system, but again, I do not think this situation will change overnight.

There are a great many unanswered problems in controlling that kind of program, but I think it has to happen.

Senator Percy. I wonder if you could tell us about another area, the area of legislation. Legislation was introduced in the State General Assembly to provide authority for the Public Health Department to shut down nursing homes that were found to be a danger to health and safety. Whatever happened to that legislation?

Whatever happened to that legislation?

Dr. Flashner. In answer to your question, I would like to tie in comments about the courts.

The two things have to be taken together.

One of the things we found out when we got involved in the interagency task force, was that a lot of the people were complaining about the personnel at the State level. Yet, every time they would make a decision, no one would back them, and then in fact, there would be all kinds of people who came in and said, this is my friend, and, of course, I do not have to go into all of the details about the pressures that can be brought against State employees by outside sources.

The other thing, every time a proceeding went to court, it got either thrown out, or somebody found some reason for delaying any action, so that in a sense, the department, which should not be absolved from blame, got more blame than it deserved.

You cannot do anything unless the courts are going to back you.

Two Avenues of Recourse

We found the mechanism we have used very successfully and that is by law, we can do two things.

One, we can drop patients from one category to another, if we find they are not receiving that care, which means less money for the operator, or, second, you just move State patients out.

After all, we pay for them, and the State has the responsibility that if they are not receiving the care, the State must move them out to better quarters.

We have tried this in a number of places, and a number of months ago this finally came to a head. One nursing home brought suit against the State because of this activity, stating the State had no right to do

this, in fact, we had to keep paying him while he was in court on charges. Rather than fight in court on the concept of whether he was a bad nursing home the issue was defended and action was taken by the court stating that we did have this right. It was interesting that the court did rule that the State can move patients out, and can in fact determine whether or not they want to purchase care.

This has had a great spinoff for us, because rather than now being in a position of having to waste a great deal of time in court, which we find, when we go to court on legitimate aims, when the interagency task force feels there is a flagrant abuse of people, we just pull the patients out.

It is fortunate that public aid patients make up a greater percentage of the industry, and, in fact, this is probably as strong a weapon as one can have.

Again, we have to be very careful not to abuse this weapon, and have the problem of hurting an individual operator.

The problem with the legislation is that we really do not need a lot more rules and regulations. Like most things in Government, there are probably more rules and regulations available that no one is enforcing.

There is one part we did think significant, and that was the power to the Director of Public Health, that in case of an abuse, and imminent danger to the patients, that he could close a nursing home down.

Senator PERCY. That is the part I wanted to get to.

Dr. FLASHNER. We do think under the law, and we have people trying to look at this, he probably has this anyway under public health powers.

It was tied into other legislative things in the law. In fact, one of the representatives wanted a law that the Department of Public Health could in fact take over as receiver of the nursing home.

That puts the State in the position of starting to operate an institution, and I do not have to tell you what a great job the State does at running institutions.

The track record at the State, county, and Federal record has not been very good, so we were not excited about that, but from a point of view of whatever happened, it got killed in the committee.

Senator PERCY. Have you ever heard of any nursing home associations lobbying against the bill, trying to kill it?

Dr. FLASHNER. I have heard a great many rumors, none that I can substantiate, and the rumors going from the fact it was a bad bill to the fact the members of the legislature, that other members have moved, members of influence moved to kill the bill, to the point that nursing home associations tried very hard to see it not passed.

Senator PERCY. Do you feel if any legislator in the State legislature has ownership in a nursing home, that his ownership, direct or indirect, should be required to be disclosed to the public in light of the fact that nursing homes are obviously regulated by the State, and the legislators have the power of life or death over a nursing home?

Dr. FLASHNER. I agree. I think that legislators are citizens, too, and they have the right to own property, but I think——

Senator PERCY. The public ought to know?

Dr. FLASHNER. Right.

Senator PERCY. When the legislator votes on a matter affecting an ownership or proprietary interest he may have, he could be influenced by that possible ownership, and possibly he should disqualify himself, as Members of the Senate have disqualified themselves publicly from voting on an issue that they had an interest in?

Dr. FLASHNER. Since the activity of the interagency task force, and this is something we are moving more and more in Illinois, the task force has in fact come under no political pressure whatsoever.

We have found that, I know personally, I have not been approached by any member of the legislature.

I think it has to do with the type of approach, so that right now that is a major consideration in the way we operate.

I think the records speak for themselves in the number of court cases we have dealt with, and the fact that we have moved patients out of the nursing homes, and we have had nobody approach us.

The law, I think, would have been a disguise.

What would have happened, somebody would have said, now you have a law, why don't you clean it up.

Like I say, we have enough laws, we have enough regulatory procedures.

What we need is a change, and the society will have to understand that the nursing home concept is one that will not work, and that is the only way we will have to solve this problem.

Senator PERCY. Then you do not feel the legislation was needed?

Dr. FLASHNER. That is correct.

There is one thing I would like to point out, it is easy for me to sit here and say we ought to change the system.

That is an easy approach. We entered into a program in June of this year, and the public health hospital here in Chicago, it is with them, and we called it the geriatric transfer program, and what we have attempted to do is try to put into action some of the activities that people have talked about.

I think it is interesting to note about some of the successes, you will hear about this, and you will continue to hear about it.

One of the problems, when you take the people out of the mental health hospital, you dump him into the nursing home, well, what we did, we developed this unit in that patients who come, they are patients of the last resort.

The trouble is that most of these people are not mental problems, they are organic problems, who have some problems as elderly, and we have found, as we bring these people into a public health hospital, where we provide them with a very strongly based social and medical evaluation, that we are running a 95-percent successful rate in getting these people into some meaningful type location; that is, the proper type of nursing home, sheltered care, or into other type of living conditions.

It seems once you tag these patients as organically ill, you cannot get them into a good place.

The point is, we are finding out a lot of things about this program, and so we will have some effect on how we attack the problem. So from my point of view, we are trying to do something about it.

Senator PERCY. I wonder if you could comment on a particular provision and usage in Illinois of land trusts, which make it very difficult for us to discern who actually owns nursing homes?

What are they trying to accomplish through these land trusts, and is it, in your judgment, right and proper that a nursing home that uses, and is dependent upon Federal, State, and local funds, and subject to their jurisdiction, that ownership should be right out and open and clear?

Dr. FLASHNER. There is no question that I feel that Illinois is something special with its trust laws. I did not grow up in Illinois, I came here for my medical school training, and it was the first time I ever heard of this kind of problem.

We find it extremely difficult, and it does interfere. As one of the first parts of the regulations, the ownership of the institution must be placed on the application, and under the law, that ownership could be a trust, and then there could be one or two other individuals, and there is no way we are able to get at the individuals who are in fact doing this, so from my own point of view, one of the problems in regulatory activities, and will continue to be, is this problem of the trust, and the absentee ownership, and I personally—since I am not a lawyer, and do not understand all of the various aspects of the legal code of Illinois—realize there will be an extremely difficult time to accomplish a change, as it seems to be tied up in a lot of other areas outside of nursing homes.

Senator PERCY. From your standpoint as an administrator, do you think it would be desirable to try to point out the ownership of these nursing homes where it cannot be disguised?

Dr. FLASHNER. I totally agree.

Senator PERCY. I would like to ask, Dr. Snoke, if you care to comment on the particular section in the interagency report that states the actual result of the efforts to improve, upgrade, or eliminate poor quality facilities in the city of Chicago is disappointing. I presume the report says this because there are still the usual kinds of delays, and that, because fines are minor, they can still easily be paid—considering the profits that can be made by not meeting standards. Would you care to expand on that any further?

EFFORTS VERSUS RESULTS

Dr. SNOKE. When we got into this problem, the city of Chicago had been doing a pretty good job in reviewing their nursing homes.

They had a competent staff, they made frequent visits, and they were well aware of the conditions of the nursing homes. This is why I noted in the report that their efforts were good but the results were not commensurate with their knowledge.

The city has produced voluminous files on some of the Chicago homes. They indicate repeated inspections and detections of infractions and of efforts to correct them by the courts. The record then is that of hearings, of adjournments, of delays, and then finally a settlement with a fine of $100 or $200 dollars. And then the record starts over again.

When we talk about efforts versus results, we should also note that once the expose occurred, there was this flurry of closings of nursing

homes that had been repeatedly inspected before. The knowledge was there before, so that the efforts were there, but the results were poor.

Dr. FLASHNER. One of the problems we found in the interagency task force was that we had to deal with the city of Chicago.

It is kind of a problem, two major governments side by side, but on a professional level we found that most of the people who worked in this area in Chicago were trying very hard.

One of the difficulties is whereas the State, through the Department of Public Health is the sole government agent, through the city of Chicago, this is spread throughout many bodies.

COOPERATION PROBLEM

We had a great deal of trouble working with the city board of health on this.

We did start out on an arrangement whereby we would make some examinations, but we felt we could not subcontract anymore, and be sure the people were getting what we wanted them to get, and since that time the State does not have that activity, and then we got into the problem of the licensing, and I do not have to go into the details of two different bodies doing the same job.

They would operate under slightly different standards. We found one of the big jobs was communication, which continues to be a big thing.

If the board of health takes a nursing home to court, we stand by them.

If they say this nursing home is so bad, since the State has the power to remove those patients, we just do not pay for those patients, and we remove them.

The problem comes up that the board of health does not want to go out on a limb.

We are putting the biggest penalty on the institutions by not paying for them, and we found in many cases, they just do not want to take the responsibility of notifying us in writing that this nursing home has been in noncompliance, and that they are in court, even though they have been fined $100 or $200, that they are not providing the care, therefore, we feel you ought to remove the patients or drop payment.

Without that kind of memorandum, it is difficult to do anything without our people in there, and I think we will have to do something about doing this ourselves, because we are only as good as the information we get.

I am sitting there, and the responsibility is given to me, and I am having to make a decision which will affect very significantly an owner and his institution, and I will not do that until I am quite sure that that individual is not in compliance, not just that there happened to be one nurse that did not show up for lunch, but I mean in substantial noncompliance, so these are some of the problems, and I think we will work them out, and I think unfortunately if we do not, we will have to get these things done ourselves.

Senator PERCY. But when things go to court, what do you do when you get a continuance?

Dr. FLASHNER. If the board of health notifies in writing of the fact, then we can withhold payment, but this must be done for a substantial noncompliance.

Purchasing Patient Care

We are purchasing the care of the patients, so we can remove the patient from the nursing home, and when the information was right, we have done this in quite a number of them.

The total number in the State I think is 17. In Cook County, outside the city of Chicago, that is our responsibility, and we have to do it ourselves.

Senator Percy. Dr. Flashner, I have slept better nights ever since the Governor saw fit to appoint you to come in and clean up this problem.

What barriers have been put in your way, can you tell us that?

What, if anything has been done to impede your progress?

Have you been subjected, since this enforcement has become much more rigid, and inspections more frequent, have you been subjected to any pressures from nursing home interests?

Dr. Flashner. Those who know me, one of my problems, usually, at times I am willing to call it the way it is, so if somebody has been doing this wrong, I will do what I can to correct it.

I have not had one phone call from any individual in the legislature. I have had no one in government, in the administrative body, in fact, come to me to change decisions.

I have had the full backing of the Governor, and there is nobody that can interfere with the activities.

I have had complete cooperation from all of the directors of the department.

External Problems

The only problems we have had are external ones, the problems of the court cases, and with the help of the Attorney General's office, we have been able to beat that.

I have had inquiries from legislators, and I think this is their proper function, individuals who have asked me if I could not explain why such an action was taken.

I have found in many cases they have helped us. I think our major impediment in this whole area was from something that really does not affect nursing homes. It is the incredible way in which Government has been allowed to grow and drift over the years, the separation of function, the separation of State functions, and if we are bad, well, you can imagine what that separation is at the national level.

If anybody deals with HEW, you do not know how he loses sleep at night.

We have a bad maze, but whenever I go to Washington, it is kind of problematic.

Our problems have grown as we have tried to get people together in a common goal.

That is why an interagency task force has worked, because we have been able to get people to do these things.

I think it is overcoming some of the problems. It took us three months to break through this problem.

Senator Percy. I would like to clear the record that you have not been subjected to any undue pressure from nursing home interests. They have only given you an explanation of their position, and provided whatever evidence has been required, is that right?

Dr. FLASHNER. That is right. They made their feelings known about not being too happy, but that is all.

Senator PERCY. Dr. Snoke, I would like to provide an opportunity for you to answer criticisms and complaints that have been made, I understand, by the county health department nursing staff. They have said that their recommendations not to license, or not to renew the licenses of particular nursing homes through the years, have not been followed, that has actually been ignored through the years by your staff.

Would you like to comment?

Dr. SNOKE. I have discussed this with both Dr. Hall and Dr. Yoder, the directors of the Cook County and the State Departments of Health in which there have been problems of staff relationships.

I think that there was not adequate laision between the two departments nor was there a satisfactory followup as far as complaints were concerned.

WE ALL MUST SHARE BLAME

I remarked to the Governor at the beginning of this assignment that we all have egg on our faces and this includes the nursing home associations, individual nursing homes, the general hospitals, the physicians and the medical societies, to the city, county and State departments of health. I think that what you have been hearing this morning is not a defense, or a whitewash or an effort to shift the blame to somebody else, but an acceptance that there was a very legitimate criticism. We have taken it from that, and then gone on. I am not interested in defending or accusing at this stage of the game.

I am just accepting the past situation, and saying we better do a better job.

Could I back up a moment?

You may wish to give consideration to the interagency approach, for our experience here in Illinois may be of some value in other States.

The problem of fragmentation of responsibility and authority between various State Departments is a major problem in meeting interagency assignments.

When I first brought the group together in the interagency task force, it took me a whole afternoon to get them to talk to each other and to level with each other, and to be prepared to work as a cooperative group rather than as independent hierarchies. One of the primary contributions that has been made is this interagency task force in that we started looking at health as a whole, not as the responsibility of a fragmented group of departments.

Probably the reason why Dr. Flashner has been able to function effectively in developing plans is because mental health, public health, and public aid particularly have approached the overall problem of aging, and the overall problems of the chronically ill as a shared responsibility. It is also fortuitous or fortunate that the Governor created the position of coordinator of health services with my being able to identify an overall responsibility for attacking multidisciplinary problems. It was easier for me to accomplish this assignment under such circumstances than it would have been if I had been acting from the single departments of public health, public welfare, or mental health.

Senator PERCY. President Nixon was here last June addressing a senior citizens group in Chicago, and since his visit one of the proposals he has made is that HEW should be able to provide help to the States in establishing investigative units who are responsible to investigate complaints made on behalf of individual nursing home patients.

Would you find this proposal of value, or have we in Illinois reached the stage where there is no significant assistance the Federal Government can provide?

Dr. FLASHNER. The assistance we would like right now, and we have been involved with the people from the Social Security Service, we would like to ask, or may get some funding, and it is interesting to get this stated, we were invited to Washington, and as it turned out, we are going to be giving all of the information, because what has happened, we are one of the few States really making a strong effort in this problem.

This automated system I talked about, the approach we have taken is not pie in the sky. It is beginning to be operational. It will be fully operational November 1. We will be able to, we think, do the regulatory activities far quicker than has ever been done before.

As I said, it is rather complex, and to describe it, it works rather simple, and, basically, it is a very objective method.

It is done by optical scanning devices, so that this information goes right back to the central computers in Springfield.

There is a part of this that automates out the memorandums, lists the difficulties, tells the nursing homes in what area they will be reinspected, and it takes the elements, the human elements out of those parts where you do not need a human element, and we can start using these resources at the level we need, that is out there at the nursing homes where we can evaluate the programs, so I do not think they can tell us much in terms of the technique.

What they can do is give us money. We know at least we will get 75 percent, because it is under the law reimbursable.

Senator PERCY. You mentioned the lack of personnel that can be found.

UTILIZE RETURNING VETERANS

The Governor has a big program for hiring returning veterans.

Is it possible that medical corpsmen who have been trained in hospitals in Vietnam, could be usefully trained and used in this field, in the whole field of medical care?

Dr. FLASHNER. First, we have hired some returning people for what we call GHIS.

Obviously there are some things they cannot do, but one of the things we found, personnel working for the State of Illinois, that they are no different than in any other State, except I think we have uncovered some of these things everybody is trying to hide, there are probably 400 or 500 State employees involved in nursing home regulations.

That seems an incredible number, but it turns out you have caseworkers that do the evaluation, which is done before the patient goes into the nursing home.

The person who is paying, and trying to see that social service is getting done is tied up with the same individual, and then we found out at the same time, the Department of Public Health may be regu-

lating the home, the people of registration are looking at the license.

We also know, in fact, in one nursing home, there were over 30 people who marched into one institution in the period of 2 weeks, looking at different pieces of the package, and when we asked around, this is what everybody said, it is happening in all regulatory activities of Government.

I am sure you will find this in agriculture as well as any other place.

The only thing we have decided, because we have the mandate, with the help of the Department, of personnel, we have entered into an immediate investigation of this problem, so that when one individual goes in, that one or two individuals do all of the various regulatory activities.

My own feeling is that this is one thing the industry will applaud, because they think one of the things they have a right to scream about, is one day, every day somebody from Government is coming in, and when you have too many people coming in, you have no credibility, and I think once we get ourselves organized, we will have sufficient numbers, and there is a tremendous move in this Government to bring health workers from the military.

I realize, as you may know, we have been able to bring back returning corpsmen and retirees into the medical service here in Illinois, and these are people that never found their way back to the health system.

Senator PERCY. Dr. Snoke, an allegation was made that in Chicago, within 1 year, 7,000 mental patients were dumped into the nursing homes and that this transferral of patients explains a large part of our problems.

Would you care to comment on the impact of this transferral and give your own opinion as to how much this has contributed to our problem in Chicago?

Dr. SNOKE. I am glad to discuss this. because at your last hearing, both Dr. Murray Brown and Dr. Jack Weinburg referred to the 7,000 patients and maintained that this was a major reason why the nursing homes were flooded with geriatric patients, and that it was a major explanation or excuse for the nursing home deficiencies.

I could not get their figures to be verified by the facts presented by Dr. Glass, the director of the State department of mental health. Because of this, we investigated the records to try to figure out where the 7,000 did come from, and, really, was it the department of mental health to blame, or not.

This is included as a section in the report. The 7,000 is essentially a myth.

There were never any 7,000 elderly patients discharged in 1 year from the mental hospitals.

GERIATRIC PLACEMENT PROGRAM

The record is as follows. The Copeland bill upon which this massive discharge was blamed, provided for an orderly discharge and transfer of aged individuals from mental hospitals into the nursing homes. The Copeland bill was passed in July of 1969, but was not

signed until September 1969. It actually did not start functioning—the geriatric placement program did not start until November 1969. In 1968—before the Copeland bill was passed—there were 3,405 patients over 65 discharged. In 1969, the figure dropped to 2,849 but the Copeland bill was not even started until November of that year.

Now, the third year, which is the year of 1970, when the deluge was supposed to have occurred, there actually were discharged 2,629, and only 50 or 60 percent of these were in the Chicago area and would have represented only about 5 percent of the nursing home population. I don't think that it is productive to speculate as to how people misunderstood or misinterpreted the geriatric placement program. All I can say is that the Copeland bill, and the geriatric placement program actually resulted in a fewer number of elderly discharged from the mental hospitals than occurred in previous years. The use of this to excuse any nursing home deficiencies is wishful thinking.

Senator PERCY. We have to close our hearing for the noon hour now. I would like to express appreciation to both of you for your testimony this morning, and particularly for the very valuable interagency task force. In going through this report, I feel you should be commended for what you are doing. I find very useful many of the recommendations you have made, such as the assignments made in a contract with Ernst & Ernst to devise a uniform cost accounting system, to assign and determine reimbursement rates to long-term care facilities.

The candid way in which you pointed out real problems which you have faced, and the candor of your own testimony has been extremely valuable.

Before adjourning for lunch, I would like to ask for just a yes or no comment, because of the time, on one piece of legislation that I have put in.

I have been impressed with a few of the community centers for the elderly, that have already been established around the country.

SENIOR CITIZEN COMMUNITY CENTERS

I was so impressed that I introduced a bill to provide funding for the construction of senior citizen community centers. These centers would provide a focal point for low-cost meals, a place for older people to gather, to be together; a place that would provide transportation services, counseling on such matters as housing, Social Security, Medicare, and so forth.

In your judgment is this a good investment of funds, and can this provide a full and truly useful service that the elderly need in our own communities today?

Dr. FLASHNER. I guess I would just have to say yes.

Dr. SNOKE. The answer is yes.

Senator PERCY. On that note we will adjourn for lunch. We have received word that Dr. Menninger will be here, so we will call him at 2:30, and we have two very interesting panels this afternoon.

We will try to be back at 12:30.

We will recess until then.

(Whereupon, the subcommittee was recessed at 11:45 a.m. until 12:30 p.m.)

AFTERNOON SESSION

Senator PERCY. The subcommittee is in session.

We welcome as our witnesses Mr. John J. McEnerney, president of the board of directors of the Better Government Association, and president of Pioneer Electric & Research Corp., and Mr. Recktenwald and Mr. Hood, BGA investigators.

STATEMENT OF JOHN J. McENERNEY, PRESIDENT OF THE BOARD OF DIRECTORS OF THE BETTER GOVERNMENT ASSOCIATION AND PRESIDENT OF PIONEER ELECTRIC & RESEARCH CORP.

Mr. MCENERNEY. Mr. Chairman, for the better part of this last year, the Better Government Association has devoted time and staff to the study of the problem confronting those underrepresented and forgotten citizens of Illinois who suffer the compound problems of illness and advanced age.

The reason we have expended so much time and effort is our overwhelming conviction of the seriousness of these problems which cry out for redress.

Nursing homes are far from the isolated entity we tend to believe them to be.

All of our lives will be touched by the nursing home, whether as friends of patients, relatives, or someday even as patients ourselves.

It is then partly out of selfish interest and out of dedication to our belief in the intrinsic worth of our fellow men that we issue this plea today for a more enlightened system of long-term care.

Through all the noise, the allegations, accusations, and denials, there are a few facts which are visible. These facts have been brought home to us again and again during the course of our inquiry.

NO NATIONAL POLICY REGARDING CARE FOR ELDERLY

First, we in the United States simply have no policy with regard to the treatment of Americans who are old and ill. The rhetoric speaks of care and concern but the reality is often poor care, indifference, or outright neglect.

Second, it is an undeniable fact that the State of Illinois has not enforced nursing home standards. The record is replete with references to the existence of substandard conditions of which the State has known, but these records have remained closed until the members of the BGA went into State files and lifted the lid from this bureaucratic garbage can.

The chief officer of the State health department, Dr. Franklin Yoder, could hardly deny the information contained in State files and testified that the State had only closed three nursing homes in the last 10 years.

From our survey of State records, we made the damning indictment that over 50 percent of the nursing homes in this State did not meet minimum State standards. This fact, too, was acknowledged by Dr. Yoder in previous hearings held by this committee.

Nor is the record of the State of Illinois unique in this manner. The General Accounting Office recently issued a report which documented

this same pattern in three more States. In Oklahoma, Michigan, and New York, the GAO found substantial violations of State standards which were known to the State but where the State had not acted to enforce even minimum standards.

It is too early to judge what results will flow from the State health department's new initiatives. The BGA does not wish to prejudge this issue, but we shall watch carefully for whatever results are forthcoming.

It is the position of the BGA, Mr. Chairman, that we cannot tolerate for a day longer this malaise of indifference and solthful movements which have characterized this State's enforcement procedures. The State's negligence results in a direct detriment to nursing home patients who go for months or even years without seeing a doctor, who find not enough nurses to answer their call for assistance, who are denied acceptable sanitation and protection against fires.

Syndicated Ownership

Third, the present law which requires simply that owners with a 10 percent or greater interest in nursing homes file with the State, is grossly inadequate and must be amended. This issue first came to our attention when our investigator, Bill Recktenwald, was working at the Park House Nursing Home. The administrator mentioned several other homes where Recktenwald could possibly work. When he inquired if they were owned by the same people, he was told, "They are all owned by a kind of syndicate."

This "syndicate" theory has gathered strength and credence as our investigators have gone through the long list of nursing ownership supplied by Dr. Yoder to the Senate committee.

Four points should be made here:

(*a*) A small group owns a great many nursing homes.

(*b*) These homes and their operation are connected by virtue of interlocking ownership or interlocking directors.*

(*c*) These homes, as we saw at the last hearing, seem to be able to make extremely high profits while at the same time the homes or their representatives are constantly pushing the State for higher rates.

(*d*) The same homes have been identified by the State and city as being continually in violation of State standards. Clearly, the homes owned by this syndicate are among the worst in the State. Their motive seems to be making money at the expense of the most underrepresented minority group in our society. None of us, Mr. Chairman, condemns the profit motive which has helped build this country. However, we do vigorously condemn profiteering. The spectacle of those living the good life at the expense of the sick and dying certainly deserves the contempt of all good men everywhere.

This discussion of profits, Mr. Chairman, really leads me into my fourth and fifth points. My fourth point is that the nursing home industry presents the opportunity for extremely high profits. The Federal Government, through the FHA nursing home program, will guarantee 90 percent of the cost of building a nursing home, or the Small Business Administration will provide loans. Once built, the nursing home has virtually a guaranteed income in the person of Medicaid patients.

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*See appendix 1, item 15, p. 1614.

By keeping expenditures for food and staffing to a minimum, the nursing home can make overwhelming profits. A recent study out of the State of Connecticut, covering all their nursing homes, has been just called to the attention of the BGA by the committee staff. This study indicates that the average annual return on investment for all nursing homes in that State was 44.9 percent. Those of us in the business world can perhaps more fully appreciate just how lucrative an investment a nursing home can apparently be.

But there is one point here that should not be overlooked. If the nursing home endeavors to give the kind of care which we would expect for our relatives, then the amount of money paid by the State is inadequate. I would emphasize, it is only when a nursing home cuts services and care that it can make money, which by definition builds in improper care.

The "Point System"

Here we come to my fifth point, Mr. Chairman. My point being that Illinois has taken this system with its inherent weaknesses, the opportunity for high profits by cutting care, and has compounded the felony with something we call the point system.

The point system is our system for reimbursing Medicaid nursing home operators. The system focuses on each Medicaid patient which the State department of public aid wishes to place in a nursing home and decides how bad his condition is and how much medical care he requires. The more the medical care that is required, the greater the number of points. Each point is worth $6 per month to the nursing home operator.

The theory of this system is to pay operators more for so-called heavy care patients who require more care. The theory is fine, but the reality of this system is that it places a financial incentive directly in favor of poor nursing home care.

If a nursing home patient is allowed to lie in his bed unattended for hours, he will develop bed sores. Large bed sores are worth eight points at $6 per point. Thus, by neglecting a patient to the extent that he develops bed sores, an unscrupulous nursing home operator can increase his reimbursement from the State by $48.

If the patient is not helped to go to the bathroom, he soon will become incontinent of bladder and bowel which is worth six points or $36 more a month. Continuous catherization itself is worth eight points or $48 a month.

If a patient becomes loud and boisterous as a result of being left in his own wastes or for whatever neglect, he can then be classified as a "behavior problem" which is worth eight more points or $48. The necessity for daily injections of Thorazine to control this behavior is four more points or $24 per month.

Reverse Financial Incentives

These examples clearly show that our current system of reimbursement places direct financial incentives in favor of poor care. We suggest the need for a system which places financial incentives in favor of good care. If it became beneficial financially for a nursing home to be recognized as an institution providing good care, it seems to us that a general upgrading of care would follow as a matter of course.

In conclusion, Mr. Chairman, the BGA today is asking:

1. That the State undertake, with the cooperation of the industry, a survey of nursing homes costs and profits with an eye toward eliminating profiteering and setting a reasonable reimbursement rate.

2. That the State consider a reimbursement formula which places financial incentives in favor of being a better nursing home and providing better care.

3. That the multiple ownership of nursing homes and the pattern of interlocking directors be examined for possible antitrust violations.

4. That the State study the use of trust as a device to disguise ownership in nursing homes.

5. That the State vigorously enforce State standards with the prosecution of those who at present seemingly flaunt the law with impunity.

6. That the nursing home industry itself develop an effective self-policing role, such as is done by dozens of other industries and professions in this country.

7. That each of us as individuals shows a greater concern for the needs of the infirm elderly. The day is past when a nursing home can be forgotten as an isolated institution in society. Secrecy promotes abuse, profiteering and poor care. Public concern is in the last analysis the only way in which we can make all of these institutions into the kind of facility where we would feel secure placing relatives or loved ones.

This concludes my statement, Mr. Chairman; the other members of the BGA will now expand on these remarks.

STATEMENT OF WILLIAM RECKTENWALD, BETTER GOVERNMENT ASSOCIATION INVESTIGATOR

Mr. Chairman, working in cooperation with the staff members of the committee, the Better Government Association reviewed interlocking ownerships of nursing homes in the Chicago metropolitan area. It must be noted that only those persons owning more than 10 percent of a home are required to reveal this in State records. We must further state that we were unable to examine ownerships which are protected by trusts or establish interlocking connections by virtue of in-laws or relationships through marriage.

Our review of records showed five major nursing home chains in the Chicago area. The first consisted of seven homes controlling 296 beds. There are no common officers to all seven of the homes, but there is a connection through different officers. The next chain also consists of seven homes. However, the homes are more sizable and control 832 beds. Although there is no single common officer, Hyman Naiman is a corporate officer in six of the homes. I understand Mr. Naiman has been invited to the hearings today. The next chain of homes control 1,397 beds in 13 homes. Frank Williams is an officer in seven of the homes. David Spark, Irwin Kipnis and Paul Munder are officers in the remaining homes.

The fourth chain controls 1,442 beds and has common officers in Joseph Bonnan and Lester Masor. This chain, by the way Mr. Chairman, has recently been sold to a nationwide corporation, Cenco Care. The largest of all the chains we were able to establish consists of 24

homes controlling over 2,247 beds. There are common officers to all of the homes, and although we have not visited each home individually, many of the homes can be characterized as among the poorest. I personally worked at the Kenmore House, which is a portion of this chain. There is no question in my mind that this home provides poor care for its patients. I am sure the Chairman recalls his visit to the Kenmore House last March.

Substandard Conditions

Posing as mentally retarded, I was a patient at the North Shore Rest Haven. The president at this home is Mitchel C. Macks. He also has interests in four other homes. Each of these homes has been in constant difficulty with the board of health.

Let me take a moment to read a synopsis of nurses' reports on just one of these homes. All of these reports were made this year.

Midwest Rest Haven, 310 South Hamlin, owners Mitchell C. and B. J. Macks. This home has been found in ill repair, redolent with bad odors and constantly neglected patients on repeated visits by city health nurses. During three visits by Judith Bercorrci in May and June of this year, she made the following observations:

> This is a dirty, dreary, unattractive nursing home . . . place very dirty . . . meals appear palatable but are served so that patient cannot reach them. One lady was asleep with her head on a nightstand, her tray in front of her, and no one made any move to awaken her. Another man tried to eat while lying in a completely supine position.
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> Another man was trying to eat with thick mucus running from his mouth down to his neck. No one moved to try to wash it off . . . In some cases bed linen looked dirty . . . patients are dressed in soiled clothes . . . no evidence at all that staff are interested in patients . . . one senile male patient in back room on first floor received blistering burns on right foot when he stepped in extremely hot bath water . . . bedside equipment shabby, barely adequate . . . no evidence of any other activities than two TV sets . . . no staff-patient communication . . . one female patient left nude from waist down in room with two other female patients . . . nude lady visible to nurse from hallway . . . also, male patient left on toilet with pants down to ankles, bathroom open to hallway . . . this is a deary, crowded nursing home, barely in decent repair and barely kept clean . . . aides seemed to be hurriedly cleaning up during nurse's visit . . . one patient sitting in chair incontinent of urine down legs. No one made any attempt to change him . . . this home just plain smells.

Mr. McEnerney, in his statement, mentioned high profits in the nursing home industry.

Past History of Poor Nursing Homes

Apparently running homes in the manner that Mr. Macks runs his homes has been profitable to him. I have here a photograph of his residence at 6725 Kedvale Avenue. It looks somewhat different than the description given by the public health nurse of his nursing home.

Running poor nursing homes is nothing new to Mr. Macks. Examination of city records as far back as 1965 reveals that these homes have been a constant source of violations and headaches to the Chicago Board of Health.

It must be observed that in 1965 and 1966 Macks' business partner, who is listed as vice president of several homes and secretary of others, was none other than Rabbi Hillel Yampol, who is now the

executive director of the Chicago Metropolitan Nursing Home Association.

Since the disclosures began in the Chicago Tribune, the board of health has taken a great deal of action. It has instituted 78 court cases. Most of these have already resulted in findings and fines have been levied.

Several are still awaiting trial.

A large percentage of the homes brought to court or closed for violation of health standards have been homes that are a portion of these nursing home chains.

We have a five-page report from the Chicago Board of Health on this and perhaps the committee would like to append it to the report of this hearing.

Senator PERCY. It will be so appended in the record.*

Mr. RECKTENWALD. In closing, Mr. Chairman, I must say that I am sure there are larger interlocking chains of homes, but at present laws on disclosure make this impossible for us to determine.

If you have no questions at this time, my associate, Mr. Hood, has a few remarks on the area of self-policing.

Thank you.

Senator PERCY. Go ahead, Mr. Hood.

STATEMENT OF BILL HOOD, BETTER GOVERNMENT ASSOCIATION INVESTIGATOR

Mr. Chairman, we applaud the Senate Subcommittee on Long-Term Care for its continued interest in the plight of the elderly in Illinois.

Unfortunately, the problem is a long way from being solved in this State.

Mr. McEnerney has made several recommendations for changes in Illinois nursing home laws and regulations. I will detail some of the facts found by BGA investigators which prompted these recommendations.

First, I will discuss the problem of enforcement or lack thereof by city and State health officials.

In probing through the files of the Illinois Department of Public Health and the Chicago Board of Health, we have found more cases of ill treatment, abuse, improper medication, lack of food, and filthy living conditions then have ever been written about in any newspaper series.

The result of all the reports written by conscientious public health nurses and State inspectors has been practically nil.

Since our first revelations were made last March, the city and State have admittedly stepped up inspection visits and have been more aggressive in taking actions to close or fine homes.

Before the BGA made its initial charges, virtually nothing had been done. The State had closed perhaps three homes in 10 years. The city had been able to fine a few homes a minimum amount following lengthy court maneuvers.

Even with the increased efforts not much more is being done.

*Retained in committee files.

Idle Threats of Closure

The enforcement system itself is at fault. The State of Illinois has repeatedly threatened to close homes and then turned around and made a reinspection following which the home would be allowed to remain open.

The State must go through a long administrative process to close homes. The delays and technical loopholes in this system almost mitigate against even the worst homes being closed.

The State has made initial steps toward changing this setup. We applaud the efforts of the interagency task force named by Governor Ogilvie to revamp nursing home care in Illinois.

We feel a change in both enforcement itself and the administrative system will greatly benefit the aged and infirm living in Illinois nursing homes.

Chicago has an advantage over the State in enforcement. The board of health may peremptorily close a nursing home which it deems detrimental to the health and continued wellbeing of its patients. We are pleased to note that the city has used this power of closure many times recently.

However, the city has its own problems with enforcement. This is because the board of health goes through the courts to discipline nursing home operators.

A city case against Englewood Rest Haven last year will pinpoint the problems. Serious violations were noted May 8, 1970. The city brought suit against the owner, Mitchell Cohen Macks, on August 1970. Various delaying tactics by Mr. Macks resulted in the case not being finally adjudicated until January 5, 1971, fully 8 months after the original violations were noted.

On January 5, Mr. Macks suddenly pleaded no contest and was fined $100 each on three counts, a minimum fine.

Interesting to note, Mr. Chairman, is a letter in city files dated November 23, 1970 and apparently referring to this case.

City Recommends minimum Fines

In this letter, Mr. Macks is warned that unless he assures the city that he can comply with city regulations in the future, the city will not make a recommendation for a minimum fine.

If the import of this letter is correct, that the city regularly recommends minimum fines, we feel that practice should stop immediately.

To follow this home a bit further, in March of this year, Cook County Department of Public Aid inspectors listed 12 areas of violation at Englewood Rest Haven. The home was fined $100 again in circuit court in May and the city filed a 21-count suit against the place just this past August.

Thus, Mr. Chairman, we have found this pattern repeated again and again. Violations are duly noted. If they are bad enough or numerous enough, the board of health will have city corporation counsel prepare a suit. After filing, numerous and lengthly delays of 6 to 8 months almost always result.

In about 80 percent of the cases, a finding of guilty will be made, and a fine of $100 per count is usually levied.

While the case is in court, violations continue to be found, usually of the same type being adjudicated. The fines are so light and the process so lengthy that no real impetus to change the conditions in the nursing homes results.

Returning to the State for a moment, we lament the apparent removal of inspection jurisdiction from the Cook County Department of Public Health.

The BGA found this corps of inspectors to be the most active and most critical of any in the State. We hope their removal from active inspection will not work to the detriment of the State enforcement system.

My second point, Mr. Chairman, concerns the need for policing by the nursing home industry. The two major nursing home associations in the State today do nothing about keeping up the standards of their own industry. They talk about upgrading care, but mainly they lobby for higher payments from the State.

We saw no positive efforts on the part of these two groups when the State of Illinois recently tried to stiffen nursing home regulations.

These same groups have publicly stated they do not see the need for self-policing. If that is their attitude, then we urge the State and city to enact rigorous standards and enforce them with dispatch.

And we also urge the nursing home industry to reconsider this point and develop a strict policy of self-policing.

Senator PERCY. Thank you very much indeed. You made a number of very specific recommendations, and I think all of these certainly will be referred to the proper authority, and I hope will be acted upon.

I wonder if you would care to expand a little bit into the area of drugs, particularly tranquilizers, and expand on your own personal experience on the expert medical testimony we had this morning.

Mr. RECKTENWALD. The only thing I would say, Mr. Chairman, when I was working in homes, the persons distributing drugs were not trained in the distribution of them, and I myself was placed in charge of distributing drugs to 37 patients, and I had no training, and in fact, when I had applied for the job, I indicated I had 6 years as a janitor.

I saw bottles of drugs being passed by bottle from one patient to another, using the nurses' ideas if the pills looked alike, to borrow some from one to the other.

This is the experience I have had.

Senator PERCY. I wonder if you could expand at all and add to our knowledge as to what might have happened when legislation was introduced in the Illinois General Assembly, and went through committee, to enable the Department of Public Health to close down in the State of Illinois a facility if it found abuses. What happened, after all of the fuss about abuses in nursing homes, to that authority? Legislation was not approved by the committee. Was the bill faulty, not needed, or did something just happen to it?

BGA CANNOT PARTICIPATE IN LEGISLATIVE PROGRAMS

Mr. MCENERNEY. Senator, you rightly comment that the BGA has historically been interested in legislation, but unfortunately, in another area that I would like to discuss with you regulations have been enacted by the Internal Revenue Service which have restricted our ability to participate in any legislative programs.

We are restricted in the sense that we are an organization, dependent upon contributions from the public, and from industry, and those contributions cannot be a tax deduction if we participate in legislative programs, so we have not been active in Springfield in the last two sessions, and I do not know what has taken place in this particular legislation.

Senator PERCY. Without in any way jeopardizing your tax status, do you feel there should be in the public statutes a requirement that legislators with ownership, direct or through trusts, in nursing homes, to disclose such ownership to the public?

Mr. MCENERNEY. Certainly. Any conflict of interest of this type I think should be made public information.

Senator PERCY. Do you think it would be desirable for such legislators to refrain from voting on issues that directly affect their financial interest?

Mr. MCENERNEY. This is a philosophical question of some depth, and it would be easy to say yes, but the practical aspects of that would require a little more determination.

How widespread ownership might be, where a man's personal financial activities stopped and his public interest starts, it is a difficult question, but in general, I think it would be well for any person to recognize a conflict of interest and to step aside.

Senator PERCY. Could you expand on the points that you have made on the point system, what is the alternate route that we must follow?

As you pointed out, the theory of the point system is to provide an adequate means of compensation for a nursing home that is commensurate with the service it provides, but as we have had clearly pointed out to us, the system does not work in practice as it should in theory.

Is there an alternative that you can suggest to us?

SEARCH FOR NEW INCENTIVE PROGRAM

Mr. MCENERNEY. I am not prepared to give a detailed alternative, but some type of a program where in the judgment of a competent professional person, whether that would be a nurse, or a doctor, supervising the operation, or supervising the condition of the patients, if such a person could make a judgment as to the good care, and that be the basis for some type of incentive, it might be made to work.

There are some problems in that, too, I recognize—but we need to find—we need to investigate and find a way to avoid the inherent problems that have taken place in this system we are using today, where again the important thing is that we have to find a different way of measuring the care, the need for it.

Senator PERCY. You mentioned the interlocking ownership and involvement of certain individuals.

We invited owners of nursing homes to testify, and appear, either themselves, or their representatives.

We have invited Mr. Al Boyll. Apparently he will not be here. He said he has an interest in only one home, and it has only been open for 1 month.

Does BGA know of an interest held by Mr. Boyll? Or could that type of information be furnished to this committee about Mr. Boyll?

Mr. HOOD. According to our Springfield records, as of yesterday, Mr. Boyll is involved in either six or seven nursing homes as an officer in the State of Illinois.

Pedraza Nursing Home was purchased about December of 1966 from Rosendo and Jeromia Pedraza. The stock of the company was purchased by Joseph Eisenstein, Joe Berke, and Bernard Friedman in the amount of $77,000. In July of 1970 Joe Berke and Bernard Friedman sold their stock to Joseph Eisenstein.

One has been open for over a year, and already has a list of violations including having a patient fall out of bed, and spend the entire night on the floor without anybody helping him.

Senator PERCY. The staff indicates that Mr. Boyll has just notified us he was not going to testify.

He says he is personally unable to attend the meeting due to a previous business commitment out of the State.

I will insert the telegram into the record at this point.

The telegram follows:

CENTRALIA, ILL., *September 14, 1971.*

CHARLES H. PERCY: Geary-Boyll Incorporated does not own or operate any nursing homes. I personally have an interest in one new nursing home which has been opened only one month. We would not have any experience or records developed as yet that would be of any value to your committee. In view of this I do not plan to attend the hearing. If I can be of any assistance in the future please advise.

A. L. BOYLL,
Geary-Boyll, Incorporated.

Senator PERCY. Would you state once again, Mr. Hood, the source of the information that you have, and the testimony that you can give in sworn testimony, I presume you would be willing to swear?

Mr. HOOD. I would be glad to.

First of all, the information I just spoke came from corporate records.

Mr. Recktenwald has in front of him a list of all owners of over 10 percent, and within 2 minutes I think we could pull out Mr. Boyll's name in at least six homes, and he is in several different corporations, and beneficiary of certain trusts of these different homes, but he is involved in six or seven different ones.

Senator PERCY. I would ask if Mr. Boyll is in the hearing room, or if any representative of his is here.

If Mr. Boyll is not attending these hearings, I direct the staff to advise him immediately by telephone now that his name has been brought into our hearings today, testimony has been completely contrary to the statement he made to me, and I offer him the opportunity to appear before we adjourn today at 3:45, to be here in person to refute the statements that have been made against him. I think he should be given that opportunity.

STANDARDS NOT ENFORCED

A recommendation has been made, Mr. McEnerney, in your statement, that the State of Illinois has not enforced nursing home standards, and that we still have a long way to go. You have indicated that at one time 50 percent of the nursing homes in the State did not meet minimum State standards.

We know now that extraordinary efforts have been made in recent months to rectify some of the problems.

Would you estimate there has been any material change in the percentage of our nursing homes not meeting the State standards? Have you been able to ascertain whether or not, through voluntary efforts as well as through requirements, the standards have been brought up by some of the nursing homes?

Mr. McEnerney. I do not personally have any knowledge.

Mr. Recktenwald. Doctor Flashner this morning made the statement I think we could probably agree with, that they are now up to about 75 percent to meet the standards, but that still leaves a lot to be desired, 25 to 30 percent is kind of like playing Russian roulette with your mother if you put her in a home.

Progress Is Being Made

Senator Percy. But there is progress.

One of the purposes of our hearing was to determine whether anything had been done. We can state, and you state that though progress is not satisfactory, nor certainly complete, nor adequate, there has been progress made since our hearings in April.

Mr. Recktenwald. Yes, sir. There has been a flurry of activity, and we would like to see the activity keep up until all of the homes conform to the minimum standards, but just in the city of Chicago alone, in the first 2 months, there were two court cases, in the last 6 months there have been 78 court cases, and that is just in Chicago alone, and most of those resulted in findings of guilty.

Senator Percy. A study on nursing homes in Connecticut has been done which indicates that the average rate of return on investment for all nursing homes was 44 percent.

Now, there must be some losing money. There must be some earning much less than 44, so that there must be some, if there is the average, that are earning perhaps up to a hundred percent. Forty-four percent is the average.

For some of these class C homes in Connecticut, return on investment was 61 percent.

Mr. Recktenwald. I believe the classification C, Senator, is the poorest nursing homes, so the poorer the care, the more money there is to make.

Senator Percy. From your own personal observations, can you make any further comments on the range of profits? What about homes operating in the high part of the range so far as profits are concerned?

Mr. Recktenwald. I think at the last hearings, it was brought out several of the operators were over the hundred percent area.

The general profits in the 500 largest industrial corporations, the overwhelming majority range from 5- to 15-percent profits, and only three of the top 489 corporations had over 13 percent profit.

Mr. Hood. I would like to amplify, it appears there is a loophole in the law as far as the terminology. Mr. Boyll is involved in six or seven shelter care homes, and one nursing home, but we wanted to hear him also about the shelter care homes. I think the letter sent to him mentions the word nursing homes specifically. Perhaps because of that he feels he does not have too much connection.

Taking Profits

Senator Percy. I wonder if you could describe to us from your own experience and studies and analyses, how profits are taken by individual owners and operators of nursing homes. In what form can they take these profits? And describe once again for us, to update our thinking on how the land trusts are operated, as I recall, the pattern, you could take them in salaries, some of which might be legitimately earned, others of which might be excessive for the amount of work put in.

You might put relatives on the payroll, you set up land trusts, and you rent, you own the facilities separately, and you pay rent to yourself then in the land trust, for the building itself, and then in addition to that you may pour money back into the facility, expense it for repair costs, and increase your capital asset, and then you can just have a net profit on your investment.

Are all of these forms being used, to your knowledge, in the Chicago area, and why is this, why this very complex setup which has been established, and possibly why it is difficult sometimes to find out who the owners of these facilities are.

Mr. Recktenwald. I believe all of these are being used, and it is very difficult to determine who exactly the owners are.

In this one large chain we talked about, we have had nursing home operators tell us of other gimmicks and ways to make money, utilizing the cost of food for patients, who are nursing home operators, they say oftentimes the operator will have all of his personal food delivered to his home, and then charged to the nursing home, so that the amount of money spent on food seems higher, but it really is not.

Senator Percy. Is there any other information you feel would be pertinent to our hearings?

Is it possible for you to remain in the room during the testimony of nursing home operators, so that if there are conflicts of fact, that you may be called back to verify the statements that you have made?

Mr. McEnerney. Would it be appropriate if I were to leave? Our investigators would be available.

Senator Percy. As long as the two investigators can stay that will be fine. We appreciate very much your being with the committee today.

Senator Percy. As chairman of the subcommittee I would like to point out that I sent telegrams to those nursing home operators that we felt, in their own self-interest would want to testify, who we felt could contribute valuable testimony. We asked them to come, and we gave them the opportunity to be personally present, so that we might know who is here. So let me just read off the names of the individuals we invited. If the individual is not here, or if he has a representative, please announce yourself, and please come forward, and take a seat in front of us. If you are in the capacity of a representative, please indicate in what capacity you are appearing.

Mr. Mitchell Macks, president, Midwest Rest Haven; president, St. Michael's Rest Haven; vice president, Kenmore House; president, North Shore Rest Haven.

Mr. Fox. I am Marvin Fox, and I am Mr. Macks' representative.

Senator Percy. Mr. Fox, could you tell us your capacity, and why you are appearing on behalf of Mr. Macks? We appreciate your being here.

Mr. Fox. I am the accountant for Midwest Rest Haven, and Mr. Macks has asked me to come here to discuss the financial operation in all details.

Senator Percy. Joseph Eisenstein, vice president and secretary, Pedraza Nursing Home; president, Park House.

Mr. Troy. My name is Richard J. Troy, representing Mr. Joseph Eisenstein.

I have with me the income-tax return for the last year of the Pedraza Nursing Home, and although we have no hesitancy in making it available to your staff, we would not like it to get in and be made a matter of public record. Other than that, I do not have pertinent information, because of the lateness of notice, and Mr. Eisenstein was unable to be here today.

Senator Percy. You are his attorney?

Mr. Troy. That is correct.

Senator Percy. And are you acquainted with the operations of his nursing homes?

Mr. Troy. No, I am not.

Senator Percy. Your function has been to file tax returns for him?

Mr. Troy. Yes. Our office has from time to time, in cooperation with other attorneys, and I was the only attorney available to be here today.

We thought it would be heard earlier, but we do have the records pertinent.

Senator Percy. To the extent you can help us, we appreciate your being here.

Mr. Troy. If I may deposit the records, and perhaps I can be excused, and I really have no further business.

Senator Percy. Unless you have urgent business, we would like you to stay.

Mr. Troy. I do have a court appearance at 2:30.

Senator Percy. Can you stay until 2:15?

Mr. Troy. Yes, Senator.

Senator Percy. Meyer Liberman, president, the Westwood Manor; partnership, Sunnyside Nursing Home.

Mr. Brandwein. My name is David Brandwein, attorney for Westwood Manor and Mr. Liberman.

He asked me to be here, because he is unable to be here today, but he did have delivered to my office the income-tax returns, plus the books and records your telegram requested.

Senator Percy. Are you familiar with those?

Mr. Brandwein. No, I am not. I am not familiar with the internal operation of the business. I represent them generally in various matters.

Senator Percy. Do you represent them in their operation of nursing homes, do you help file tax returns and keep the books?

Mr. Brandwein. No, I do not do that, but various matters that come up, I represent him in those.

Senator Percy. Do you know from your own knowledge whether Mr. Liberman has anyone that keeps his books and records?

Mr. Brandwein. Yes. I understand he has an accountant.

Senator Percy. And were you given any explanation as to how you happen to be selected to deliver, in paper bags, the books and records?

I admire your fidelity to a tightly run operation, but do you know why you have been chosen by Mr. Liberman to be here when you are not intimately acquainted with the books and records?

Mr. BRANDWEIN. No, Mr. Chairman, except in many matters I do know Mr. Liberman calls me and asks me to handle various matters for him, and I suppose he took it for granted he would ask his attorney to come here and bring his books and records.

Senator PERCY. I very much appreciate your being here.

Mr. BRANDWEIN. If I may state, these books and records are in response to your telegram, and there is a balance sheet, which is also requested by the telegram.

Senator PERCY. Very good.

We appreciate very much your bringing those records.

David T. Spark, secretary, Beverly Hills Convalescent Center; secretary, Davis Nursing Home; secretary, Commodore Inn; secretary, M. & M. Homes; treasurer, Hamlin House; chairman of the board and director, Winston Manor Convalescent and Nursing Home.

Mr. Lowitz, I recognize by sight as the distinguished public servant, just returned from service to his Nation.

Mr. LOWITZ. I am here on behalf of Hamlin House, Inc., and Winston Manor Convalescent and Nursing Home.

I am not here on behalf of the other institutions that you just referred to.

I have with me Mr. Arthur Goodsite, who is the accountant for these two homes, and we have with us financial statements and income tax returns.

I also have what was delivered to me today two letters to you, one from Mr. Spark, which I believe sets out his interest in Winston Manor, and a letter from Mr. Kipnis, which sets out his interest in Hamlin House, in Winston Manor and whatever other interests he might also have, and I would like to file these letters with you, if I may.*

Senator PERCY. I appreciate their being brought up, and you may file them with the clerk.

Mr. Lowitz, do I understand there is no representation by Mr. Spark of his interests in the Beverly Hills Convalescent Center? You have no records of that?

Mr. LOWITZ. I have no information concerning Mr. Sparks.

Senator PERCY. Do you know who represents him for his presumed interest in that convalescent center?

Mr. LOWITZ. I only know him in connection with these two facilities, and the fact he asked me to deliver this letter to you.

Senator PERCY. And M. & M. Homes?

Mr. LOWITZ. I have no knowledge.

Senator PERCY. You have no knowledge there?

Mr. LOWITZ. No, sir, I have no knowledge.

Senator PERCY. So, that the information available on Mr. Spark is then limited to these other two homes?

Mr. LOWITZ. That is all I have; yes, sir.

Senator PERCY. Mr. Harvey J. Angell, president, Hyde Park Nursing Center; president, Martha Washington Manor; president, Michigan Terrace Nursing Center; director and stockholder, Sandra Memorial Nursing and Convalescent Home; office and stockholder, Skokie Valley Manor; and Dearborn House.

*See appendix 1, item 8, p. 1565; and item 10, p. 1573.

Are you Mr. Angell?

Mr. ANGELL. Yes, sir; I am.

Senator PERCY. We appreciate very much your coming.

Irwin Kipnis, president, Hamlin House; secretary, Winston Manor Convalescent and Nursing Home.

Mr. LOWITZ. Mr. Percy, that is the other letter. That is from Mr. Kipnis, and it sets out his interests.*

Senator PERCY. All right.

Mr. Hyman Naiman, secretary and treasurer, Granville Manor; secretary and treasurer, Rosewood Manor; secretary and treasurer, Homestead Convalescent Nursing Home; secretary, Palos Hills Convalescent Center; treasurer, Village Nursing Home in Skokie; stockholder, Northbrook Nursing Home and Rehabilitation Center.

Is there any representative here for Mr. Naiman? None? OK.

Mr. PURE. I am Julius Pure, president of Traemour Home, president of Chapman House, and I heard you mention about Mr. Boyll.

He has a sheltered home. We operate residential care homes, which is not pertaining to a nursing home as such.

Senator PERCY. That is for Mr. Boyll?

Mr. PURE. No, for ourselves. We have two shelters.

Senator PERCY. We would be interested in having your testimony.

Is the Federal Government involved in payments to your facilities?

Mr. PURE. Yes. My brother, the treasurer of our company would like to sit. He was our treasurer, and he has our records.

Senator PERCY. We would be happy to have you step forward.

Our last invited guest is Rabbi Hillel Yampol, executive director of the Metropolitan Chicago Nursing Home Association.

Rabbi YAMPOL. I am representing myself, Senator Percy.

Senator PERCY. All right.

I will, with the indulgence of our other guests, start with Mr. Troy, who wants to leave at 2:15.

Mr. Troy, is there any reason why in the public testimony you should not offer financial information with respect to Mr. Joseph Eisenstein's ownership and holdings in Pedraza Nursing Home and Park House?

STATEMENT BY RICHARD J. TROY, REPRESENTING JOSEPH EISENSTEIN, VICE-PRESIDENT AND SECRETARY, PEDRAZA NURSING HOME; PRESIDENT, PARK HOUSE

Mr. TROY. I believe, Senator, reference to the holdings, we would be very happy to make public who the shareholders are.

Senator PERCY. Fine.

Mr. TROY. This matter is of public record.

Senator PERCY. Is it two separate corporations?

Mr. TROY. The only one I have is Pedraza.

Senator PERCY. You have Pedraza?

Mr. TROY. The telegram was addresed to Pedraza, and I have no information on Park House.

Senator PERCY. Do you have knowledge that Mr. Eisenstein is president also of Park House?

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*See appendix 1, item 10, p. 1573.

Mr. TROY. I have no knowledge.

Senator PERCY. Do you have any knowledge of it at all?

Mr. TROY. I understand he is an owner.

Senator PERCY. But you have no knowledge to what extent?

Mr. TROY. That is correct.

Senator PERCY. And you do not represent him on that particular property?

Mr. TROY. No, I do not.

Senator PERCY. Then please give us whatever information you can on Pedraza, of which he is vice president and treasurer. Could you give us a list of the owners of Pedraza Nursing Home?

Mr. TROY. The owners are Mr. Joseph Eisenstein, the person I am representing today, also Hilda Eisenstein.

Senator PERCY. What is her relationship to Joseph?

Mr. TROY. I believe she is his wife. Hyman Eisenstein, I believe, is his son.

Those are the three owners. They have equal shares. Each owns one-third.

Senator PERCY. Do you have information as to the initial equity investment of their own funds, that each of them put in to acquire one-third of the ownership, and in what year was that done? Was Pedraza Nursing Home built by them, or was it a property that they acquired?

Mr. TROY. I have no detailed records, Senator, but it is my understanding that they acquired an existing nursing home, and they did do substantial remodeling work in the nursing home.

It is approximately 50 beds; a 50-bed facility out on the west side of Chicago, but I do not have any detailed figures as to what their equity interest was, or how much cash they had to come up with, or what the mortgages were, I would not know.

Senator PERCY. Do you know what it is valued at now?

Mr. TROY. No, I do not. That I do not know. It is in an area of the city where market values are generally depressed, however.

Senator PERCY. Depressed from what?

Mr. TROY. Social and economic conditions.

Senator PERCY. From its original invested value?

Mr. TROY. If you are acquainted with Chicago, Senator, this is located at 3232 West Washington Boulevard, and that area of the city has had very serious economic problems, and what the value of the home would be, I do not know.

Senator PERCY. How long have they had ownership?

Mr. TROY. That I think I have a note here.

From 1967, January.

Senator PERCY. I did visit that home some time ago.

Has there been a material change since 1967 in the neighborhood?

Mr. TROY. I would say the same factors which existed in 1967, have, if anything, worsened.

I would say that out of the general knowledge of the general community——

Senator PERCY. In what category is the Pedraza Nursing Home? You say it has 46 beds?

Mr. TROY. Fifty-four.

Senator PERCY. How many beds are filled with patients?

Mr. TROY. My understanding is about 85 percent.

Senator PERCY. What proportion of that 85 percent, taking that as a hundred percent, are financed by the government, and what proportion are private patients?

Mr. TROY. I believe about 90 percent are public aid, or either State or federally supported.

About 90 percent.

Senator PERCY. So it is a government-supported facility in essence?

Mr. TROY. That is correct.

Senator PERCY. Can you give us an idea as to whether any or all of the owners are on the payroll?

Mr. TROY. Mr. Joseph Eisenstein.

He acts as the administrator of the home, and he spends full time.

Senator PERCY. To the best of your knowledge, he is the operator?

Mr. TROY. Yes.

Senator PERCY. You did meet him there?

Mr. TROY. That is correct.

Senator PERCY. What is his salary?

Mr. TROY. $13,000 a year.

Senator PERCY. Has that been pretty steady since he began the operation?

Mr. TROY. Yes.

Senator PERCY. Is the property held in a trust of any kind, or is it just owned by them as individuals?

In other words, is the operating company charged rent, and is that set of books kept separately from the land trust that may exist, and do they own the building?

Mr. TROY. It is all one package.

There is an item on the return showing they pay the taxes.

There is no deduction for rent. The entire facility is owned by the corporation.

Senator PERCY. What is the gross revenue per year for the operation?

Mr. TROY. $148,000.

Senator PERCY. That is the total revenue?

Mr. TROY. Total revenue.

Senator PERCY. $148,000?

Mr. TROY. Yes.

Senator PERCY. What was the depreciation allowance taken?

Mr. TROY. $6,000.

Senator PERCY. $6,000?

Mr. TROY. Yes.

Senator PERCY. So that is cash flow of $6,000, but it is taken off of the tax return.

What was the operating expense?

Mr. TROY. I would have to add up all of the items here on the operating account.

Senator PERCY. Can you just give us the net figure on what the net before tax return was on the property?

Mr. TROY. $13,000.

Senator PERCY. $13,000, after what tax year?

Mr. TROY. 1970.

Senator PERCY. 1970?

Mr. TROY. Yes.

Senator PERCY. Do you have the figures for 1967, 1968, and 1969?

Mr. TROY. No, I do not.

Senator PERCY. Mr. Troy, could you supply those to the subcommittee?

Mr. TROY. They are generally comparable. I would say one thing, the depreciation shown on this in this instance becomes a real figure, that based, without having an appraisal, an official appraisal, but an appraisal made of the building for insurance purposes indicates, because of the economic conditions of the neighborhood, that the value of the property is steadily declining.

Senator PERCY. The cash flow, as I added up here, to Mr. Eisenstein, would be about $32,000 a year; is that right?

That would be $13,000 salary—$13,000 profit and $6,000 depreciation, which is a normal depreciation on investment.

Mr. TROY. That is not correct, Senator, because Mr. Eisenstein gets only one-third.

Senator PERCY. That is incorrect.

Mr. TROY. So it is about $17,000.

Senator PERCY. Plus a third of the 13.

Mr. TROY. And that of course is taxable income, some of that has to be put back in new equipment, and the cash flow of course likewise is affected, where you cannot write it off the year you expend it.

Senator PERCY. Do you have the figure there for his expenses, which he writes off against his income tax return?

Mr. TROY. They have many of them; electricity, maintenance, and so on, they are all listed on here, on the return, as to what they are.

Senator PERCY. Do you have an approximation of what his expenses may be?

I do not mean the operating expense, but what he was reimbursed by the company for his own expenses incidental to his job as manager.

It may be entertainment, it may be carfare.

Mr. TROY. There is not much entertainment for the administrator of a nursing home.

Senator PERCY. I would not imagine so.

Mr. TROY. The declaration on the income tax return is simply his salary, and his one-third percent of the stock owned.

Senator PERCY. Can you provide to us information on the equity that he had in this when he made that investment? And also, we would like to have information not only on his investment, but also on the financing. When did they acquire the building? What mortgages are on it?

Mr. TROY. I do not have that.

Senator PERCY. Whenever it is convenient for you to furnish that material, I would appreciate it. Would you be able to leave a copy of the return with us?

Mr. TROY. I shall do so, yes, sir.

Senator PERCY. And we will see that it is safeguarded, and returned to you.*

Mr. TROY. Thank you, Senator.

Senator PERCY. Thank you, Mr. Troy, very much indeed for being with us.

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*See appendix 1, item 4, p. 1545.

Mr. Fox, you followed the line of inquiry that I have had with Mr. Troy, and rather than just repeat all of the questions, perhaps you could just supply as much information as you possibly can.

I would like to see whether or not we could draw on your experience though for more generalized answers and observations.

How many nursing homes do you act as CPA for?

STATEMENT BY MARVIN FOX, REPRESENTING MITCHELL MACKS, PRESIDENT, MIDWEST REST HAVEN; PRESIDENT, ST. MICHAEL'S REST HAVEN; VICE PRESIDENT, KENMORE HOUSE; PRESIDENT, NORTH SHORE REST HAVEN

Mr. Fox. I could not give you the exact number, Senator, but there are quite a few.

Senator PERCY. Would it be three or four, 12?

Mr. Fox. Probably 20. But only four are owned by Mr. Macks.

Senator PERCY. So that this is an area of specialty of your own?

Mr. Fox. Yes.

Senator PERCY. And what proportion, how large an office do you maintain, yourself and how many are in your office?

Mr. Fox. The nursing home accounting business at our office is probably 6 or 7 percent of its total volume.

Senator PERCY. And you have about how many people?

Mr. Fox. I have six partners. I have about eight staff members, staff accountants, and about four girls, four or five girls in this operation, in the typing department.

Senator PERCY. And you say it is what percentage of your total business?

Mr. Fox. Probably about 6 or 7 percent.

I may be off a couple of percentages, but I never really analyzed it.

Senator PERCY. Do you know about what your net billings would be to the nursing homes?

Mr. Fox. I could not give you an exact figure, honestly.

Senator PERCY. Could we then start in with Mr. Mitchell Macks' investments, can you tell us, let's just take specifically the Midwest Rest Haven, what the investment is in that? His equity investment? How he financed the operation, what mortgage he is paying on it, what percentage of the stock he owns?

Mr. Fox. Starting with the last question, the percentage of the stock he owns is a hundred percent, divided between he and his wife.

I have not filed his personal tax return, since I have been his accountant at Midwest.

Whether there are any other, I do not know. I have been the accountant for Midwest for about 4 or 5 years.

Midwest was purchased, I think, as a going nursing home immediately before I became his accountant.

The exact investment I cannot tell you, because the ownership of the building is not within the corporation.

Senator PERCY. The ownership is not within the corporation?

Mr. Fox. Not within.

Senator PERCY. This is held in a land trust then?

Mr. Fox. I do not know, because I do not do his personal tax return, so I do know this, I can offer you this, we just went through an internal revenue investigation.

There has been no changes based on an audit. The Internal Revenue agent did compare all information, and the tax returns, which by the way is a small business corporation, with his personal tax returns, and everything was reflected on his personal tax return, in the same manner as the corporation reflected it.

Senator PERCY. Do you certify the accounting?

Mr. Fox. No, I do not.

Senator PERCY. You do not?

Mr. Fox. No.

Senator PERCY. You have not been asked to certify it?

Mr. Fox. No, I have not.

Senator PERCY. Could you tell the committee, for our edification, what the particular advantage is in having properties, inasmuch as you do the accounting, for a number of homes, what the particular advantage is in having a land trust, as against having a simple overall operation for a small business, for the corporation, that operates as a corportion that owns the building?

Mr. Fox. One major advantage in the State of Illinois is that, and I do not know if it has been changed, so you will have to give me a little leeway on my legal knowledge if it has been changed, and it is that when a nursing home is sold and purchased, the most convenient way is to transfer stockholders.

Now, if the investment, if the building is in a corporation, there may be some very complicated tax, Internal Revenue tax procedures, which we have to go through, namely Code section 337 or 333, which would make it very inconvenient to have the building and physical assets within the corporation.

That is one aspect. I do not know within my experience if the land trust has been for anything more than for that reason.

Senator PERCY. How many of the 20 nursing homes that you do the accounting for have a land trust?

Mr. Fox. It would probably be half.

Senator PERCY. Half of them?

Mr. Fox. Yes.

Senator PERCY. Is it simpler, and does it serve the purpose for that half to do it that way? Or do you find it simpler if they just own it outright?

Mr. Fox. We find it simpler to have a separate partnership.

Senator PERCY. In the case of Midwest Rest Haven, where 100 percent of the stock is owned by Mr. Macks, in this case, can you give us the investment that he made for his 100 percent holdings?

Mr. Fox. No, I do not have that information available, but I will get it for you, if it pleases you.

Senator PERCY. All right.

Were you aware of the fact that we would be interested in this?

I presume that you followed our questioning in the hearings of Rabbi Benjamen Cohen, is he Mr. Macks brother?

Mr. Fox. Yes, he is.

Senator PERCY. He did have an ownership at one time in Kenmore House; he was an officer of it?

Mr. Fox. In Kenmore House?

This is Midwest.

Senator PERCY. But he did have an ownership with his brother, or at least was an officer of Kenmore House with his brother at one point?

Mr. Fox. Rabbi Cohen, to the best of my knowledge, Mitchell Macks to the best of my knowledge was never a stockholder or had ownership interest in Kenmore, or the other way.

Senator PERCY. He was an officer?

Mr. Fox. I think Rabbi Cohen was a director.

Senator PERCY. He is—his brother told me he was, and he had recently withdrawn.

Mr. Fox. Well, I will defer to his knowledge, but I do not know of any such situation, because I do not remember, and my accounting of Midwest would not necessarily disclose he is an officer, because I have never carried him as an officer on the tax return.

He may be, but if he was, I was not aware of it.

Senator PERCY. Is Mr. Macks compensated by salary by Midwest Rest Haven; does he operate and act as a manager?

Mr. Fox. He is not compensated by salary. The tax return does reflect a $2,600 management fee for Mr. Macks.

Senator PERCY. So he does get $2,600 management fee?

Mr. Fox. Yes.

Senator PERCY. To what extent or what rent is the land trust paid for by Midwest Rest Haven?

Mr. Fox. $8,760.

Senator PERCY. And he gets $2,600 in management fees?

Mr. Fox. Yes.

Senator PERCY. As an attorney or C.P.A. for him to Internal Revenue, what justification do you provide for his taking a $2,600 management fee, when he is an attorney, real estate developer, chairman of Jefferson State Bank, and he has many, many interests. Do you know if he is able to put much management time in to justify a management fee in the business of Midwest Rest Haven, other than looking at it as a 100-percent stockholder?

Mr. Fox. No; it is not within my purview to justify the $2,600.

Whether he goes to the nursing homes, and spends a considerable amount of time, or does not go, I do not know.

My accounting function is limited to an office which has the accounting records, so I am not at the homes.

I cannot say yes, it is justified, or no, it is not justified.

Senator PERCY. The figures you have given me for rental-management fee are for 1970?

Mr. Fox. Fiscal year ending June 30, 1971.

Senator PERCY. That is the most recent that you have then?

Mr. Fox. Yes.

Senator PERCY. What depreciation is permitted and taken?

That would be in the land trust?

Mr. Fox. There is $764 in the corporation for equipment.

The rest of the equipment is for land trust.

Senator PERCY. That is for equipment that has been dispensed——

Mr. Fox. This is equipment capitalized in the corporation, for which we are depreciating over the period of time.

Senator PERCY. Do you happen to know what the depreciation allowance is against the property itself?

Mr. FOX. No, I do not.

Senator PERCY. You do not, but that would be another cash flow factor with 100 percent accrued to Mr. Macks?

Mr. FOX. Yes; of course, if we are talking of cash flow, there are mortgage payments against the building, which would decrease that cash flow of any amount of mortgage payment.

Senator PERCY. What is the gross revenue of Midwest Rest Haven?

Mr. FOX. $111,000.

Senator PERCY. For how many beds?

Mr. FOX. I think that is for 36 beds.

Senator PERCY. And what proportion of those are government paid for, do you know?

Mr. FOX. I am sure it is in excess of 90 percent.

Senator PERCY. Ninety percent, and the total operating expenses?

Mr. FOX. $100,000, which includes the management fees and the rent.

Senator PERCY. Right, so you have before taxes a profit of $11,000?

Mr. FOX. No, $9,800.

Senator PERCY. It is not possible, of course, for us to be certain of what his rate of return really is.

Would you care to give any observations as to what you really think the business has yielded, and from your own observations on handling 20 homes, how would you compare the rate of return on the investment with the 20 homes to what he might earn on an average stock today, or other types of businesses?

Mr. FOX. Well, I am here primarily as an accountant for Midwest Rest Haven.

I am not sure it is practical for me to go into the total industry return, because every nursing home has its own personality.

I can give you examples of brand new nursing homes, who have opened for instance, one that I am accountant for, between 100 and 200 beds, that has lost $300,000, and is just starting to turn around, an FHA financed home, just starting to turn around and generate a cash flow.

This business has been in existence for quite a while.

Other homes would vary accordingly. I do not think it is practical for me to give a generalized statement, when I know from experience it runs the complete sphere from a negative return in some cases to probably a return that seems to be higher than ordinary.

Senator PERCY. From a general accounting standpoint though, and we appreciate your expertise in this area. From a generalized accounting standpoint, I presume any reasonable person could generalize. The textile business is not too profitable, and the pharmaceutical business is continuing to be quite profitable. We know that as reasonable people, who are keeping abreast of trends of earnings, one gains a certain knowledge and an area you have been close to is the nursing home industry.

ARE NURSING HOMES PROFITABLE?

Let me ask you specifically, do you feel that it is very profitable to be in the nursing home business?

I am not discouraging that at all, but what I am asking, in light of reports, such as the one on the State of Connecticut, where homes

show a 44-percent average return on investment to the stockholders, is that absolutely not possible in the State of Illinois? Or is it possible by the standards that you see—and can refer to the 20 homes for which you do the accounting, or file tax returns for.

Mr. Fox. I can mention this, that the nursing home industries in the newer facilities, and in the newer facilities that we handle is a very complicated and dangerous business.

The investment is great initially, the standards that they have to go to, which I understand is a much higher standard of building code, the investment of course is great, and over the number of years, if you consider that in 1967, if you built a building, the building is there, which will last for another 10 or 20 years at permanent standards, and you set costs, your permanent costs are there and do not increase, but as the variable costs go up, and the income goes up accordingly, and after a while, 10 or 15 years, the return on investment may seem large, but in the initial stages, to get to the area where the return investment seems large, it could be very close to bankruptcy.

Senator PERCY. I have not seen any that have been awfully terrifying from the standpoint of higher risks involved.

The ones I have personally seen have been quite high in their return on investment.

But we will accept your testimony before this committee as your personal judgment.

Do you have information on North Shore Rest Haven?

Mr. Fox. No; I do not.

The telegram did not mention North Shore or the other facility.

Senator PERCY. You do not do the accounting?

Mr. Fox. I do it.

Senator PERCY. But you did not bring it along?

Mr. Fox. That is right.

Senator PERCY. Is North Shore profitable?

Mr. Fox. Up until the last year, yes, it is.

Senator PERCY. Is it unprofitable this year?

Mr. Fox. It was closed down for a while, I understand.

Senator PERCY. Why was it closed?

Mr. Fox. I understand because of the investigation.

Senator PERCY. Would you conclude that it is possible to maintain a profitable operation, as it has been in the past, when standards are not met? But that is not possible if standards that are now a matter of regulation and public law are strictly adhered to? If they are adhered to, the operation is closed down, or the enforcement of standards may cause nursing homes to go into an unprofitable condition? I ask the question to find out whether there is adequate compensation made to nursing homes which take care of our elderly people. Or are the payments so low that no operator can actually get a return on his investment unless he makes it up by poorer service, poorer maintenance, or many of the practices that we have had revealed in the testimony?

Mr. Fox. You are asking me to assume that there has been poor maintenance and so forth.

I can tell you this, in the older nursing homes, I am sure they will be phased out of business in the next 5 years or maybe less.

The newer nursing homes cannot exist if they go to the proper standard at less than an operating cost of $16 per day, in some cases higher, depending on the location, depending on the requirements for help, and the location where you get the help.

Senator PERCY. So one might generalize here. Our Nation has poured billions of dollars into new school facilities, and new dormitories for young people on campuses, and built modern up-to-date facilities across the country, and housed our young quite well. But for nursing homes, the way the system is set up now, it is very difficult to be able to make out in a new facility, unless there is a built-in incentive to acquire an older rundown building, converted apartment hotels such as Kenmore, and to fix them up as much as they can, turn them into nursing homes. That way you have a minimum capital investment.

I am not impugning the motives of those in the business. I am asking, is this the way you have to do? Is this what you have to do to stay in that business?

Mr. FOX. I think in the last couple of years, I do not think that trend exists any more.

I think you will find very little conversions. The trend in this industry has to be into newer facilities; and until you have enough newer facilities to handle the patients that evidently are in the community, and need the nursing health care, you are going to have the older facilities around.

Senator PERCY. With your financial knowledge of nursing homes, would you feel that the following statement from the Department of Finance and Control, Budget Division, of the State of Connecticut, has any application to the State of Illinois: The statement concludes, general practice has been to invest the least amount possible, with the major portion being financed by banks and other mortgages in most instances. This may indicate the principals are milking the corporations.

Could that statement be applied to the situation in Illinois, or according to your knowledge, is that a false judgment?

Mr. FOX. I would say as a general statement, I do not know that I can agree with that.

The FHA will finance 90 percent of the mortgage, which is within the regulations, but besides that, we are talking about a $3 million facility, and you are still talking about an investment of $300,000, plus $200,000 operating expenses, so you are talking about $500,000 investment, which is no nominal investment.

Maybe in years gone by, it may have been true, but I do not think it exists any more.

Senator PERCY. Do you know who holds the mortgages for Midwest?

Mr. FOX. No.

Senator PERCY. Do you have any idea of what proportion, what ratio, bears between the equity, the financing by banks or mortgage houses, and the capital investment actually made by Mr. Mitchell Macks?

Mr. FOX. No. I cannot answer that.

Senator PERCY. As an extensive operator of nursing homes, do you know whether it is his policy and objective to try to minimize in every way he can his own capital investment, to maximize his financing through outside interests, outside sources?

Mr. FOX. I cannot answer that accurately. I am not familiar with his personal situation or his personal tax return.

Senator PERCY. You do not file his personal tax return?

Mr. FOX. No; I do not.

Senator PERCY. I see. Would you then obtain for the committee from Mr. Macks—and specifically, I am requesting in my name all the information you were unable to provide now—I would be particularly interested in his total list of all companies in which he participates, all nursing homes in which he has a major or minor investment, the extent of that investment. In each instance I would like to have the initial investment that he made of his own capital risk, the financing arrangements for the homes, who he financed through, the terms of those mortgages, interest costs, the length of the mortgage, and the summary operating statement giving us the number of beds, gross revenue, operating expenses, with particular reference to food costs, as taken from his audited statements, and as related to the number of bed patient days that he has, so that we can determine the daily food costs.

I would like to have the amortization and depreciation charges. I would like to know which of those homes he owns in land trusts, and which he operates directly.

I would like to know how many of them, and to what extent he takes the management fee.

I would also like to have from him the total profit he is taking, broken down by individual rest homes, and the total proportion that this is to his overall income, and from the day he first made his investment.

I would like to know, from his first investment up to today, what the depreciation has been on the physical assets that he has, and what his net holdings are today, and what his current annual operating profits are. All of these questions will be in the record for you to refer to, so that you can doublecheck your notes against these questions.

I realize that you are in this case merely acting as a conduit, you are not Mr. Macks' attorney, but I hope Mr. Macks will be cooperative and helpful. We would like this information to simply determine, on a case-by-case basis, whether the return on investment is excesive, or whether it is reasonable, and whether or not conditions that we have found in these homes exist simply of sheer necessity. Is it by sheer necessity of economics of the matter that poor service must be offered? Or is there an attempt to simply maximize profits at the expense of individuals?

I do not want to prejudge what the answer is one bit ahead of time.

I am sorry Mr. Macks is not here to answer these questions directly and personally, but I do appreciate his having Mr. Fox here, and I appreciate the assistance and help you have provided to the committee.

Those are all of the questions I have.

We would like copies of the returns, and I think it would be helpful for us to have copies of the returns for Mr. Macks from the time he went into the nursing home business.*

Do you happen to know what year that was?

Mr. FOX. No, I do not.

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*See appendix 1, item 5, p. 1552.

Senator PERCY. Thank you very much indeed.

Mr. David Brandwein, I will ask you to tell us what you can, other than the fact you have the books and records here.

I would not want to take the time of the committee to examine those now, but if it is possible for you to leave those with us, we will see that they are kept in safekeeping, we will do the best we can to appraise and analyze them as quickly as possible, and then return them, either directly to you, or to Mr. Meyer Liberman,* whom you are representing.

STATEMENT BY DAVID BRANDWEIN, REPRESENTING MEYER LIBERMAN, PRESIDENT, THE WESTWOOD MANOR; PARTNERSHIP, SUNNYSIDE NURSING HOME

Mr. BRANDWEIN. About how long would that be, Mr. Chairman, before they are returned?

It is just so I can answer the question to my client.

Senator PERCY. Is 3 weeks or a month too much time?

Mr. BRANDWEIN. I do not think so. I think that would be all right.

Senator PERCY. We will try to shoot for 3 weeks, if we possibly can, but I think it would be very helpful to us if you could answer a few questions.

You are an attorney?

Mr. BRANDWEIN. That is correct.

Senator PERCY. Do you do much legal work for nursing homes?

Mr. BRANDWEIN. No. In fact, this is the only home I represent.

Of course, Mr. Liberman and Mr. Hatcheck, who was also a stockholder in this company, they have another nursing home, in which it is a partnership, Sunnyside Nursing Home, but outside of that, I do not represent any nursing home owners.

Senator PERCY. I am sorry that he is not here, of course.

What proportion does he own of Westwood Manor,** the home he is president of?

Mr. BRANDWEIN. I can supply some information that way, Mr. Chairman.

I represented him when be bought this nursing home. It was an existing home at the time, and Mr. Liberman and his wife owned 50 percent of the stock, and Sol Hatcheck and his wife own 50 percent of the stock.

I think they have their shares in joint tenancy, each one and his wife, so as a unit, they each have 50 percent of the stock.

Do you want information about the Sunnyside Nursing Home also?

Senator PERCY. Yes, if you would.

Mr. BRANDWEIN. That is a 50–50 partnership also.

Senator PERCY. Who is the other 50?

Mr. BRANDWEIN. Sol Hatcheck, and, again, Mr. Liberman, the same parties.

EQUAL TIME OFFERED TO OPERATORS

Senator PERCY. You are his representative here today, and his attorney, and I want to give you every opportunity to comment on what we have as a matter of public record on Westwood Manor. Of course

*The books and records were examined by the committee and returned to Mr. Liberman.
**See appendix 1, item 6, p. 1558, for Westwood Manor, Inc., 1970 income tax return.

the purpose of this hearing was to give absolutely equal time and adequate opportunity—and that is why I personally addressed the wires—to the owners and presidents of the nursing homes, so that they could, if they wished, if they felt the news media of Chicago has been unfair, make statements to correct anything untrue which was said.

If the operators feel they have been intimidated by inspectors of the county, State, city, if regulations of laws are unfair, I want them to say so. Or if they feel testimony given before this committee is unfair, then they themselves personally would have the same forum and same opportunity to answer any charges. I give you, therefore, the opportunity to respond to the statements made—and the city records now for 1971 show that Westwood Manor has "filthy conditions, has violated health standards, equipment, sanitation, and patient records."

In a 1969 revocation procedure, Chicago Hearing Board revoked the home's license based on the following conclusion of facts: The evidence received at said hearing revealed that one Mary Merey was a patient under the care, supervision, and control of respondent Westwood Manor, Inc. by and through its employees and servants, on or about September 6, 1968, that on said date.

I will have this inserted and be made an appendix to the record.*

Now, I give you every opportunity as an attorney for Mr. Liberman to defend him and to answer any of the charges contained in this document.

Mr. BRANDWEIN. Mr. Chairman, on that Mary Merey, there was a hearing, before the board of health, and I attended that hearing, and that physician just gave it as his opinion as to what happened.

Of course, he had no firsthand knowledge, and when I cross-examined him, he said that he had no personal knowledge of what happened.

I also had what I believe was a registered nurse there, who was not more than 50 or a 100 feet away from this lady when she fell down.

They do not know whether she got dizzy or what. Of course, the contention was made that somebody hit her, but our testimony, and I believe the record would be available to this committee, from the department of health, pursuant to that hearing, that that nurse immediately went over to her and put her in bed, and then she thought it was just a slight abrasion, put her to bed, and of course it developed to be more, and the next morning it got worse, and I believe shortly after that they did call the family.

HEARING TO REVOKE LICENSE

Now, the result of that hearing was that there was a regulation hearing to revoke the license.

There was a recommendation to revoke the license.

Subsequently, on an administrative review, that order of revocation was vacated, and it was dismissed, and, of course, they were reinstated. That is what I can tell you about Mary Merey.

I can also state on that matter that subsequently the administrator of her estate filed suit, and I came in on a motion to strike the complaint, and the motion was sustained, and the court gave leave for them to file an amended complaint.

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*See appendix 1, item 7, p. 1564.

I went on a motion that that be stricken, and they were supposed to file a second amended complaint, that was about 4 to 5 months ago.

As a matter of fact, I intend any day to go on a motion to have that suit dismissed, because they did not file an amended complaint, because they cannot set up sufficient facts with reference to that alleged injury.

Now, that I am giving you from my own information, because I have been in contact with that situation. I was not in contact with the situation with reference to when there was a rash of closing of homes in Chicago. I had nothing to do with that.

I did not represent them in that matter. I cannot comment about that.

With reference to that remark—that or what Mr. Liberman said—I do not know. Of course, if he would be present, he could speak for himself. To me I doubt that such a remark would be made by him.

I cannot say one way or the other. There was one case here last month or 2 months ago, where the health department filed a complaint against the home, and actually, and what I contended, and what the judge indicated too, that those were in the nature of housekeeping violations, and, of course, there was a finding of guilty on some of the counts, and there was a fine, it was $300, and that was it.

Senator PERCY. Has the condition been corrected?

Mr. BRANDWEIN. Yes, because after that they received letters from the board of health, stating, in fact, one of those letters came through even before we went to court, and I showed that to the judge, that the thing had been corrected.

Senator PERCY. Can you tell us the nature of the charges that were made, and on which charges convictions were sustained?

Mr. BRANDWEIN. I cannot offhand. I might say one, I think there was one, one of the counts involved one of the bathrooms, that there was a defective tile, or a broken tile, and that we admitted, and there were one or two others, but they were of a minor nature.

We admitted to them, of course, and on the others, we did not admit to them.

I thought they were small things. We went over every count.

Senator PERCY. Do you think it is an attempt on public officials partly to harass?

Mr. BRANDWEIN. No, it is probably the opinion of the inspector.

Senator PERCY. Do you think they were just small violations that were involved, is that what you are saying?

Mr. BRANDWEIN. There were a number—well, for example, the molding around the walls seemed to have some dust on them.

Now, I do not approve of having dusty floors. I do not have it at home, and I do not want to see it elsewhere, and, also, one of the floors appeared to be streaked.

They wash them with those large mops. I do not know when this inspector came in; it may have been shortly after the washing was done, and I did not think that that was a charge of a nature that ought to be the subject matter of a count in a complaint.

I do not remember the others. There are quite a few of them.

Senator PERCY. I will enter into the hearing as an appendix the findings and decision of the hearing board on revocation, and in this

matter of Westwood Manor, Inc., and I would be very happy on behalf of your client to enter immediately following that any response that was filed at that time, or any subsequent reply you would like to put in in addition to the comments you have made on behalf of your client.

Mr. BRANDWEIN. Mr. Chairman, I am sure they would have a transcript which they would have to have in order to take it up on administrative review, an order has to be put in through the board for a transcript that has to accompany a petition.

If that is available, I think it ought to be put in. I would be happy to order that, and to deliver it to the committee.*

Senator PERCY. Very good. If you would so desire, I order it be inserted in the record, and of course all of these proceedings are a permanent record of the U.S. Senate. They are published and available to all Members of Congress, and to any member of the public who wants copies of these proceedings. My office would be very happy to furnish to you, or anyone here, the hearings in complete form when they are printed.

Mr. BRANDWEIN. That is the matter of the hearing at which there was a revocation, and subsequently on administrative review——

Senator PERCY. I would go as far as to say I would be happy to insert whatever might pertain to any allegations and charges that have been made in the course of these hearings, or at any time against the nursing home.

Mr. BRANDWEIN. Then I might like to add to that the finding of the court on reversing the board of health, or the board of appeals, whatever they call them, in addition to the transcript of the testimony, before the board on which they predicated their finding of guilty and revoking the license.

Senator PERCY. So ordered. It shall be done.

Thank you very much indeed for being with us today.

Mr. BRANDWEIN. Where shall I deliver that?

Senator PERCY. Just address it to me in care of the Committee on Aging, U.S. Senate.

Mr. BRANDWEIN. That would be to Washington?

Senator PERCY. Right.

Mr. BRANDWEIN. Thank you, Senator.

Senator PERCY. On behalf of Mr. David I. Spark; Mr. Lowitz and Mr. Goodsite.

Mr. Lowitz, you have heard all of the questions, and I am sure you know exactly what the committee is trying to determine. I would like to state once again, as I have many times before, that the very fact that we must focus our attention on problems does not remove from our sight, or from the public sight, that all is not in such bad shape. It is just that we must focus on the problems in order to correct them just as the newspapers must bring attention to problems.

The newspapers never deal with the families that are doing well. They deal with the divorces and the crimes. They do not deal with the many people who arrive home safely at night, but rather with the

*As of press time the order for administrative review had not been received by the committee.

accidents. So it is our job to focus our attention on the problems, but I do not want to in any respect overlook the fact that there are fine nursing homes operating throughout the country, and certainly in the city of Chicago. It is unfortunate to always have to deal with problems. So I ask you to respond in any way you can, to any of the allegations and charges that have been made, that might involve the Hamlin House, and Winston Manor Convalescent & Nursing Home, and we understand the limitation of your representation.

STATEMENTS BY DONALD LOWITZ AND ARTHUR GOODSITE, REPRESENTING DAVID I. SPARK, SECRETARY, BEVERLY HILLS CONVALESCENT CENTER; SECRETARY, DAVIS NURSING HOME; SECRETARY, COMMODORE INN; SECRETARY, M&M HOMES; TREASURER, HAMLIN HOUSE; CHAIRMAN OF THE BOARD OF DIRECTORS, WINSTON MANOR CONVALESCENT & NURSING HOME

Mr. LOWITZ. Thank you.

On behalf of the two homes I do represent, I want to assure you that we both understand and share your concern, about the problems of the aged, and we are eager to cooperate with this committee, and with the State and local authorities to see to it that the aged are provided the best care possible.

As far as Mr. Spark is concerned, he received your telegram addressed to him as chairman of the board of Winston Manor, and I realize now, from the responses of those here, that he probably misunderstood, and was under the impression you were dealing solely with Winston Manor.

I notice that in the letter which I have submitted to you at his request,* he states what his interest is in that facility, he says it is 0.0816 percent, which is less than 1 percent, and that is the only information I have pertaining to Mr. Spark's interest in this nursing home or any other.

Senator PERCY. He owns what percentage?

Mr. LOWITZ. He said that he owns, and I am quoting from his letter, "the shareholders have elected nine directors including me, although my proprietary interest in Winston Manor is less than 1 percent," and he has in parenthesis 0.0816 percent; and that is all I am aware of concerning his ownership interest in this, or any other nursing home.

We do have available the financial statements for the two homes, and Mr. Goodsite would be happy to go over them with you, or to answer any questions, and certainly we will submit them to you. Should your staff like to look at them, and then ask questions at a later date, we will be glad to comply.

Mr. Kipnis sets out according to his letter** that he purchased 2 and 68 hundredths of 1 percent interest at the time the Winston Manor home was formed in 1960.

He indicates he holds one-half of that in trust for his mother and an aunt, so that his own interest is, according to his computation 1 and 34 hundredths of 1 percent, and his investment was $5,000.

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*See appendix 1, item 8, p. 1565.
**See appendix 1, item 10, p. 1573.

In addition, he indicates in his letter, that he has a 20-percent interest in a shelter care facility, known as Humboldt House, which has and is now run by a not-for-profit corporation called "Threshholds." Since it has been operated as a shelter care facility, rather than a women's home, which it was prior to 1969, there has been no income from this operation.

In addition, he indicates an equity in a nursing home which was sold and in which he no longer has an interest. This is the Palos Hill Convalescent Center which was sold in 1969.

At present he does have an interest in Hamlin House, which is a 425-bed facility.

He indicates his interest in that, his own personal interest is 2.2 tenths of 1 percent.

He purchased a 5-percent interest, which was later diminished to 4.75 percent, and of the entire interest he holds part in trust for his former wife, as part of a settlement, 59 percent of that is so held, and also a portion is held for a friend of his by the name of Morton Zwick.

According to Mr. Kipnis' letter, that is the sole extent of his interest in nursing homes.

He is on the Board of Directors of Hamlin House, and Winston Manor.

He has been the attorney for both of them, and he is also the general counsel for the Metropolitan Chicago Nursing Home Association.

Unfortunately due to a prior commitment, he could not be here today.

We do have the records of both of these facilities, and the statements are here, and anything else you want to have can be made available.*

Senator PERCY. Why don't we take Hamlin House, which is the sheltered-care facility, and it is a very large one.

Can you give us an idea of the number of beds?

Was it constructed for this purpose?

Mr. LOWITZ. I will tell you what little I know, and perhaps Mr. Goodsite will have further information.

Originally this was, I believe, called the Midwest Hotel.

It was a hotel on the west side of Chicago near Hamlin and Madison, and it was in receivership, and I believe being run by the county.

It was purchased by some of those interested in Winston Manor.

I might add that Winston Manor has about 45 investors, and I believe Hamlin House has that many or more, and it was then licensed and turned into a shelter-care facility.

It is a 425-bed facility.

Other than that, the details of the operation would be best described by Mr. Goodsite.

I am just not familiar with it.

Senator PERCY. Fine. We would be interested in the same general line of information, requested earlier from Mr. Fox, what equity investment was made by the stockholders, how much they financed it through mortgages, what the mortgages are, over how long a period they run, and then the operating revenue, expenses, net profit, including cash flow from depreciation, and whether Hamlin House is oper-

*See appendix 1, item 9, p. 1566.

ated as a total unit, with the property owned by Hamlin House, Inc., or whether there is a land trust involved.

Mr. GOODSITE. The original investment was approximately to the best of my knowledge somewhere around $450,000 to $500,000, in that neighborhood.

Senator PERCY. What year was that?

Mr. GOODSITE. 1967. Part of it went into debentures, part of it went into stocks, part of it went into the real estate partnership.

Senator PERCY. Of the stockholders themselves, how much money of their own did they put in?

Mr. GOODSITE. $480,000.

Senator PERCY. About $480,000?

Mr. GOODSITE. It was broken down into those parts.

Senator PERCY. So that is their direct investment?

Mr. GOODSITE. Right.

Senator PERCY. How much in addition was financed on the property itself by mortgage?

Mr. GOODSITE. To the best of my recollection, I am not sure what it was. I am not positive.

Senator PERCY. You keep the accounts and records?

Mr. GOODSITE. Yes, we have it.

Senator PERCY. Could you give us an approximation, knowing that this is what you were asked to be here for, can you give us some ball-park figure you can correct later, but which might be reasonably accurate, to give us some idea of the size of that investment?

Mr. GOODSITE. Somewhere around $300,000.

Senator PERCY. So you have a total value investment of about $780,000, of which the stockholders themselves put in $480,000?

Mr. GOODSITE. Yes.

Senator PERCY. The building is held separately?

Mr. GOODSITE. Yes.

Senator PERCY. Can you advise the committee what the depreciation is each year? Let's just take the last year, your last fiscal year.

Mr. GOODSITE. May 31.

Senator PERCY. So for May 31, 1971, the fiscal year ending in that accounting period, what was your depreciation?

Mr. GOODSITE. I do not have the figure for that.

Senator PERCY. Do you have the figures with you?

Mr. GOODSITE. I do not have it as far as the building.

Senator PERCY. Were you asked to bring such records?

Mr. GOODSITE. No.

Senator PERCY. The wire did not indicate that?

Mr. LOWITZ. I think, Senator, again-

Senator PERCY. The letter right here signed by Mr. Kipnis said, "as to the cost of operations of Hamlin House, Inc., the books and records will be available to you at the hearing."

The letter says further they (the records) speak for themselves and amplification will be supplied at the hearing by a person qualified to do so.

Are you that person?

Mr. GOODSITE. These are the records of Hamlin House.*

*See appendix 1, item 11, p. 1576.

The building is in a land trust.

Senator PERCY. You do the accounting for the buildings?

Mr. GOODSITE. We have that.

Senator PERCY. You do that?

Mr. LOWITZ. We can make that available.

Senator PERCY. All right.

You do of course have available in the operating records the rent that is paid to the land trust?

Mr. LOWITZ. We have that.

Senator PERCY. How much is that rent each year?

Mr. GOODSITE. $150,000, for the last fiscal year.

Senator PERCY. Some of the direct investment of the stockholders of $480,000, they received $150,000 in rent each year.

Has that been true since 1967?

Mr. GOODSITE. No; it is not.

Senator PERCY. Do you know the rent offhand by years—the figure you gave me is for 1970?

Mr. GOODSITE. 1970.

Senator PERCY. In the event it might have been less than that——

Mr. GOODSITE. It was less than that.

Senator PERCY. So that the $150,000 is the maximum?

Mr. GOODSITE. Yes.

Senator PERCY. Do any of the owners, the stockholders of the buildings, or of Hamlin House, Inc., the operating company, receive salaries, compensation for salaries?

Mr. GOODSITE. Yes; they do. They are very nominal.

Senator PERCY. Are any of the owners involved in management activities day by day?

Mr. GOODSITE. Not day by day, but they are very active. You might say week-by-week basis, something like that.

Senator PERCY. What is the maximum, and what is the minimum, and on what may these management fees be based?

Mr. GOODSITE. These are all on salaries; $1,200 is the top figure.

Senator PERCY. $1,200 is the top.

What is the title and the individual who receives it?

Mr. GOODSITE. The president.

Senator PERCY. Who is the president?

Mr. GOODSITE. Allen Burrows.

Senator PERCY. He is the president, and of what proportion of the stock does he have; do you know?

Mr. GOODSITE. No; less than 5 percent; 4.7 percent, something like that. The other officers receiving compensation, they are Bernard Medville, $600.

Senator PERCY. What is that for?

Mr. GOODSITE. Do you want the other officers?

Senator PERCY. I do not think we will need them, because they are minimal, and I do not think they could really dispute very much.

You cannot do an awful lot for $100 a month.

What would be the gross revenue of Hamlin House per year, and what proportion of that revenue comes from Government sources?

Mr. GOODSITE. The gross revenue in the past year was a million three hundred thousand dollars.

Senator PERCY. And what percentage would you say would be Government financed cases?

Mr. GOODSITE. I could not even guess at that. I would have no idea.

Senator PERCY. 25, 50, 75 percent, in excess of 90?

Mr. GOODSITE. I have no idea.

Senator PERCY. A staff member said in his judgment it is almost 100 percent.

Mr. LOWITZ. We will try to furnish it.

Senator PERCY. Do you have any reason to believe the staff judgment of almost 100 percent, or virtually 100 percent is incorrect?

Is it the policy to seek public aid cases, rather than to solicit private separate patients?

Mr. GOODSITE. There are private patients there, but I am not sure of how many.

Senator PERCY. How many patients are there total?

Mr. GOODSITE. Capacity is 425.

Senator PERCY. If the revenue is $1.3 million, what is the expense level?

Mr. GOODSITE. Exclusive of depreciation?

Senator PERCY. You have no depreciation. You have rent.

Mr. GOODSITE. Yes; we have depreciation.

Senator PERCY. Depreciation on equipment?

Mr. GOODSITE. The depreciation on equipment, improvements, and so forth, it is $4,490. Expenses are $1.1 million.

Senator PERCY. So a net profit before taxes would be about $200,000?

Mr. GOODSITE. $157,000.

Senator PERCY. So we have rent of $150,000, and a profit of $157,000.

We are up to $307,000 now, plus there is depreciation on the building itself, which would be cashflow, that we do not have.

You have $307,000 against the initial equipment investment of $480,000, plus $300,000 roughly financed.

Mr. GOODSITE. There is a factor of $70,000 in Federal income tax, State income taxes that would have to come in.

Senator PERCY. Yes.

Mr. GOODSITE. Cash flow; there is a mortgage payment too.

Senator PERCY. Yes, but that is an investment.

Mr. GOODSITE. It is a mortgage, and then taxes.

Senator PERCY. OK. Reduction of the mortgage.

The staff points out that perhaps the owners listed have an interest in the mortgage, too, someplace along the line. We just do not know.

I think the maximum information you can provide to us, in an effort to help us put together the pieces of the picture of this operation, would be very much appreciated.*

Does the staff have any further suggestion or questions?

I very much appreciate both of your being here, and I wish to express my appreciation to your principals for having you here.

Mr. LOWITZ. Thank you, Senator.

Senator PERCY. Dr. Karl Menninger, how is your time schedule?

Could you be delayed another 20 to 25 minutes before testifying?

Would it be all right with you? I know we promised you 2:30, but would it be all right if you went on at, let's say, roughtly 3:15?

Dr. MENNINGER. Certainly, Senator.

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*See appendix 1, item 12, p. 1583.

Senator PERCY. Thank you very much. I think that will enable us to finish up, and we will try to move right along, because I know you gentlemen have been waiting, and I do not want to hold you up unnecessarily.

Mr. Harvey J. Angell, I know you are representing yourself, and I appreciate your being here.

You are an officer and have an interest in not only one corporation, but you are of many.

Would it be possible for you to give us a consolidated picture of your holdings, and just an overall observation on what your total investment has been in nursing homes, how you happened to get into the business, and what your experience has been? I would like to give you the opportunity to comment on any aspect of these hearings. Are you a member of the Metropolitan Chicago Association of Nursing Homes? And I would like to know if you have attended any of their meetings. You can make any observations you would like, and if there is anything I feel can be added by questions, I will put those to you.

STATEMENT BY HARVEY J. ANGELL, PRESIDENT, HYDE PARK NURSING CENTER; PRESIDENT, MARTHA WASHINGTON MANOR; PRESIDENT, MICHIGAN TERRACE NURSING CENTER; DIRECTOR AND STOCKHOLDER, SANDRA MEMORIAL NURSING & CONVALESCENT HOME; OFFICER AND STOCKHOLDER, SKOKIE VALLEY MANOR AND DEARBORN HOUSE

Mr. ANGELL. Thank you. I must apologize in advance, I am not accustomed to speaking before Senate committees.

I am a bit nervous, and I hope you will excuse me. I want to thank you and your committee for the interest you have in the nursing home industry. Together with my associates, we try to function and run good nursing homes, and to be perfectly honest with you, since the devastating disclosures last March, even in talking to people with whom I am very close, I have had to be a bit defensive, telling them about nursing homes, saying we run good nursing homes.

The telegram you sent me was addressed to me as president of Hyde Park Nursing Center, and I brought a wealth of information on Hyde Park, together with some other consolidated data, and anything I do not have that your committee wants, will be made available to you immediately. My office is right downtown.

Also, I know that you have visited several nursing homes, and I would like to feel that ours are pretty good places, and I might put a plus on the ledger, and I invite you or any member of your staff, either by appointment, or without appointment, to come to any of our nursing homes at anytime.

I am not a fool. I do not think that we have been without our problems, and without our Board of Health checks at one time or another.

I only hope that each time a problem does occur, we learn from it, and we try to correct it in the future.

We have as part of our group, eight homes. You mentioned I was president of many corporations, and while you are president of only one corporation, I happen to live right near that one, it is a pretty big building, the reason is because together with my associates, we have identical ownership, and identical interest in all of them.

To be prefectly frank, we keep the same offices, so that when we sign papers, we do not get mixed up.

I myself am by profession a C.P.A. My primary partner is Mr. Gerald Elliott, an attorney-at-law.

We have other shareholders which operate all of the nursing homes, and they are Mr. Herbert Gibbs, Mr. Sidney Rosenfeld, Mr. Alvin B. Bush, and Mr. Jack Solomon, Jr., and we also own identical interests in each of the nursing home operations.

We have in the majority of our homes found it obligatory to establish limited partnerships for the ownership of the land and building. This was not done for tax purposes, or for secrecy purposes, because these records are publicly available.

Several of our homes have been financed by the FHA. Our income tax returns reflect each individual name, and all of these limited partnerships have been recorded right here in this building in the office of the County Recorder.

The only reason we formed these limited partnerships is because the sums of money required for the construction or purchase of a nursing home is beyond our financial ability, and in no instance do any of us, who are in the management corporations of these nursing homes, own any share of these real estate ventures, so that the rent we pay to the joint venture covers interest, mortgage payments, real estate taxes, and a predetermined specified return to the investors.

We do not in any way share in these joint ventures.

Senator PERCY. What is that predetermined specified return to the investors?

Mr. ANGELL. It varies over a period of years from the beginning, and as time goes by, and our occupancy rises, and our profits are higher, we hope that these people will share it.

At no time will it ever exceed 15 percent, and in the past years, at no time has it exceeded 12 percent.

In most instances, it is 10 percent. Normally when these people invest their money, our average home will take approximately $250,000, they first must wait approximately a year, anywhere from 9 months to 18 months during the construction period, during which they get no return whatsoever.

This return does not start until after that. It starts at 10 percent, goes to 12 percent, and it has never exceeded that to date.

The only salaried officers are Mr. Elliott and myself, each of us working, spending a primary amount of our time in the nursing home business, but we are attempting to expand the business and to build it, and our salary each is only $9,600 per year.

No Expense Accounts

We have no automobiles in our business, nor do any of our administrators, all of whom are fully qualified professional people.

In the event any business expense is incurred by an individual, one of the administrators, or one of our full-time employees, possibly a full-time dietician, or occupational therapist, they are reimbursed at 10 cents per mile for actual mileage driven, or actual out-of-pocket expenses.

There are no trips, nothing on our business. The most recent audited financial statements which we have are for our fiscal year ended September 30, 1970, and I have two statements, one of which is on the Hyde Park, which was a losing operation, and the other one was for all of our other homes. Although they are individual corporations, for tax purposes, we do not look at them that way, because if we are making a profit, and need the money to remodel, or to pay bills in another, we just transfer it, and we use it.

Both of these statements are audited and certified to by the national accounting firm of Laventhal, Krekstein, Horwath & Horwath.

The investment, our investment in the operations of the nursing homes, the various corporations which operate these homes is approximately $300,000.

This has been contributed at various times over the past few years, as needed, or as we expanded our business.

The amount of money invested, by the investors in the homes reflected in this agenda is approximately $800,000, and since then we have purchased another home with an investment of $300,000.

Our net profit last year for the year ended September 30, 1970, in the operations of the nursing homes, and this is before taxes, on revenues in excess of $2 million was $109,620.

Included in that as an operating depreciation is $63,815.

All of this money with the exception of those salaries that I mentioned earlier, has been reinvested in the nursing home business by us.

During the Chicago Tribune series last March, Dr. Yoder, the director of the Illinois Department of Public Health, visited our oldest nursing home.

I have the clipping in my briefcase, but I think I can paraphrase it, and he said this shows what a little time and money can do. He said care shows all over the place.

We now have eight nursing homes which we operate, each one has its own professional administrator, in addition to which by virtue of having this group of nursing homes, we have been able to go out and hire some qualified professionals on a full-time basis.

This would be a registered dietician who works for us full time. She is Bernice Deloney.

We have a full-time registered occupational therapist working, and he has completed his work for a master's degree in occupational therapy administration.

In addition to part-time social workers working in various of our homes, we also have our full-time social worker who will deal with patient problems, and also with the problems of employee motivation.

Complaints Filed by Authorities

Senator Percy. Have you had any complaints filed against any of your homes by the city, State, or county?

Mr. Angell. Yes, we have had at various times.

Senator Percy. Could you describe the nature of those, how many there have been, over what period of years, and what disposition was made of those?

Mr. Angell. I can give you the disposition easier than I can give you all of the details.

The disposition has been in each instance that we have corrected the complaint as soon as we were made aware of it, or as soon as it was practical to do so.

In some instances, we would need a tradesman, but at soon as possible they were corrected.

Senator PERCY. What in your judgment was the least offensive charge made against you, and what is the most offensive.

Mr. ANGELL. I would not call any of them to be so small, because the patients in the nursing homes are human beings, entitled to a certain amount of human dignity.

They raised all of us, and one of our administrators who has his masters in social work, has a saying that one mother can raise nine children, and nine children cannot seem to take care of one mother, so I do not think any of the complaints are that small.

The common complaint would be lack of charting of certain medical records.

I do not think that this is a small matter at all. I think it is a very important matter. The nurses will say they are busy, and what have you, nevertheless, it is not done.

On occasion the board of health inspectors will determine this, and we attempt to take steps as soon as possible to correct it.

Senator PERCY. How did you get into the nursing home field?

Mr. ANGELL. I was called in early 1964, I was asked by an individual in my capacity as a CPA, to consult with him and several of his associates concerning some tax, and internal problems which they had, and as time went by, we became rather close, and when they determined that they wanted to sell, I became interested in buying, and did so.

Senator PERCY. You do not happen to know Benjamin Cohen, do you?

Mr. ANGELL. Yes, sir, I do.

Senator PERCY. Could you describe to the committee your affiliation with him, business relationship?

Mr. ANGELL. I owned the Kenmore House Nursing Home for 2 years and I think it was in 1967, at which time it was sold to Benjamin Cohen.

He is currently paying on a second mortgage, which is held by myself and my associates.

I have not been in the nursing home. I believe it was sold May 1, 1967. I have not been in the nursing home building of Kenmore House since sometime in May of 1967.

Other than that, I have no association with him, nor have I seen him or spoken to him in a year or two.

Senator PERCY. Have you been the beneficiary of the land trust of Kenmore Nursing Home?

Mr. ANGELL. I was only up to 1967 when I sold it.

Senator PERCY. You are out totally?

Mr. ANGELL. I have been out since May of 1967 completely, subject only to a debt which Rabbi Cohen owed us.

Senator PERCY. He said he preferred not to be called Rabbi.

Mr. ANGELL. All right.

The only connection I have with him is the second mortgage which is paid by him monthly, other than that, I have neither seen him, nor had any business contacts with him, nor am I in any way connected.

Senator PERCY. How did you happen to sell the Kenmore Nursing Home to him?

Mr. ANGELL. We decided that we wanted to sell that property, and we had bought it, owned it 2 years, and I believe we upgraded it, and had internal partner reasons for selling it.

One of my associates at that time, major partner, wanted to move to California, and his two brothers, Benjamin Cohen's two brothers came to us and negotiated the purchase for him.

Senator PERCY. Do you happen to hold any other mortgages, or are you the beneficiary of any other nursing home trusts?

Mr. ANGELL. No, sir; other than the eight nursing homes, which are a matter of public record, I have no holding of any nursing home or land trust whatsoever.

NINETY PERCENT OF HOMES ARE FOR-PROFIT OPERATIONS

Senator PERCY. How do you account for the fact that most of our hospitals are nonprofit whereas almost 95 percent of all nursing homes in this country—out of 25,000 homes—are all organized for profit?

What peculiarities of the law give one industry a base for profit, and the other the opposite? Would you care to comment on whether or not there is anything inconsistent with the profit motive and the incentive to operate a good nursing home?

Mr. ANGELL. As long as you understand, I do not not speak on behalf of the nursing home industry. I speak for myself.

I believe that, first of all, the nursing home business, as I understand it, started out essentially as a very small business, where people might take a few residents into their home, and has grown from that.

I find nothing inconsistent with the profit motive in nursing homes, because I believe generally that if you run your business properly, and try to run it to satisfy your own conscience, and the conscience of the community, that the profit will follow rather adequately.

Senator PERCY. Let me go back for just a moment—can you give us a clarification of your statement concerning the Macks brothers, that is, Mitchell Macks and Samuel Cohen? They came to you, is that correct?

Mr. ANGELL. That is correct.

Senator PERCY. I have no further questions.

I appreciate very much your being here, and I would appreciate your making available to the committee adequate financial records consistent with the questions I put to the others so that we might appraise and study your operation. I found your testimony today very interesting.

Mr. ANGELL. Thank you, Senator.

I will leave these two financial statements and make anything else available to the committee that you want.*

Senator PERCY. Thank you very much indeed.

Now, the Pure brothers, to save time, would you just care to testify in any way that you see fit to assist this committee.

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*See appendix 1, item 13, p. 1606.

STATEMENTS OF JULIUS AND LOUIS PURE, OPERATORS OF PURE HOTEL, INC.

Mr. JULIUS PURE. I would be glad to have my brother tell what he knows. He is the treasurer.

Mr. PURE. I am the treasurer of our company, and we have a land trust for the real estate holdings, and an operating company, where the operations of the residential care home are.

We are not in the same category as a nursing home. Our rates at present are only $6.90 per day per patient. It is less than 50 percent of the income as a nursing home.

We primarily give room, board, and oversight care, and the oversight care is primarily the administration of their medication, make sure they take it, and their cleanliness, and presentability to the community.

LONG-TERM CARE OPERATION

Ours is more or less identified say in the volume classification of the long-term care field, due to the number of beds we operate, and due to the low revenue per bed.

Our type of people consume at least three times the amount of food and other commodities that are used in a nursing home, so, therefore, that is a large portion of our expense.

Senator PERCY. Three times, you say?

Mr. PURE. Yes, sir.

Senator PERCY. How do you account for this?

Mr. PURE. Well, primarily, all of ours are ambulatory, they are up and about, they are free to leave the building, and this is all day long, there is no check-in, no checkout.

We are the closest thing to bringing them back to the community.

By the way, most of our people are ex-mental, or had the misfortune to be in the mental hospital for one reason or other.

They are supposed to be back to the normal status as a civilian, therefore, their consumption of food is much more apportioned.

We primarily serve on a buffet type, where they can help themselves to all they wish.

Our menu is quite varied, to make it presentable to them.

They do not get the same thing, the same bland food. We try to stay away from restricted diets, because, there again, we would fall into the nursing home classification, which we cannot do according to the rules and regulations.

That basically is our primary operation.

Senator PERCY. On this kind of revenue, what can you tell us about the rate of return on investment that you received for this kind of patient?

Mr. PURE. Well, I have, by the way, I have lumped everything in one.

We have three facilities, and we have the same maintenance, same everything from place to place, in order for tax purposes, and other things, to facilitate our operation, we operate as one entity.

Our net return has been 6.1 ending January 31, 1971.

Senator PERCY. Can you give me specifics? What is your gross income: What is your equity investment in the three facilities?

Mr. PURE. Does this include the real estate?

Senator PERCY. Right, because you are operating "all in one."

Mr. PURE. $433,000.

Senator PERCY. That is the total value including bank financing?

Mr. PURE. No, sir; this is our personal investment.

Senator PERCY. That is your personal investment?

Mr. PURE. Right.

Senator PERCY. How much, in addition to that, do you carry in financing?

Mr. PURE. Our total investment for the entire proposition, it was $1,750,000.

Senator PERCY. So you financed all but $433,000 of that.

What is your gross revenue per year?

Mr. PURE. Our gross revenue is $58,000 on the operation of the company, and on the land trust, $97,000, or a total of $165,000.

Senator PERCY. You charge onto the operation rent?

Mr. PURE. Yes.

Senator PERCY. How much is the rent?

Mr. PURE. The rent is—well, I have a complete breakdown for your committee.

Senator PERCY. All right. Fine.

And your before-taxes profit was how much?

Mr. PURE. On the land and building, it was $155 thousand.

Senator PERCY. If you could leave all of those financial statements with us, we would appreciate that very much indeed.*

I have no further questions, and in case your brother would like to make a statement of any kind, we would be happy to have it, although it is not necessary.

Thank you very much indeed, Mr. Pure, for you being here with us.

Our last witness is Rabbi Hillel Yampol, executive director of the Metropolitan Chicago Nursing Home Association.

I am pleased that you have taken this opportunity to testify before the committee.

I trust that you feel our proceedings have been as fair as we could possibly make them, consistent with our responsibility of doing everything we can to expose wrongdoing, and to hopefully bring about corrective action. I very much appreciate the opportunity that was given to me, to face and address the members of your association, and to tell them straight from the shoulder exactly what I expected the association to do. I hope we get all the corrective action necessary as soon as possible.

Mr. Yampol, I give you this forum to make any statements you might like to make yourself.

Perhaps you could begin with your role as executive director of the Association. You are also the owner, operator, stockholder in how many nursing homes, if any?

*See appendix 1, item 14, p. 1612.

STATEMENT BY RABBI HILLEL YAMPOL, EXECUTIVE DIRECTOR OF THE METROPOLITAN CHICAGO NURSING HOME ASSOCIATION

Rabbi YAMPOL. May I first, please, Senator, express my appreciation, based on the earlier hearing, where there was not an opportunity due to the time element, to be here.

From the point of the association and its members as well as personally, I wish to express my interest and pleasure at further exploration of this matter, primarily as I indicated to you in writing after the earlier hearings out of fear that it was not going to get into some of the real problems which a continuation, with this kind of exploration will certainly reach.

I would like to take of couple of minutes to tell you a little about the association, and cover my own involvements at the same time.

The Metropolitan Chicago Nursing Home Association, as a metropolitan association, geographically close to many more facilities, more so than a regional or statewide association might be, has been able to go beyond the traditional association type of programs in certain ways that are kind of unique.

I want to touch on them, because I do think they reflect on some of the problems that exist in the field as well.

PROFESSIONAL SERVICE PROGRAMS

In addition to the dissemination of information, and the representation of the problems in the field, and educational programs, of which we put on some 20 days of seminars last year, for administrators, owners, directors of nursing, cooks, housekeepers, business office personnel, all of our programs are open to members and nonmembers, we have developed a series of professional service programs which do not exist anywhere else in the country, in an attempt to assist facilities in finding competent personnel in the professional area, dieticians, social workers, occupational therapists. One of the problems in upgrading care has been that many of the professional fields have never really been involved in long-term care, and there are not people with the knowledge or full-time commitment to long-term care, so what the association did was to establish advisory boards, since we had no expertise in these areas, and in our dietician program, for instance, we had representation from the three local departments, nutrition sections and from the Illinois Dietetic Association and like structures in social work and occupational therapy, to establish the criteria for the people we would hire and the kinds of programs we would do, and what we established are programs, where we have full-time professional personnel, who are made available to the facilities on a part-time basis.

These are self supporting nonprofit programs, again open to members and nonmembers.

We also coordinate a joint activity program, which relates again to the difficulties of individual facilities, particularly dealing with the public aid and limitations of public aid funds, to go beyond what we frankly no longer consider acceptable standards.

The concepts have risen faster than the standards, and quicker yet than the reimbursements.

It is the attempt of this association to try to lead in this regard, to set some norms, and I must express to you our own dissatisfaction in this regard.

We have affected standards in certain cases, and I take exception, I do want to comment on the conclusion of Mr. McEnerney from BGA. I think there were some very valid recommendations, much deeper, more meaningful than those given in April, but some of the things they raised, reflected a lack of verification of certain things.

The association has been very vitally involved in the review of standards.

Submitted Recommended Standards

We handed in over 42 pages of total review of recommended standards last year, recommending higher, in many cases, than were finally written into the standards.

Some from our own experience of our own program. For example, in our dietician program, we established with the advice from the professionals of the field, certain minimal concepts.

The standards of the State of Illinois, and frankly the standards of the Federal Government, in Medicaid when they came out, they were below what we had found to be desirable minimals, and we argued these points.

If there is concern on why standards are not what many of us would like to see them be, I think we have to look to the reality of the finances, and we will find, and it is evident in the reviews on the standard of the State of Illinois, the department of public aid serves very strongly to limit the increase in standards that will reflect in any way an increase in costs.

There were hearings, testimony, it is not in court-type testimony, but positions were presented, trying to hold back any major expansion in the level of standards, which of course reflects on the level of care.

I just want to touch on one other thing, because it had been mentioned in earlier testimony, the programs that we have, are all voluntary, are all fee for service, and are all in excess of the minimum requirements for licensure.

These programs could not function, and would not be in existence if many proprietary facilities did not choose to voluntarily spend funds they are not required to, to try to provide in excess of minimum standards.

You've commented, and I want to sustain it, that we know we have problem facilities, and I want you to know there are many facilities who do go beyond what they are required to do.

Association-Sponsored Training Programs

We also provide three ongoing training programs. The rehabilitation nursing course for registered nurses, which was developed with the help and advice of the Illinois Department of Public Health, is one of three in the State, and the only one in the country sponsored by a nursing home association.

We have a similar course for licensed practical nurses. Again, the facilities pay to send people to these courses, their salaries, and their

registrations, and we have a 40-hour week workshop for activity directors.

I would like to make one conclusion on this, and then answer whatever else you might want.

The fact that we have these programs is tangible evidence that we are contributing to the improvement of care, and hopefully to raising norms, and this is something we are, of course, proud of, because we are doing things that we have not been done elsewhere in this country. But the fact that we must do them, and in such profusion shows how great the need is, and how far behind our country has allowed care for the aged to lag.

We commend you and the committee for focusing attention on the need, and we will observe with great interest if anything far reaching and real can be brought about, and we have started to do what we can, and we offer any cooperation in trying to bring some tangible results out of these hearings.

Senator PERCY. Thank you very much indeed.

I wonder if you would be good enough to just stand by for a few moments, and I will ask Dr. Karl Menninger to come forward and to take a seat right down here. I would like to just ask a few questions of Dr. Menninger now, and then if we have time, we will come back to you. If not, possibly the staff will be able to carry on for a few moments.

I have a helicopter to make at 4:22, so I am somewhat limited in time.

Dr. Menninger, please sit anyplace where you would be comfortable. I would like to say those who are here today, first, let me thank you for your interest in being here.

This is a very, very complex and serious problem we are dealing with, and we have seen a great deal of help and deep-seated interest on the part of our community in Chicago. We welcome as our last witness today Dr. Karl Menninger, founder and chairman of the board of trustees of the Menninger Foundation of Topeka, Kans., and of a group of foster homes for the care of homeless children. Dr. Menninger is also the author of better than a dozen books that I know of, the most recent one published, "Crime and Punishment," which came out in 1968. Dr. Menninger is also a member of the board of directors of his foundation of Chicago.

Certainly, the foundation has done a tremendous job in the area of philanthropy in recent years, and one of the most famous living psychiatrists in the world today is Dr. Menninger.

I am glad to have you with us. We would like to have any contribution from you that you would like to make.

We heard earlier today from another witness associated with the field of psychiatry, an area of deep interest to you. That witness was Dr. Charles Kramer, of the Kramer Foundation, and he talked about the differences between senility and psychosis. Assuming we can tell the difference, we asked him if we should try to give different treatment to one group than to another, and what type of institutions can best provide these services.

I know this is not a field of specialty of yours, but you have a deep-seated knowledge of it. Perhaps you can tell us what direction the

country should take in trying to care better for our aging population, a segment of the population that is abandoned and neglected by so many of us. We would be honored and privileged to hear from you.

STATEMENT OF DR. KARL MENNINGER, CHAIRMAN, BOARD OF TRUSTEES, MENNINGER FOUNDATION, TOPEKA, KANS.

Dr. MENNINGER. Senator Percy, I am very happy to be here.

I received your personal invitation, and I know how interested you are in improving just such social problems as this.

Iwill answer your last question first. The most important thing to do, in my opinion, is just the sort of thing you are doing here today, bringing the public's attention to this problem, making inquiry into what is actually being done. The fact that you, our Senator, are interested in it, the fact that this matter is being aired and discussed, is one of the most important things that could be done.

Now, as to the first question, the difference between senility and psychosis. I do not think that either one of these "things" exist, or at least they do not exist in the clear form in which the words are used.

Let us take senility, for example. I am sure that this word does not mean merely the condition of somebody who is older than most people. Some people become quite worn out at a relatively young age, and some reach 90 with considerable vigor. The word "senility" is rather vague, but I assume that what is meant in this discussion, is the general reduction in functioning ability sufficient to make a person dependent upon someone else for ordinary needs.

Grandfather gets slow and uncertain, or he gets inattentive as to where he throws his matches; he appears somewhat disheveled at times, or unduly irritable. These sometimes add up to definite evidence of change, disorganization; a kind of deterioration is ascribed to age, and is called senility.

A MATTER OF INTERPRETATION

I read into the question the inference that if this condition can be called the "psychosis," then the State will take care of this man in the State hospital; it is the State's responsibility. So long as it is merely frailty and weakness of the flesh, so to speak, then it is still the family's responsibility. This often becomes a question of how much of a nuisance the older person is considered to be. Unfortunately, my profession has contributed, I think, to a great injustice here by employing the word very loosely. Personally, I am not convinced there is any such clearly definable condition as psychosis. But, it is in such common usage that you may reply, "Well, everybody knows what psychosis means; it means just crazy." But, I ask, just what does crazy mean?

Well, crazy means insane. Here again, insane is a word defined by the State legislatures, not by us doctors. It is another of these words which really have no sound medical meaning.

The practical meaning is that someone has become a considerable nuisance to the people in his environment.

If he is considerably irritating and annoying, and difficult, and provoking to the people around him, his "senility" is apt to be called

his "psychosis." These are both social diagnoses, and not medical diagnoses, and I think this results in a great deal of injustice, because name-calling diagnosis is usually an administrative, political act.

It is all a question of one's interpretation of the nuisance factor. There are, to be sure, some aspects of being a nuisance which are alarming. If an elderly individual has a propensity for setting fire to everything inflammable in the house, I can see how somebody would like to attribute this to a mental illness, and not merely to mental decay. But most of the symptoms of what we used to call "senile dementia" are of the nature of impaired perception, memory, and movement.

Beautifully Structured Facilities Sometime Lack Warmth

I was one time on the board of inspection for foster homes, the elderly and others in the State of Kansas, and I visited a great many homes and I know how terrible some of them are, and I know how excellent some of them are. We were frequently in a quandry in our inspections, because some of the places which were very unprepossessing physically, had the best spirit and management, and some excellent facilities with beautiful accommodations, had cold or unpleasant personnel, a grim despairing atmosphere so that the elderly people in that home were far worse off, I thought, than in the others.

To illustrate the unreliability of sharply differentiating those who require public hospital care, I would like to read something I wrote a few years ago about supposedly hopeless psychotic senility.

I wrote it out very carefully, and I will be less wordy if I read it rather then tell it orally. This experience that I had with a group of 88 people we had charge of in a State hospital that I was directing, was actually the word of Dr. Howard Williams.

On the first day of January 1947, there was a total population of 88, and the average age of the patients was 68. These people occupied two wards of a State hospital. They were all considered to have a "senile psychosis," or "senile dementia."

They were not just old people. They were "crazy" old people. They were people whose relatives could not stand them, or did not want to stand them, or keep them.

They were all dreary, dilapidated, hopeless people, waiting to die. Speaking rarely, spoken to rarely.

Fifty-one of them were bedfast; the easiest way to take care of old patients in State hospitals is to keep them in bed. By keeping them in bed, you have less trouble. They do not stumble, they do not fall down.

This is the old theory. Thank God, it is more or less abandoned.

Fifty-nine of these people were bedridden. About a score of them had no control over their excretory functions. They soiled the beds regularly. Forty-one of them were spoon fed at every meal.

One of them had been on the ward for 58 years. The average stay of these old people on this ward was 10 years!

So there was this ward full of longtime bedridden incontinent, hopeless, vegetating patients. Picture now, this young doctor I assigned to it, Dr. Howard Williams, taking over with his therapeutic team of cheerful young nurses, aides, social workers, and psychiatric residents.

Each patient became a focus of attention. The ward was transformed from being a museum of dying human specimens into a hospital home in the best sense.

Music and television was brought in. Cages of canaries, potted plants, aquariums were placed around the dreary halls, new lighting fixtures, drapes were installed, some of them by volunteers.

Birthday parties were held for each individual, and relatives were urged to come to these for weekend visits. A score of social activities were instituted with the combined aid of the patients, staff members, and volunteers.

The patients themselves painted a shuffleboard court on the floor of the previously sacred sitting hall.

A ramp was constructed by the patients, over a short, but difficult flight of steps, which enabled some of the bed patients to be moved into the social center.

Finger painting, furniture sanding, leather-tooling, Bingo games, water-color painting, and all sorts of things were introduced.

Immediate Change in Patients

A change in the clinical status of the patients was perceptible immediately. Three weeks after the program had begun, one patient was discharged to cooperative and interested relatives who were delighted to have their old father rise, as it were, from the grave and return to them.

By the end of the year only nine of these nearly 90 patients were still bedfast, and only six of them were still incontinent. Five had died. Twelve had gone home to live with their families. Six had gone out to live by themselves, and four had found comfortable nursing-home provisions. Four of the original 88 were now gainfully employed and self-supporting. (Abstracted from *Vital Balance*, by Dr. Karl Menninger, Viking Press, 1963.)

As you see, quite a number of the "hopeless," senile, and psychotic patients greatly improved. Why? What made the difference?

It was the same institution. It was the same beds. It was the same two wards.

It wasn't the same atmosphere. It wasn't the same staff. Somebody took an interest in them. Somebody treated them as if they were human beings. That was more important than the structure, it was more important than the equipment.

Everything depends upon the spirit of the place.

There is actually a spirit in that place which says that person is wanted and cared for. That is important. You must give some kind of special attention to each individual, as a person, not as a "senile" or "psychotic."

Senator Percy. Dr. Menninger, what you have really said has universal application, not just to this problem, but to many others, such as the welfare problem, which is engulfing the country right now. Really, we must get down to finding what it is that we can do to give human dignity to the people—the skill to get off of welfare—to give them daycare centers to put their children in, so if they are mothers they can get out of the house, if we can make an initial investment which is adequate, then we can find ways to solve the wel-

fare problem. But if we just keep having handouts, that is not the solution.

It is the same way with the prison problem. We do not do enough to find out what the nature of criminality is.

We are detaining people as we did in medieval days, without any real knowledge of how to rehabilitate those people back to a human life. It is the same way with the aging.

There are two letters which I received on the subject, one from a woman, Mayme J. Wood.

Miss Wood told me in some detail about the problems of her aging mother, age 82.

She concluded this way, as a result of a heartbreaking experience she had:

I am of the belief that this country has no place at all for the old, ill, or retired people. You don't know how bad it is until it reaches one that you dearly love.

And here is a response, an inquiry that came to me from a young girl, 17 years old, Sue Marshall of Chicago.

She says:

Last night I happened to be up late, booking it for tests. The television in the background was turned to the Howard Miller Show, and I kept hearing snatches of your interview on the subject of senior citizens.

And she goes on in a nice way for a while, and she concludes this.

It seems so unfair, these people have given themselves, their time, love, and affection, to their families all their lives, and when they reach old age, they are turned out. Or even worse, these people who have never had a family to love, these people are not dead, they are human beings, who need love and attention, just like anyone else.

And here you have reiterated in a very profound way what a 17-year-old girl was saying, that the trouble is that we just do not care enough about the people who have made this a great country, and contributed so much, and who now have so little concern shown for them in society.

Any concluding comments you would like to make, we would be delighted to have. I think your comments on this one particular case on the Topeka Hospital are most appropriate, and I am going to quote you, and send back your remarks as a second answer to both of these people who have written, because I think your story offers great hope. It is a real case history of what can be done, when we really care enough, and when people show they care.

Dr. MENNINGER. Will you come back again, Senator.

Senator PERCY. As often as I can.

I will look forward to continuing the dialogue on a private basis with you. My first responsibility is to Illinois.

Again, I wish to express appreciation to the U.S. Senate for seeing fit to create this committee, for having such an able staff, and for committing itself to the future, to finding a better answer to the problems we have. And we will call on you, Dr. Menninger, for your counsel and advice in the years ahead. I know you have many fine productive years ahead, just as you have looked back on many productive years.

I am going to turn the proceedings over now to our able staff, and Mr. Val Halamandaris, I will ask you to conclude whatever questioning you feel would be helpful and appropriate, with Rabbi Yampol. I am sorry, my deadline has arrived.

STATEMENT OF RABBI HILLEL YAMPOL—Resumed

Rabbi YAMPOL. I have only one comment on what Dr. Menninger said, and I think it relates to the committee's work. All of the legislation in the last 2 or 3 years have related to physical plant and improvements in that way.

It is needed obviously, but the point he is raising, is that it is the programing that is crucial.

Right now H.R. 1 has scheduled in it to remove the requirement for a social worker in long-term care programs, and I think this is the exact reversal of exactly the point that Dr. Menninger is raising.

Senator PERCY. Thank you very much indeed. The hearing will continue.

Rabbi YAMPOL. While Senator Percy is walking out, I would like to says I have no interest in any nursing homes at all, never had any except in the one that we began—my parents and I—in 1952, and I did do consultation work and other things in facilities, but I never had an interest financial or otherwise in any other facilities.

Senator PERCY. Thank you very much. It is important to clear that up.

Mr. HALAMANDARIS. Rabbi Yampol, I have a few questions for you.

Would you like to continue your statement, or have you pretty well said what you want to say?

Rabbi YAMPOL. I would rather answer what you want to raise, and then see if there is anything to clarify off of it.

Mr. HALAMANDARIS. You do not feel you would rather make a wider statement?

Rabbi YAMPOL. No; as I indicated initially, all I was attempting to do today was indicate some of the programs of the association, and be available to clarify some of the questions in the committee's mind.

Mr. HALAMANDARIS. No. 1, you mentioned the Better Government Association has certainly become more enlightened since the last time you heard them in April.

I believe you said "they had gotten into things a little better." I would like to compliment you a bit for the same thing.

It seems the Metropolitan Chicago Nursing Home Association has become a little more sensible lately. I would like to refresh your memory.

On March 12, you held a press conference, and I am quoting here directly, from the statement which issued from your office.*

You said on this particular time, that the charges which have been made have to be qualified, because they were made by untrained observers.

You were referring at that time to the Tribune and the Better Government Association.

I wonder what kind of training you need to walk into a nursing home and see if the nursing home is filthy, and to smell it, if it is unclean?

No. 2, in this same press release, you said the findings have not been substantiated by any responsible party.

I wonder if you will now concede they have been substantiated by some responsible party?

Rabbi YAMPOL. Let me qualify——

Mr. HALAMANDARIS. Let me finish my question.

*See item 3, p. 1543, News release by Hillel H. Yampol, Director, Metropolitan Chicago Nursing Home Association, March 2, 1971.

The next thing you say, in speaking for the Metropolitan Chicago Nursing Home Association, as executive director, is that a fringe of undesirable practices may exist.

I wonder how much of a fringe thing it is when the State of Illinois comes before us and says that 50 percent of the nursing homes in the State of Illinois do not meet the standards?

I wonder if you still call it a fringe of undesirable practices?

This magnificent press release went on to say that the families have a choice if these conditions do exist, they could move their relatives out of these homes.

Most of these are public aid patients, and have no family. They are in a very difficult position to make that kind of a choice for themselves. Whether this is a bad nursing home or not, they just cannot get up and leave.

In that same press release, you were quoted as saying, "Well, I am not sure just exactly how much money it takes," and then you say "the State is not providing enough money," and then you say "the State is possibly providing too much money, but it is being misused."

I'll let you clarify that in a minute.

You say that you will vigorously pursue bad practices wherever they exist, and then we have you quoted in the newspaper exactly 2 weeks later, after having a discussion with Representative Mann. The question was asked, "Can the Metropolitan Chicago Nursing Home Association do something about cleaning up its own house?"

Your comment was, "We are a voluntary association, we cannot clean our own house."

You say, it is not our job. We do not have the staff.

I wonder about that.

That is my first question.

Time for Self-Policing

Don't you think it is about time that the Metropolitan Chicago Nursing Home Association sat down, and said, "We have a code of ethics, it is time we enforced them and held our own hearings to find facts." Don't you think it is time that you and other associations took the responsibility upon yourself to become self-policing, the same as say the attorney and the medical profession?

Don't you think it is about time the association took the responsibility for cleaning its own house?

What do you think about that?

Rabbi Yampol. Let me make a couple of comments on it. First of all, you relate to other associations, particularly I think the bar, the lawyers, and whatever else you mentioned, other professional associations.

I don't, frankly know, and I think that is something to be considered.

I don't frankly know of any professional association that carries on inspections, regular inspections and review procedures, other than when charges are raised, or complaints are registered.

The Medical Association Review Committee responds to charges, so does the bar association, so do other professional associations, and I think out of the reality of the situation.

They really can't get into the situation of walking into doctor's offices, and walking into lawyer's offices at random and doing a review of his practices.

We are a voluntary association. There are agencies of the State of Illinois created by the legislature, as there are agencies of the Federal Government created by the Congress who have a responsibility of inspections, enforcement, and licensure.

We could never do it on the scale that they are doing it. This does not remove our obligation and the obligation of all associations to try to determine within their own membership some means of upgrading, of screening, if necessary, discharging or removal of undesirable members.

We have a code of ethics, we have a subscription to it by anyone joining, the requirement for admission to the association in the past has been licensure. We looked to the licensing agencies to determine whether a facility was meeting standards for licensure or not.

If they were licensed by the agencies involved, we accepted them as meeting standards.

A Rapidly Changing Field

We are slightly different than some of the fields you mentioned, in that this is an expanding field, a rapidly changing one.

We have old facilities being replaced with new ones, we have new concepts of care, there is a constant upgrading going on, and there has been for about 8 to 10 years, given great impetus, from 1967 on. When the Federal Government began to get into it and the result is that we have great variation in levels of physical plant, in types of care and in types of patients, and consequently our concern as an association has been to try to encourage, try to educate, try to guide, try to give assistance, rather than try to shove off into a corner and ignore.

Mr. Halamandaris. I do not want to be unfair, but what it seems to me it boils down to is this, when the charges came out, in the Tribune, could you not have said: "We know there are some very bad nursing homes, and we applaud the Tribune." Was not that the time to say, "Let's all get behind the wagon and push?"

The Metropolitan Chicago Nursing Home Association, and you in particular, were alone in the combative position of saying to the BGA and the Tribune, "We impugn your motives," In that same press release, you said the investigation might have been politically motivated.

What are the political motivations of the Tribune? Is somebody in the Tribune running for President or something?

Rabbi Yampol. You would not let me answer that question before. You are back to it now. This association and I personally have always worked for an upgrading of care. We do not have to hide our head in shame to anyone.

We are not pleased with poor care, inadequate public rates, and inadequate public aid programing, we are not pleased if inspection is not effective, and is not the way it should have been, we do not condone it; we do not support it; we will attack it; however, various things raised in the press, and various things raised on TV shows by the BGA, and Tribune representatives reflected a lack of understanding or knowledge about the patients. I am not talking about dirty floors. I am talking about some of the pictures, and some of the examples that were given, that were later incidentally by the agencies who investigated them not at all sustained.

What was sustained was enough to reflect the fact that there are subminimal facilities, about which we must all be concerned, about which something must be done.

The main point we were stressing is, and you took excerpts from it, and it still remains our key point, is that there are problems in the programs designed for care, and this is what this committee said today, what Senator Percy said today, and what the BGA is now saying, the problem of the inadequate home is a relatively simple problem.

It is a matter of enforcement, of closure, of compliance. It is a controllable matter. The problem is what brings it about? Why is it perpetuated?

What about the ones that are just above minimal? Does that mean that that's adequate for care?

Are our programs encouraging good or bad care?

Are we awarding the good home or the bad home?

These are the questions we want to focus on. Once the spotlight was put on those facilities that were not in compliance, there was the machinery, it was there before, and it is there now, and the testimony today shows it is being used more effectively to deal with those.

They are in every field. There are those that are undesirable and they have to be dealt with in other means than the positive means.

Mr. HALAMANDARIS. You keep coming back to the same point, that is the Department of Health says the nursing home is a licensed facility, and that you do not look beyond that. If they have the license, we are not about to tell them that they are a bad nursing home, that we ought not to try to improve them.

USE INFLUENCE OF POSITION

As you know, the nursing homes like individuals have reputations, and you as the executive director of this association, are in the best position to know which nursing homes are good and which are bad.

You are also in the position to exert extreme influence on the members of the association.

Your only risk is they will tell you, we are tired of this, and we will get out of the association.

It seems to me, that is the price you ought to pay. You ought to say this is the standard, and you should start with the association, and say we will enforce this among our members, and if you do not like it, too bad, but at least you will be known as representing quality nursing homes, and when you see MCNHA, it should be like Good Housekeeping's seal of approval.

Rabbi YAMPOL. I do not keep saying it. You are bringing it up. I agree with you. What I said to you was that our criteria for membership in the past had been licensure.

What I am acknowledging, and what you are saying, I am not fighting on what you are saying, it certainly is desirable for any association to try to be able to have within its program only the stronger, the better, the best, and set examples, and have a prestige factor.

I am indicating to you that at certain points in the history of an industry—I can tell you frankly, when we started our association and discussed membership, there were people involved with us, in helping

us to try to improve care as a voluntary association in the Chicago Health Department who encouraged us in the line we were taking of opening our membership to those who wanted to join for a very simple reason. It is a tax to belong to an association. It is voluntary. You pay to belong. The association, certainly when it was beginning, did not have a prestige factor.

The symbol on the door did not mean anything. We do not even have a symbol on the door now. Anybody belonging had to have some reason. They were either coming to find out how to do things better, or they wanted to be exposed to some, and we might be able to effect even the most minimal facility by letting them be exposed to those who were trying to raise care.

To close the door to them was to disregard the patients in those facilities, and in our early positions, our discussions back in 1959, 1960, 1961, when the association was beginning, related us to patient care, rather than to the facilities specifically, and we have always related to patient care.

I accept what you are saying. With what has happened, with exposure, with this situation, it obviously becomes necessary to review some of the things that may have been meaningful and useful in 1960, 1961, and 1962.

Mr. HALAMANDARIS. If I were in your position, that is what I would do, and I would do it now.

Rabbi YAMPOL. We are working on it.

Mr. HALAMANDARIS. You are moving in a lot of directions, and I know you are trying to improve patient care.

Now, I would think that you have one mechanism for improvement which is available to you right now, and I think I have your commitment, that you will work toward a stronger code of ethics, and for a stronger mechanism for enforcement, is that true, or not?

Rabbi YAMPOL. When you talk about enforcement, I do not know what you mean.

Let me just give you this very clearly, without any problem, we review a facility, as a facility asks to join, we have an ethics review committee, we go out, the facility is fine.

PERSONNEL CHANGE CAN HAVE DRASTIC AFFECT

A change of the director of nursing, a change of the administrator, a change of a charge nurse on a particular shift, can drastically affect the program in that facility.

We cannot be in there weekly or monthly as the Health Department is.

Not even the Joint Commission on Accreditation goes in once every week. They go once every 3 years, and now it is once a year.

I have been an administrator. I know what can happen in a facility in 30 days with some key people changing.

I can say to you definitely that we are pursuing a program that will have a selectivity in it, and try to have whatever mechanisms are practical to verify that that selectivity is implemented and followed.

Mr. HALAMANDARIS. You say you cannot go into nursing homes every other day, or three times a year like the Joint Commission.

Rabbi YAMPOL. The Joint Commission is once every year.

Mr. HALAMANDARIS. The point is you do not have to, because you know what that nursing home is like.

You can, I am sure, sit here and tell me the conditions of most of the nursing homes that belong to the Metropolitan Chicago Nursing Homes Association.

If I were to come to you in confidence, and tell you, Mr. Yampol, what are your five worst homes and your five best homes, can you tell me?

Rabbi YAMPOL. I could tell you my five strongest and my five weakest, but I could not qualify.

You are giving me credit for something I do not have.

Mr. HALAMANDARIS. I do it all the time.

Rabbi YAMPOL. I appreciate the credit, but there is an awful lot that goes into good nursing homes.

The home may have a nice facility and lousy food program, or it may have a beautiful kitchen, an excellent food system and a poor nursing program. We hear about various parts of programs.

My reaction to you would be I have to go very strongly on the administration of the facility that I know, and in certain facilities, I know more about the administration and know them better than I do in other facilities, and those that I don't I am dealing kind of vague.

I really do not know what the commitment is if I do not know the individual. I am answering you as an individual now, not as a director.

Mr. HALAMANDARIS. Your knowledge of the conditions of nursing homes is really kind of vague, and yet you said in your press release that only a fringe of undesirable practices existed.

How did you come to the conclusion that only a fringe of undesirable practices existed if you are so vague and uninformed about the conditions of your member homes?

Rabbi YAMPOL. I will tell you why.

Mr. HALAMANDARIS. How do you acquire all of this illusive information you seem to have to be able to write a press release and lose it here today?

Rabbi YAMPOL. I have the information you want. I am not avoiding any of your questions, but I am not going to let you put words in my mouth anymore than you would let me put them in yours.

Mr. HALAMANDARIS. The only thing I can tell you is in my conclusion you did nothing to enforce a code of ethics. Does that not concern you?

Rabbi YAMPOL. I am suggesting you are trying to make me say something that I cannot say.

Mr. HALANDARIS. The only thing I can tell you is nothing to enforce a code of ethics. Does that not concern you?

Rabbi YAMPOL. I cannot really say that it does or does not. I do not do things because of what I look like in anybody's eyes.

I do things because of what I know has to be done to improve care, and this is what I have been doing since 1952 in long-term care, and what anybody wants to raise, in the way of criticism of what has not yet been done may be valid criticism or not, it doesn't detract from what has been done.

ENFORCEMENT—A VAGUE TERM

I know the kind of job I have been doing and I do not have to hide my head in shame to anyone. Enforcement is a vague term incidentally.

It is like Dr. Menninger said, senility is a vague term. The Joint Commission on Accreditation is a very respected and esteemed body. It issues accreditation of hospitals. Cook County Hospital has been written up many, many times—it has been in jeopardy of losing accreditation, and it has had extensions regarding its accreditation.

I respect the Joint Commission very much. I know, because it is a matter of public knowledge, that the accreditation approval of Cook County Hospital is certainly a different approval than that of many other hospitals.

They are trying to help the hospital out of its problem. Enforcement is all over the ballpark. When you use the term the way you use it, if you are talking about regular inspections, and regular things of this sort, no. If you are talking about responding to any information we have, to pursue, if we get a negative report to find out if it is valid and, if so, to do something about it, then we are talking about the same thing.

There is nothing vague about that, no.

Mr. HALAMANDARIS. Let's talk about something else. Your statement that you have never held any interest in nursing homes.

Rabbi YAMPOL. Financial.

Mr. HALAMANDARIS. You will admit to at least up to 1966 you were secretary of the following nursing homes——

Rabbi YAMPOL. I know what you are referring to. You raised it before. You want me to wait while you ask—I will?

You are asking about the listing in the corporation of the Mitchell Macks' homes.

Mr. HALAMANDARIS. Yes.

Rabbi YAMPOL. I wanted to clarify it but it wasn't in the earlier part. I think it was in 1965, Mr. Macks had three homes at that time, and right after that he purchased the Midwest Rest Haven.

He had had someone managing his facilities centrally, and the person had left without notice, at least from what I understood.

He had never been in the active management of the facilities, he was unaware of the actual running of them. He had hired management, and the management was not there. I had known him for many years, and he asked me if I would at least on an interim basis, serve in a management situation for his facilities.

I was in a facility at the time, it was a small facility, and consequently, I could handle more than the one facility I was in.

The one I was in was with my parents, so there were three of us fulltime in the facility.

I agreed to handle the situation with Mr. Macks on one basis, and that was that I had full authority in all matters relating to patient care, that my hands would not be tied in any way in relation to anything I felt was needed for patient care.

He is an attorney, I am not.

Mr. HALAMANDARIS. Let me interrupt. Full authority with regard to patient care from what time?

Rabbi YAMPOL. I do not remember the date. From when I started, as long as it would go on. He asked me to handle it on an interim basis, to see how it would go.

It was on a part-time consultative basis. I went into it on the basis that I would have a free hand to do what I felt needed to be done.

This was in 1965.

I had been in the field since 1952. I operated the kind of facility that I felt I could be proud of, and I wanted to make sure if I had any affiliation with any other facility, I was going to have the authority, to make sure it was the kind of facility I wanted to be affiliated with.

He took the position as an attorney, that if I needed that kind of authority, he would make me an officer of the corporation.

I do not know if it was necessary, or it was not, I am not an attorney.

This is what was done. I was made an officer of each corporation with the authority to act as the authorized, whatever terminology it is, for the corporation.

The first thing we did was call a meeting with the Health Department, to sit down and find out what they felt about each of these facilities, and what they felt was needed to be done.

The whole affiliation was something like 6 or 7 months.

Full-Time Employee Needed

He wanted a full-time person. It was never understood I would be.

I stepped in a gap to try to help the facilities to continue functioning, and he determined he wanted some person that was full time, who would be based out of his central offices, and that was when the affiliation ended.

Mr. Halamandaris. Your total connection was during this time, 1965, 1966, 6 or 7 months?

Rabbi Yampol. Yes.

Mr. Halamandaris. That is the knowledge you have, you cannot give me a specific time frame?

Rabbi Yampol. I can get it.

Mr. Halamandaris. Will you do that for me?

I will tell you why. First of all, the State records reflect the fact you have been connected with these facilities until 1968. Would you tell me when you got out of this partnership, and started with the Metropolitan Chicago Nursing Home Association?

Rabbi Yampol. I am the founding President of the Chicago Nursing Home Association which was in 1960 or 1961. I served several terms, and then other presidents came and I was on the board.

The association program expanded until in 1966, it was difficult to elect the president, because it was taking more than 20 hours a week for a president to function, and it was determined at that time that either we were going to fall apart as a result of not being able to elect leadership, or we would have to go the next step of a fulltime office.

The facility I was with at that time which was the Sovereign had plans to expand and this was when, in 1966, money got very tight then, and it was impossible to get a mortgage, and the indications were it would be a half a year to a year before we would be able to do any expansion.

The members of the board asked whether I could take a leave of absence from the Sovereign to set up the association office, to take a leave of 1 year since I could not go any further with the Sovereign Home at that point. I took a leave of absence in 1966. I believe it was November 1 that I started with the association in 1966, and the program continued to expand.

I chose to remain with the association rather than go back to the home, and I guess in 1968, you have the date there, I don't, the facility was sold.

Mr. HALAMANDARIS. Now, back to the point I started a little while ago, in 1966, you were listed, your name was in the State records, as secretary to the following nursing homes. Englewood Rest Haven, St. Michael's Rest Haven, Midwest Rest Haven, Northshore Rest Haven.

Rabbi YAMPOL. Those are the homes of Mitchell Macks.

Mr. HALAMANDARIS. Now, I went to the State health department, and I asked for the back records in 1966, 1965, and that is why I am extremely interested on the exact dates in which you were quoting full authority, and had a free hand in those nursing homes, because those inspection records were extremely interesting.

Do you happen to recall the time that so many rats had died under the flooring of one of the nursing homes, the city health department came in and actually helped the nursing home rip up the floor, and it stayed that way, and was not repaired for a long time.

Rabbi YAMPOL. That was not during my time because I don't know the whole incident, so it was not during my time. However, let me explain to you very briefly, which I think you do understand from my earlier statement, the reason I asked for full authority is because the facilities were minimum facilities, because they had a history of violations, and because I had been asked to come and straighten it out.

I met with the health department and began working on various things. These things don't happen overnight. I was not there long enough finally to bring about any major change, certainly in furnishing, the facility plant and those kind of things.

Certain things were started, certain things were effected during that time.

We put in better procedures in recordkeeping, but the long-range development, I was not around for.

I do not know if it was pursued after I left or not.

REPEATED VIOLATORS OF STANDARDS

Mr. HALAMANDARIS. I am very glad to have that information. You are right about the nursing homes which Mr. Macks owns, being repeated violators of the city standards.

Just recently, on the 20th of May of this year, the Kenmore House was fined $500.

North Shore Rest Haven was fined $300, and again on the 16th of August, $105.

Englewood Rest Haven, a $250 fine. I have the records and the violations are about as long as your arm. On the other hand, Mr. Macks who was not here, appears to be a very prosperous businessman; he lives in a very nice home.

Rabbi YAMPOL. I know his home. I have been there. As you know, he is in various businesses, nursing homes is not the only endeavor he is in.

Mr. HALAMANDARIS. Are you of the opinion yourself that Mr. Macks simply does not care for his facilities, that he cannot devote the time, or he needs the full-time man you would have been?

Rabbi YAMPOL. How can I answer that kind of question.

Mr. HALAMANDARIS. He is a member of the association?

Rabbi YAMPOL. No, he is not.

Mr. HALAMANDARIS. He is not?

Rabbi YAMPOL. No, he is not.

Mr. HALAMANDARIS. You then have no reading about what kind of nursing homes they are today?

Rabbi YAMPOL. I only know from my experience in 1965, 1966, when I went into the homes, and my concern at that point, if I was going to be involved with them, in being allowed to move them to where I felt they ought to be.

Mr. HALAMANDARIS. I see the association has opened up membership to other areas.

Are you planning to expand and take over the whole State?

Rabbi YAMPOL. No; we had been a part of the Illinois Association until 2 years ago, which is when most of these programs were begun. As part of the State association, we simply did not have the funding, or the budget to begin the programs we felt were needed in the metropolitan area, and after several years of problems between metropolitan and nonmetropolitan influences within a State, as we had seen in other States, it was determined we could probably do a more effective programing independently.

When we were a part of the State association, we were a district. As a district, we were confined to Cook and Lake County.

As an independent association, we had many people from DuPage coming to our programs so we copied the Chicago Hospital and Metropolitan Hospital Council metropolitan area concepts which are a minimum of six counties.

We took a six-county area, geographically reasonable area of service.

Mr. HALAMANDARIS. I want to end this thing on a positive note. I know you have asked for Federal support for a new program for training personnel. I hope that comes through. I also hope when you go home tonight, you will give a little wider thought to my suggestion the association should become self-policing and there is no great danger today since you are expanding into these other counties, that you will lose membership.

Rabbi YAMPOL. I wish I was as confident as you are. I agree with you, I think we are heading now in that direction. I cannot be definitive. We have a board, and we have committees working on this.

I am a director, not a dictator.

Mr. HALAMANDARIS. Well, I have no further questions of you.

I thank you for your testimony.

The hearing is adjourned.

(Whereupon, the hearing was adjourned at 4:40 p.m., subject to the call of the Chair.)

APPENDIXES

Appendix 1

ADDITIONAL MATERIAL FROM WITNESSES

ITEM 1.—LETTER FROM DR. PAUL GORDON, THE CHICAGO MEDICAL SCHOOL, UNIVERSITY OF HEALTH SERVICES, TO SENATOR FRANK E. MOSS, JUNE 5, 1970

JUNE 5, 1970.

DEAR SENATOR MOSS: I was very pleased to receive your letter of June 3 expressing your interest in the new experimental drug called NP–113. This is a drug that I and collaborators have been working to develop over the last twelve years and is the offspring of a relatively radical theory concerning the relationship of intracellular organizational disorder to the progression of aging and, as well, to vulnerability to viral diseases. Over the last year, it has become clear that this one drug group might have significant beneficial effects on senility on the one hand, and on vulnerability to certain common viral infections, on the other. The radical "2-in-1" action of the drug is not mystical; it becomes quite reasonable when one considers that both learning and memory and the successful defense of organisms against viruses depend upon accurate (error-free) protein synthesis, and that this depends, in part, on the organizational state of the protein-synthesizing apparatus, the polyribosomes, within cells. The intrinsic reasonableness and potential truthfulness of this approach is actually suggested by some early work by the Nobel Prize winner Achoa and his group, which was not followed up until our work.

The scientific community is becoming increasingly interested in our new development, as indicated by my recent incoming correspondence. I have recently published several papers in the area, and hope shortly to have published other scientific documents which will allow persons interested to evaluate our findings. These will include a chapter in *Advance in Gerontological Research*, Volume 3 (currently in preparation) which was requested by Professor Bernard L. Strehler, the editor of the series; a simpler, though perhaps more lucid, article invited by *Postgraduate Medicine* (currently in press); and a symposium paper concerning the novel anti-viral effects to be delivered this August at the University of Manitoba in a symposium at which my fellow speakers will include H. Fraenkel-Conrat and Bradley, both Nobel Prize winners in medicine. This latter paper will appear in a volume entitled *Molecular Microbiology* (publisher, D. VanNostrand; editor, J. B. G. Kwapinski) later this year. In addition, several other papers will shortly be submitted to scientific journals for refereeing. I am forwarding you several reprints and preprints concerning the above work, and would recommend that you begin your reading with the preprint of the *Postgraduate Medicine* article.

By July 1 of this year (under the supervision of the FDA), studies of the NP–113 effects on human senility, on certain viral infections, and on certain degenerative diseases of potential virus etiology will be underway in university settings including Harvard, University of California, University of Florida, Loyola, University of Chicago and The Chicago Medical School. Many other hospital, state and university laboratory groups have made application to initiate studies.

To broach another issue you raise, frankly the question of funding for this development has been a very sore point with me. Although funded for some years by the National Institutes of Health and the Air Force School of Aerospace

Medicine for less radical and imaginative studies in areas including physiology, biochemistry and physical chemistry, I was unable to obtain grant funds for my aging work in 1966 and 1967, at which time the breakthrough ideas were just being formulated by me. It was the old story of a person like myself, whose experience and capabilities cut across a number of scientific disciplines as divergent as animal behavior and physical chemistry, not being able to elicit an intelligent evalution of a multi-disciplinary proposal from one NIH Study Section, who (with the best will in the world) fell back on inquiring into who the applicant has studied with rather than on the more difficult evaluation of the intrinsic merit of his proposal. Consequently, the research in question was funded exclusively from private sources; finally, by a new and small, and fortunately imaginative, research and development company, Newport Pharmaceuticals, Inc., Newport Beach, California.

To answer another one of your questions, I do not yet have funding for an evaluation of the more general implication for aging of NP–113 effects on multiple pathologies, although there is intriguing evidence in the literature validating our links between viral infections and aging. NP–113 is just one drug of a series of related chemicals which we find to exert differential effects on aging, learning and memory, and variations viral diseases. However, funding to explore the full significance of such structural differences is not yet available.

The fact of the matter is: There are real hard-science reasons to anticipate that we are at the threshold of exerting a control over aspects of the aging process. Unfortunately, the truth concerning the Federal funding of biological research in our country at this time is, in contrast, discouraging. However, I am very pleased to put before a person of your important responsibilities the above facts.

I would be very happy to facilitate your consideration of this letter and the accompanying material by any means you propose, including my paying you a visit in Washington. Should you feel that there may be certain value in your consulting other scientists relative to this work, I would be happy to submit to you the names of competent persons.

Sincerely yours,

PAUL GORDON, Ph. D.,
Associate Professor, Departments of Pharmacology and Microbiology,
Chief, Geriatric Research Unit.

[Enclosures.]

EXCERPT FROM LOWELL THOMAS BROADCAST—MAY 19, 1970

From Chicago—a progress report on continuing research—into the effects of a new miracle drug. N.P. One-Thirteen—it's called—given to guinea pigs who were old and senile; whereupon their brain cells began to function again—as if they were still young and virile. Professor Paul Gordon of the Chicago Medical School—observing that this "could be of significant benefit to the nation's elderly population." He adds that N.P. One-Thirteen has also proved effective—in treating virus diseases such as polio, influenza and the common cold—in animals, at least. Will it work, on humans?

[From the Chicago Tribune, Tuesday, May 19, 1970]

ANTI-SENILITY PILL OFFERS HOPE FOR AGED—RESPONSES FROM RATS SHOW PROMISE

(By Ronald Kotulak)

An anti-senility pill, which has made dottering aged rats learn and remember as well as young animals, is being tested on more than 100 elderly patients in Chicago nursing homes, it was reported yesterday.

The new drug, identified as NP–113, has the remarkable ability to make brain cells and other cells that have deteriorated with the passage of time function as they did when they were younger, said Dr. Paul Gordon, associate professor of pharmacology and microbiology and chief of the geriatric research unit at Chicago Medical School.

"We think this drug has a very high potential," Dr. Gordon said. "If it works as well in humans as in animals, it could be of significant benefit to one-third of the elderly population who are the most senile."

USEFUL AGAINST VIRUS

Because the drug acts to put malfunctioning cells back in order, it is also useful as a powerful anti-viral agent and as a compound that may enhance learning in the young, Dr. Gordon said. Human tests of the drug's virus destroying powers and its ability to increase learning are scheduled to start soon, he said.

Tests with animals and human tissue grown in culture show the drug inactivates many types of viruses, including those that cause the common cold, polio, and influenza, he reported at the annual meeting of the Illinois State Medical Society in the Sherman House.

Young rats learn complex tasks 50 to 70 percent faster after receiving the drug and even "stupid" rats are able to learn faster, he said.

Requests have come in from many parts of the country to use the drug in experimental situations, including tests on mentally ill patients, he said.

RESULTS EXPECTED SOON

The senility tests are either under way or ready to get started at Chicago Medical School, Loyola, University of Chicago, Harvard, and the University of California, Dr. Gordon said. Preliminary results are expected in a few months.

NP-113 is a derivative of a chemical called inosine, which is normally found in small amounts in cells. Until now no one knew what role inosine played in cells, but the Chicago researchers believe it plays a key part in returning to normal those cells affected by senile deterioration or viral infection.

[From the Biomedical News, May 1970]

CELL AGING SLOWED

A researcher in Illinois has developed a drug that is effective in fighting viral infections, resisting the ravages of aging cells, and stimulating improvement in learning ability and memory of animals.

Dr. Paul Gordon, professor of microbiology and pharmacology at the Chicago Medical School, described the drug, known as NP-113, to biologists attending the 54th annual FASEB meeting.

Tests indicate that the drug is capable of suppressing 90 percent or more of the symptoms of various influenza strains, including Hong Kong flu. It has also proved effective against upper respiratory ailments and polio virus.

Gordon said the drug's effect on learning ability and memory of the test animals confirmed his theory that vulnerability to viruses and the loss of memory and learning ability due to aging can be traced to disorder in polyribosomes, the agents responsible for protein synthesis in cells.

Dr. Eric R. Brown, chairman of the Chicago Medical School's microbiology department, and Dr. Barbara Doty, professor of psychology at North Central College in Naperville, Ill., in other papers, verified some of Gordon's findings.

ITEM 2.—A REPORT TO GOVERNOR RICHARD B. OGILVIE FROM THE INTER-AGENCY TASK FORCE ON LONG-TERM CARE FACILITIES, STATE OF ILLINOIS

[Albert W. Snoke, M.D., Chairman, Coordinator of Health Services, State of Illinois, September 1, 1971]

INTRODUCTION

During January and February, 1971, the Better Government Association and the Chicago Tribune carried out investigations of conditions in long-term care facilities in Illinois, with the emphasis on the Chicago-Metropolitan area. In March, 1971 a series of articles was the result, in which serious charges were made, ranging from neglect of patients to lack of trained personnel to squalid physical conditions in the buildings. Many of the charges were reiterated and amplified, and new ones made, during the hearings held April 2 and 3, 1971 before the Subcommittee on Long-Term Care of the United States Senate Special Committee on Aging.

Early in March, 1971, Governor Ogilvie requested an overall review of the role of the state in regard to long-term care facilities—its policies, programs and responsibilities. Although the Illinois Department of Public Health has specific statutory responsibility for the establishment of standards for long-term care facilities and for their enforcement in the state, the Illinois Departments of Public Aid and of Mental Health are deeply involved in that many of the patients in these facilities are paid for by one or the other. Therefore an inter-agency task force on long-term care facilities was set up, chaired by the Coordinator of Health Services, State of Illinois, with senior staff membership from the Departments of Public Health, Mental Health, Public Aid, Comprehensive State Health Planning, Bureau of the Budget, and the Office of the Governor.

Within a short time after its establishment the Task Force recognized the need of a working sub-committee to provide coordination and continuity in the implementation of the various policies agreed upon by the parent committee. Since the Illinois Department of Public Health has the primary responsibility for the establishment and enforcement of standards, the Deputy Director of the Department of Public Health has been formally designated the chairman of this sub-committee, on which are representatives of each department involved. They have overall responsibility to establish programs and to coordinate the activities of the various state agencies through their representatives on the sub-committee.

This is a report to Governor Ogilvie of the activities of the Task Force, and of the sub-committee, during the five months since its establishment. The many unassociated but interacting components involved fall into several general categories. These include:

Establishment and enforcement of standards for long-term care facilities.
Reimbursement to long-term care facilities.
Specific actions undertaken by state agencies, March–July, 1971.
The "7,000."
Social responsibility for the care of the aged.

ESTABLISHMENT AND ENFORCEMENT OF STANDARDS FOR LONG-TERM CARE FACILITIES

"Long-term care facilities" include nursing homes, homes for the aged, sheltered care and residential care facilities. The Illinois Department of Public Health under state law establishes standards for them with the assistance of the Long-Term Care Facility Advisory Council.

This council, in the Illinois Department of Public Health, is the advisory body used to assist the department in developing policies and in monitoring results. The advisory council is heavily oriented by representatives of the providers of long-term care. It has been concerned primarily with the establishment of standards and has been convened only infrequently.

The Governor has signed legislation which adds representatives of sheltered care and county homes to the advisory council and dropped nonfunctioning members. However, additional legislation did not pass which would have broaded the representation on the advisory council by including consumers as well as other health organizations and would have given broader regulatory powers to the Illinois Department of Public Health.

This reconstituted advisory council plans to meet more frequently so that it may have a larger part in determination of policy and in the evaluation of programs.

Legislation will again be introduced that will provide for a broader representation of consumers as well as others concerned with long-term care.

The Illinois Department of Public Health, with the advisory council, reviewed and revised the standards in 1970 and again in 1971. Recognizing that no set of standards can be static, the department and the advisory council will continue to review the standards with particular attention being given to such areas as fire, safety, building and plan requirements, quality control and overall patient care program content.

Municipalities which license long-term care facilities, as provided by the Nursing Homes, Sheltered Care Homes, and Homes for the Aged Act, are being requested to adopt the state standards by reference and to supplement them with additional higher standards if they so desire. Municipalities for which this is applicable include Evanston, East St. Louis, Joliet, Peoria and Chicago. The largest of these, of course, is Chicago. Of the 1,101 long-term care facilities in Illinois 155 are in Chicago, 113 are in Cook County and 833 in the rest of the state.

The state has final regulatory and revocation authority. It also maintains a "quality check" on all licensing municipalities by doing the medical audit with Illinois Department of Public Health personnel.

Long-term care facilities in the City of Chicago are inspected annually by the Board of Health for the health related portions of the city ordinances pertaining to these facilities. Fire, safety, and building code requirements are enforced by other appropriate city departments. These reports are reviewed in the office of the City Collector which, when the reports are favorable, notifies the office of the City Clerk of the City of Chicago which issues the licenses. The Illinois Department of Public Health has accepted the findings and recommendations of the City of Chicago and has automatically issued a state license.

The ordinances of the city of Chicago were identical with those of the state until the review and revisions of 1970 mentioned above. It is planned to bring the city ordinances into compliance with these of the state when final state ordinances are completed. The final revisions were mailed on August 26, 1971, to Murray Brown, M.D., Commissioner of Health, city of Chicago.

The City of Chicago has utilized the mechanisms of the courts to enforce the standards. The record of the *efforts* of the Chicago Board of Health in inspections of long-term care facilities and in efforts to correct deficiencies by court action is good. However, the actual *result* of the efforts to improve, upgrade or eliminate poor quality facilities in the City of Chicago is disappointing. This is evidenced by the number of poor facilities shown to exist by the investigations during February and March 1971, as well as in the prolonged history of legal efforts that have produced few results. There are many cases in which facilities that had had infractions noted by the City of Chicago were finally brought to court only to have them continued months after month. Final settlement has often been a negligible fine of only $100 to $200—and a new record of infractions may well start all over again.

Representatives of the Interagency Task Force and of the City of Chicago Board of Health met March 22, 1971 to develop working relationships that would satisfy the several responsibilities of the state and the city. It was agreed that, in general, the state standards are functional, fair and enforceable. It was established that the Illinois Department of Public Health had specific statutory responsibilities that could not be delegated. These included the final responsibility for the licensing of long-term care facilities and for the monitoring of the quality of the care provided.

However, the City of Chicago was equally concerned with the quality of care in long-term care facilities. The City of Chicago indicated that it desired and was prepared to continue long-term care facility inspections in the city. In order for the Illinois Department of Health to ensure that the state's responsibilities for the inspection and licensure of long-term care facilities in Chicago would be carried out, the Board of Health in Chicago agreed to specified conditions. It was agreed that the city would make available space for state liaison personnel in the offices of the Chicago Board of Health if the state desired it and that the state personnel could and would have access to all of the records of the Chicago Board of Health and would function in joint inspections when appropriate. The delegation of responsibility to the Chicago Board of Health was made with the understanding that the state retained the authority and responsibility to undertake any separate or independent inspections of any long-term care facilities in Chicago by representatives of the state Department of Health if the circumstances so indicated.

The state has not yet been able to develop a smooth working relationship with the Chicago Board of Health. This is not surprising when one considers the overall problems of relationships between the City of Chicago and the State of Illinois and of the size and complexity of what needs to be done. However, a framework has been established by which there can be improved communication between the two departments relative to the status of long-term care facilities and to the progress in corrections of deficiencies that are noted. Responsibilities and authority have been established and a mechanism now exists by which both the city Board of Health and the state Departments of Public Health, Mental Health and Public Aid should be able to take much more prompt action when infractions or improper care are discovered.

The agreement reached at the meeting of the representatives of the state Departments of Public Health, Mental Health, Public Aid and the Coordinator of Health Services and the Chicago Board of Health in Chicago, March 22, 1971 is

attached. (Appendix A.) This can be considered only as an interim arrangement inasmuch as experience since March has already indicated the need for the Inter-agency Task Force and the Chicago Board of Health to review their working relationships. Particular problems that have been identified include:

a. The diffuseness of responsibility in licensing long-term care facilities with the several Chicago departments involved (Health, Buildings, Fire Marshall, City Collector and City Clerk.)

b. Lack of easy and clear communication.

c. Difficulty in the assigning of responsibility for recommending disciplinary action for infractions.

d. Length of time required to reach decisions through the court.

e. The actual legal authority of the Chicago Board of Health to take any enforcement action. It is presently under litigation. (July and August, 1971.)

f. Interpersonal working relationships. The subcommittee has invited a member of the Chicago Department of Health to be a member, following the resignation of the state liaison person assigned to work in Chicago.

Since the inauguration of the Inter-agency Task Force of the state in March 1971 the following mechanism has been established for the review of long-term care facilities and the enforcement of standards:

The Illinois Department of Public Health will carry out its responsibility for enforcing the standards set for long-term care facilities, primarily through scheduled visits by representatives of the Chicago Board of Health or by the representatives of the Department of Public Health as outlined in the agreement of March 22. Similar understandings will be developed with the other municipalities having approved licensing ordinances. The Illinois Department of Public Health will also make unscheduled visits to long-term care facilities by its representatives whenever the department deems them to be appropriate.

The Illinois Department of Public Health personnel budget for inspection of long-term care facilities has been increased from 19 to 41 positions. In addition to increasing the number of personnel concerned with inspection of long-term care facilities, the Illinois Department of Public Health is developing an automated system for inspection, record keeping, medical review to meet Medicaid requirements, and for regulatory evaluation under the standards. This system will provide greater ease and speed in monitoring inspections of all long-term care facilities. The system will be operational approximately September 6, 1971. It is expected that the automated system will result in more efficient utilization of the inspection staff; greatly reduced staff time in compiling inspection reports, and make available more complete and accurate records of the status of the facilities and patients.

It has become evident, as the Inter-agency Task Force has reviewed problems related to long-term care facilities in the state, that a major impediment to the coordination of information and activities in this area on the part of the various state and private agencies is the lack of standard statistics and definitions or a general data base. Each department maintains its own figures and there is little agreement or correlation with others—principally due to varying definitions or methods of collection and tabulation.

The working sub-committee has formed an Inter-agency data team under the direction of the Deputy Director of the Department of Finance. Current plans call for the development of a long-term care master file for all individuals cared for in long-term care facilities by September 1971. It is believed that such a master file of occupants, along with a related master file in the Department of Public Health, would meet most of the currently known day-to-day needs for state management. It will provide real-time information regarding number of patients, availability of beds, cost data, future projections as well as a host of other necessary information.

The patient information and evaluation form (Illinois Form 184) will be adapted to an optical scanning form. This may be used as a basis for Medicaid and Medicare review of institutions, payment systems and program evaluation for patient care. It will be used by all three state departments—Public Health, Mental Health and Public Aid.

Staff representatives of the Departments of Public Health, Public Aid, Mental Health and Registration and Education are also taking steps to involve their field staff in the provision of input into the long-term care facilities inspection process through the automated system currently being developed. The objective is to eliminate duplication of personnel involved in the evaluation and inspection

of long-term care facilities, and to utilize knowledge of those individuals in departments other than Public Health regarding the quality of care provided by the institutions.

It should be emphasized that a large majority of the long-term care facilities of the state have met established standards and have provided satisfactory care to their patients. However, those facilities that have not met standards have been allowed to continue with substandard care because they have not been subject to consistent and constant supervision and enforcement of standards. Although there was a 1970 deadline by which time long-term care facilities were to be in compliance with the 1965 standards, little effort was made to enforce the provisions. There is now a new deadline of 1975 by which time an additional group of obsolete facilities should be phased out or brought into compliance. The Advisory Council on Long-Term Care Facilities and the Inter-agency Task Force will monitor enforcement procedures to prevent a recurrence of the recent unsatisfactory experience. Presently these facilities operate on provisional licenses and may accept no new skilled care patients and concurrently must reduce their skilled care population by 25% yearly.

If, on inspection of a long-term care facility, deficiencies are found, the facility will be notified both in person and in writing and a follow-up will be made.

If there is non-compliance, or if there is a record of continuing non-compliance of a serious nature, the program staff in the regional office of the Illinois Department of Public Health may call in representatives of the facility to the regional office for a personal conference or for other appropriate action. This will also be followed through in writing. If the deficiencies are serious or prolonged, the case may be referred to the central office staff at any time.

The Department of Public Health will maintain continuous liason with the Department of Public Aid and the Department of Mental Health and will transmit information regarding non-complying facilities to these other departments with a request that the Departments either withhold payments, reduce payments or remove patients, depending on the licensure status of the facility and the seriousness of the condition. This activity is carried out at a weekly meeting of the working sub-committee.

Paragraph 35.29 A (Section 14.1) of the Nursing Homes for the Aged and Sheltered Care Act contains a provision for an injunction as a result of violations of the Act as a public nuisance inimical to the public welfare. This will be used when indicated.

After all of the above avenues have been exhausted, or if it seems to be indicated at any time as a result of inspection by the Department of Public Health that any long-term facility is not in proper compliance, a formal hearing will be scheduled to revoke the license of the facility.

The same procedures of surprise visits, notification of deficiencies and efforts to secure compliance will take place in the City of Chicago as well as throughout the rest of the state. A record of continued non-compliance and of repeated deficiencies or a record of continued delaying court action will be taken into consideration by the Departments of Public Health, Mental Health and Public Aid in their coordinated review of long-term care facilities performances. When necessary, the authority of the several departments will be used to secure compliance through injunctions, reduction of payments to the lowest sheltered care level and through the removal of patients and prohibiting admission of new patients who are the fiscal responsibility of the state. Decisions will be coordinated by the departments of Public Health, Mental Health and Public Aid through weekly subcommittee meetings.

The Cook County Department of Public Health has participated for years in the inspection of long-term care facilities that are located in Cook County but that are outside the City of Chicago. It has not had statutory authority to license these facilities nor to discipline them, but it has evidenced concern over their quality and standards and has reported infractions or inadequacies to the Illinois Department of Public Health. The Cook County Department of Public Health has carried out its inspection activities by means of personnel specifically budgeted for this purpose. Their personnel has included nutritionists, sanitarians and public health nurses.

There have been differences of opinion between the Cook County Department of Public Health and the Illinois Department of Public Health as to the im-

portance or the significance of variations from the state standards. There have also been disagreements between the two health departments because the county felt that the state was giving undue emphasis to administrative mechanisms rather than to improvement of patient care. At the hearing before the Senate Committee on the Aged, April 2 and 3, 1971, the Cook County Department of Public Health was highly critical of the state for not responding to the county's criticisms on quality of care in long-term care facilities and for continuing to license facilities which the county Department of Public Health considered substandard.

A preliminary agreement was developed on May 6, 1971 between the Illinois Department of Public Health and the Cook County Department of Public Health regarding their several responsibilities and functions in the long-term care facility licensing program. The agreement placed complete responsibility on the Illinois Department of Public Health for extended care facility and hospital surveys, annual licensure and follow-up surveys, medical review functions and the follow-up of all complaints. The Cook County Department of Public Health accepted the responsibility of performing site surveys, sanitation inspections and providing consultation and education for up-grading of services.

A subsequent meeting of representatives of the Inter-agency Task Force and the Cook County Department of Public Health identified several areas of potential friction, particularly in the division of responsibility for various portions of the survey and in the lack of responsible continued communication regarding the status of long-term care facilities, the monitoring of patient care activities and the definititon of responsibility of the state and the county for taking action against facilities that do not meet standards.

The Inter-agency Task Force and the Cook County Department of Public Health are currently exploring a working arrangement that is simple and clear cut between the state and county health departments. When completed the agreement will be added as Appendix B. It is hoped that this arrangement will enable the Cook County Department of Public Health and the Illinois Department of Public Health to join forces in a cooperative effort to provide the highest standards with the least amount of duplication.

The Tribune articles and the Senate hearings brought up questions of ownership, interlocking directorates and excessive profits of long-term care facilities. Present rules and regulations require a list of all individuals having 10% or more financial interest in long-term care facilities. These rules are of limited value inasmuch as many facilities have trusts or other legal entities that do not indicate the names of individuals who are the true owners. The Senate subcommittee hearings in April revealed an unusual number of interlocking interests.

This defect is being explored by the Inter-agency Task Force and the Advisory Council on Long-Term Care Facilities. It is possible that, through the mechanism of the licensing, the state and public can obtain full knowledge of all individuals who are financially or administratively involved, whether they be owners, incorporators, partners, stockholders, trustees, directors or board members.

REIMBURSEMENT TO LONG-TERM CARE FACILITIES

The reimbursement for the care of patients by the state in long-term care facilities is complicated and involved. The Department of Public Aid payment schedule is based upon the evaluation and licensing of long-term care facilities by the Department of Public Health, according to categories of skilled nursing homes, intermediate care facilities, and sheltered care homes.

The Department of Public Aid has developed a point system by which each patient is evaluated according to the particular needs of the individual for special care and the amount of care provided by the long-term care facility in meeting those needs.

The Department of Public Aid's reimbursement objectives in their present payment policies are:

a. To eliminate incentives for keeping any patient bedfast.

b. To provide incentives for construction of new facilities especially designed for the long-term care patient.

c. To prevent patient deterioration, either physically or mentally.

d. To provide incentive for as much rehabilitation, both physical and mental, as a patient's condition will permit.

e. To develop a system to respond to the demands of facilities for additional payment for patients requiring extensive nursing care and to provide incentives for moving patients requiring a great deal of professional care and/or time from the expensive acute care hospitals into other institutions.

f. To insure that the payment rate will be as closely related to that of privately paying patients as possible.

Questions have been raised by the Inter-agency Task Force and by others as to the rationale of the program. Specifically, the question is raised as to whether placing a premium upon payment for patients requiring extra care and services may not influence the institution to keep the patient dependent rather than to try to rehabilitate him, since if he becomes more self-sufficient a lower rate would be paid to the facility. Questions are also raised regarding the ability of the department to adequately monitor the actual level of care received by the individual patient.

The Inter-agency Task Force will be exploring this in detail with the Department of Public Aid. They will be assisted by the newly created Office of Health Economics which has been given the assignment of determining reimbursement rates to long-term care facilities as a top priority for study and, through a contract with Ernst & Ernst, to devise a uniform cost accounting system for the not-for-profit group care facilities.

Another assignment of the Inter-agency Task Force and the Office of Health Economics is the resolution of the problem presented by the current separation of the responsibility for developing and enforcing standards, which is primarily assigned to the Department of Public Health and the Advisory Council for Long-Term Care Facilities, from the responsibility for payment by the Department of Public Aid. Obviously standards for various levels of service cannot be established without regard to the impact upon costs as well as reimbursement.

SPECIFIC ACTIONS UNDERTAKEN BY STATE AGENCIES, MARCH–JULY, 1971

Specific actions by the state following the publicity in March, 1971 include the following:

a. On Saturday, Sunday and Monday, March 6 through 8, the Department of Public Health conducted immediate and in-depth inspections of nine of the twenty-one nursing homes which were mentioned in the Tribune stories. In addition, a general on-site observation was made of six other nursing and residential homes. Nine two-man teams were assigned to this crash inspection project, assembled from various parts of the state of Illinois and sent to Chicago. Reports of these inspections were made available to the Task Force at its meeting on March 10, and the information gathered by the inspection teams became the basis for the immediate removal of all state patients by the Department of Public Aid from the nine facilities (see Appendix C I).

b. On March 15, the Task Force met again and directed the Department of Public Health to notify the Chicago Board of Health that the state inspectors had found deficiencies in certain facilities and requested action by the Chicago Board of Health in the case of five facilities (see Appendix C II.)

c. At the Task Force meeting on March 15, two particular facilities were designated for license revocation action and the Chicago Board of Health was notified to take such action (see Appendix C III.)

d. The Department of Public Aid took action in early March to reduce the amount paid to certain long-term care facilities, allowing such facilities to be paid only at the sheltered care rate. Payments were reduced or disallowed in six facilities (see Appendix C IV.)

e. The Task Force requested a meeting with the Chicago Board of Health to coordinate activities and take action where necessary and to devise a closer working arrangement for the future. The meeting of March 22 in Chicago has been referred to above.

f. On March 30, the Task Force met again to prepare statements and testimony to be given to the Senate Sub-committee on Health, Education and Welfare, which had scheduled hearing in Chicago on April 2 and 3, 1971. Dr. Yoder (Department of Public Health), Dr. Glass (Department of Mental Health) and Dr. Snoke appeared before the Senate Sub-committee and gave testimony.

g. Since early March, 1971, the Department of Public Health has also made current inspections of many downstate long-term care facilities at the request of the Task Force. Specifically, its inspection teams have made comprehensive inspections and reports on fourteen down-state facilities and the department has notified six facilities to appear in pre-revocation conferences. So far, four conferences have been held with three facilities rescheduled for actual license revocation hearings, three facilities have closed voluntarily rather than appear for a hearing, there has been transfer of patients from three facilities and there has been reduction of rates paid to four facilities.

h. On June 9, the Task Force decided to suspend any further purchase of services from long-term care facilities against which some disciplinary, investigatory or legal action has been taken since early March, either by the state, the Chicago Board of Health or the United States District Attorney. The Department of Public Aid has accordingly stopped purchasing any further services from these facilities until their status has been clarified. Many of them have now had their status clarified and payments have been resumed.

i. All of above actions were taken at the same time the Department of Public Health maintained a regular schedule of site surveys, licensing and relicensing inspections, Medicaid reviews and extra inspections due to complaints.

The experience in reviewing the status of long-term care facilities and in taking coordinated action toward those that do not meet standards has indicated that a closer coordination of the Departments of Public Aid, Mental Health and Public Health is required. This is being carried out by the development of a formal procedure by which the Departments of Public Aid and Mental Health are reporting any deficiencies in service to patients or residents to the Department of Public Health for follow-up. In addition, the Department of Public Health has assumed the responsibility of convening the representatives on the working sub-committee of the Task Force at weekly intervals so as to coordinate the review of licenses for long-term care facilities prior to their issue and in addition to function jointly concerning decisions regarding the extent of the regulatory activity that the Department of Public Health or the Departments of Mental Health or Public Aid should take on any particular facility.

THE "7,000"

On several occasions, both verbally and in writing, the charge has been made (and is continuing to be made) that the deficiencies found in long-term care facilities in Chicago in March, 1971 were the result of the decision by the legislature, the Governor and the Department of Mental Health to discharge "7,000 aged patients in one year" from mental hospitals to long-term care facilities and "over 50% of them" to long-term care facilities in Chicago. A review of the facts reveals that, although the figure of 7,000 was mentioned when the bills were signed, it was in the context of patient and facility readiness. As time has passed, rather than a flood of "7,000 in one year" there has been a decrease in such discharges. There were 3,405 patients over sixty-five years of age discharged from mental hospitals in 1968 (before the Copeland Bills were passed), 2,849 in 1969 (before the Copeland Bills were implemented) and 2,629 in 1970 (the first year of the Geriatric Transfer Program). [See Appendix D.]

Approximately 75% of the 2,629 patients discharged from the mental hospitals in 1970 were placed in licensed nursing or sheltered care homes. Only one half of these were placed in Chicago (or 1,314). These patients occupied less than 5% of the long-term beds in the metropolitan area.

In other words, there has been no "glutting of the nursing and residential care homes in Chicago" by an outpouring of 7,000 aged mental health patients in one year. Instead, through more careful screening and selection process, both of patients and facilities, there has been a slowing down in the rate of placement by the Geriatric Placement Program. Its efforts cannot legitimately be used as an excuse for not moving patients from acute hospitals to long-term care facilities, nor for the failure to enforce standards by agencies or individuals having that specific responsibility.

As the Inter-agency Task Force has been reviewing deficiencies in long-term care facilities and devising mechanisms to identify and correct them, primary emphasis has been given to the mechanistic components that are easily quantifiable. Square feet, posted menus, clean refrigerators, staffing patterns, fire-safety, personnel selection and rates of reimbursement can all be carefully reviewed and evaluated. In endeavoring to meet the criticisms that can easily be documented on physical or statistical criteria, there is danger of forgetting that a spacious, clean, sanitary, well-staffed, brick edifice can still be a warehouse to which the aged, the chronically ill and the "crocks" are banished, hidden or forgotten.

The quality of the care, the compassion, the sympathy and the undertaking of the personnel, the concern and the need for rehabilitation and for the retaining of self-respect by patients and the total patient care program of a facility are of paramount importance in the quality of care in long-term care facilities. These are unfortunately most difficult to quantify. They are, to a large extent, a measure of social responsibility for the care of the chronically ill and the aged. This in turn emphasizes the need for the direct involvement of community and professional organizations in the care of patients in a long-term care facility. With the exception of individuals in state mental retardation institutions, the care of patients in long-term care facilities is only rarely carried out by governmental agencies and personnel. The preponderance of service is rendered by providers in the private sector, particularly institutions and physicians. These are the agencies and individuals who have the opportunity and the responsibility for evaluating the care given to their own individual patients and for assisting the state representatives in monitoring the performance and standards of long-term care facilities.

Medical societies, individual physicians, acute general hospitals, long-term care facilities (both individually and collectively) and communities as a whole should be prepared to share this responsibility with governmental agencies so that they all can attain their necessary mutual objectives—proper care. This partnership is absolutely necessary if chronically ill and elderly patients are to have true quality of care and are not to be relegated to the category of "out of sight, out of mind."

The experience in Illinois is probably no different from that in any other state. Nowhere does one find, to the extent that there should or could be, a close and sympathetic liaison between the physician, the hospital, the long-term care facilities and the community. The state has done little to foster this fellowship of interest. Certainly, the same indictment can be placed on other organizations and agencies that should share a commonality of interests. The state has placed primary emphasis upon the inspection or the enforcement role rather than a supporting or educational role. At the present time, there is really no difficulty in outlining proper programs for caring for patients in long-term care facilities. The problem is how to educate and assist the individuals controlling these institutions to develop and continue this care and to motivate the personnel to be consistent in giving the type of care required and desired.

The Inter-agency Task Force has requested continuing cooperation and advice from the health agencies directly concerned with extended patient care in the State of Illinois. There have been communications with the Illinois State Medical Society, Illinois Hospital Association, Illinois Nursing Home Association, Metropolitan Chicago Nursing Home Association, Illinois Association of Homes for the Aged, Illinois Sheltered Care Home Association, County Nursing Home Association and Residential Care Association.

The above organizations were requested to submit their suggestions to how they and the state could together best see that patient care is improved in nursing homes and other extended care facilities.

Constructive comments, suggestions and promises of cooperation are being received. The Inter-agency Task Force will be working closely with all these organi-

zations in efforts to educate and upgrade the personnel in long-term care facilities and to enlist assistance in monitoring performance of the institutions.

The Illinois State Medical Society has specifically recommended the employment of a full-time or part-time salaried medical director in the skilled and intermediate care nursing homes to be responsible for the actual development and execution of medical plans designed to insure patients of adequate continuing care. The Medical Society has further suggested that county medical societies be urged to form long-term care committees to "establish, maintain and improve the standards of medical care and review the medical care administered in long-term care institutions." The Medical Society suggested that, in the more rural counties, this function might be feasibly performed by trustee district committees.

The state nursing home associations have indicated their desire to cooperate with the state in upgrading quality of personnel and quality of care rendered. They have emphasized the need for adequate reimbursement for services. This has already been noted as a problem that will require continued review by the Inter-agency Task Force in cooperation with the newly created Office of Health Economics.

The state nursing homes associations have an inter-association group that will speak for and represent all of the long-term care associations in the state. This will answer one of the criticisms which has been leveled at the varying long-term care facility groups—the difficulty of dealing with six different groups.

Active exploration is continuing as to means by which the state can secure active involvement of voluntary organizations, services organizations and the enrichment of services to people at the local level, particularly those patients in long-term facilities. Exploration is also continuing on means by which the County Welfare Service Committees that are organized throughout the State of Illinois can assume, as one of their responsibilities, the role of "conscience" or evaluation of extended health care programs and facilities responsible for the care of their constituents.

No review of the state's long-term care facilities can be complete without specific recognition of their relationship to the overall program of the care of the aged. Although long-term care facilities are concerned with all types of individuals requiring long-term care, the great majority of the patients in these facilities are aged individuals. Part of the very fundamental problem facing any program concerned with long-term care facilities, their reimbursement, their standards, their evaluation and their control, is that the understanding, the vigor and the interest directed toward those facilities is no greater nor less than that which society directs toward the aged.

It is only within the last few years that the total problem of the aged has assumed the priority and the importance in Illinois that it should. Efforts are now being made administratively, organizationally and financially to focus on this problem. It is essential that adequate consideration be given to the social and health needs of a group that at present represents approximately 10% of the population, or over one million individuals in Illinois, and is increasing in numbers annually. This consideration is required if there is to be adequate understanding, continued concern and effective solutions for the problems of the facilities that care for so many of the aged.

The social and health agencies of the state are directing their attention, at the request of the Governor, to an inter-agency, multi-disciplinary approach to the responsibility and the care for the aged in Illinois. Particular emphasis is being given to the identification of an administrative unit in the state that will be primarily concerned with problems of the aged. (See Appendix E.)

The Inter-agency Task Force is exploring the possibility of a university establishing an academic discipline of geriatrics or gerontology.

The Preadmission Examination Program was established in the Copeland Bill (HB 994) in 1969. The bill amended the Mental Health Code of 1967 to provide that "any person of advanced years" who comes to a hospital shall be given, within seven days, a comprehensive physical and mental examination to deter-

mine where would be the best location for his future care. A study of his family and community situation is also included under the terms of the bill. Unfortunately, the program was developed primarily in the mental institutions, since many private hospitals were unable or unwilling to accept such responsibility or to develop such programs. The result was that most of these patients were committed to state mental institutions where it was found most difficult to arrange subsequent transfer to any other type of facility.

In July, 1971, a preadmission evaluation program was started in Chicago. It is operated by the Department of Public Health in the Illinois Public Health Hospital & Clinics, 1919 West Taylor Street, Chicago. The program currently has a maximum twenty-one day (fourteen medical—seven preadmission examination) self-imposed limit for geriatric referrals. The Unit is a diagnostic-centered treatment service. At the end of the evaluation period, the patient is discharged to one of the following:

a. A nursing home of appropriate level, as determined by the Department of Public Aid in conjunction with the treatment team of Geriatric Placement Service.

b. A sheltered care facility.

c. The patient's own home or that of a family member.

d. A mental health institution.

e. A general hospital for medical or surgical services as needed.

The Illinois Department of Public Health is providing all medical, nursing and support services for the operation of the PAE unit. This will include all hospital maintenance, administrative, business and clerical services, supporting para-medical service including complete diagnostic laboratory and radiological services, and transportation services as required. It also provides auxiliary services by contractual arrangements for barber, dentist, optometrists and podiatrist.

The Department of Public Aid provides casework personnel to assist in the placement service. The Department of Mental Health provides the program director, social service personnel and a consulting psychiatrist from the Illinois State Psychiatric Institute.

SUMMARY

A review of the activities of the Inter-agency Task Force concerned with long-term care facilities has been presented. It can be considered only as an interim report. Any reports in the future will also be only progress or interim inasmuch as any program dealing with people must be relevant, flexible and continuing.

An immediate objective of the Inter-agency Task Force, and of the various state departments concerned with the long-term care facilities and the care of the aged, is the development of a continuing system of licensing, monitoring and evaluation of the state program by the state and its responsible departments. Committees or task forces are of value to meet complicated problems. They cannot take over basic individual responsibility from the directors of the involved departments.

Another objective is to encourage innovative programs to motivate and educate not only those concerned with the care of the elderly and the chronically ill, but also the communities from which they have come. The long-range challenge is to influence the attitudes and understanding not just of professional personnel and long-term care facilities' owners, but of families, communities and society as a whole toward the problems of growing old.

APPENDIX A

Agreements Reached at a Meeting of Representatives of the State Departments of Public Health, Mental Health, Public Aid and the Coordinator of Health Services and the Chicago Board of Health in Chicago March 22, 1971.

1. Chicago Board of Health has taken the following actions:

(a) Nursing Homes: filed suit against Beacon Hill Nursing Home, Belmont Rest Home, Inc., Kenmore House, Melbourne Convalescent Home, Austin Congress Nursing Home and Birchwood Beach Convalescent Home.

(b) Sheltered Care Homes: filed suit against Fellowship House, Inc., and Approved Homes, Inc.

(c) Under their emergency powers they have closed Rogers Park Manor Nursing Home and Convalescent Center, Humbolt House, Kenbeach Residential Care Center, Mt. Pisgah Nursing Home, Ivory Nursing Home, Inc., and West Side Nursing Home, Inc. They will remain closed until they pass an inspection made at their request.

2. The Chicago Board of Health and the State Department of Public Health will send a joint team to inspect the Howard Convalescent Home, Inc. and the Chicago Board of Health will take legal action for revocation of license against the Melbourne Convalescent Home. The State will have a representative present during this hearing.

3. The Chicago Board of Health offered and the State accepted to have State liaison personnel from the Departments of Public Health and Mental Health working at the Chicago Board of Health officers and having access to all files, information, and action taken by the Chicago Board of Health. They will act as coordinators between all the State agencies. They will be responsible for working out with the Chicago Board of Health a uniform check list for inspections in Chicago.

4. The State agreed to try to work out a procedure whereby state licenses to the Chicago nursing homes would be issued on January 2 of each year so as to be consistent with Chicago Board of Health license dates.

5. The Chicago Board of Health has sent the State's new standards, including the sections pertaining to the issuance of provisonal licenses and the subsequent phase down of nursing care patients, to their Corporation Counsel and these standards will become part of the Chicago ordinances in the next two to four months.

6. The State will assume the inspections for Certification of Medicare Facilities, Medical Review Program for Medicaid, and the Life Safety Code Inspection for Title XVIII and XIX of the U.S. Social Security Act.

7. The Chicago Board of Health will continue to do the nursing home inspections in Chicago. The State Department of Public Health will carry out its state responsibilities for inspection and licensure of nursing homes in Chicago through its liaison personnel in the offices of the Chicago Board of Health and through joint inspections when appropriate.

APPENDIX C

ACTIVITIES OF STATE AGENCIES, MARCH–JULY, 1971

I.—March 10

Howard Convalescent Home.
Humbolt House.
Kenbeach Residential Care Center.
Melbourne Convalescent Home (only skilled care recipients moved).
North Shore Rest Haven.
Mt. Pisgah Nursing Home.
Park House.
Westside Nursing Home.
Ivory Nursing Home.

II.—March 15

Beacon Hill Nursing Home.
Kenmore House.
Monterey Convalescent Home.
Winston Manor Convalescent and Nursing Home.
Douglas Park Nursing Home.

III.—March 15

The Howard Convalescent Home.
The Melbourne Nursing Home.

IV

Melbourne Convalescent Home.
North Shore Rest Haven.
Ivory Nursing Home.
Mt. Pisgah Nursing Home.
Park House.
Howard Convalescent Home.

APPENDIX D

7,000 IN ONE YEAR

1. Murray Brown, M.D., Commissioner of Health, City of Chicago, April 2, 1971 at the Senate hearings stated that Governor Ogilvie had called for the discharge of some 7,000 individuals (meaning senile aged) from state mental health hospitals and that over 50% of them had gone to nursing and residential care homes in Chicago. "These actions resulted in the overcrowding of licensed facilities, the disruption of their activities by large numbers of mentally disturbed patients, and strained the capacities of the staffs of these facilities by giving the patients requiring care that they had not been trained to give, and swamping them with the care of the incontinent aged." (The precise correlation between mental illness and incontinence of the aged was not explained.)

2. April 3, 1971, at the Senate hearings, Dr. Jack Weinberg, Clinical Director of the State Psychiatric Institute, criticized the discharge of "7,000 aged patients in one year."

3. The Illinois Mental Health Planning Board, in a report of January, 1970, expressed their concern over the setting of "September, 1970 as a target date for the relocation of 7,000 elderly patients" from state mental institutions into nursing homes and sheltered care facilities.

4. Statements on which the 7,000 idea were based:

In September, 1969, on the occasion of signing the Copeland Bills that permitted the transfer of selected elderly patients from state mental hospitals into appropriate private nursing homes and sheltered care facilities, the Governor made the following statement:

"More than 10,000 elderly citizens today live in mental hospitals—not because they are mentally ill, but simply because they have no place else to go."

"Last May I said that it was our goal to move 7,000 of these senior citizens out of the mental health institutions and into nursing homes or sheltered care facilities within a year and a half."

"We will meet our commitment, but we will meet it within the context of continuing concern for the future of our citizens. I have told Representative Copeland that I share the concern he has expressed about the neglect of some private institutions for the aged. I have assured him, and I want to assure the people of Illinois, *that we will move eligible patients only as rapidly as fully inspected, licensed, and supervised facilities become available.*" (Emphasis added.)

"These bills establish the machinery whereby we can examine all the patients in our mental hospitals to determine whether residence in a nursing home or sheltered care home might more nearly suit their needs. Already we had begun preparing for this humanitarian exodus at Chicago State Hospital, for we have established medical review teams to screen patients eligible for transfer."

5. Chronology of what really happened:

a. The Copeland Bills were considered in the legislative session of 1969, were passed by the legislature, but were not signed by the Governor until September, 1969.

b. The discharge procedures for the Geriatric Transfer Program were established in the Chicago State Hospital in the fall of 1969, but did not actually begin to function until January, 1970.

c. Patients over 65 transferred from state mental institutions in the year 1968 (before the Copeland Bills)—3405.

d. Patients over 65 transferred from the state mental hospitals in 1969 (before the implementation of the Copeland Bills)—2849.

e. Total number of patients discharged, 65 years of age or over, during the year of 1970 (the first year of implementation of the Geriatric Transfer Program)—2629.

APPENDIX E

MEMORANDUM FROM ELIZABETH BRECKENRIDGE, SUPERVISOR, SECTION ON SERVICE FOR AGING, ILLINOIS DEPARTMENT OF PUBLIC AID

The State of Illinois is currently implementing a comprehensive approach to the multi-faceted and interrelated problems of the aging and aged through its State Unit on Aging and the Governor's Committee for Senior Citizens. Among the major areas of interest with which both the Committee and the State Unit are concerned are income, health, housing, activities (including education about aging and the aged) and personal adjustment. The relationship of all these fields to the subject of long-term care is obvious.

The actual work of the State Unit includes a strong emphasis on the education of the general public about the needs of the elderly and the facilities and services available or lacking to meet these needs. Technical assistance and consultation are provided to organizations wishing to develop training programs at all professional and para-professional levels. Particular attention has been paid to para-professional training in physical medicine and allied fields.

From the State Unit's point of view, the nursing home is seen in a context of existing or potential community services. Health education to avoid or minimize illness and disability; home care of all kinds to decrease institutionalization; community based programs of information, referral, counseling, and recreation to maintain physical and psychological independence; opportunities for full or part time employment and for volunteer service; meals-on-wheels; transportation; appropriate residential housing—all these are desirable components of the community in which today's elderly find themselves. All these are within the purview of the State Unit.

In relating to these topics, the State Unit at times points out the lack of services and facilities and encourages their development throughout the State. Consultation is frequently given to sponsors in developing or improving programs and, since the advent of the Administration on Aging and State appropriations for services for older people, the State Unit has been able to initiate a variety of services with Federal and State subsidy. These have included meals-on-wheels, visiting nurses, home health aides and homemakers, mini-buses, foster home placement and discharge follow-up, and training teachers of special reading along with the establishment of multipurpose senior centers and other community services.

With regard to the problems surrounding long-term care, the State Unit sees the State Department of Public Health not only as a licensing agency but also, and perhaps more basically, as an educator and motivator. It looks to the Department for vigorous and widespread leadership in teaching nursing home administrators and their staffs the content of their work and the requisite skills. To do this successfully, of course, the difficult challenge of inculcating the fundamental philosophy of health care must be met. The so-called "long-term" facility dedicated to the principles of rehabilitation will soon find that an effective program is more financially rewarding than routine custodial care. When rehabilitation succeeds to the point of discharge, this discharge is facilitated by the presence of adequate community services both in and beyond the area of health care.

ITEM 3. NEWS RELEASE BY HILLEL H. YAMPOL, DIRECTOR, METROPOLITAN CHICAGO NURSING HOME ASSOCIATION, MARCH 2, 1971

We have asked you to come for two main reasons: One, we want to comment on the recent and continuing charges by BGA about nursing homes and two, we want to focus the public attention raised by these charges toward real problems and real solution.

The nature and specifics of the charges have to be qualified. They are being made by untrained observers and reflect, in part, lack of knowledge. They are rampant with dramatic exaggeration, obviously, for effect. They are, so far, unsubstantiated by any responsible agency. They appear to have political implication and perhaps political motivation.

If any of the conditions do, in fact, exist . . . we condemn them! We know they are not representative of the industry. At the same time, we would be foolish to deny the possibility that, as in any profession or industry, a fringe percentage of "undesirable" practices may occur.

We welcome and stand ready to assist appropriate authorities to investigate and stop such practices, if found. We will resist, however, conclusion and trial by newspaper. While we condemn and will vigorously pursue bad practices wherever they might exist, we also condemn irresponsible, panic response by any official or agency to initiate action based on the "Kangaroo Court" of unsubstantiated newspaper articles.

We never have nor will we protect violators but we will move to assure fair and responsible investigation prior to action.

Internally, all charges have been referred to our ethics committee for immediate investigation and hearings. We will seek to get supportive facts from the B.G.A. as well as from other investigative agencies with whom we cooperate.

As to the charges—some points must be raised.

Patients and families have freedom of choice. If such conditions actually existed, why didn't they move? If they had no family, why didn't their case worker, who is supposedly in constant contact, move them? Institutions cannot function if no one uses them.

The Health Department is responsible for inspection, enforcement and consultation. In Chicago this is intensive (at least monthly) and effective. Such conditions could not long go undetected.

On a state level, the governor has now called for monthly inspections of Nursing Homes. Yet last year when public health requested increased funds for more personnel (which we actively supported) it was denied.

The austerity program not only held Public Health in check but froze the hiring and replacing of public aid personnel. This left many case loads unassigned and others covered by untrained and unqualified workers.

A recent court order requiring Public Aid to determine recipient eligibility within 30 days of application forced a major reassignment of Public Aid staff to "intake" procedures.

State government is simply not providing enough money for adequate staffing and care (Example: Illinois is the 3rd wealthiest state in the country but 16th in nursing home rates.) The President and the Governor are seeking a total revamp of welfare because funding and programs are ineffective.

It is not our purpose to cast aspursions on our sister facilities—the non-profit homes. We must note, however, that something wrong was found in every facility visited but since none were non-profit, the blame could conveniently be placed on "profit motivated" proprietary facilities.

We have long sought, in cooperation with others, to upgrade care through strengthening programs, standards and funding. Much of this is new, its full effects are not yet felt. We proudly claim our leadership role in this regard.

We worked for over a year in the development of new state standards—often advocating higher standards (a matter of record) than the state departments would support.

We supported the act requiring licensure and training of Nursing Home Administrators and resisted pressures to delay its implementation. This law adds major strength to enforcement of standards in facilities.

We helped form and are members of the Joint Board for Long Term Care: the Standards and the Mental Health Committee's of the Long Term Care Advisory Council to Public Health (state); The Cook County Public Aid Nursing Home Association Joint Committee; the nurses aid and cooks aid training programs of the Chicago Board of Education.

We have established our own employment verification service, Rehabilitation Nursing Course, and professional consultation services in Dietary, Occupational Therapy, Social Work and Activities.

We provided over 20 days of educational programs for administrator and key staff in 1970 and have scheduled more for 1971.

However, we urgently but unsuccessfully tried to establish

1. A certified community course for nurses aids entering the field.
2. Recognition of and a special course for medication technicians.

No organization or agency in Long Term Care can match this evidence of "commitment to improvement." We offer our cooperation and challenge any responsible group to join us in solving the real problems in community health care.

NURSING HOME GROUPS OBJECT TO SELF-POLICING

[Reprint from Chicago Sun-Times, Tuesday, Mar. 16, 1971]

(By Fletcher Wilson)

Officers of three nursing home associations told a legislative committee Monday they do not feel their groups should police members of the associations.

The disclaimers were made by Hillel Yampol, director of the Metropolitan Chicago Nursing Home Assn.; George Gahr, vice president and public aid committee chairman of the Illinois Nursing Home Assn., and Neil Gaynes, executive director of the Illinois Assn. of Homes for the Aged.

"We feel very concerned and upset that any of our members face such charges," Yampol said. "We don't have the manpower or the program to maintain policing by ourselves."

Gahr said the legal and medical professions can enforce codes of ethics, "but the hardest thing in the world is for a business to do it."

Gaynes said throwing bad homes out of associations would serve no purpose and that even the worst homes can benefit from the programs the associations promote.

"Our job," he said, "is to hang in there."

The association executives testified at a hearing held by the Legislative Advisory Committee on Public Assistance in the State of Illinois Building, 160 N. LaSalle. The committee is headed by Sen. John W. Carroll (R-Park Ridge).

This was the committee's second session devoted to the subject since charges were made by the Better Government Assn. that some nursing homes are dirty and give inadequate care.

State Rep. Bruce Douglas (D-Chicago) appeared as a physician who has visited all 20 nursing homes in his Uptown District and as author of a book on care of nursing home patients.

Douglas declared:

"As long as the Chicago Board of Health is under political control, which it is, as long as the State Department of Public Health is impotent within the City of Chicago for reasons that I have difficulty understanding, as long as the State Department of Mental Health continues to discharge patients into profit-oriented, carelessly inspected nursing homes and halfway houses, and as long as the Department of Public Aid pours grossly inadequate sums of money into bottomless pits, the problem will be with us and will continue to get worse."

The administrator of a firm that supplies physical therapy services to nursing homes told the committee that the homes are "filthy" and medical care is "atrocious."

Eileen Rasulis, president of Illinois Physical Therapy Clinics Inc., also showed color photos of two patients whose conditions, she said, had deteriorated in nursing homes. Miss Rasulis, however, was unable to identify the patients or the home where they were supposed to have been mistreated.

Under questioning by the committee, Miss Rasulis said she was not a trained therapist and had seen patients only during some of her business visits to homes.

ITEM 4.–PEDRAZA NURSING HOME 1970 INCOME TAX RETURN

Form **1120S** — Department of the Treasury, Internal Revenue Service

U.S. Small Business Corporation Income Tax Return for the calendar year 1970 or other taxable year beginning ..... 1970, ending ..... 19....

1970

A Date of election as small business corporation

B Business Code No. (see page 4 of instructions): 8010

PEDRAZA NURSING HOME, INC.
3234 WEST WASHINGTON BLVD.
CHICAGO, ILLINOIS 60624

C Employer Identification No.: 36-2523102

D County in which located: Cook

E Enter total assets from line 14, column D, Schedule L: $68,436.14

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction M.

GROSS INCOME	1 Gross receipts or gross sales ..... Less: returns and allowances	148,345.78
	2 Less: cost of goods sold (Schedule A) and/or operations (attach schedule)	
	3 Gross profit	
	4 (a) Domestic dividends	
	(b) Foreign dividends	
	5 Interest on obligations of the United States and U.S. instrumentalities	
	6 Other interest	
	7 Gross rents	
	8 Gross royalties	
	9 Gains and losses (separate Schedule D, Form 1120S)—	
	(a) Net short-term capital gain reduced by any net long-term capital loss	
	(b) Net long-term capital gain reduced by any net short-term capital loss (if more than $25,000, see instructions)	
	(c) Net ordinary gain (loss)	
	10 Other income (attach schedule)	
	11 Total income, lines 3 through 10	148,345.78
DEDUCTIONS	12 Compensation of officers (Schedule E)	23,000.00
	13 Salaries and wages (not deducted elsewhere)	49,235.93
	14 Repairs (do not include capital expenditures)	14,555.26
	15 Bad debts (Schedule F if reserve method is used)	
	16 Rents	7,107.68
	17 Taxes (attach schedule)	
	18 Interest	114.00
	19 Contributions (not over 5% of line 28 adjusted per instructions—attach schedule)	
	20 Amortization (attach schedule)	6,061.09
	21 Depreciation (Schedule G)	
	22 Depletion (attach schedule)	750.00
	23 Advertising	
	24 Pension, profit-sharing, stock bonus, annuity plans (attach Form(s) 2950)	
	25 Other employee benefit plans (see instructions)	34,193.13
	26 Other deductions (attach schedule)	135,016.21
	27 Total deductions on lines 12 through 26	13,329.57
	28 Taxable income, line 11 less line 27	
TAX	29 Income tax: (a) On capital gains (Schedule J)	
	(b) Surcharge—enter 2½% of line 29(a) (Fiscal year corporations: see instructions for Schedule J)	
	30 Minimum tax (see instrs). Check here ☐ if Form 4626 is attached	
	31 Total tax (add lines 29 and 30)	
	32 Credits: (a) Tax deposited—Form 7004 application for extension (attach copy)	
	(b) Credit for U.S. tax on special fuels, nonhighway gas, and lubricating oil (attach Form 4136)	
	33 TAX DUE (line 31 less line 32). See instruction G for depositary method of payment →	
	34 OVERPAYMENT (line 32 less line 31) →	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL

Date ..... Signature of officer ..... Title .....

Date ..... Individual or firm signature of preparer ..... Address .....

PLAZA NURSING HOME, INC.
3234 WEST WASHINGTON BLVD.
CHICAGO, ILLINOIS 60624

FORM 1120S

Page 3 - Schedule K

Schedule of Distribution & Income

	Name of each shareholder	Social Security Number	Number of shares	Period held From	To
A	Joseph Eisenstein	330-30-6010	33 1/3	1-1-67	Date
B	Joseph Berke	350-10-8597	33 1/3	1-1-67	8-30-70
C	Bernard Friedman	347-30-8467	33 1/3	1-1-67	8-30-70
D	Hilda Eisenstein	342-30-2104	33 1/3	9-4-70	Date
E	Hyman Eisenstein	324-50-1125	33 1/3	9-4-70	Date

Shareholder's Share of:

	Shareholder A	Shareholder B	Shareholder C	Shareholder D	Shareholder E
Compensation:	$13,000.00				
Ordinary Income	$3,333.33	$2,370.90	$2,370.90	$3,333.33	$3,333.34

PEDRAZA NURSING HOME, INC.
3234 WEST WASHINGTON BLVD.
CHICAGO, ILLINOIS 60624

FORM 1120S

Page 1 - Line 17

Social Security Taxes	$3,480.22
Real Estate Taxes	2,528.94
Water	315.28
Unemployment Tax	316.44
License	202.50
Federal Unemployment	263.70
	$7,107.08

Page 1 - Line 19

Crown Academy Emergency Fund	50.00
Thoras Moyshe Yeshiva	18.00
Yeshiva Slabodke	10.00
J. Hosasky Rabbinical	36.00
	$114.00

Page 1 - Line 26

Legal - Accounting	$2,410.00
Commission	200.00
Electricity	877.64
Equipment Maintenance	191.55
Exterminator	121.50
Food	18,436.02
Heating	1,389.83
Gas	1,267.96
General Expenses	608.20
Health & Welfare	796.50
Insurance	850.00
Laundry Service	1,274.93
Supplies	2,429.26
Patients Expense	2,130.81
Scavenger	250.00
Bank Service Charges	81.11
Stationary Supplies	45.69
Telephone	832.13
	$34,193.13

Page 4 - Line 17

Real Estate Taxes	$2,532.68
Personal Property Taxes	1,137.62
Accrued Salaries	10,000.00
Social Securities	417.08
Federal Unemployments	263.70
State Unemployment	43.71
Withholding Tax	90.60
State Withholding Tax	23.78
	$14,509.17

Form 1120S (1970) Page 2

Schedule A—COST OF GOODS SOLD (See Instruction 2)

Method of inventory valuation (specify) ▶

Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory? Yes ☐ No ☐. If "Yes," attach explanation.

1 Inventory at beginning of year		5 Total of lines 1 through 4	
2 Merchandise bought for manufacture or sale		6 Less inventory at end of year	
3 Salaries and wages		7 Cost of goods sold (enter here and on line 2, page 1)	
4 Other costs (attach schedule)			

Schedule E—COMPENSATION OF OFFICERS (See instruction 12)

1. Name of officer	2. Social security number	3. Title	4. Time devoted to business	5. Percentage of corporation stock owned	6. Amount of compensation	7. Expense account allowances
Joseph Eisenstein	350-30-6010	President	100%		13,000.00	

Total compensation of officers (enter here and on line 12, page 1)

Schedule F—BAD DEBTS—RESERVE METHOD (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	Amount added to reserve: 5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1965						
1966						
1967						
1968						
1969						
1970						

Schedule G—DEPRECIATION (See instruction 21)

Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2. Enter the cost or other basis of assets held at the end of the year in column 3, and enter the accumulated depreciation at the end of the year in column 4.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						
Buildings	1-4-63	47,000.00	19,767.31	D.B.	20 y	2,042.45
Furniture and fixtures	var.	22,500.36	15,687.50	D.B.	10 y	1,021.92
Transportation equipment	var.	689.69	280.44	S.L.	var.	229.90
Machinery and other equipment	6-18-70	1,899.35	-	S.L.	10 y	205.73
Other (specify)	5-15-54	14,650.00	8,240.62	S.L.	10 y	1,465.00
Building Improvmt	12-64	1,450.00	992.45	D.B.	10 y	96.09
Capitalized Repair	12-56	5,000.00	3,333.32	S.L.	5 y	1,000.00
2 Totals						6,061.09
3 Less amount of depreciation claimed in Schedule A and elsewhere on return						
4 Balance—enter here and on line 21, page 1						

Schedule H—SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years-digits	Units of production	Additional first-year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62-21 and 65-13							
2 Other	2,900.53	3,160.56					6,061.09

Schedule J—TAX COMPUTATION (See instructions)

1 Taxable income (line 28, page 1)		
2 (a) Enter 48 percent of line 1 (members of controlled groups, see instructions)		
(b) Subtract $6,500 and enter difference	6,500.00	
3 Net long-term capital gain reduced by net short-term capital loss (from line 9(b), page 1)		
4 Subtract $25,000. (Statutory minimum.)		25,000.00
5 Balance (line 3 less line 4) (see instructions)		
6 Enter 28 percent of line 5 (fiscal year corporations, see instructions)		
7 Income tax (line 2 or line 6, whichever is lesser). Enter here and on line 29(a), page 1		

Form 1120S (1970)

Schedule K—SHAREHOLDERS' SHARES OF INCOME (See instructions)
Computation of Corporation's Undistributed Taxable Income

1 Taxable income (line 28, page 1)	13,529.27
2 Less: (a) Money distributed as dividends out of earnings and profits of the taxable year	
(b) Tax imposed on certain capital gains (line 31, page 1)	
3 Corporation's undistributed taxable income	13,529.27

Schedule of Distribution and Income (attach additional sheets, if necessary)

1. Name of each shareholder	Social security number	2. Stock ownership: Number of shares	Period held: From	Period held: To	3. Percentage of time devoted to business
A					
B AS PER SCHEDULE ATTACHED					
C					
D					

Shareholder's Share of:	Shareholder A	Shareholder B	Shareholder C	Shareholder D	Total
4 Compensation					13,000.00
5 Dividends paid					
6 Undistributed taxable income (loss)					
7 Net long-term capital gain after tax (see instructions)		AS PER SCHEDULE ATTACHED			
8 Dividends entitled to exclusion					
9 Ordinary income					13,529.27
10 Nondividend distributions					
11 Tax preferences: a Excess investment interest: (1) Investment interest expense					
(2) Investment income					
(3) Investment expense					
b Accelerated depreciation on real property: (1) Low-income rental housing (sec. 167(k))					
(2) Other real property					
c Accelerated depreciation on personal property subject to a net lease					
d Amortization of certified pollution control facilities					
e Amortization of railroad rolling stock					
f Reserves for losses on bad debts of financial institutions					
g Excess percentage depletion					
h Net long-term capital gain after tax					

F Date incorporated 9-26-58

G Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? Yes ☐ No ☒. (For rules of attribution, see section 267(c).)

If the answer is "Yes," attach a schedule showing:

(a) name, address, and employer identification number; and

(b) percentage owned.

H Did the corporation during the taxable year have any contracts or subcontracts subject to the Renegotiation Act of 1951? Yes ☐ No ☒.

If "Yes," enter the aggregate gross dollar amount billed during the year

I Amount of taxable income (or loss) for: 1967 39,197.52; 1968 $1,711.84; 1969 315,622.58

J Refer to instructions for business activity codes and state the:

Principal business activity Nursing Home

Principal product or service

K Were you a member of a controlled group subject to the provisions of sections 1561 or 1562? Yes ☐ No ☐

L Did you claim a deduction for expenses connected with any:

(1) Entertainment facility (boat, resort, ranch, etc.)? Yes ☐ No ☒

(2) Living accommodations (except employees on business)? Yes ☐ No ☒

(3) Employees' families at conventions or meetings? Yes ☐ No ☒

(4) Employee or family vacations not reported on Form W-2? Yes ☐ No ☒

M Did you file all required Forms 1099, 1096 and 1087? Yes ☐ No ☒

N Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? Yes ☐ No ☒. If "Yes," attach Form 4683. (For definitions, see Form 4683.)

O Answer only if (1) this is the first 1120S return filed since your election to be treated as a small business corporation and (2) the corporation was in existence for the taxable year prior to the election and had investment credit property:

Was an agreement filed under Section 1.47-4(b) of the Regulations? Yes ☐ No ☐

Form 1120S (1970) Page 4

Schedule L—BALANCE SHEETS (See Instructions)

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1 Cash		3,671.51		1,580.53
2 Trade notes and accounts receivable	23,426.82		22,953.95	
(a) Less allowance for bad debts		23,426.82		22,953.95
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule) Deposits		300.00		
		935.00		
6 Loans to shareholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets	87,158.74		88,189.39	
(a) Less accumulated depreciation	45,837.02	41,321.72	50,029.41	28,159.98
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)		5,075.00		5,075.00
12 Intangible assets (amortizable only)	5,000.00		5,000.00	
(a) Less accumulated amortization	3,333.32	1,666.68	4,333.32	666.68
13 Other assets (attach schedule)				
14 Total assets		76,396.81		66,436.14
LIABILITIES AND SHAREHOLDERS' EQUITY				
15 Accounts payable		3,214.13		3,910.00
16 Mtgs., notes, bonds payable in less than 1 year		1,776.00		591.00
17 Other current liabilities (attach schedule)		33,440.00		14,509.17
18 Loans from shareholders				
19 Mtgs., notes, bonds payable in 1 year or more		19,331.29		
20 Other liabilities (attach schedule)				
21 Capital stock		2,500.00		2,500.00
22 Paid-in or capital surplus (attach reconciliation)				32,284.29
23 Retained earnings—appropriated (attach schedule)				
24 Retained earnings—unappropriated		512.41		512.41
25 Shareholders' undistributed taxable income		15,622.58		13,529.27
26 Less cost of treasury stock		( )		( )
27 Total liabilities and shareholders' equity		76,396.81		66,436.14

Schedule M–1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books	13,529.27	7 Income recorded on books this year not included in this return (itemize) (a) Tax-exempt interest	
2 Federal income tax			
3 Excess of capital losses over capital gains			
4 Taxable income not recorded on books this year (itemize)			
5 Expenses recorded on books this year not deducted in this return (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
6 Total of lines 1 through 5	13,529.27	9 Total of lines 7 and 8	
		10 Income (line 28, page 1)—line 6 less line 9	13,529.27

Schedule M–2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24 above)

1 Balance at beginning of year	15,134.99	5 Distributions out of current or accumulated earnings and profits: (a) Cash	15,622.58
2 Net income per books	13,529.27	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Current year's undistributed taxable income or net operating loss (total of line 6, Schedule K)	
		7 Other decreases (itemize)	
4 Total of lines 1, 2, and 3	29,664.26	8 Total of lines 5, 6, and 7	15,622.58
		9 Balance at end of year (line 4 less line 8)	14,041.68

☆ U.S. GOVERNMENT PRINTING OFFICE:1970—O-370-096 38-2603-697

ILLINOIS
FORM
IL-1120S

MAIL TO
ILLINOIS
DEPARTMENT
OF REVENUE
P.O. BOX
3288
SPRINGFIELD,
ILLINOIS
62708

SMALL BUSINESS CORPORATION RETURN OF INCOME
FOR CALENDAR YEAR 1970

Or Other Taxable Year Beginning _____ 197__ Ending _____ 197__

1970

THIS RETURN MUST BE FILED ON OR BEFORE THE 15TH DAY OF THE 4TH MONTH FOLLOWING THE CLOSE OF THE TAXABLE YEAR

Official use only

Please Print or Type

Name: PEDRAZA NURSING HOME, INC.

Number and Street: 3234 W. WASHINGTON BLVD.

City, State, Zip Code: CHICAGO, ILLINOIS

Federal Business Code No.	County	Federal Employer Identification No.
8010	COOK	36-2152812

SHAREHOLDERS' SHARE OF INCOME
COMPUTATION OF CORPORATION'S UNDISTRIBUTED TAXABLE INCOME

1. Taxable income (U.S. Form 1120S)	13,529.27
2. Less: (a) Money distributed as dividends out of earnings and profits of the taxable year	
(b) Tax imposed on certain capital gains (U.S. Form 1120S)	
3. Corporation's undistributed taxable income	13,529.27

SCHEDULE OF DISTRIBUTION AND INCOME

	1. Name and address of each shareholder	2. Residence (see Specific Instructions)	3. Social security number	4. Compensation
(a)	Joseph Eisenstein, 5917 N. Bernard, Ch.	Yes	330-30-3010	13,000.00
(b)	Joseph Berko, 7450 N. Sacramento, Chic.	"	350-10-8397	
(c)	Bernard Friedman, 6933 N. Kedzie, Ch.	"	342-30-8457	
(d)	Hilda Eisenstein, 5917 N. Bernard, Chi.	"	342-30-2104	
(e)	Byran Eisenstein, 5917 N. Bernard, Chi.	"	324-50-1125	
(f)				
(g)				
(h)				
(i)				
(j)			TOTAL	13,000.00

	5. Dividends		6. Share of undistributed taxable income or net operating loss	7. Share of net long term capital gain after tax	8. Dividends entitled to exclusion	9. Amount taxable as ordinary income	10. Nondividend distributions	
	Dates	Amounts					Date	Amount
(a)						3,333.33		
(b)						2,370.90		
(c)						2,370.90		
(d)						3,333.33		
(e)						3,333.34		
(f)								
(g)								
(h)								
(i)								
(j)						13,529.27		
TOTALS								

SIGNATURE AND VERIFICATION: I declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return. If the return is prepared by a person other than the officer, his declaration is based on all the information relating to the matters required to be reported in the return of which he has knowledge.

3-7-71 (Date) — President (Title)

Sign Here ▶ (Signature of officer)

(Date) ▶ (Individual or firm signature of preparer) (Address)

ITEM 5.—MIDWEST REST HAVEN, INC., 1970 INCOME TAX RETURN

Form **1120S**

Department of the Treasury
Internal Revenue Service

U.S. Small Business Corporation Income Tax Return

for the calendar year 1970 or other taxable year beginning July 1, 1970, ending June 30, 19 71

1970

A Date of election as small business corporation: 7-1-65

B Business Code No. (see page 4 of instructions): 8019

OH 36-2538743 FOR JUN 30,1971 D036
MIDWEST REST HAVEN INC
1612 MICHIGAN AVE
CHICAGO IL 60616

C Employer Identification No.: 36-2538743

D County in which located: Cook

E Enter total assets from line 14, column D, Schedule L: 16,359.35

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction M.

GROSS INCOME	1	Gross receipts or gross sales ..... Less: returns and allowances	110,976 18
	2	Less: cost of goods sold (Schedule A) and/or operations (attach schedule)	76 268 60
	3	Gross profit	34,707 58
	4	(a) Domestic dividends	
		(b) Foreign dividends	
	5	Interest on obligations of the United States and U.S. instrumentalities	
	6	Other interest	
	7	Gross rents	
	8	Gross royalties	
	9	Gains and losses (separate Schedule D, Form 1120S)—	
		(a) Net short-term capital gain reduced by any net long-term capital loss	
		(b) Net long-term capital gain reduced by any net short-term capital loss (if more than $25,000, see instructions)	
		(c) Net ordinary gain (loss)	
	10	Other income (attach schedule)	
	11	Total income, lines 3 through 10	34,707 58
DEDUCTIONS	12	Compensation of officers (Schedule E)	
	13	Salaries and wages (not deducted elsewhere)	4532 67
	14	Repairs (do not include capital expenditures)	1637 29
	15	Bad debts (Schedule F if reserve method is used)	
	16	Rents	8760 00
	17	Taxes (attach schedule)	3572 05
	18	Interest	
	19	Contributions (not over 5% of line 28 adjusted per instructions—attach schedule)	
	20	Amortization (attach schedule)	
	21	Depreciation (Schedule G)	764 71
	22	Depletion (attach schedule)	
	23	Advertising	
	24	Pension, profit-sharing, stock bonus, annuity plans (attach Form(s) 2950)	
	25	Other employee benefit plans (see instructions)	
	26	Other deductions (attach schedule)	5633 58
	27	Total deductions on lines 12 through 26	24900 30
	28	Taxable income, line 11 less line 27	9807 28
TAX	29	Income tax: (a) On capital gains (Schedule J)	
		(b) Surcharge—enter 2½% of line 29(a) (Fiscal year corporations: see instructions for Schedule J)	
	30	Minimum tax (see instrs). Check here ☐ if Form 4626 is attached	
	31	Total tax (add lines 29 and 30)	
	32	Credits: (a) Tax deposited—Form 7004 application for extension (attach copy)	
		(b) Credit for U.S. tax on special fuels, nonhighway gas, and lubricating oil (attach Form 4136)	
	33	TAX DUE (line 31 less line 32). See Instruction G for depositary method of payment →	NONE
	34	OVERPAYMENT (line 32 less line 31) →	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL

Date ..... Signature of officer ..... Title .....

Date ..... Individual or firm signature of preparer ..... Address .....

e69—16—61327-1 370-010

Form 1120S (1970)

Schedule A—COST OF GOODS SOLD (See instruction 2)

Method of inventory valuation (specify) ▶

Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory? Yes ☐ No ☐. If "Yes," attach explanation.

1 Inventory at beginning of year		5 Total of lines 1 through 4	
2 Merchandise bought for manufacture or sale		6 Less inventory at end of year	
3 Salaries and wages		7 Cost of goods sold (enter here and on line 2, page 1)	
4 Other costs (attach schedule)			

Schedule E—COMPENSATION OF OFFICERS (See instruction 12)

1. Name of officer	2. Social security number	3. Title	4. Time devoted to business	5. Percentage of corporation stock owned	6. Amount of compensation	7. Expense account allowances

Total compensation of officers (enter here and on line 12, page 1)

Schedule F—BAD DEBTS—RESERVE METHOD (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	Amount added to reserve: 5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1965						
1966						
1967						
1968						
1969						
1970						

Schedule G—DEPRECIATION (See instruction 21)

Taxpayers using Revenue Procedures 62–21 and 65–13: Make no entry in column 2. Enter the cost or other basis of assets held at the end of the year in column 3, and enter the accumulated depreciation at the end of the year in column 4.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below) ▶						
Buildings						
Furniture and fixtures	Various	278.08	47.49	S/L	8 yrs	27.85
Transportation equipment						
Machinery and other equipment						
Other (specify):						
Fire Call Box	7-1-65	2,050.00	1,025.00	S/L	10 yrs	205.00
Sprinkler System	3-31-68	1,460.00	656.13	S/L	5 yrs	281.20
2 Totals		6,296.08				764.71
3 Less amount of depreciation claimed in Schedule A and elsewhere on return						
4 Balance—enter here and on line 21, page 1						764.71

Schedule H—SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years-digits	Units of production	Additional first-year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62–21 and 65–13							
2 Other	764.71						764.71

Schedule J—TAX COMPUTATION (See instructions)

1 Taxable income (line 28, page 1)		
2 (a) Enter 48 percent of line 1 (members of controlled groups, see instructions)		
(b) Subtract $6,500 and enter difference	6,500.00	
3 Net long-term capital gain reduced by net short-term capital loss (from line 9(b), page 1)		25,000.00
4 Subtract $25,000. (Statutory minimum.)		
5 Balance (line 3 less line 4) (see instructions)		
6 Enter 28 percent of line 5 (fiscal year corporations, see instructions)		
7 Income tax (line 2 or line 6, whichever is lesser). Enter here and on line 29(a), page 1		

o80—16—61337-1 370-010

NAME Midwest Rest Haven, Inc. 36-2538743

ADDRESS 1612 S Michigan Ave

Chicago, Illinois 60616

Taxable Year Ended 6-30-71

Page 1 - Line 2 - Cost of Operations				
Salaries	61574	80		
Food	7302	85		
Utilities and Telephone	2342	57		
House Keeping Supplies	1414	33		
Union	1212	00		
Linen	864	68		
Drugs and Supplies	233	57		
Scavenger and Exterminator	184	00		
Heat	1139	80		
Total			76,268	60
Page 1 - Line 17 - Taxes				
Payroll	3498	01		
Sundry	74	04		
Total			357205	
Page 1 - Line 26 - Other Deductions				
Licenses, Dues and Subscriptions	276	50		
Office Expense	130	26		
Insurance	496	50		
Auto and Travel	1348	32		
Management Fees	2600	00		
Legal and Audit	782	00		
Total			5633	58

CYPRESS NO. 502

Form 1120S (1970) Page 3

Schedule K—SHAREHOLDERS' SHARES OF INCOME (See Instructions)
Computation of Corporation's Undistributed Taxable Income

1 Taxable income (line 28, page 1)	9807.28
2 Less: (a) Money distributed as dividends out of earnings and profits of the taxable year	
(b) Tax imposed on certain capital gains (line 31, page 1)	
3 Corporation's undistributed taxable income	9807.28

Schedule of Distribution and Income (attach additional sheets, if necessary)

	1. Name of each shareholder	Social security number	2. Stock ownership: Number of shares	Period held: From	To	3. Percentage of time devoted to business
A	Mitchell C. Marks		10	7-10-64	6-30-71	ALL
B						
C						
D						

Shareholder's Share of:	Shareholder A	Shareholder B	Shareholder C	Shareholder D	Total
4 Compensation					
5 Dividends paid					
6 Undistributed taxable income (loss)	9807.28				9807.28
7 Net long-term capital gain after tax (see instructions)					
8 Dividends entitled to exclusion					
9 Ordinary income					
10 Nondividend distributions					
11 Tax preferences:					
a Excess investment interest: (1) Investment interest expense					
(2) Investment income					
(3) Investment expense					
b Accelerated depreciation on real property: (1) Low-income rental housing (sec. 167(k))					
(2) Other real property					
c Accelerated depreciation on personal property subject to a net lease					
d Amortization of certified pollution control facilities					
e Amortization of railroad rolling stock					
f Reserves for losses on bad debts of financial institutions					
g Excess percentage depletion					
h Net long-term capital gain after tax					

F Date incorporated 7-10-64

G Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? Yes ☐ No ☒ (For rules of attribution, see section 267(c).)

If the answer is "Yes," attach a schedule showing:
(a) name, address, and employer identification number; and
(b) percentage owned.

H Did the corporation during the taxable year have any contracts or subcontracts subject to the Renegotiation Act of 1951? Yes ☐ No ☐.
If "Yes," enter the aggregate gross dollar amount billed during the year

I Amount of taxable income (or loss) for: 1967 <80.85>; 1968 <124.69>; 1969 448778

J Refer to instructions for business activity codes and state the:
Principal business activity Nursing Home
Principal product or service Nursing Home

K Were you a member of a controlled group subject to the provisions of sections 1561 or 1562? Yes ☐ No ☒

L Did you claim a deduction for expenses connected with any:
(1) Entertainment facility (boat, resort, ranch, etc.)? Yes ☐ No ☒
(2) Living accommodations (except employees on business)? Yes ☐ No ☒
(3) Employees' families at conventions or meetings? Yes ☐ No ☒
(4) Employee or family vacations not reported on Form W-2? Yes ☐ No ☒

M Did you file all required Forms 1099, 1096 and 1087? Yes ☐ No ☒

N Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? Yes ☐ No ☒
If "Yes," attach Form 4683. (For definitions, see Form 4683.)

O Answer only if (1) this is the first 1120S return filed since your election to be treated as a small business corporation and (2) the corporation was in existence for the taxable year prior to the election and had investment credit property:
Was an agreement filed under Section 1.47-4(b) of the Regulations? Yes ☐ No ☒

e30—16—81027-1 [970-010

Form 1120S (1970) Page 4

Schedule L—BALANCE SHEETS (See Instructions)

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1 Cash		16060.27		1,857.03
2 Trade notes and accounts receivable				
(a) Less allowance for bad debts				
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 ~~Other current assets~~ (attach schedule) PAIEPAYSE		100.75		
6 Loans to shareholders		11682.57		11682.57
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets	5126.00		6242.08	
(a) Less accumulated depreciation	2157.62	2968.38	292233	3319.75
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets		30,811.97		16859.35
LIABILITIES AND SHAREHOLDERS' EQUITY				
15 Accounts payable		24,168.28		
16 Mtgs., notes, bonds payable in less than 1 year		2,975.42		
17 Other current liabilities (attach schedule)				
18 Loans from shareholders				
19 Mtgs., notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				2483.85
21 Capital stock		4,000.00		1,000.00
22 Paid-in or capital surplus (attach reconciliation)				
23 Retained earnings—appropriated (attach schedule)				
24 Retained earnings—unappropriated		(591.18)		<591.18>
25 Shareholders' undistributed taxable income		4,159.40		13966.68
26 Less cost of treasury stock		( )		( )
27 Total liabilities and shareholders' equity		30,811.97		16859.35

Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books	9807.28	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		(a) Tax-exempt interest	
3 Excess of capital losses over capital gains			
4 Taxable income not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		9 Total of lines 7 and 8	
6 Total of lines 1 through 5	9807.28	10 Income (line 28, page 1)—line 6 less line 9	9807.28

Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24 above)

1 Balance at beginning of year	<591.18>	5 Distributions out of current or accumulated earnings and profits: (a) Cash	
2 Net income per books		(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Current year's undistributed taxable income or net operating loss (total of line 6, Schedule K)	
		7 Other decreases (itemize)	
4 Total of lines 1, 2, and 3	<591.18>	8 Total of lines 5, 6, and 7	
		9 Balance at end of year (line 4 less line 8)	<591.18>

450—16—61237-1 270-010

NAME Midwest Rest Haven, Inc. 36-2538743

ADDRESS 1612 S Michigan Ave
Chicago, Illinois 60616

Taxable Year Ended 6-30-71

Page 4 - Line 17 - Other Liabilities				
End of Taxable Year				
Accrued Payroll	1862	19		
Accrued Payroll Taxes	278	50		
Federal and State Taxes Withheld	342	16		
Total			2483	85

CYPRESS NO. 502

ITEM 6.—WESTWOOD MANOR, INC., 1970 INCOME TAX RETURN

TAXPAYER'S COPY

Form **1120S** — Department of the Treasury, Internal Revenue Service

U.S. Small Business Corporation Income Tax Return

for the calendar year 1970 or other taxable year beginning ..... 1970, ending ..... 19....

1970

A Date of election as small business corporation: 1-26-68

B Business Code No. (see page 4 of instructions): 8019

Name: WESTWOOD MANOR, INC.

Number and street: 6418 N. SACRAMENTO AVE.

City or town, State, and ZIP code: CHICAGO ILLINOIS 60645

C Employer Identification No.: 36-244323

D County in which located: COOK

E Enter total assets from line 14, column D, Schedule L: 346,370.15

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction M.

GROSS INCOME	1	Gross receipts or gross sales 497,447.95. Less: returns and allowances	497,447.95
	2	Less: cost of goods sold (Schedule A) and/or operations (attach schedule)	
	3	Gross profit	497,447.95
	4	(a) Domestic dividends	
		(b) Foreign dividends	
	5	Interest on obligations of the United States and U.S. instrumentalities	
	6	Other interest	
	7	Gross rents	300.00
	8	Gross royalties	
	9	Gains and losses (separate Schedule D, Form 1120S)—	
		(a) Net short-term capital gain reduced by any net long-term capital loss	
		(b) Net long-term capital gain reduced by any net short-term capital loss (if more than $25,000, see instructions)	
		(c) Net ordinary gain (loss)	
	10	Other income (attach schedule)	
	11	Total income, lines 3 through 10	497,747.95
DEDUCTIONS	12	Compensation of officers (Schedule E)	134,200.00
	13	Salaries and wages (not deducted elsewhere)	158,434.41
	14	Repairs (do not include capital expenditures)	
	15	Bad debts (Schedule F if reserve method is used)	
	16	Rents	
	17	Taxes (attach schedule)	21,199.24
	18	Interest	12,222.41
	19	Contributions (not over 5% of line 28 adjusted per instructions—attach schedule)	25.00
	20	Amortization (attach schedule)	660.75
	21	Depreciation (Schedule G)	9056.64
	22	Depletion (attach schedule)	
	23	Advertising	
	24	Pension, profit-sharing, stock bonus, annuity plans (attach Form(s) 2950)	
	25	Other employee benefit plans (see instructions)	
	26	Other deductions (attach schedule)	87,749.02
	27	Total deductions on lines 12 through 26	424,147.50
	28	Taxable income, line 11 less line 27	73,600.45
TAX	29	Income tax: (a) On capital gains (Schedule J)	
		(b) Surcharge—enter 2½% of line 29(a) (Fiscal year corporations: see instructions for Schedule J)	
	30	Minimum tax (see instrs). Check here ☐ if Form 4626 is attached	
	31	Total tax (add lines 29 and 30)	
	32	Credits: (a) Tax deposited—Form 7004 application for extension (attach copy)	
		(b) Credit for U.S. tax on special fuels, nonhighway gas, and lubricating oil (attach Form 4136)	
	33	TAX DUE (line 31 less line 32). See instruction G for depositary method of payment →	
	34	OVERPAYMENT (line 32 less line 31)	

TAXPAYER'S COPY

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL

4/14/71 — Date — Signature of officer — Title

4/14/71 — Date — Individual or firm signature of preparer — 6418 N. SACRAMENTO CHICAGO ILL 60645 — Address

16—61224-1

Form 1120S (1970) Page 2

Schedule A—COST OF GOODS SOLD (See instruction 2)

Method of inventory valuation (specify) ▶

Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory? Yes ☐ No ☐. If "Yes," attach explanation.

1 Inventory at beginning of year		5 Total of lines 1 through 4	
2 Merchandise bought for manufacture or sale		6 Less inventory at end of year	
3 Salaries and wages		7 Cost of goods sold (enter here and on line 2, page 1)	
4 Other costs (attach schedule)			

Schedule E—COMPENSATION OF OFFICERS (See instruction 12)

1. Name of officer	2. Social security number	3. Title	4. Time devoted to business	5. Percentage of corporation stock owned	6. Amount of compensation	7. Expense account allowances
MEYER LIBERMAN	336-26-5075	PRES.	ALL	50%	73,400.00	
SOL GALITZ	360-10-6878	TREAS.	PART	50%	61,400.00	

Total compensation of officers (enter here and on line 12, page 1) 134,800.00

Schedule F—BAD DEBTS—RESERVE METHOD (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	Amount added to reserve: 5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1965						
1966						
1967						
1968						
1969						
1970						

Schedule G—DEPRECIATION (See instruction 21)

Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2. Enter the cost or other basis of assets held at the end of the year in column 3, and enter the accumulated depreciation at the end of the year in column 4.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below) ▶						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
	SEE	SCHEDULE	ATTACHED			9056.64
2 Totals		247,43.42				9056.64
3 Less amount of depreciation claimed in Schedule A and elsewhere on return						
4 Balance—enter here and on line 21, page 1						9056.64

Schedule H—SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years-digits	Units of production	Additional first-year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62-21 and 65-13							
2 Other	8024.01	1032.63					9056.64

Schedule J—TAX COMPUTATION (See instructions)

1 Taxable income (line 28, page 1)		
2 (a) Enter 48 percent of line 1 (members of controlled groups, see instructions)		
(b) Subtract $6,500 and enter difference	6,500.00	
3 Net long-term capital gain reduced by net short-term capital loss (from line 9(b), page 1)		25,000.00
4 Subtract $25,000. (Statutory minimum.)		
5 Balance (line 3 less line 4) (see instructions)		
6 Enter 28 percent of line 5 (fiscal year corporations, see instructions)		
7 Income tax (line 2 or line 6, whichever is lesser). Enter here and on line 29(a), page 1		

8—61234-1

Form 1120S (1970)

Schedule K—SHAREHOLDERS' SHARES OF INCOME (See Instructions)
Computation of Corporation's Undistributed Taxable Income

1 Taxable income (line 28, page 1)		73,600.45
2 Less: (a) Money distributed as dividends out of earnings and profits of the taxable year	57,642.91	
(b) Tax imposed on certain capital gains (line 31, page 1)		57,642.91
3 Corporation's undistributed taxable income		15,957.54

Schedule of Distribution and Income (attach additional sheets, if necessary)

1. Name of each shareholder	Social security number	2. Stock ownership: Number of shares	Period held: From	Period held: To	3. Percentage of time devoted to business
A MEYER & CHAYA LIBERMAN	336-26-5095	2,500	1/1/70	12/31/70	100%
B SOL & FLORENCE RAITZIK	360-10-6878	2,500	1/1/70	12/31/70	PART
C					
D					

Shareholder's Share of:	Shareholder A	Shareholder B	Shareholder C	Shareholder D	Total
4 Compensation	73,400.00	61,400.00			134,800.00
5 Dividends paid	28,821.46	28,821.45			57,642.91
6 Undistributed taxable income (loss)	7,978.77	7,978.77			15,957.54
7 Net long-term capital gain after tax (see instructions)					
8 Dividends entitled to exclusion					
9 Ordinary income	36,800.23	36,800.22			73,600.45
10 Nondividend distributions	418.55	418.55			837.10
11 Tax preferences: a Excess investment interest: (1) Investment interest expense					
(2) Investment income					
(3) Investment expense					
b Accelerated depreciation on real property: (1) Low-income rental housing (sec. 167(k))					
(2) Other real property	101.29	101.29			202.58
c Accelerated depreciation on personal property subject to a net lease					
d Amortization of certified pollution control facilities					
e Amortization of railroad rolling stock					
f Reserves for losses on bad debts of financial institutions					
g Excess percentage depletion					
h Net long-term capital gain after tax					

F Date incorporated 9-22-60

G Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? Yes ☐ No ☒. (For rules of attribution, see section 267(c).)

If the answer is "Yes," attach a schedule showing:

(a) name, address, and employer identification number; and

(b) percentage owned.

H Did the corporation during the taxable year have any contracts or subcontracts subject to the Renegotiation Act of 1951? Yes ☐ No ☒

If "Yes," enter the aggregate gross dollar amount billed during the year

I Amount of taxable income (or loss) for: 1967 21,913.97; 1968 34,359.21; 1969 50,011.22

J Refer to instructions for business activity codes and state the:

Principal business activity NURSING HOME

Principal product or service NURSING SERVICES

K Were you a member of a controlled group subject to the provisions of sections 1561 or 1562? Yes ☐ No ☒

L Did you claim a deduction for expenses connected with any:

(1) Entertainment facility (boat, resort, ranch, etc.)? Yes ☐ No ☒

(2) Living accommodations (except employees on business)? Yes ☐ No ☒

(3) Employees' families at conventions or meetings? Yes ☐ No ☒

(4) Employee or family vacations not reported on Form W-2? Yes ☐ No ☒

M Did you file all required Forms 1099, 1096 and 1087? Yes ☒ No ☐

N Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? Yes ☐ No ☒

If "Yes," attach Form 4683. (For definitions, see Form 4683.)

O Answer only if (1) this is the first 1120S return filed since your election to be treated as a small business corporation and (2) the corporation was in existence for the taxable year prior to the election and had investment credit property:

Was an agreement filed under Section 1.47-4(b) of the Regulations? Yes ☐ No ☐

16-81234-1

Form 1120S (1970) Page 4

Schedule L—BALANCE SHEETS (See Instructions)

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1 Cash		11,647.24		17,000.96
2 Trade notes and accounts receivable	30,974.16	30,974.16	42,032.00	42,032.00
(a) Less allowance for bad debts				
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets ~~(attach schedule)~~ PREPAID INSUR. + LICENSES		1,832.17		4303.47
6 Loans to shareholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets	245,979.93		304,318.42	
(a) Less accumulated depreciation	84,194.31	161,785.62	93,250.95	211,067.47
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)		70,043.25		70,043.25
12 Intangible assets (amortizable only)	7929.00		7929.00	
(a) Less accumulated amortization	5345.25	2,583.75	6006.00	1923.00
13 Other assets (attach schedule)				
14 Total assets		278,866.19		346,370.15
LIABILITIES AND SHAREHOLDERS' EQUITY				
15 Accounts payable		36,298.83		64160.95
16 Mtgs., notes, bonds payable in less than 1 year		11,341.48		18,956.46
17 Other current liabilities (attach schedule)				
18 Loans from shareholders				
19 Mtgs., notes, bonds payable in 1 year or more		165,998.39		184,349.85
20 Other liabilities (attach schedule)				
21 Capital stock		64,000.00		64,000.00
22 Paid-in or capital surplus (attach reconciliation)				
23 Retained earnings—appropriated (attach schedule)				
24 Retained earnings—unappropriated		3,280.47		3280.47
25 Shareholders' undistributed taxable income		(20,528.98)		11,622.42
26 Less cost of treasury stock		( )		( )
27 Total liabilities and shareholders' equity		278,866.19		346,370.15

Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books	72,155.41	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		(a) Tax-exempt interest	
3 Excess of capital losses over capital gains			
4 Taxable income not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize) OFFICERS LIFE INSURANCE	1445.04	9 Total of lines 7 and 8	
6 Total of lines 1 through 5	73,600.45	10 Income (line 28, page 1)—line 6 less line 9	73,600.45

Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24 above)

1 Balance at beginning of year	3280.47	5 Distributions out of current or accumulated earnings and profits: (a) Cash	57,642.91
2 Net income per books	72,155.41	(b) Stock	
3 Other increases (itemize) OFFICERS LIFE INSURANCE		(c) Property	
		6 Current year's undistributed taxable income or net operating loss (total of line 6, Schedule K)	15,957.54
		7 Other decreases (itemize)	
	1445.04	8 Total of lines 5, 6, and 7	73,600.45
4 Total of lines 1, 2, and 3	76,880.92	9 Balance at end of year (line 4 less line 8)	3280.47

☆ U.S. GOVERNMENT PRINTING OFFICE: 1970—O-870-086 36-2503-697 10—61334-1

Name: WESTWOOD MANOR, INC.
Address 6418 N. SACRAMENTO CHICAGO, ILL. 60645
Form 1120-S Year 1970 Identification Number 36-2443231

PAGE 1, LINE 17, TAXES		
F.I.C.A. TAX		7,532 31
FRANCHISE TAX		76 00
REAL ESTATE TAX		12,595 29
STATE UNEMPLOYMENT TAX		371 11
FEDERAL UNEMPLOYMENT TAX		624 53
TOTAL TAXES		21,199 24
PAGE 1, LINE 19, CONTRIBUTIONS		
ASSOCIATED TALMUD TORAHS		25 00
PAGE 1, LINE 20, AMORTIZATION		
MORTGAGE COSTS - $7,929.00 - 3/1/61 - FOR 12 YEARS		
ACCUMULATED AMORTIZATION - $5345.25		660 75
PAGE 1 LINE 26, OTHER DEDUCTIONS		
DRUGS AND MEDICAL SUPPLIES		1301 29
LABORATORY AND X-RAY		208 35
PHYSICAL THERAPY		112 00
ELECTRICITY		1981 89
SCAVENGER		638 10
EXTERMINATOR		235 00
LINEN AND LAUNDRY		11,271 44
MAINTENANCE AND REPAIRS		2,276 58
FURNISHINGS AND HOUSEKEEPING SUPPLIES		598 69
PLUMBING REPAIRS		3,493 75
GAS		3,253 51
WATER		1,699 54
PAINTING AND DECORATING		425 00
FOOD		40,105 89
KITCHEN SUPPLIES		2828 06
DIETICIAN		160 00
ADVERTISING AND PROMOTION		157 82
DUES, MEMBERSHIPS, & SUBSCRIPTIONS		2706 34
OFFICE EXPENSE		1013 15
TELEPHONE		1671 24
LEGAL		1011 00
AUDIT		1378 00
LICENSES AND PERMITS		635 65
INSURANCE		6852 50
UNION HEALTH AND WELFARE		1501 00
MISCELLANEOUS EXPENSES		233 29
TOTAL OTHER DEDUCTIONS		87,749 03

SPECIAL DEPRECIATION SCHEDULE

Name WESTWOOD MANOR, INC.
Address 6418 N. SACRAMENTO AVE. CHICAGO, ILL. Identification Number 36-2443231 Year Ended DECEMBER 31, 1970

1. KIND OF PROPERTY	2. DATE ACQUIRED	3. COST OR OTHER BASIS	4. *SPEC. 20% DEPRECIATION	5. DEPRECIABLE BASIS COL. 3 MINUS 4	6. PRIOR DEPRECIATION	7. METHOD (STRAIGHT LINE, DIGIT, OR DECLINING BALANCE)	8. RATE (%) OR LIFE (YEARS)	9. DEPRECIATION ALLOWABLE ON COL. 5 THIS YEAR
BUILDING	1961	208,722.52			57,746.55	S.L.	40 YRS.	4870.19
PARTITIONS PANELING	1962	1,306.25			435.12	"	24 YRS.	54.39
WEATHER STRIPPING	1963	380.00			115.64	"	23 YRS.	16.52
FURNITURE & EQUIPMENT	1961	21,651.79			18,404.03	"	10 YRS.	2,165.18
" "	1962	2,018.06			1,449.79	"	10 YRS.	201.81
" "	1962	628.58			480.88	"	10 YRS.	62.86
" "	1963	3,283.40			2,122.72	"	10 YRS.	328.34
" "	1964	647.21			291.24	"	10 YRS.	64.72
" "	1966	176.80			146.54	200% D.B.	6 YRS.	10.09
" "	1967	491.51			345.88	" "	6 YRS.	48.54
" "	2/29/68	273.81			168.34	" "	6 YRS.	35.16
" "	2/27/70	222.00			—	" "	6 YRS.	61.67 (10 MOS.)
" "	5/27/70	150.99			—	" "	6 YRS.	29.36 (7 MOS.)
" "	3/4/70	1060.50			—	" "	6 YRS.	265.13 (9 MOS.)
BUILDING IMPROVEMENTS	1963	1700.00			1105.00	S.L.	10 YRS.	170.00
" "	1964	900.00			495.00	"	10 YRS.	90.00
" "	1967	1310.00			555.44	200% D.B.	10 YRS.	150.91
" "	1969	2491.00			332.14	" "	10 YRS.	431.77
TOTALS		247,413.42	4.					9056.64

TOTAL DEPRECIATION ALLOWABLE (COLUMN 4 PLUS COLUMN 9) $9056.64

*NOT TO EXCEED 20% OF $10,000 OF CURRENT YEAR'S INVESTMENT EXCEPT IF TAXPAYER FILES JOINT RETURN WITH SPOUSE; THEN THE MAXIMUM IS 20% OF $20,000.

ITEM 7.—WESTWOOD MANOR, INC.—HEARING BOARD ON REVOCATION OR DENIAL OF LICENSE FOR NURSING HOMES, SHELTERED CARE HOMES AND HOMES FOR THE AGED

In the Matter of Westwood Manor, Inc., Respondent.

FINDINGS AND DECISION

This cause coming on to be heard before the Chicago Hearing Board for Nursing Homes, Sheltered Care Homes, and Homes for the Aged, proceeding under the provisions of Chapter 136 of the Municipal Code of Chicago, adopted in compliance with the Illinois Department of Public Health Minimum Standards Rules and Regulations for Nursing Homes, on the complaint of the Chicago Board of Health, and the respondent appearing before the Hearing Board, by and through counsel, and the Hearing Board having heard testimony, having examined evidentiary documents, having heard arguments of counsel, and being fully advised in the premises, finds:

(1) that the Chicago Hearing Board on Nursing Homes, Sheltered Care Homes and Homes for the Aged, has jurisdiction of the parties hereto and the subject matter hereof;

(2) that respondent, Westwood Manor, Inc., appeared at a hearing held on January 17, 1969, by and through its counsel;

(3) that the evidence received at said hearing revealed that one Mary Merey was a patient under the care, supervision and control of respondent, Westwood Manor, Inc., by and through its employees, agents and servants, on or about September 16, 1968; that on said date and in the place last mentioned, said Mary Merey sustained injuries to her head, face, neck, left chest and left arm, including abrasions to the vertex of the scalp, with an abraded area 3 inches across the scalp, an accumulation of blood, hematoma and ecchymosis, a basal skull fracture, an anterior fracture of the fourth left rib, and contusions and abrasions to the left arm, with finger marks thereon; that said Mary Merey expired as the result, in part, of said injuries; that at the time of alleged fall, she was unattended although a registered nurse employed by the respondent, Westwood Manor, Inc., was in charge of her care and custody at that time; that respondent, Westwood Manor, Inc., failed to notify the family or attending physician of Mary Merey for a period of twelve hours following the accident; that no evidence tending to show any of the previous described injuries was produced which would relate said injuries to any period prior to the fall of September 16, 1968; that an expert witness, the attending physician, testified that said injuries could not have resulted from the fall on the aforementioned date. but that they were caused by some one striking the patient on and about the affected portions of the body, which testimony was uncontradicted by any witness or other evidence;

(4) that Westwood Manor, Inc., violated the following provisions of the Municipal Code of Chicago in such cases made and provided,

"Chapter 136, Section 136-9. A license may be revoked or renewal thereof denied, for any of the following reasons:

"A. Cruelty or indifference to the welfare of a resident.

"* * *.

"D. Violation of any provision of this ordinance or of the minimum standards, rules and regulations promulgated thereunder,"

as well as the following Rules and Regulations of the Board of Health of the City of Chicago, in such cases made and provided,

"Division II—Management.

"Section A—Manager and/or Licensee.

"* * *.

"2. Responsibilities:

"* * *.

"k. Notifying immediately the resident's family, guardian or the private or public agency financially responsible for this care, regarding any unusual occurrences such as accidents, sudden illness, disease, etc. that may be incurred by the resident.

"* * *.

"6. A physician shall be notified of any accident, injury or unusual change of resident's condition."

It is, therefore, ordered, that the Nursing Home license of resepondent, Westwood Manor, Inc., be and the same is hereby revoked.

Members of the Hearing Board on Nursing Homes, Sheltered Care Homes and Homes for the Aged.

ITEM 8.—LETTER FROM DAVID I. SPARK, WINSTON MANOR CONVALESCENT & NURSING HOME, INC., TO SENATOR CHARLES PERCY, SEPTEMBER 13, 1971

WINSTON MANOR,
CONVALESCENT & NURSING HOME, INC.,
Chicago, Ill., September 13, 1971.

DEAR SENATOR PERCY: Your telegram, stamped September 9, 1971, and addressed to me in my capacity as Chairman of the Board of Winston Manor Convalescent and Nursing Home, Inc., has been called to my attention by the Administrator in charge of the home.

I am an attorney-at-law actively engaged in practice. I shall be unable to attend the hearing scheduled for September 14, 1971 for the reason that I shall be engaged in trial.

However, representatives of Winston Manor will be present at the appointed time and place. They will bring with them and hand to the committee a copy of financial statements for the fiscal year ended March 31, 1971, including the balance sheet and profit and loss statement as requested in your telegram. The representatives will be more familiar with said financial statements than I am and will be in a better position to answer any questions the committee may have in connection therewith.

Incidentally, Winston Manor Convalescent and Nursing Home, Inc. has approximately 40 shareholders holding approximately 7,140 shares of stock. The shareholders have elected nine directors, including me; although my proprietary interest in Winston Manor is less than 1% (.0816%). The directors did me the honor of electing me chairman of the board, in which capacity I chair the meetings (approximately 6 per year) and am paid $100.00 per meeting actually attended.

The day to day operation of Winston Manor, has been entrusted to an experienced administrator, selected by the Board and paid $20,000.00 per annum plus certain fringe benefits.

Should there be any further questions which the committee feels our representatives have been unable to answer satisfactorily we shall make every effort to cooperate with the committee by supplying the answers to such questions—perhaps in the course of a meeting with one of your staff members at a mutually convenient time and place.

In the meantime I wish to take this opportunity to thank you for the interest that you have evinced in the problems of the aged, particularly as the same have reference to their long term care. I share your concern for the aged and for that reason our representatives have been instructed to extend their full cooperation to your committee.

Yours sincerely,

DAVID I. SPARK,
Chairman of the Board.

ITEM 9.–WINSTON MANOR CONVALESCENT AND NURSING HOME 1970 INCOME TAX RETURN

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1970 or other taxable year beginning APRIL 1, 1970, ending MARCH 31, 19 71
(PLEASE TYPE OR PRINT)

1970

Check if a—
A Consolidated return ☐
B Personal Holding Co. ☐
C Business Code No. (See page 7 of instructions) 8019

Name: WINSTON MANOR CONVALESCENT AND NURSING HOME, INC.
Number and street: 2155 WEST PIERCE STREET
City or town, State, and ZIP code: CHICAGO, ILLINOIS 60622

COPY

D Employer Identification No. 36-2446334
E County in which located COOK
F Enter total assets from line 14, column (D), Schedule L (See instruction R) $ 260 296

IMPORTANT—Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.

GROSS INCOME	1	Gross receipts or gross sales ..... Less: Returns and allowances	837 608
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)	–
	3	Gross profit	837 608
	4	Dividends (Schedule C)	
	5	Interest on obligations of the United States and U.S. instrumentalities	
	6	Other interest	1 897
	7	Gross rents	
	8	Gross royalties	
	9	Net gains (losses)—(separate Schedule D)	
	10	Other income (attach schedule)	
	11	TOTAL income—Add lines 3 through 10	839 505
DEDUCTIONS	12	Compensation of officers (Schedule E)	
	13	Salaries and wages (not deducted elsewhere)	364 322
	14	Repairs (do not include capital expenditures)	8 344
	15	Bad debts (Schedule F if reserve method is used)	
	16	Rents	103 250
	17	Taxes (attach schedule)	28 781
	18	Interest	824
	19	Contributions (not over 5% of line 28 adjusted per instructions—attach schedule)	
	20	Amortization (attach schedule)	
	21	Depreciation (Schedule G)	24 824
	22	Depletion	
	23	Advertising	3 516
	24	Profit sharing, stock bonus, pension and annuity plans (see instructions)	
	25	Other employee benefit plans (see instructions)	
	26	Other deductions (attach schedule)	130 217
	27	TOTAL deductions on lines 12 through 26	664 078
	28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)	175 427
	29	Less: (a) Net operating loss deduction (see instructions—attach schedule)	–
		(b) Special deductions (Schedule I)	–
	30	Taxable income (line 28 less line 29)	175 427
TAX	31	TOTAL TAX (Schedule J)	78 674
	32	Credits: (a) Tax paid (deposited) with Form 7004 application for extension (attach copy)	
		(b) Estimated tax—Overpayment from 1969 allowed as a credit	
		1970 estimated tax payments (deposits) 28 000	
		Less refund of 1970 estimated tax applied for on Form 4466 ( )	28 000
		(c) Credit from regulated investment companies (attach Form 2439)	
		(d) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)	28 000
	33	TAX DUE (line 31 less line 32). See instruction G for depositary method of payment →	50 674
	34	OVERPAYMENT (line 32 less line 31) →	–
	35	Enter amount of line 34 you want: Credited to 1971 estimated tax ▶	Refunded ▶

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL

Date ..... Signature of officer .....

COPY

Date ..... Individual or firm signature of preparer ..... Address .....

Schedule A—COST OF GOODS SOLD (See instruction 2)

1 Inventory at beginning of year	
2 Merchandise bought for manufacture or sale	
3 Salaries and wages	
4 Other costs (attach schedule)	
5 Total	
6 Less inventory at end of year	
7 Cost of goods sold—Enter on line 2, page 1	

Method of inventory valuation

Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory?
Yes ☐ No ☐. If "Yes," attach an explanation.

Schedule C—DIVIDENDS (See instruction 4)

1 Domestic corporations subject to 85% deduction	
2 Certain preferred stock of public utilities	
3 Foreign corporations subject to 85% deduction	
4 Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))	
5 Other dividends from foreign corporations	
6 Includable income from controlled foreign corporations (Subpart F; attach Forms 3646)	
7 Foreign dividend gross-up (section 78)	
8 Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3))	
9 Qualifying dividends received from affiliated groups and subject to the provisions of section 1564(b)	
10 Other dividends	
11 Total—Enter here and on line 4, page 1	

Schedule E—COMPENSATION OF OFFICERS (See instruction 12)

1. Name of officer	2. Social security number	3. Title	4. Time devoted to business	Percent of corporation stock owned 5. Common	6. Preferred	7. Amount of compensation	8. Expense account allowances
Total compensation of officers—Enter here and on line 12, page 1							

Schedule F—BAD DEBTS—RESERVE METHOD (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve 4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1965	27 282	433 130	1 083		49	2 007
1966	34 070	475 956	1 501	250	2 439	1 319
1967	42 120	525 981	1 893	250	895	2 567
1968	50 744	585 624	938		639	2 866
1969	61 533	707876	659	168	2 692	1 001
1970	52 109	837 608	-	1 136	-	2 137

Schedule G—DEPRECIATION (See instructions for Schedule G)

Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						NONE
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
PER ATTACHED SCHEDULE						24 824
2 Totals		291 322				24 824
3 Less amount of depreciation claimed in Schedule A and elsewhere on return						-
4 Balance—Enter here and on line 21, page 1						24 824

Schedule H—SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years-digits	Units of production	Additional first-year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62-21 and 65-13							
2 Other	21 679	3 145					24 824

Form 1120 (1970) Page 3

Schedule I—SPECIAL DEDUCTIONS

1 (a) 85% of line 1, Schedule C	
(b) 60.813% of line 2, Schedule C (Fiscal year corporations, see page 6 of instructions)	
(c) 85% of line 3, Schedule C	
(d) 100% of line 4, Schedule C	
2 Total—See page 5 of instructions for limitation	
3 100% of line 8, Schedule C	
4 Enter dividends-received deduction allowed for dividends reported on line 9, Schedule C. See section 1564(b) for computation	
5 Dividends paid on certain preferred stock of public utilities (see instructions)	
6 Western Hemisphere trade corporations (see instructions)	
7 Total special deductions—Add lines 2 through 6. Enter here and on line 29(b), page 1	

Schedule J—TAX COMPUTATION

1 Taxable income (line 30, page 1)		175 427
2 Surtax exemption—Enter line 1 or $25,000, whichever is lesser. (Component members of a controlled group see page 6 of instructions and enter your surtax exemption or line 1, whichever is lesser)		25 000
3 Line 1 less line 2		150 427
4 (a) 22% of line 1	38 594	
(b) 26% of line 3	39 111	
(c) If multiple surtax exemption is elected under section 1562, enter 6% of line 2	-	77 705
5 (a) Income tax (line 4, or alternative tax from separate Schedule D, whichever is lesser)	77 705	
(b) Tax Surcharge—2½% of line 5(a) (Fiscal and short year corporations, see page 6 of instr.)	969	78 674
6 Foreign tax credit (attach Form 1118)		
7 Line 5 less line 6		78 674
8 Investment credit (attach Form 3468)		
9 Line 7 less line 8		78 674
10 (a) Personal holding company tax (attach Schedule 1120 PH)		
(b) Tax Surcharge—2½% of line 10(a) (Fiscal and short year corporations, see page 6 of instr.)		
11 Tax from recomputing a prior year investment credit (attach Form 4255)		78 674
12 Minimum tax on tax preference items (See page 6 of instructions). Check here ☐ if Form 4626 is attached		
13 Total tax—Add lines 9 through 12. Enter here and on line 31, page 1		78 674

Schedule K—RECORD OF FORM 503 FEDERAL TAX DEPOSITS (List deposits in order of date made—See instruction G)

Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount
335	7-15-70	7 000	338	3-15-71	7 000			
336	9-15-70	7 000						
337	12-15-70	7 000	TOTAL		28 000			

G Date incorporated JULY, 1960

H (1) Did you at the end of the taxable year own directly or indirectly 50% or more of the voting stock of a domestic corporation? Yes ☐ No ☒

(2) Did any corporation, individual, partnership, trust, or association at the end of the taxable year own directly or indirectly 50% or more of your voting stock? Yes ☐ No ☒

(For rules of attribution, see section 267(c).)

If the answer to (1) or (2) is "Yes," attach a schedule showing:

(a) name, address, and identifying number; and

(b) percentage owned.

If the answer to (1) above is "Yes," show the taxable income (or loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.....

If the answer to (2) above is "Yes," was the owner of such voting stock an alien individual or a foreign corporation, partnership, trust or association? Yes ☐ No ☐

I Did you have any contracts or subcontracts subject to the Renegotiation Act of 1951? Yes ☐ No ☒. If "Yes," enter the aggregate gross dollar amount billed during the year.....

J Did you ever declare a stock dividend? Yes ☐ No ☒

K Did you claim a deduction for expenses connected with:

	Yes	No
(1) Entertainment facility (boat, resort, ranch, etc.)?	☐	☒
(2) Living accommodations (except employees on business)?	☐	☒
(3) Employees' families at conventions or meetings?	☐	☒
(4) Employee or family vacations not reported on Form W-2?	☐	☒

L Taxable income (or loss) from line 30, page 1, Form 1120 for 1967 55 302, 1968 36 795, 1969 105 566

M Refer to page 7 of instructions and state the principal:

Business activity CONVALESCENT HOME

Product or service CARE OF AGED

N Were you a member of a controlled group subject to the provisions of:

(1) Section 1561? Yes ☐ No ☒ (2) Section 1562? Yes ☐ No ☒

If answer to (1) or (2) is "Yes," check type of relationship:

(a) parent-subsidiary ☐ (b) brother-sister ☐

(c) combination of (a) and (b) ☐ (See section 1563.)

If answer to (2) is "Yes," does section 1562(b)(1)(A) apply (nonapplication of 6% additional tax under section 1562)? Yes ☐ No ☐

O Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? Yes ☐ No ☒. If "Yes" attach Form 4683. (For definitions, see Form 4683.)

P Were you a U.S. shareholder of any controlled foreign corporation? Yes ☐ No ☒. (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation.

Q During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your earnings and profits? Yes ☐ No ☒. (See sections 301 and 316.)

If "Yes," file Schedule A, Form 1096. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.

R Did you file all required Forms 1099, 1096 and 1087? Yes ☒ No ☐

Form 1120 (1970) — Schedule L—BALANCE SHEETS — Page 4

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1 Cash		83 017		105 113
2 Trade notes and accounts receivable	52 533		52 109	
(a) Less allowance for bad debts	1 001	60 532	2 137	49 972
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)		5 864		5 318
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets	286 090		291 322	
(a) Less accumulated depreciation	169 977	116 113	194 802	96 520
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule)		4 370		3 373
14 Total assets		269 896		260 296
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable		14 344		14 728
16 Mtges., notes, bonds payable in less than 1 yr.		10 533		5 065
17 Other current liabilities (attach schedule)		60 490		63 698
18 Loans from stockholders				
19 Mtges., notes, bonds payable in 1 yr. or more		3 128		2 181
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock	74 400	74 400	74 400	74 400
22 Paid-in or capital surplus (attach reconciliation)				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		121 376		114 599
25 Less cost of treasury stock		(14 375)		(14 375)
26 Total liabilities and stockholders' equity		269 896		260 296

Schedule M–1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books	96 753	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	78 674	(a) Tax-exempt interest $	
3 Excess of capital losses over capital gains	–		
4 Taxable income not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		(a) Depreciation $	
(a) Depreciation $		(b) Depletion $	
(b) Depletion $			
6 Total of lines 1 through 5	175 427	9 Total of lines 7 and 8	–
		10 Income (line 28, page 1)—line 6 less 9	175 427

Schedule M–2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24 above)

1 Balance at beginning of year	121 376	5 Distributions: (a) Cash	103 530
2 Net income per books	96 753	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	
		7 Total of lines 5 and 6	103 530
4 Total of lines 1, 2, and 3	218 129	8 Balance at end of year (line 4 less 7)	114 599

☆ U.S. GOVERNMENT PRINTING OFFICE: 1970—O-386-230 36-2983-697

CRICKET TF-3976A

DEPRECIATION SCHEDULE

Adaptable

Name WINSTON MANOR CONVALESCENT AND NURSING HOME, INC.
Address 2155 W. PIERCE AVENUE, CHICAGO, ILLINOIS 60622

S.S. or Identification No. 36-2446334
Year Ending MARCH 31, 19 71

	1. Kind of property (if buildings, state material of which constructed). Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed (or allowable) in prior years	5. Method	6. Rate (%) or life (years)	7. Depreciation for this year
1	Leasehold Improvements	1962-1964	195 697	110 629	SL	15	13 047
2	Leasehold Improvements	1968-1969	11 256	4 853	SL	5	2 251
3	Leasehold Improvements	1971	1 450	-	SL	5 (½)	145
4							
5	Furniture and Fixtures	1962-1964	28 997	23 836	SL	10	2 900
6	Furniture and Fixtures	1965-1968	2 165	1 544	DDB	8	155
7	Furniture and Fixtures	1968	417	187	SL	10	42
8	Furniture and Fixtures	1969-70	10 247	2 620	DDB	8	1 907
9	Furniture and Fixtures	1971	3 719	-	DDB	8 (½)	464
10							
11	Equipment	1962-1964	24 036	19 546	SL	10	2 404
12	Equipment	1965-1968	4 933	3 446	DDB	8	372
13	Equipment	1967-1968	7 251	3 180	SL	8 & 10	890
14	Equipment	1970	1 091	136	DDB	8	239
15	Equipment	1971	63	-	DDB	8 (½)	8
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
	Page ___ of ___ pages TOTAL DEPRECIATION		291 322	169 977			24 824

1570

WINSTON MANOR CONVALESCENT AND NURSING HOME, INC.
2155 WEST PIERCE AVENUE
CHICAGO, ILLINOIS 60622
36-2446334

FORM 1120 - YEAR ENDED MARCH 31, 1971

PAGE 1 DEDUCTIONS:	AMOUNT
LINE 17 - TAXES	
F.I.C.A	$ 18 226
U.C. State and Federal	2 958
Personal Property Tax	329
State Income Tax	7 268
TOTAL	$ 28 781
LINE 26 - OTHER DEDUCTIONS	
Health and Welfare	$ 4 648
Group Insurance	1 542
Food	54 765
Linens and Laundry	2 615
Medical Supplies	4 945
Kitchen Supplies	5 947
Dietician Fees	960
Utilities	14 636
Equipment Rental	1 214
Insurance	6 259
Professional Fees	15 885
Telephone	2 881
Office Expense	4 149
Dues and Meetings	4 371
Directors' Fees	4 600
Licenses	800
TOTAL	$130 217

WINSTON MANOR CONVALESCENT AND NURSING HOME, INC.
2155 WEST PIERCE AVENUE
CHICAGO, ILLINOIS 60622
36-2446334

FORM 1120 SCHEDULE L - YEAR ENDED MARCH 31, 1971

PAGE 4, SCHEDULE L - BALANCE SHEETS:	MARCH 31, 1970	MARCH 31, 1971
LINE 5 - OTHER CURRENT ASSETS		
Prepaid Insurance	$ 5 061	$ 4 882
Prepaid Interest	522	436
Employee Advances	281	-
TOTALS	$ 5 864	$ 5 318
LINE 13 - OTHER ASSETS		
Prepaid Insurance (Non-Current)	$ 4 171	$ 3 174
Ice Machine Deposit	199	199
TOTALS	$ 4 370	$ 3 373
LINE 17 - OTHER CURRENT LIABILITIES		
Accrued Salaries	$ 15 552	$ 3 207
Accrued Payroll Taxes	976	2 549
Accrued Interest	78	-
Federal Income Tax Provision	42 013	50 674
State Income Tax Provision	1 871	7 268
TOTALS	$ 60 490	$ 63 698

ITEM 10.—LETTER FROM IRWIN E. KIPNIS, PRESIDENT, HAMLIN HOUSE, INC., TO SENATOR CHARLES PERCY, SEPTEMBER 14, 1971

LAW OFFICES

LOWITZ, STONE, KIPNIS & GOODMAN

SUITE 2400
CONNECTICUT MUTUAL LIFE BUILDING
33 NORTH DEARBORN STREET
CHICAGO, ILLINOIS 60602
AREA CODE 312
TELEPHONE 782-4660

September 14, 1971

Senator Percy:

I am in receipt of your telegram dated September 9, 1971, addressed to me as president of Hamlin House, Inc. My term of office as president of that corporation ended in about September of 1969. Although I am unable to attend the hearing personally on September 14th, I would like to contribute to its content. In examining the telegram, I find that there are two principal areas of concern indicated. First, issues relating to costs of nursing home operations and second, implications of interlocking ownership and management.

As to the costs of operations of Hamlin House, Inc., the books and records which will be available to you at the hearing speak for themselves. Amplification thereon will be supplied at the hearing by a person qualified to do so. Concerning the second issue, I can best contribute by telling you factually what my personal investments and involvements are and have been in this area.

I am an attorney at law. In June, 1960 I represented a group of approximately 45 investors who acquired a building then being operated as a girls club by the Elinor Association and converted the same to use as a 180 bed nursing home. The name of this corporation is Winston Manor Convalescent and Nursing Home, Inc. an Illinois corporation. At the invitation of my clients, I purchased a two and sixty eight hundreths of one percent interest at that time and have not increased it since. I hold one-half

of that interest in trust for my mother and my aunt (which they paid for) and my personal interest is actually one and thirty four hundreths of one percent for which I paid $5,000. I served as president and then chairman of the board of directors during its first two years. Since then, I have been a member of its board of directors, have held the officership of secretary, and have been its legal counsel. Presently, I serve on the board of directors. This corporation leases the building from Pierce Building Co., a partnership which owns the beneficial interest in an Illinois land trust. My partnership interest is the same percentage as in the corporation.

In March of 1964 I and five others organized an Illinois corporation called the 1706 Kedzie Bldg. Corp. d/b/a Humboldt House. It was then a women's residence and required no licensing until December, 1969 when it acquired a City of Chicago Residential Care License and a State of Illinois Sheltered Care License for 69 residents. Since then it has been operated by "Thresholds" a non-for-profit organization specializing in rehabilitative care for young emotionally disturbed people. No profits have been received from it since it was licensed. Five of the shareholders purchased the interest of the sixth in approximately 1968 and I presently own twenty percent of the corporate stock and have a total investment of $12,000, and act as the president of the corporation. One of the present owners was my partner in the practice of law and the remaining three are people whom I met during the formation of Winston Manor Convalescent and Nursing Home, Inc.

During 1966 a group of investors consisting of most of the owners of stock in Winston Manor Convalescent and Nursing Home, Inc. purchased the Erwin Nursing Home in Palos Hills, Illinois. I represented this group and purchased the same percentage of ownership in this corporation as I own in Winston Manor at a cost of $5,500.00. The corporation was named Palos Hills Convalescent and Nursing Center. It was sold in late 1969. During the operating period I served on its board of directors.

In 1969 a group of investors consisting of some of the people who invested in Winston Manor and some additional ones purchased a building from the County of Cook which had acquired it some time previously as a result of a real estate tax foreclosure. The County had been operating it as a hotel. An Illinois corporation was established and named Hamlin House, Inc. Title to the real estate was placed in a land trust for mortgage purposes, and a lease arrangement was entered into. I purchased a five percent interest in both (later diminished to 4.75%). However, I hold 59% of this in trust for Mrs. Judith Bonem, my former wife, and Mr. Morton Zwick, a friend. My actual personal holding is therefore two and two tenths of one percent of the entirety and my investment was $18,500.00, including that portion now owned by my former wife. These percentages also apply to ownership in the land trust. I served as president during the first year of operation which term ended in 1969 and have been its co-counsel and a member of its board of directors since then.

I was retained as general counsel for the Metropolitan Chicago Nursing Home Association in late 1967 and have acted as such since that time.

I have been a spokesman for the principle of higher standards of care for the aged in the proprietary nursing home field. I am confident this can be achieved. The aged of our country who require institutional care have not been comprehensively planned for by most of the governmental, private, proprietary and/or non-for-profit agencies. If all can come together to create unified positive solutions, they, the aged will benefit most. I share your committee's desire to see this accomplished.

Sincerely,

IRWIN E. KIPNIS

ITEM 11.–HAMLIN HOUSE, INC., 1970 INCOME TAX RETURN

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1970 or other taxable year beginning JUNE 1, 1970, ending MAY 31, 19 71
(PLEASE TYPE OR PRINT)

1970

Check if a—
A Consolidated return ☐
B Personal Holding Co. ☐
C Business Code No. (See page 7 of instructions.) 8019

OF 36-2638200 FOR MAY 31 1971 0036
HAMLIN HOUSE INC
6 N HAMLIN
CHICAGO IL 60624

COPY

D Employer Identification No. 36-2638200
E County in which located COOK
F Enter total assets from line 14, column (D), Schedule L (See instruction R) $ 706,041.49

IMPORTANT—Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.

GROSS INCOME	1	Gross receipts or gross sales 1,259,291.45 Less: Returns and allowances	1,259,291.45
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)	
	3	Gross profit	1,259,291.45
	4	Dividends (Schedule C)	
	5	Interest on obligations of the United States and U.S. instrumentalities	511.50
	6	Other interest	
	7	Gross rents	
	8	Gross royalties	
	9	Net gains (losses)—(separate Schedule D)	
	10	Other income (attach schedule)	
	11	TOTAL income—Add lines 3 through 10	1,259,803.95
DEDUCTIONS	12	Compensation of officers (Schedule E)	38,000.00
	13	Salaries and wages (not deducted elsewhere)	472,336.33
	14	Repairs (do not include capital expenditures)	33,241.49
	15	Bad debts (Schedule F if reserve method is used)	32,53.07
	16	Rents	150,000.00
	17	Taxes (attach schedule)	34,479.90
	18	Interest	3710.67
	19	Contributions (not over 5% of line 28 adjusted per instructions—attach schedule)	
	20	Amortization (attach schedule)	3881.40
	21	Depreciation (Schedule G)	41,010.42
	22	Depletion	
	23	Advertising	
	24	Profit sharing, stock bonus, pension and annuity plans (see instructions)	
	25	Other employee benefit plans (see instructions)	
	26	Other deductions (attach schedule)	369,881.95
	27	TOTAL deductions on lines 12 through 26	1,108,615.23
	28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)	151,187.72
	29	Less: (a) Net operating loss deduction (see instructions—attach schedule)	
		(b) Special deductions (Schedule I)	
	30	Taxable income (line 28 less line 29)	151,187.72
TAX	31	TOTAL TAX (Schedule J)	64,488.00
	32	Credits: (a) Tax paid (deposited) with Form 7004 application for extension (attach copy)	
		(b) Estimated tax—Overpayment from 1969 allowed as a credit	
		1970 estimated tax payments (deposits) 22,500.00	
		Less refund of 1970 estimated tax applied for on Form 4466 ( ) 22,500.00	
		(c) Credit from regulated investment companies (attach Form 2439)	
		(d) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)	22,500.00
	33	TAX DUE (line 31 less line 32). See instruction G for depositary method of payment →	41,988.00
	34	OVERPAYMENT (line 32 less line 31) → Refunded ▶	-
	35	Enter amount of line 34 you want: Credited to 1971 estimated tax ▶	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL

Date _____ Signature of officer COPY Title _____

6-23-71
Date

Individual or firm signature of preparer

Address

Form 1120 (1970) Page 2

Schedule A—COST OF GOODS SOLD (See instruction 2)

1 Inventory at beginning of year	
2 Merchandise bought for manufacture or sale	
3 Salaries and wages	
4 Other costs (attach schedule)	
5 Total	
6 Less inventory at end of year	
7 Cost of goods sold—Enter on line 2, page 1	

Method of inventory valuation

Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory?
Yes ☐ No ☐. If "Yes," attach an explanation.

Schedule C—DIVIDENDS (See instruction 4)

1 Domestic corporations subject to 85% deduction	
2 Certain preferred stock of public utilities	
3 Foreign corporations subject to 85% deduction	
4 Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))	
5 Other dividends from foreign corporations	
6 Includable income from controlled foreign corporations (Subpart F; attach Forms 3646)	
7 Foreign dividend gross-up (section 78)	
8 Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3))	
9 Qualifying dividends received from affiliated groups and subject to the provisions of section 1564(b)	
10 Other dividends	
11 Total—Enter here and on line 4, page 1	

Schedule E—COMPENSATION OF OFFICERS (See instruction 12)

1. Name of officer	2. Social security number	3. Title	4. Time devoted to business	Percent of corporation stock owned 5. Common	6. Preferred	7. Amount of compensation	8. Expense account allowances
BERNARD MEDVILLE	323-09-4173	V. PRES.	PART	4.761		600.00	-
CHARLES HOLLEB	346-12-3122	SECY	"	"		600.00	-
ALLEN BURROWS	345-18-4452	PRES.	"	"		1200.00	-
IRWIN KIPNIS	322-26-2302	V. PRES.	"	"		600.00	-
DAVID SPARK	351-01-9516	TREAS.	"	"		600.00	
Total compensation of officers—Enter here and on line 12, page 1						3800.00	

Schedule F—BAD DEBTS—RESERVE METHOD (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve 4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1965						
1966						
1967	52,852.00	162,420.00	372.00			372.00
1968	121,406.00	879,221.00	2056.00			2428.00
1969	129,170.00	1,128,987.00	1447.10			3875.10
1970	177,173.48	1,259,291.45	5253.07		2726.79	4401.38

Schedule G—DEPRECIATION (See instructions for Schedule G)

Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						
Buildings						
Furniture and fixtures	VARIOUS	91,214.77	21,145.64	S.L.	VAR.	11,156.45
Transportation equipment						
Machinery and other equipment						
Other (specify)						
LEASEHOLD IMPROVEMENTS	VARIOUS	449,138.74	67,856.64	S.L.	VAR.	29,853.97
2 Totals		540,353.51				41,010.42
3 Less amount of depreciation claimed in Schedule A and elsewhere on return						-
4 Balance—Enter here and on line 21, page 1						41,010.42

Schedule H—SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years-digits	Units of production	Additional first-year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62-21 and 65-13							
2 Other	41,010.42						41,010.42

OTHER BUSINESS DEDUCTIONS

Cricket TF 7400

Business Name HAMLIN HOUSE INC
Business Location CHICAGO, ILL.
Social Security or Identification No. 36 2638200
Year Ended 5-31 19 71
Form: 1120 Schedule

Line	EXPLANATION	Amount
26	Advertising	
	Auto - Truck	1612 58
	Cash Over or Short	
	Casual Labor	
	Collection Expense	
	Commissions	
	Discounts Allowed	
	Dues & Subscriptions	
	Freight & Express	
	General - Miscellaneous	
	Heat, Light & Power	53165 17
	Insurance	10721 52
	Janitor & Cleaning	32938 04
	Laundry	26947 96
	Legal and Accounting & CONSULTANTS	18830 00
	Office Expenses - Bank Charges, etc.	4509 67
	Postage	
	Printing	
	Refunds	
	Repairs	
	RENTAL OF EQUIPMENT	1495 48
	Sales Promotion - Entertainment	
	Supplies - KITCHEN	15770 09
	" - MEDICAL	8044 39
	Telephone & Telegraph	7059 23
	Travel and Conventions & DUES	4541 15
	FOOD	149513 27
	BURGLAR ALARM	399 30
	SCAVENGER & EXTERMINATOR	979 15
	DIRECTORS' FEES	7480 00
	TOTAL (CONTINUED)	

Line	EXPLANATION	Amount
17	TAXES	
	PAYROLL	25,208 02
	FRANCHISE	304 36
	PERSONAL PROPERTY	547 76
	LICENSES	2183 25
	STATE INCOME	6236 51
	TOTAL	34,479 90

Line	EXPLANATION	Amount
26	(CONTINUED)	
	HEALTH, WELFARE & GROUP INSUR.	12.158 21
	PROMOTION & RESIDENT RECREATION	6716 74
	TOTAL	362,881 95

DEPRECIATION SCHEDULE - CODE: SL - Straight Line DB - Declining Balance SY - Sum of Years

1. Kind of Property	2. Date Acquired	3. Cost or Other Basis	4. Estimated Salvage Value	5. Cost less Estimated Salvage Value	6. Depreciation Allowed in Prior Years	7. Method	8. Rate (%) or Life (yrs.)	9. Depreciation for This Year
TOTALS								

Amount of additional first-year depreciation included above

CRICKET PUBLISHING CO.

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NAME HAMLIN HOUSE, INC. - 36-2638200

ADDRESS 6 N. HAMLIN AVENUE
CHICAGO, ILLINOIS 60624

Taxable Year Ended 5/31/71

PAGE 1 - LINE 20 - AMORTIZATION OF ORGANIZATION COSTS				
TOTAL AMORTIZABLE COST - 60 MONTHS			19407	00
AMORTIZATION F/Y/E 5-31-68 (11/60)	3558	07		
AMORTIZATION F/Y/E 5-31-69 (12/60)	3881	30		
AMORTIZATION F/Y/E 5-31-70 (12/60)	3881	30		
AMORTIZATION F/Y/E 5-31-71 (12/60)	3881	40	15202	07
BALANCE 5-31-71			4204	93
FORM 3468 - LINE 4 - CARRYOVER OF UNUSED CREDIT				
INVESTMENT CREDIT F-Y-E 5-31-68	8592	38		
" " " 5-31-69	671	99		
	9264	37		
USED F-Y-E 5-31-70	1853	00		
CARRYOVER TO F-Y-E 5-31-71			7411	37
20% AVAILABLE " 5-31-71			1853	00

Form **3468**
Department of the Treasury
Internal Revenue Service

Computation of Investment Credit

Attach to your tax return
For the calendar year 1970 or other taxable year beginning JUNE 1, 1970, and ending MAY 31, 19 71

1970

The investment credit has been repealed for property acquired after 4-18-69, and property whose construction, reconstruction, or erection began after that date.

Exceptions are provided, however, for certain property built or acquired under a binding contract entered into before 4-19-69, or built or acquired in certain transitional situations described in section 49 of the Internal Revenue Code. In any event, the credit will not be available for any property placed in service after 1975.

The amount of unused credits that may be carried over and claimed as a credit is subject to a special 20% limitation. See instruction for line 4.

Name: HAMLIN HOUSE, INC.
CHICAGO, ILLINOIS

Identifying number as shown on page 1 of your tax return: 36-2638200

1 Qualified investment in new and used property (See instruction C for eligible property)
NOTE: Include your share of investment in property by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New Property	(a)	4 or more but less than 6		33⅓	
	(b)	6 or more but less than 8		66⅔	
	(c)	8 or more		100	
Used Property (See instructions for dollar limitation)	(d)	4 or more but less than 6		33⅓	
	(e)	6 or more but less than 8		66⅔	
	(f)	8 or more		100	

2 Total qualified investment—Add lines 1(a) through 1(f)	
3 Tentative investment credit—7% of line 2 (3% for public utility property)	
4 Carryback and carryover of unused credit(s) (See instruction 4 for special limitation—attach computation)	1853.00
5 Total—Add lines 3 and 4	1853.00
Limitation	
6 (a) Individuals—Enter amount from line 21, page 1, Form 1040 (b) Estates and trusts—Enter amount from line 27, page 1, Form 1041 (c) Corporations—Enter amount from line 7, Tax Computation Schedule, Form 1120	66,341.00
7 Individuals, estates, and trusts: (a) Foreign tax credit (b) Retirement income credit	
8 Total—Add lines 7(a) and (b)	-0-
9 Line 6 less line 8 *(Married persons filing separately, controlled corporate groups, estates and trusts, see instruction 10)*	66,341.00
10 (a) Enter amount on line 9 or $25,000, whichever is lesser	25,000.00
(b) If line 9 exceeds $25,000, enter 50% of the excess	20,670.50
11 Total—Add lines 10(a) and (b)	45,670.50
12 Investment credit—Enter amount on line 5 or line 11, whichever is lesser	1853.00

Schedule A

If any part of your investment in 1 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following:

Name (Partnership, estate, trust, etc.)	Address	Property		
		New	Used	Life years
		$	$	

Form 1120 (1970) Page 3

Schedule I—SPECIAL DEDUCTIONS

1 (a) 85% of line 1, Schedule C	
(b) 60.813% of line 2, Schedule C (Fiscal year corporations, see page 6 of instructions)	
(c) 85% of line 3, Schedule C	
(d) 100% of line 4, Schedule C	
2 Total—See page 5 of instructions for limitation	
3 100% of line 8, Schedule C	
4 Enter dividends-received deduction allowed for dividends reported on line 9, Schedule C. See section 1564(b) for computation	
5 Dividends paid on certain preferred stock of public utilities (see instructions)	
6 Western Hemisphere trade corporations (see instructions)	
7 Total special deductions—Add lines 2 through 6. Enter here and on line 29(b), page 1	

Schedule J—TAX COMPUTATION

1 Taxable income (line 30, page 1)		151,187.72
2 Surtax exemption—Enter line 1 or $25,000, whichever is lesser. (Component members of a controlled group see page 6 of instructions and enter your surtax exemption or line 1, whichever is lesser)		25,000.00
3 Line 1 less line 2		126,187.72
4 (a) 22% of line 1	33,241.30	
(b) 26% of line 3	32,808.81	
(c) If multiple surtax exemption is elected under section 1562, enter 6% of line 2		66,070.11
5 (a) Income tax (line 4, or alternative tax from separate Schedule D, whichever is lesser) DOMI	66,070.11	
(b) Tax Surcharge—2½% of line 5(a) (Fiscal and short year corporations, see page 6 of instr.)	270.89	66,341.00
6 Foreign tax credit (attach Form 1118)		-
7 Line 5 less line 6		66,341.00
8 Investment credit (attach Form 3468)		1853.00
9 Line 7 less line 8		64,488.00
10 (a) Personal holding company tax (attach Schedule 1120 PH)		
(b) Tax Surcharge—2½% of line 10(a) (Fiscal and short year corporations, see page 6 of instr.)		-
11 Tax from recomputing a prior year investment credit (attach Form 4255)		-
12 Minimum tax on tax preference items (See page 6 of instructions). Check here ☐ if Form 4626 is attached		-
13 Total tax—Add lines 9 through 12. Enter here and on line 31, page 1		64,488.00

Schedule K—RECORD OF FORM 503 FEDERAL TAX DEPOSITS (List deposits in order of date made—See instruction G)

Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount
724	9-2-70	4500.00	727	6-15-71	9000.00			
725	11-13-70	4500.00						
726	3-15-71	4500.00						

G Date incorporated 8-26-67

H (1) Did you at the end of the taxable year own directly or indirectly 50% or more of the voting stock of a domestic corporation? Yes ☐ No ☒

(2) Did any corporation, individual, partnership, trust, or association at the end of the taxable year own directly or indirectly 50% or more of your voting stock? Yes ☐ No ☒

(For rules of attribution, see section 267(c).)

If the answer to (1) or (2) is "Yes," attach a schedule showing:

(a) name, address, and identifying number; and

(b) percentage owned.

If the answer to (1) above is "Yes," show the taxable income (or loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.

If the answer to (2) above is "Yes," was the owner of such voting stock an alien individual or a foreign corporation, partnership, trust or association? Yes ☐ No ☐

I Did you have any contracts or subcontracts subject to the Renegotiation Act of 1951? Yes ☐ No ☒. If "Yes," enter the aggregate gross dollar amount billed during the year.

J Did you ever declare a stock dividend? Yes ☐ No ☒

K Did you claim a deduction for expenses connected with:

	Yes	No
(1) Entertainment facility (boat, resort, ranch, etc.)?	☐	☒
(2) Living accommodations (except employees on business)?	☐	☒
(3) Employees' families at conventions or meetings?	☐	☒
(4) Employee or family vacations not reported on Form W-2?	☐	☒

L Taxable income (or loss) from line 30, page 1, Form 1120 for: 1967 (114,044.66) 1968 (80,101.30) 1969 81,077.00

M Refer to page 7 of instructions and state the principal:

Business activity SHELTERED CARE HOME

Product or service " " "

N Were you a member of a controlled group subject to the provisions of:

(1) Section 1561? Yes ☐ No ☒ (2) Section 1562? Yes ☐ No ☒

If answer to (1) or (2) is "Yes," check type of relationship:

(a) parent-subsidiary ☐ (b) brother-sister ☐

(c) combination of (a) and (b) ☐ (See section 1563.)

If answer to (2) is "Yes," does section 1562(b)(1)(A) apply (nonapplication of 6% additional tax under section 1562)? Yes ☐ No ☐

O Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? Yes ☐ No ☒. If "Yes" attach Form 4683. (For definitions, see Form 4683.)

P Were you a U.S. shareholder of any controlled foreign corporation? Yes ☐ No ☒. (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation.

Q During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your earnings and profits? Yes ☐ No ☒. (See sections 301 and 316.)

If "Yes," file Schedule A, Form 1096. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.

R Did you file all required Forms 1099, 1096 and 1087? Yes ☒ No ☐

Form 1120 (1970) — Schedule L—BALANCE SHEETS — Page 4

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1 Cash		34,379.00		103,763.61
2 Trade notes and accounts receivable	129,170.10		177,173.48	
(a) Less allowance for bad debts	3875.10	125,295.00	4401.38	172,772.10
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities		29,937.00		
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule) PREPAID EXPENSES		3164.00		14,800.00
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets	526,763.00		540,353.51	
(a) Less accumulated depreciation	89,003.00	437,760.00	130,012.70	410,340.81
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)	19,407.00		19,407.00	
(a) Less accumulated amortization	11,321.00	8086.00	15,202.07	4204.93
13 Other assets (attach schedule) DEPOSIT				160.00
14 Total assets		638,641.00		706,041.49
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable & ACCRUED EXPENSES		53,840.00		82,932.32
16 Mtges., notes, bonds payable in less than 1 yr.		15,400.00		18,450.33
17 Other current liabilities (attach schedule) ACCRUED TAXES		54,143.00		54,824.51
18 Loans from stockholders		186,315.00		135,975.00
19 Mtges., notes, bonds payable in 1 yr. or more		228,441.00		226,718.23
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock	52,500.00	52,500.00	52,500.00	52,500.00
22 Paid-in or capital surplus (attach reconciliation)				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		47,941.00		134,641.10
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity		638,641.00		706,041.49

Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books	86,699.72	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	64,488.00	(a) Tax-exempt interest $	
3 Excess of capital losses over capital gains			
4 Taxable income not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		(a) Depreciation $	
(a) Depreciation $		(b) Depletion $	
(b) Depletion $			
6 Total of lines 1 through 5	151,187.72	9 Total of lines 7 and 8	
		10 Income (line 28, page 1)—line 6 less 9	151,187.72

Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24 above)

1 Balance at beginning of year	47,941.38	5 Distributions: (a) Cash	
2 Net income per books	86,699.72	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	
4 Total of lines 1, 2, and 3	134,641.10	7 Total of lines 5 and 6	
		8 Balance at end of year (line 4 less 7)	134,641.10

☆ U.S. GOVERNMENT PRINTING OFFICE: 1970—O-389-230 39-2563-007

ITEM 12.—LETTER FROM DONALD S. LOWITZ, HAMLIN HOUSE AND WINSTON MANOR CONVALESCENT & NURSING HOME MORTGAGES

LOWITZ, STONE, KIPNIS & GOODMAN,
Chicago, Ill., October 5, 1971.

Re Hamlin House and Winston Manor Convalescent & Nursing Home.

DEAR MR. VAL HALAMANDARIS: Enclosed herewith are the following documents which supplement the information given at the Senate Special Committee on Aging hearing conducted by Senator Percy here in Illinois on September 14th:

1. Financial statement, 1970 partnership income tax return, and information concerning owners investment and financing for the Madison Building Company which leases its premises to Hamlin House.
2. Financial statement, 1970 partnership income tax return, and information concerning owners investment and financing for the Pierce Building Company which leases its premises to Winston Manor Convalescent & Nursing Home.

Should you want any additional information, please let me know.

Very truly yours,

DONALD S. LOWITZ.

[Enclosures.]

MADISON BUILDING CO. (A PARTNERSHIP), 6 NORTH HAMLIN AVENUE, CHICAGO, ILLINOIS 60624

ANNUAL REPORT AS OF DECEMBER 31, 1970, AND THE YEAR AND 3 MONTHS THEN ENDED

EXHIBIT 1

STATEMENT OF CONDITION—DEC. 31, 1970

	Cost	Accumulated depreciation	Net
ASSETS			
Cash:			
Cash in bank, Exchange National Bank			$4,807
Cash in escrow, Exchange National Bank			15,110
Total cash			19,917
Due from Hamlin House, Inc			228,241
Real estate:			
Land	$22,214		22,214
Building	167,400	$21,623	145,777
Total	189,614	21,623	167,991
Total assets			416,149
LIABILITIES AND PARTNERS' EQUITY			
Liabilities:			
Mortgage loan payable, Exchange National Bank			190,989
Accrued real estate taxes			22,707
Total liabilities			213,696
Partners' equity:			
Balance, Jan. 1, 1970			224,985
Add net income per exhibit II			110,968
Total			335,953
Less partners' withdrawals			133,500
Balance, Dec. 31, 1970			202,453
Total liabilities and partners' equity			416,149

Note: Statement submitted without independent verification.

EXHIBIT II

STATEMENT OF OPERATIONS FOR THE YEAR AND 3 MONTHS ENDED DEC. 31, 1970

	Year ended Dec. 31, 1970—Amount	3 months ended Dec. 31, 1970—Amount
Rental income:		
Hamlin House, Inc.	$150,000	$37,500
Other	8,910	3,600
Total, rental income	158,910	41,100
Operating expenses:		
Real estate taxes	23,350	6,207
Interest expense	16,217	3,729
Bank charge	5	
Total, operating expenses	39,572	9,936
Net income before depreciation	119,338	31,164
Depreciation	8,370	2,092
Net income for the periods (to exhibit I)	110,968	29,072

Note: Statement submitted without independent verification.

EXHIBIT III

COMPARATIVE STATEMENT OF OPERATIONS FOR THE YEARS DEC. 31, 1970 AND 1969

	Year ended Dec. 31—	
	1970—Amount	1969—Amount
Rental income (total)	$158,910	$150,000
Operating expenses:		
Real estate taxes	23,350	14,765
Interest expense	16,217	21,305
Bank charge	5	
Total, operating expenses	39,572	36,070
Net income before depreciation	119,338	113,930
Depreciation	8,370	8,370
Net income for the years	110,968	105,560
Net income per partnership unit	5,284	5,027

Note: Statement submitted without independent verification.

Madison Building Co. Hamlin House, Lessee

Owners investment (1967–68):

Capital stock	$52,500
Debentures	249,375
Partnership equity	195,825
Total investment	497,700

Financing

Mortgage with Exchange National Bank of Chicago. Total amount of loan was $300,000 at 7½% interest. Monthly payments including principal and interest are $5,190.00 over six years.

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Partnership Return of Income

FOR CALENDAR YEAR 1970 or other taxable year beginning ....., 1970, and ending ....., 19.....

1970

A Principal business activity (See instructions)	Name	D Employer Identification No.
REAL ESTATE	MADISON BUILDING COMPANY	36-6196992
B Principal product or service (See instructions)	Number and street	E Business Code No.
RENTALS	6 NORTH HAMLIN AVENUE	6511
C Enter total assets from line 13, column (D), Schedule L	City or town, State, and ZIP code	F County in which located
$416 149	CHICAGO, ILLINOIS 60624	COOK
		G Date business commenced JUNE 1, 1968

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction Q.

INCOME	1 Gross receipts or gross sales ..... Less: Returns and allowances	
	2 Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)	
	3 Gross profit	
	4 Income (loss) from other partnerships, syndicates, etc. (attach statement)	
	5 Nonqualifying dividends (attach list—see Instruction 5)	
	6 Interest	
	7 Rents (Schedule B)	110 968
	8 Royalties (attach schedule)	
	9 Net farm profit (loss) (Schedule F, Form 1040)	
	10 Net ordinary gain (loss) (line 10, Schedule D, Form 1065)	
	11 Other income (attach schedule)	
	12 TOTAL income (lines 3 through 11)	110 968
DEDUCTIONS	13 Salaries and wages (other than to partners)	
	14 Payments to partners—salaries and interest	
	15 Rent	
	16 Interest (Schedule J)	
	17 Taxes (Schedule J)	
	18 Bad debts (Schedule H if reserve method is used)	
	19 Repairs	
	20 Depreciation (Schedule I)	
	21 Amortization (attach schedule)	
	22 Depletion (attach schedule)	
	23 Retirement plans, etc. (other than contributions made on partners' behalf—see Instruction 23)	
	24 Other deductions (Schedule J)	
	25 TOTAL deductions (lines 13 through 24)	
	26 Ordinary income (loss) (line 12 less line 25) (see General Instruction G)	110 968

Schedule A—COST OF GOODS SOLD

1 Inventory at beginning of year (if different from last year's closing inventory, attach explanation)	
2 Purchases	
Less: Cost of items withdrawn for personal use	
3 Cost of labor	
4 Material and supplies	
5 Other costs (attach schedule)	
6 Total of lines 1 through 5	
7 Less: Inventory at end of year	
8 Cost of goods sold. Enter here and on line 2, above	
(Method of inventory valuation .....)	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

▶ ..... Signature of partner or member ..... Date

▶ ..... Signature of preparer other than partner or member ..... Address ..... Date

Form 1065—1970 Page 2

NOTE: Any items specially allocated to the partners should be shown in a separate schedule instead of being reflected in the numbered lines of page 1, Schedules B through J, or Schedule K. (See General Instruction P)

Schedule B—INCOME FROM RENTS

1. Kind and location of property	2. Amount of rent	3. Depreciation (explain in Schedule I)	4. Repairs (explain in Schedule J)	5. Other expenses (explain in Schedule J)
Brick Building - 6 North Hamlin Avenue, Chicago, Illinois	158 910	8 370		39 572
1 Totals	158 910	8 370		39 572
2 Net income (loss) (column 2 less sum of columns 3, 4, and 5). Enter here and on page 1, line 7				110 968

Schedule H—BAD DEBTS (See Instruction 18)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	Amount added to reserve: 5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1965						
1966						
1967						
1968						
1969						
1970						

Schedule I—DEPRECIATION (See Instruction 20) Taxpayers using Revenue Procedures 62–21 and 65–13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4. Note: You may (1) group depreciable assets in accordance with the categories specified below or (2) continue to list your assets in the same manner as in prior years. If you need more space, use Form 4562.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below). (Enter here and allocate to each partner in line 4 of Schedule K)						
Buildings	6-1-68	167 400	13 253	SL	20	8 370
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
2 Totals		167 400				8 370
3 Less amount of depreciation claimed in Schedules A and B						8 370
4 Balance—Enter here and on page 1, line 20						-

SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years-digits	Units of production	Additional first-year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62–21 and 65–13							
2 Other	8 370						8 370

Schedule J—EXPLANATION OF LINES 16, 17, AND 24 ON PAGE 1, AND OF COLUMNS 4 AND 5 OF SCHEDULE B

Line or column	Explanation	Amount	Line or column	Explanation	Amount
Sch B	Col. 5				
	Interest	16 217			
	Real Estate Tax	23 350			
	Bank Charge	5			
	TOTAL	39 572			

Form 1065—1970 **Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.** Page 3

1. Give name, address, and social security number of each partner. (Designate nonresident aliens, if any.) If return of partner is filed in another Internal Revenue service center, specify service center.

2 Percentage of time devoted to business

Partner A PER ATTACHED SCHEDULE — AS NEEDED

Partner B

Partner C

Partner D

Partner's share of:	Partner A	Partner B	Partner C	Partner D	Total
3 Ordinary income (loss) (line 26, page 1)	PER SCHEDULE				110 968
4 Additional first-year depreciation (line 1, Schedule I)					
5 Payments to partners—salaries and interest (line 14, page 1)					
6 Qualifying dividends (attach list)					
7 Net short-term gain (loss) from sale or exchange of capital assets (line 3, Sch. D)					
8 Net long-term gain (loss) from sale or exchange of capital assets (line 7, Schedule D)					
9 Net gain (loss) from sale or exchange of property under section 1231 (line 19, Schedule D)					
10 Net gain (loss) from involuntary conversions under section 1231 (line 22, Schedule D)					
11 Net earnings from self-employment (line 10, Schedule N)					
12 Contributions (attach list)					
13 Expense account allowance					
14 Cost or basis of investment in property: Life years / Property					
a 4 or more but less than 6 — New—enter basis					
a 4 or more but less than 6 — Used—enter cost					
b 6 or more but less than 8 — New—enter basis					
b 6 or more but less than 8 — Used—enter cost					
c 8 or more — New—enter basis					
c 8 or more — Used—enter cost					
15 Tax preferences: a Excess investment interest: (1) Investment interest expense					
(2) Investment income					
(3) Investment expense					
b Accelerated depreciation on real property: (1) Low-income rental housing (sec. 167(k))					
(2) Other real property					
c Accelerated depreciation on personal property subject to a net lease					
d Amortization of certified pollution control facilities					
e Amortization of railroad rolling stock					
f Reserves for losses on bad debts of financial institutions					
g Depletion					
h Capital gains (includs specially allocated amounts): (1) Long-term gain (loss)					
(2) Short-term gain (loss)					

Note: Schedule K instructions correspond with the line numbers. However, see paragraphs (a) through (d), for each partner's distributive share of other items required to be reported in a separate schedule.

Form 1065—1970 **Schedule L—BALANCE SHEETS (See General Instruction J)** Page 4

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1 Cash		35 234		19 917
2 Trade notes and accounts receivable	270 441		228 241	
(a) Less allowance for bad debts		270 441		228 241
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)				
6 Mortgage and real estate loans				
7 Other investments (attach schedule)				
8 Buildings and other fixed depreciable assets	167 400		167 400	
(a) Less accumulated depreciation	13 253	154 147	21 623	145 777
9 Depletable assets				
(a) Less accumulated depletion				
10 Land (net of any amortization)		22 214		22 214
11 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
12 Other assets (attach schedule)				
13 Total assets		482 036		416 149
LIABILITIES AND CAPITAL				
14 Accounts payable				
15 Mortgages, notes, and bonds payable in less than 1 year				
16 Other current liabilities (attach schedule) Accd. Tax R.E.		20 000		22 707
17 Mortgages, notes, and bonds payable in 1 year or more		237 051		190 989
18 Other liabilities (attach schedule)				
19 Partners' capital accounts		224 985		202 453
20 Total liabilities and capital		482 036		416 149

Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS (See Instruction for Schedule M)

Partner	1. Capital account at beginning of year	2. Capital contributed during year	3. Ordinary income (loss) from line 26, page 1	4. Income not included in column 3 plus non-taxable income	5. Losses not included in column 3, plus unallowable deductions	6. Withdrawals and distributions	7. Capital account at end of year
A		PER SCHEDULE					
B							
C							
D							
Totals	224 985		110 968			133 500	202 453

Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT (See Instruction for Schedule N)

1	Ordinary income (line 26, page 1)		
2	Add: Payments to partners—salaries and interest (line 14, page 1)		
3	Net ordinary loss (line 10, page 1)		
4	Total		
5	Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment		
6	Nonqualifying dividends (line 5, page 1)		
7	Interest (see instruction for Schedule N)		
8	Net rentals from real estate (see instruction for Schedule N)		
9	Net ordinary gain (line 10, page 1)		
10	Net earnings from self-employment. Enter in line 11, Schedule K		

H Did the partnership, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? ☐ Yes ☒ No. If "Yes," attach Form 4683. (For definitions, see Form 4683.)

I Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories? ☐ YES ☐ NO. If "Yes," attach explanation. Not Applicable

J Were you liable for filing Forms 1096 and 1099 or 1087 for 1970? ☐ Yes ☒ No. If "Yes," where filed? .....

K Is any member of the partnership related by blood or marriage to any other member? ☒ YES ☐ NO

L Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ☐ YES ☒ NO

M Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ YES ☒ NO

If "Yes," see General Instruction O and enter appropriate amount here $.....

N Did you claim a deduction for expenses connected with: (1) Employee or family vacations not reported on Form W-2? ☐ YES ☒ NO

(2) Entertainment facility (boat, resort, ranch, etc.)? ☐ YES ☒ NO (3) Employees' families at conventions or meetings? ☐ YES ☒ NO

(4) Living accommodations (except employees on business)? ☐ YES ☒ NO

☆☆☆☆ U.S. GOVERNMENT PRINTING OFFICE:1970—O-398-227 36-2503-697

MADISON BUILDING COMPANY 36-6196992

FORM 1065 1970 SCHEDULES K & M

NAME AND ADDRESS	SOCIAL SECURITY NUMBER	CAPITAL ACCOUNT BEGINNING	ORDINARY INCOME	WITHDRAWALS	CAPITAL ACCOUNT END OF YEAR
Faygie & Morton H. Schwartz 6915 North Ridge Avenue Chicago, Illinois 60645		$ 10 713	$ 5 284	$ 6 357	$ 9 640
Philip T. Homer - Trustee 1103 Gordon Deerfield, Illinois 60015	36-6402881	10 713	5 284	6 357	9 640
Irwin E. Kipnis - Trustee 33 North Dearborn Street Chicago, Illinois 60602	Applied For	10 713	5 284	6 357	9 640
David I and Madlyn G. Spark 373 Flora Place Highland Park, Illinois 60035	351-01-9516	10 713	5 285	6 358	9 640
Jerome E. Wexler - Trustee 100 North LaSalle Street Chicago, Illinois 60602	Applied For	10 713	5 285	6 358	9 640
Frank E & Virginia M. Williams 1765 Blossom Court Highland Park, Illinois 60035	334-01-1361	10 713	5 285	6 358	9 640
Sidney Freedman 9517 North Keystone Skokie, Illinois 60077	335-18-3317	10 713	5 285	6 357	9 641
TOTALS		$224 985	$110 968	$133 500	$202 453

MADISON BUILDING COMPANY 36-6196992

FORM 1065 1970 SCHEDULES K AND M

NAME AND ADDRESS	SOCIAL SECURITY NUMER	CAPITAL ACCOUNT BEGINNING	ORDINARY INCOME	WITHDRAWALS	CAPITAL ACCOUNTS END OF YEAR
Dr. Melvin Homer - Trustee 1042 Gordon Dearfield, Illinois 60015	36-6405383	$ 10 714	$ 5 284	$ 6 357	$ 9 641
Bernard L. and Marjorie G. Medville - Trustees 5827 North Campbell Avenue Chicago, Illinois 60645	36-6402878	10 714	5 284	6 357	9 641
Max Moss - Trustee 7020 North Washtenaw Avenue Chicago, Illinois 60645	Applied For	10 714	5 284	6 357	9 641
Yosh and Yuri Lily Nakazawa - Trustee 927 Ridge Avenue Evanston, Illinois 60201	36-6402712	10 714	5 284	6 357	9 641
Robert W. Newman - Trustee 10 South LaSalle Street Chicago, Illinois 60603	36-6402711	10 714	5 284	6 357	9 641
Joseph J. Olivieri % East Side Bank 10555 South Ewing Avenue Chicago, Illinois 60617	355-12-4212	10 713	5 284	6 357	9 640
Norman and Roslyn Rubin - Trustees 7725 North Karlov Skokie, Illinois 60076	36-6409899	10 713	5 284	6 357	9 640

MADISON BUILDING COMPANY 36-6196992

FORM 1065 1970 SCHEDULES K & M

NAME AND ADDRESS	SOCIAL SECURITY NUMBER	CAPITAL ACCOUNT BEGINNING	ORDINARY INCOME	WITHDRAWALS	CAPITAL ACCOUNTS END OF YEAR
Stanley F. Brook, Trustee 830 Oak Drive Glencoe, Illinois 60022	36-6402381	$ 10 714	$ 5 284	$ 6 357	$ 9 641
Albert Burrows - Trustee 3807 West Sherwin Lincolnwood, Illinois 60645	36-6196992	10 714	5 284	6 357	9 641
Howard and Elain Dan 916 Judson Highland Park, Illinois 60035	354-14-5979	10 714	5 284	6 357	9 641
Ben S. Fox - Trustee 212 Blackhawk Road Highland Park, Illinois 60035	36-6402571	10 714	5 284	6 357	9 641
Leonard H. Hirsch - Trustee 2446 West Jarvis Avenue Chicago, Illinois 60645	Applied For	10 714	5 284	6 357	9 641
Charles M. Holleb Sr. and Charles M. Holleb Jr. 5717 North Winthrop Chicago, Illinois 60626	346-12-3122	10 714	5 284	6 357	9 641
Bross Terminal Properties 3223 South Western Avenue Chicago, Illinois 60608	36-6157731	10 714	5 284	6 357	9 641

PIERCE BUILDING CO. (AMERICAN NATIONAL BANK TRUST NO. 15032), 2155 WEST PIERCE AVENUE, CHICAGO, ILL. 60622

ANNUAL REPORT AS OF MARCH 31, 1971, AND THE YEAR THEN ENDED

EXHIBIT I

STATEMENT OF CONDITION, MAR. 31, 1971

	Amount
ASSETS	
Current assets:	
Cash in bank	$7,491
Cash in escrow—Security Federal Savings & Loan (real estate taxes)	16,190
Total, current assets	23,681
Real estate:	
Land:	
Pierce and Hoyne Aves.	25,320
2155 West Pierce Ave.	20,000
Building, 2155 West Pierce Ave.	125,000
Less depreciation allowance	62,500
Total	62,500
Total, real estate	107,820
Unamortized mortgage costs	6,496
Total, assets	137,997
LIABILITIES AND PARTNERS' (DEFICIT)	
Liabilities:	
Mortgage payable—Security Federal Savings & Loan Association	142,922
Accrued real estate taxes	25,116
Accrued interest	774
Total, liabilities	168,812
Partners' (deficit):	
Balance: Apr. 1, 1970	(43,165)
Add net income per exhibit II	65,900
Total	22,735
Less partners' withdrawals	53,550
Balance, Mar. 31, 1971	(30,815)
Total, liabilities and partners' (deficit)	137,997

Note: Statement submitted without independent verification.

EXHIBIT II

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MAR. 31, 1971

	Amount
Rental income:	
Winston Manor Convalescent & Nursing Home, Inc.	$103,250
Other income	22
Total income	103,272
Operating expenses:	
Real estate taxes	20,550
Interest expense	9,655
Mortgage cost amortization	917
Total operating expenses	31,122
Net income before depreciation	72,150
Depreciation, building	6,250
Net income for the year (to exhibit I)	65,900

Note: Statement submitted without independent verification.

EXHIBIT III

COMPARATIVE STATEMENT OF OPERATIONS FOR THE YEARS ENDED MAR. 31, 1971, 1970, AND 1969

	For the year ended Mar. 31—		
	1971 Amount	1970 Amount	1969 Amount
Rental income (total)	$103,272	$87,947	$87,250
Operating expenses:			
Real estate taxes	20,550	20,314	15,196
Interest expense	9,655	10,828	11,641
Mortgage cost amortization	917	917	917
Trust and administration expenses		65	9
Total operating expenses	31,122	32,124	27,763
Net income before depreciation	72,150	55,823	59,487
Depreciation, building	6,250	6,250	6,250
Net income for the years	65,900	49,573	53,237

Note: Statement submitted without independent verification.

Pierce Building Co., Winston Manor Convalescent & Nursing Home, Lessee

Owners investment (1960) :	
Capital stock	$74,400
Debentures	186,000
Partnership equity	111,600
Total investment	372,000

Financing

Original mortgage with Eleanor Association $75,000 (sellers of property). Refinanced in May, 1966. Total mortgage $210,000 with Security Federal Savings and Loan at 6½% interest over twelve years. Monthly payments including principal and interest are $2,105.00.

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Partnership Return of Income

FOR CALENDAR YEAR 1970 or other taxable year beginning APRIL 1, 1970, and ending MARCH 31, 1971

1970

A Principal business activity (See instructions)	Name	D Employer identification No.
REAL ESTATE	PIERCE BUILDING COMPANY	36-6126051
B Principal product or service (See instructions)	Number and street	E Business Code No.
RENTALS	% MR. IRWIN E. KIPNIS 33 NORTH DEARBORN STREET	6510
C Enter total assets from line 13, column (D), Schedule L	City or town, State, and ZIP code	F County in which located
$137,997	CHICAGO, ILLINOIS 60602	COOK
		G Date business commenced
		APRIL 15, 1961

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction Q.

INCOME

1	Gross receipts or gross sales ..... Less: Returns and allowances	
2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)	
3	Gross profit	
4	Income (loss) from other partnerships, syndicates, etc. (attach statement)	
5	Nonqualifying dividends (attach list—see Instruction 5)	
6	Interest	
7	Rents (Schedule B)	65,900
8	Royalties (attach schedule)	
9	Net farm profit (loss) (Schedule F, Form 1040)	
10	Net ordinary gain (loss) (line 10, Schedule D, Form 1065)	
11	Other income (attach schedule)	
12	TOTAL income (lines 3 through 11)	65,900

DEDUCTIONS

13	Salaries and wages (other than to partners)	
14	Payments to partners—salaries and interest	
15	Rent	
16	Interest (Schedule J)	
17	Taxes (Schedule J)	
18	Bad debts (Schedule H if reserve method is used)	
19	Repairs	
20	Depreciation (Schedule I)	
21	Amortization (attach schedule)	
22	Depletion (attach schedule)	
23	Retirement plans, etc. (other than contributions made on partners' behalf—see Instruction 23)	
24	Other deductions (Schedule J)	
25	TOTAL deductions (lines 13 through 24)	
26	Ordinary income (loss) (line 12 less line 25) (see General Instruction G)	65,900

Schedule A—COST OF GOODS SOLD

1	Inventory at beginning of year (if different from last year's closing inventory, attach explanation)	
2	Purchases	
	Less: Cost of items withdrawn for personal use	
3	Cost of labor	
4	Material and supplies	
5	Other costs (attach schedule)	
6	Total of lines 1 through 5	
7	Less: Inventory at end of year	
8	Cost of goods sold. Enter here and on line 2, above	
	(Method of inventory valuation)	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Signature of partner or member ..... Date .....

Signature of preparer other than partner or member ..... Address ..... Date .....

Form 1065—1970

NOTE: Any items specially allocated to the partners should be shown in a separate schedule instead of being reflected in the numbered lines of page 1, Schedules B through J, or Schedule K. (See General Instruction P)

Schedule B—INCOME FROM RENTS

1. Kind and location of property	2. Amount of rent	3. Depreciation (explain in Schedule I)	4. Repairs (explain in Schedule J)	5. Other expenses (explain in Schedule J)
Brick Building 2155 West Pierce Avenue Chicago, Illinois 60622	103 272	6 250		31 122
1 Totals	103 272	6 250		31 122
2 Net income (loss) (column 2 less sum of columns 3, 4, and 5). Enter here and on page 1, line 7				65 900

Schedule H—BAD DEBTS (See Instruction 18)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	Amount added to reserve: 5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1965						
1966						
1967						
1968						
1969						
1970						

Schedule I—DEPRECIATION (See Instruction 20) Taxpayers using Revenue Procedures 62–21 and 65–13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4. Note: You may (1) group depreciable assets in accordance with the categories specified below or (2) continue to list your assets in the same manner as in prior years. If you need more space, use Form 4562.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below). (Enter here and allocate to each partner in line 4 of Schedule K)				NONE		
Buildings (BRICK)	4-15-61	125 000	56 250	SL	20YRS	6 250
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
2 Totals		125 000				6 250
3 Less amount of depreciation claimed in Schedules A and B						6 250
4 Balance—Enter here and on page 1, line 20						-

SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years-digits	Units of production	Additional first-year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62–21 and 65–13							
2 Other	6 250						6 250

Schedule J—EXPLANATION OF LINES 16, 17, AND 24 ON PAGE 1, AND OF COLUMNS 4 AND 5 OF SCHEDULE B

Line or column	Explanation	Amount	Line or column	Explanation	Amount
B-5	Real Estate Taxes	20 550	*	Amortization -	
	Interest	9 655		Total Mortgage Cost	11 006
	Amortization -				
	Mortgage Cost*	917		Amortized Over	
				12 Years	
		31 122		1 Year	917

Form 1065—1970 **Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.** Page 3

1 Give name, address, and social security number of each partner. (Designate nonresident aliens, if any.) If return of partner is filed in another Internal Revenue service center, specify service center.

2 Percentage of time devoted to business

Partner A

Partner B

Partner C

Partner D

Partner's share of:	Partner A	Partner B	Partner C	Partner D	Total
3 Ordinary income (loss) (line 26, page 1)					
4 Additional first-year depreciation (line 1, Schedule I)	LISTING				
5 Payments to partners—salaries and interest (line 14, page 1)	PER				
6 Qualifying dividends (attach list)		SCHEDULE			
7 Net short-term gain (loss) from sale or exchange of capital assets (line 3, Sch. D)		ATTACHED			
8 Net long-term gain (loss) from sale or exchange of capital assets (line 7, Schedule D)					
9 Net gain (loss) from sale or exchange of property under section 1231 (line 19, Schedule D)					
10 Net gain (loss) from involuntary conversions under section 1231 (line 22, Schedule D)					
11 Net earnings from self-employment (line 10, Schedule N)					
12 Contributions (attach list)					
13 Expense account allowance					
14 Cost or basis of investment in property: Life years / Property					
a 4 or more but less than 6 — New—enter basis					
a 4 or more but less than 6 — Used—enter cost					
b 6 or more but less than 8 — New—enter basis					
b 6 or more but less than 8 — Used—enter cost					
c 8 or more — New—enter basis					
c 8 or more — Used—enter cost					
15 Tax preferences: a Excess investment interest: (1) Investment interest expense					
(2) Investment income					
(3) Investment expense					
b Accelerated depreciation on real property: (1) Low-income rental housing (sec. 167(k))					
(2) Other real property					
c Accelerated depreciation on personal property subject to a net lease					
d Amortization of certified pollution control facilities					
e Amortization of railroad rolling stock					
f Reserves for losses on bad debts of financial institutions					
g Depletion					
h Capital gains (include specially allocated amounts): (1) Long-term gain (loss)					
(2) Short-term gain (loss)					

Note: Schedule K instructions correspond with the line numbers. However, see paragraphs (a) through (d), for each partner's distributive share of other items required to be reported in a separate schedule.

Form 1065—1970 Schedule L—BALANCE SHEETS (See General Instruction J) Page 4

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1 Cash		17 485		23 681
2 Trade notes and accounts receivable				
(a) Less allowance for bad debts				
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)				
6 Mortgage and real estate loans				
7 Other investments (attach schedule)				
8 Buildings and other fixed depreciable assets	125 000		125 000	
(a) Less accumulated depreciation	56 250	68 750	62 500	62 500
9 Depletable assets				
(a) Less accumulated depletion		45 320		45 320
10 Land (net of any amortization)				
11 Intangible assets (amortizable only)	11 006		11 006	
(a) Less accumulated amortization	3 592	7 414	4 510	6 496
12 Other assets (attach schedule)				
13 Total assets		138 969		137 997
LIABILITIES AND CAPITAL				
14 Accounts payable				
15 Mortgages, notes, and bonds payable in less than 1 year		23 691		25 890
16 Other current liabilities (attach schedule)		158 443		142 922
17 Mortgages, notes, and bonds payable in 1 year or more				
18 Other liabilities (attach schedule)		(43 165)		(30 815)
19 Partners' capital accounts		138 969		137 997
20 Total liabilities and capital				

Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS (See Instruction for Schedule M)

Partner	1. Capital account at beginning of year	2. Capital contributed during year	3. Ordinary income (loss) from line 26, page 1	4. Income not included in column 3 plus non-taxable income	5. Losses not included in column 3 plus unallowable deductions	6. Withdrawals and distributions	7. Capital account at end of year
A							
B							
C	LISTING PER ATTACHED SCHEDULE						
D							
Totals							

Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT (See Instruction for Schedule N)

1	Ordinary income (line 26, page 1)		65 900
2	Add: Payments to partners—salaries and interest (line 14, page 1)		
3	Net ordinary loss (line 10, page 1)		65 900
4	Total		
5	Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment		
6	Nonqualifying dividends (line 5, page 1)		
7	Interest (see Instruction for Schedule N)		
8	Net rentals from real estate (see instruction for Schedule N)	65 900	
9	Net ordinary gain (line 10, page 1)		65 900
10	Net earnings from self-employment. Enter in line 11, Schedule K		NONE

H Did the partnership, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? ☐ Yes ☒ No. If "Yes," attach Form 4683. (For definitions, see Form 4683.)

I Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories? ☐ YES ☐ NO. If "Yes," attach explanation. NOT APPLICABLE

J Were you liable for filing Forms 1096 and 1099 or 1087 for 1970? ☐ Yes ☒ No. If "Yes," where filed? .....

K Is any member of the partnership related by blood or marriage to any other member? ☒ YES ☐ NO

L Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ☐ YES ☒ NO

M Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ YES ☒ NO

If "Yes," see General Instruction O and enter appropriate amount here $.....

N Did you claim a deduction for expenses connected with: (1) Employee or family vacations not reported on Form W-2? ☐ YES ☒ NO

(2) Entertainment facility (boat, resort, ranch, etc.)? ☐ YES ☒ NO (3) Employees' families at conventions or meetings? ☐ YES ☒ NO

(4) Living accommodations (except employees on business)? ☐ YES ☒ NO

☆☆☆☆ U.S. GOVERNMENT PRINTING OFFICE:1970—O-388-227 24-2563-697

PIERCE BUILDING COMPANY
% MR. IRWIN E. KIPNIS
33 NORTH DEARBORN STREET
CHICAGO, ILLINOIS 60602
36-6126051

FORM 1065 SCHEDULE L - YEAR ENDED MARCH 31, 1971

BALANCE SHEETS	BEGINNING OF TAXABLE YEAR	END OF TAXABLE YEAR
Line 16 - Other Current Liabilities:		
Accrued Real Estate Taxes	$ 22 833	$ 25 116
Accrued Interest	858	774
TOTALS	$ 23 691	$ 25 890

PIERCE BUILDING COMPANY
% MR. IRWIN E. KIPNIS
33 NORTH DEARBORN STREET
CHICAGO, ILLINOIS 60602

FORM 1065 YEAR ENDED MARCH 31, 1971

NAME, ADDRESS AND SOCIAL SECURITY NUMBER	CAPITAL BEGINNING OF YEAR	TRANSFER OF INTEREST	ORDINARY INCOME	WITHDRAWALS	CAPITAL END OF YEAR
Marian Andelman 2727 - 29th Street N.W. Apt. 620 Washington, D.C. 20008	($ 605)	$ -	$ 923	$ 750	($ 432)
319-01-8366 Stanley F.Brook 830 Oak Drive Glencoe, Illinois	(2 419)	-	3 690	3 000	(1 729)
36-6157731 Bross Terminal Prop. % David I. Spark 77 West Washington Chicago, Illinois	(4 234)	-	6 458	5 250	(3 026)
323-14-8534 Norman and Bernice Brown 2929 West Coyle Chicago, Illinois	(1 210)	-	1 845	1 500	(865)
128-28-1610 Dr. Walter Cebulski 5923 North Keating Chicago, Illinois	(1 210)	-	1 845	1 500	(865)

NAME, ADDRESS AND SOCIAL SECURITY NUMBER	CAPITAL BEGINNING OF YEAR	TRANSFER OF INTEREST	ORDINARY INCOME	WITHDRAWALS	CAPITAL END OF YEAR
329-20-5581 Ida E. Cohan 3319 North Newcastle Chicago, Illinois	($ 605)	-	$ 923	$ 750	($ 432)
354-14-5979 Elaine K. Dan 916 Judson Avenue Highland Park, Illinois	(1 815)	-	2 768	2 250	(1 297)
323-03-9597 Ben and Jeanette Fox 212 Blackhawk Highland Park, Illinois	(605)	-	923	750	(432)
Lowell and Jacqueline Edelson 9920 North Keystone Skokie, Illinois	(605)	-	923	750	(432)
326-18-8863 Erich Hene 1804 Woodward Magnolia, Arkansas	(1 210)	-	1 845	1 500	(865)
320-12-4232 Leonard Holleb 1255 Sandburg Terrace Chicago, Illinois	(720)	-	1 054	875	(541)
357-14-2465 Raymond Holleb 205 West Wacker Drive Chicago, Illinois	(720)	-	1 054	875	(541)

NAME, ADDRESS AND SOCIAL SECURITY NUMBER	CAPITAL BEGINNING OF YEAR	TRANSFER OF INTEREST	ORDINARY INCOME	WITHDRAWALS	CAPITAL END OF YEAR
336-12-2331 Dr. Melvin R. Homer 25 East Washington Chicago, Illinois	($ 1 747)	$ -	$ 2 636	$ 2 125	($ 1 236)
353-14-2717 Phillip and Lois Homer 1103 Gordon Deerfield, Illinois	(223)	-	395	300	(128)
337-42-6826 Sadie Homer 3900 Lake Shore Drive Chicago, Illinois	(857)	-	1 383	1 125	(599)
322-05-1797 Meyer and Edith Kaplan 3450 North Lake Shore Drive Apt. 2506 Chicago, Illinois	(605)	-	923	750	(432)
Herbert L. Kellner 64 Ravinoaks Lane Highland Park, Illinois	(1 210)	-	1 845	1 500	(865)
322-26-2302 Irwin E. Kipnis 33 N. Dearborn Street Chicago, Illinois	(1 210)	-	1 845	1 500	(865)
349-07-2883 Lee and Margaret Knight 10028 Oakdale Avenue Chatsworth, Calif. 91311	(605)	-	923	750	(432)

NAME, ADDRESS AND SOCIAL SECURITY NUMBER	CAPITAL BEGINNING OF YEAR	TRANSFER OF INTEREST	ORDINARY INCOME	WITHDRAWALS	CAPITAL END OF YEAR
346-24-4527 Emanuel and Florence Kohn 7435 North Tripp Skokie, Illinois	($ 605)	$ -	$ 923	$ 750	($ 432)
323-09-4173 Bernard & Marjorie Medville 5827 North Campbell Chicago, Illinois	(1 815)	-	2 768	2 250	(1 297)
330-40-2542 Cecil Moss 10295 Collins Avenue Bal Harbour Miami Beach, Fla. 33154	(605)	-	923	750	(432)
323-26-3895 David H. Moss 10295 Collins Avenue Bal Harbour Miami Beach, Fla. 33154	(1 210)	-	1 845	1 500	(865)
36-2335274 Milsun Realty Company % Max Moss 7020 North Washtenaw Chicago, Illinois	(1 512)	-	2 307	1 875	(1 080)
318-10-5685 John Niebuhr 411 West Olive Road Prospect Heights, Illinois	(1 210)	-	1 845	1 500	(865)
068-14-4588 Rabbi Murry J. Peiman 865 South Shenandoah Loss Angeles, Calif.	(605)	-	923	750	(432)

NAME, ADDRESS AND SOCIAL SECURITY NUMBER	CAPITAL BEGINNING OF YEAR	TRANSFER OF INTEREST	ORDINARY INCOME	WITHDRAWALS	CAPITAL END OF YEAR
345-03-6421 Homer and Fay Pollan 4250 Marine Drive Chicago, Illinois	($ 1 210)	$ -	$ 1 845	$ 1 500	($ 865)
338-28-6116 Jerome and Iris Pollan 54 Sheridan Road Highland Park, Illinois	(605)	-	923	750	(432)
Mina Rosen 6050 North Rockwell Chicago, Illinois	(605)	-	923	750	(432)
352-01-0315 Norman and Roselyn Rubin 7725 North Karlov Skokie, Illinois	(3 629)	-	5 536	4 500	(2 593)
550-01-0736 Alice H. Sarnat 5718 North Richmond Chicago, Illinois 60645	(907)	-	1 383	1 125	(649)
360-18-2619 Dr. Leonard Sarnat 611 Hillside Drive Highland Park, Illinois 60035	(605)	-	923	750	(432)
344-28-8998 Maurice Sarnatzky 5718 North Richmond Chicago, Illinois 60645	(301)	-	461	375	(215)

NAME, ADDRESS AND SOCIAL SECURITY NUMBER	CAPITAL BEGINNING OF YEAR	TRANSFER OF INTEREST	ORDINARY INCOME	WITHDRAWALS	CAPITAL END OF YEAR
337-38-8197 Dr. Leon H. Seidman 4458 West Devon Lincolnwood, Illinois 60631	($ 605)	$ -	$ 923	$ 750	($ 432)
326-24-2564-A Evelyn Shere 5901 North Sheridan Chicago, Illinois	(605)	-	923	750	(432)
326-24-2564 Morris Shere 5901 North Sheridan Apt 12-D Chicago, Illinois 60626	(301)	-	461	375	(215)
150-09-3388 David Silberman 2100 Norbeck-Norwood Road Silver Spring, Maryland	(605)	-	923	750	(432)
Estate of Milton Silberman % Marks, Marks & Kaplan One North LaSalle Street Chicago, Illinois 60602	(605)	755		150	0
344-28-2932 Ethel Wexler 3200 North Lake Shore Drive Chicago, Illinois Apt. 1103 60657	(605)	-	923	750	(432)
334-01-1361 Frank Williams 1765 Blossom Court Highland Park, Illinois 60035	(2 000)	-	3 097	2 500	(1 403)

NAME, ADDRESS AND SOCIAL SECURITY NUMBER	CAPITAL BEGINNING OF YEAR	TRANSFER OF INTEREST	ORDINARY INCOME	WITHDRAWALS	CAPITAL END OF YEAR
Hope for Gail Silberman % Marks, Marks & Kaplan 1 North LaSalle Street Chicago, Illinois 60602	$ -	($ 252)	$ 307	$ 200	($ 145)
Janet Lynn Silberman % Marks, Marks & Kaplan 1 North LaSalle Street Chicago, Illinois	-	(252)	307	200	(145)
Hope Silberman % Marks, Marks & Kaplan 1 North LaSalle Street Chicago, Illinois 60602	-	(251)	307	200	(144)
TOTALS	($43 165)	$ 0	$65 900	$53 550	($30 815)

ITEM 13.—FINANCIAL STATEMENTS FROM HARVEY ANGELL, PRESIDENT, HYDE PARK NURSING CENTER, INC., AND NANCY ANN NURSING HOMES

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

Form Approved
Budget Bureau No. 63-R1029

FHA FORM NO. 2410 - NH

STATEMENT OF PROFIT AND LOSS
(NURSING HOMES)

Project No. 071-43019

Name: HYDE PARK NURSING CENTER, INC.

For The Seven Month Ending September 30, 19 70

5000 - INCOME ACCOUNTS				
5100 - RENT INCOME:	5115-Beds (Basic Rate)		$ 478,800	
	5140-Stores and Commercial			
	5150-Offices			
	5170-Garages or Parking Spaces			
	TOTAL RENT INCOME	$ 140,462		
5200 - VACANCIES:	5215-Beds (Basic Rate)			
	5240-Stores and Commercial			
	5250-Offices			
	5270-Garages or Parking Spaces			
	TOTAL VACANCIES LOSS		140,462	
NET RENTAL INCOME (Rent Income LESS Vacancies)				$ 338,338
5300 - SERVICE INCOME:	5360-Drugs and Medical Supplies			
	5370-Medical Service (Physicians, Laboratory, etc.)			
	5380-Recreational and Rehabilitation			
	5390-Other			
	TOTAL SERVICE INCOME			
5400 - FINANCIAL INCOME:	5410-Interest Income			
	5440-Discounts Earned			
	5490-Other			
	TOTAL FINANCIAL INCOME			
5900 - OTHER INCOME:	(List)- Sundry		191	
	TOTAL OTHER INCOME			191
TOTAL INCOME FROM ALL SOURCES				$ 338,529
6000 - PROJECT EXPENSE ACCOUNTS				
6200 - RENTING EXPENSE:	6210-Advertising		$ 4,046	
	6290-			
	TOTAL RENTING EXPENSE			$ 4,046
6300 - ADMINISTRATIVE EXP.:	6310-Office Salaries		22,786	
	6311-Office Expense		1,894	
	6312-Office Rent			
	6320-Management, Administrator, etc. Fee		9,302	
	6330-Managers' or Superintendents' Salaries		15,228	
	6340-Legal Expenses (Project)			
	6350-Auditing Expense (Project) CPA or PA		6,660	
	6360-Telephone and Telegraph		3,413	
	6370-Bad Debts		4,000	
	6390-Miscellaneous		358	
	Dues		73	
	Travel		509	
	TOTAL ADMINISTRATIVE EXPENSE			64,223
6400 - OPERATING EXPENSE:	6410-Elevator Payroll			
	6411-Elevator Power			
	6420-Fuel			
	6421-Engineers' Payroll			
	6430-Janitors' Payroll			
	6431-Janitors' Supplies			
	6440-Bus Operators' Payroll			
	6441-Gasoline, Oil and Grease			
	6450-Electricity			
	6451-Water		9,202	
	6452-Gas			
	6460-Exterminating Payroll			
	6461-Exterminating Supplies			
	6462-Extermination Contract			
	6470-Garbage and Rubbish Removal		870	
	6490-Miscellaneous			
	Repairs & Maintenance		5,498	
	TOTAL OPERATING EXPENSE			15,570
TOTAL PROJECT EXPENSE ACCOUNTS TO PAGE 2 →				$ 83,839

See notes to financial statements.

6000 - PROJECT EXPENSE ACCOUNTS (Cont'd.)			
TOTAL PROJECT EXPENSE ACCOUNTS FROM PAGE 1			$ 83,839
6500 - MAINTENANCE EXP.: 6510-Protection Payroll		$	
6511-Protection Fee Cost or Contract			
6520-Grounds Payroll			
6521-Grounds Supplies and Replacements			
6522-Grounds Contract			
6530-Cleaning Payroll			
6540-Repairs Payroll			
6541-Repairs Material			
6542-Repairs Contract			
6550-Elevator Maintenance			
6551-Air Conditioning Repair and Maintenance			
6560-Decorating Payroll			
6561-Decorating Supplies			
6562-Decorating Contract			
6570-Motor Vehicle Repairs			
6580-Maintenance Equipment Repair			
6590-Miscellaneous			
TOTAL MAINTENANCE EXPENSE			
6600 - DEPRECIATION: 6620-Buildings			
6630-Building Equipment - Fixed			
6631-Alterations			
6640-Building Equipment-Portable			
6650-Furniture for Project Administrative Use			
6651-Furniture & Equipment - Project Owned for Rent or Lease			
6660-Furnishings		3,567	
6670-Maintenance Equipment			
6680-Motor Vehicles			
6690-Miscellaneous			
TOTAL DEPRECIATION			3,567
6700 - TAXES & INSURANCE: 6710-Taxes (List) Licenses	$ 792		
Payroll	13,538		
Real Estate	5,450	19,780	
6720-Insurance	4,280		
		4,280	
TOTAL TAXES AND INSURANCE			24,060
6800 - FINANCIAL EXPENSE: 6810-Interest on Bond Payable			
6820-Interest on Mortgage Payable			
6830-Interest on Notes Payable (Long Term)		4,430	
6840-[illegible] Bk. Charges		694	
6850-[illegible] Rent		42,157	
6890-Miscellaneous Organization Expense		25	
TOTAL FINANCIAL EXPENSE			47,306
6900 - SERVICE EXPENSE: 6930-Dietary -- 6931-Salaries	34,425		
6932-Food	26,416		
6933-Supplies	2,867		
6934-Other			
TOTAL DIETARY EXPENSE		63,708	
6940-Nursing -- 6941-Registered Nurses			
6942-Licensed Practical Nurses			
6943-Other Nursing Personnel	132,128		
6944-Other Group Insurance	790		
TOTAL NURSING EXPENSE		132,918	
6950-Housekeeping-6951-Salaries	33,060		
6952-Supplies	3,730		
6953-Other Equipt. Rental	1,370		
TOTAL HOUSEKEEPING EXPENSE		38,160	
6960-Medical - 6961-Drugs and Pharmaceuticals	23,388		
6962-Salaries			
6963-Other			
TOTAL MEDICAL EXPENSE		23,388	
6970-Lau.& Lin. 6971-Salaries	3,301		
6972-Supplies	3,284		
6973-Other			
TOTAL LAUNDRY AND LINEN		6,585	
6980-Recreation and Rehabilitation		6,394	
6990-Other Service Expense			
TOTAL SERVICE EXPENSES - 6900 SERIES			271,153
TOTAL COST OF OPERATIONS			$ 429,925
OPERATING PROFIT OR (Loss)			
7100 - CORP. OR MTGOR. ENTITY: 7110-Officers' Salaries		$	
7120-Legal Expenses (Entity)			
7130-Federal Income Tax	$		
7131-State Income Tax			
7132-Other Taxes (Entity)			
7190-Other Expenses (Entity)			
TOTAL CORPORATE OR MORTGAGOR ENTITY EXPENSE			
NET PROFIT OR (Loss) FOR PERIOD			$(91,396)

See notes to financial statements.

FHA PROJECT NO. 071-43019, HYDE PARK NURSING CENTER, INC.,
FOR 7 MONTHS ENDING SEPTEMBER 30, 1970

Statement of earned surplus

Balance, Mar. 1, 1970	---
Deduct, net (loss)	($91,396)
Balance, Sept. 30, 1970	(91,396)
Earned surplus per books, end of year, as shown on Federal income tax return	(91,396)

NOTES TO FINANCIAL STATEMENTS, PERIOD ENDED SEPTEMBER 30, 1970

1. ORGANIZATION

The corporation was organized during 1969, for the primary purpose of operating a 152 bed nursing home located at 4505 South Drexel Blvd., Chicago, Illinois.

The corporation was capitalized with 100,000 shares of $1.00 par value stock; 1,000 shares of which have been issued.

The financial statements were prepared on the accrual method of accounting and reflect the results of operations from inception, February 22, 1970, through September 30, 1970.

2. ADVANCES FROM RELATED ENTITIES

The corporation is part of a group of nursing homes, all of which are independent corporations, which work closely together. At the balance sheet date, these corporations had advanced $149,667, which funds bear no interest.

3. ADVANCE FROM MEDICARE INTERMEDIARY

The corporation has been approved as a provider under the Medicare program, and has been reimbursed for costs relating to Medicare patients.

Reimbursement is subject to adjustment by subsequent examination of the corporation's accounting records in accordance with existing Medicare regulations. As of the date of this report, the "Cost Report" to the fiscal intermediary has not been filed; however, it is the opinion of management that adjustments, if any, will not be significant.

As of the balance sheet date, the intermediary has advanced $2,700 to the corporation, under its current financing program.

4. LONG-TERM DEBT

At the balance sheet date, the corporation was liable for $91,187 in long-term debt, of which $23,612 is due in the current fiscal year.

The debt consists of equipment notes at varying interest rates, due in monthly installments of principal and interest.

5. DEPRECIATION

The corporation uses the straight-line method of depreciation for both statement and Federal income tax purposes.

6. RENT

The real property occupied by the corporation is owned by a joint venture with which the corporation has entered into a long-term lease, extending beyond the year 2000. In general, the lease calls for annual fixed rentals varying from year to year, a 4% percentage rental on gross room and board revenue in excess of specified amounts, the payment of real estate taxes, adequate insurance and repairs and maintenance costs. Minimum annual rentals, including escrow deposits for some of the above, are in excess of $120,000 per year.

The corporation has the option to purchase the facilities leased at any time during the term of the lease at scheduled prices related to installment obligations owed by the landlord at the time of entering into the lease.

7. INCOME TAXES

During the period of operations, the corporation incurred a loss and no income tax provision has been made.

A. & G. CORP., G. & A. CORP., SKOKIE VALLEY MANOR, INC., S-M NURSING HOME, INC. AND THE WOODSTOCK RESIDENCE, INC., ALL D/B/A NANCY ANN NURSING HOMES

Combined statement of income, year ended Sept. 30, 1970

Revenue:	
Patient revenue	$2,161,993
Interest	14,184
Total, revenue	2,176,177
Costs and expenses:	
Payroll and employee benefits	1,022,401
Patient care	349,428
Plant operations and maintenance	392,779
Administration	114,762
Depreciation	63,815
Interest	29,649
Total, costs and expenses	1,972,834
Income from operations	203,343
Other charges: Equity in losses of wholly-owned unconsolidated subsidiaries (note 1)	(93,723)
Income before income taxes (notes 4 and 6)	109,620
Income taxes:	
Current	48,400
Deferred	1,900
Subtotal, income taxes	50,300
Reduction in income taxes arising out of the filing of consolidated Federal income tax returns with wholly-owned subsidiaries not consolidated for financial reporting purposes (note 6)	(16,940)
Total, income taxes	33,360
Total, income	76,260

See notes to combined financial statements.

Combined statement of retained earnings, year ended Sept. 30, 1970

Balance, beginning of year, as previously reported	$193,603
Less adjustments to reflect prior years' income taxes and change in depreciation method (note 4)	24,762
Balance, beginning of year, restated	168,841
Add net income for year	76,260
Balance, before dividends paid	245,101
Deduct dividends paid	77,123
Balance, end of year	167,978

See notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS, YEAR ENDED SEPT. 30, 1970

1. Principles of combination

The corporations doing business as Nancy Ann Nursing Homes, consist of the following corporations which are owned principally by the same shareholders:

	Number of shares			
	Par value	Authorized	Issued	Stated value
A and G Corp	None	1,000	600	$600
G and A Corp	None	1,000	600	600
Skokie Valley Manor, Inc	None	100,000	1,000	1,000
S-M Nursing Home, Inc	$1.00	100,000	1,000	1,000
The Woodstock Residence, Inc	1.00	100,000	1,000	1,000
Total				4,200

The financial statements have been prepared on a combined basis of accounting eliminating all significant intercompany transactions except for investments in and advances to, and adjustments to reflect the losses incurred by Hyde Park Nursing Center, Inc., a wholly-owned subsidiary of Skokie Valley Manor, Inc., and Michigan Terrace Nursing Center, Inc., a wholly-owned subsidiary of The Woodstock Residence, Inc.

Hyde Park Nursing Center, Inc., operates a newly constructed 152 bed nursing home facility in Chicago, Illinois which commenced operations on February 22, 1970.

Michigan Terrace Nursing Center, Inc. will operate a 152 bed nursing home facility presently under construction in Chicago, Illinois.

The combined statements include the results of operations for all corporations for a twelve-month period except for S-M Nursing Home, Inc., and The Woodstock Residence, Inc., which are for a ten-month period since the date of their acquisition.

The investments in the above mentioned unconsolidated subsidiaries are reflected on the equity method as follows:

	Investments	Advances	(Loss)	Net equity
Hyde Park Nursing Center, Inc	$1,000	$190,479	($91,396)	$100,083
Michigan Terrace Nursing Center, Inc	1,000	1,327	(2,327)	
Total	2,000	191,806	(93,723)	100,083

Advances to the unconsolidated subsidiaries were made by the various corporations combined for expenses incurred during the subsidiaries organizational phase and for current operating expenses.

2. Advances from lessors and contingent liabilities

The corporations are acting, in certain instances, as a depository for various joint ventures engaged in the construction and ownership of nursing home facilities leased to the combined corporations and their subsidiaries. The two general partners, without any equity interests in the joint ventures, are also the principal shareholders of the combined corporations. In connection with the construction of the nursing home facilities, the corporations invest the funds collected from the limited partners and retain the income earned, net of any interest expense incurred on the funds deposited, and disburse such funds on behalf of the joint venture as required. As of the balance sheet date, the combined corporations were contingently liable on bank letters of credit totaling $210,758. To collateralize such letters of credit the corporations have pledged the certificates of deposit totaling $147,871.

The combined corporations and their subsidiaries (except for G and A Corporation which owns its facilities and A and G Corporation which rents from others) have entered into long-term leases with the joint ventures for the rental

of their operating premises. In general, the leases call for annual fixed rentals varying from year to year, a 4% percentage rental on gross room and board revenue in excess of specified amounts, the payment of real estate taxes, adequate insurance and repair and maintenance costs. The lease periods, including options, extend beyond the year 2000. Minimum annual rentals, inclusive of wholly-owned subsidiaries and A and G Corporation are approximately $400,000 for the year ending September 30, 1971.

The combined corporations have the option to purchase the facilities leased at any time during the terms of the leases at scheduled prices related to instalment obligations owed by the landlords at the time of entering into the leases.

3. Long-term debt

	Total	Current portion	Long-term portion
6½ percent installment note payable in monthly installments of $644 inclusive of principal and interest, collateralized by furniture and fixtures and personal guarantees of the principal shareholders. Final maturity Mar. 31, 1978, with right of prepayment	$81,572	$2,373	$79,199
12 percent notes payable, due 1973 with right of prepayment, secured by personal guarantees of principal shareholders	40,000	----------	40,000
5 percent installment note payable in monthly installments of principal and interest of $5,667	172,509	60,578	111,751
6 percent special assessments on real estate payable in annual installments of $459 plus interest, with right of prepayment, final installment due Jan. 2, 1977	3,212	459	2,753
Interest-free note payable to third party, unsecured, due in 1972	36,000	----------	36,000
Equipment notes, at varying rates of interest, due in monthly installments of principal and interest collateralized by fixed assets	25,652	15,630	10,022
Total	358,945	79,220	279,725

4. Depreciation

The combined corporations used the straight-line method of depreciation for all additions since October 1, 1969, prior to which date the 150% and double-declining balance methods were used, except for Skokie Valley Manor, Inc. which has depreciated all additions on the straight-line method for financial reporting purposes. For Federal income tax purposes, Skokie Valley Manor, Inc., recorded depreciation by the use of accelerated methods for additions acquired prior to October 1, 1969, resulting in deferred income taxes of $1,900 for the year ended September 30, 1970.

5. Advance from Medicare intermediary

Three of the combined corporations, along with one of the wholly-owned subsidiaries, have been approved as providers under the Medicare program, and have been reimbursed for costs relating the Medicare patients. Reimbursements are subject to adjustment by subsequent examination of the corporation's accounting records in accordance with existing Medicare regulations. As of the date of this report, the "Cost Reports" to intermediaries have not been filed; however, it is the opinion of management that adjustments, if any, will not be significant.

As of the balance sheet date, the intermediaries have advanced $18,989 to the combined corporations, under their current financial program.

6. Income taxes

G and A Corporation has elected to file its Federal income tax returns as a Small Business Corporation (Subchapter S). Because of such election, the above mentioned corporation is not subject to income taxes and no provision has been made.

Skokie Valley Manor, Inc. and The Woodstock Residence, Inc., will file consolidated tax returns, with their wholly-owned subsidiaries, and consequently Skokie Valley Manor, Inc. will pay no Federal income taxes for the year ended September 30, 1970, and The Woodstock Residence, Inc.'s Federal income tax liability will be reduced accordingly.

ITEM 14. FINANCIAL STATEMENT, PURE HOTEL, INC., JULIUS AND LOUIS PURE, OPERATORS

PURE HOTEL, INC., 2906 W. FULLERTON AVE., CHICAGO, ILL., PROFIT AND LOSS STATEMENT, JAN. 31, 1971

	Amount	Percent
Salaries	$177,249	16.7
Repairs	31,210	2.9
Rent	204,000	19.0
Taxes	13,692	1.3
Interest	13,686	1.3
Depreciation	101,248	9.5
Food	345,000	32.5
Laundry	13,295	1.2
Recreation and rehabilitation	10,560	1.0
Fuel and utilities	40,768	3.8
Decorating	17,740	1.6
Miscellaneous expenses	32,200	3.1
Subtotal	1,000,648	93.9
Net profit	58,302	6.1
Net receipts	1,058,950	100.0

Balance sheet, January 31, 1971

Assets:	
Cash	$3,743.71
Improvements and furniture (less depreciation)	858,020.03
Total	861,763.74
Liabilities:	
Accounts payable	236,891.47
Bank loans	300,000.00
Social Security and withholding liability	6,235.27
Loan from stockholders	147,500.00
Mortgages	152,387.35
Total	843,014.09
Capital stock	20,000.00
Carryover losses	1,250.35
Total	861,763.74
Miscellaneous expenses:	
Car expense	1,395.00
Exterminator	577.50
Stationery and postage	730.79
Linens	3,398.28
Scavenger	829.50
Insurance	4,279.00
Residents' supplies	2,281.57
Janitor supplies	2,571.44
Telephone	3,967.16
Bank charges	388.68
Landscaping	325.00
Donations	550.00

Miscellaneous expenses—Continued	
Health and welfare fund	$1,228.40
Legal expense	2,532.50
Medical room expense	2,289.86
Consulting physician	450.00
Secretary service	1,300.00
Consulting nursing service	513.25
Window cleaning	700.00
Employment expense	138.30
Cartage	104.57
Management consultant	104.57
Association dues	1,200.00
Total	32,200.80

Real estate partnership account

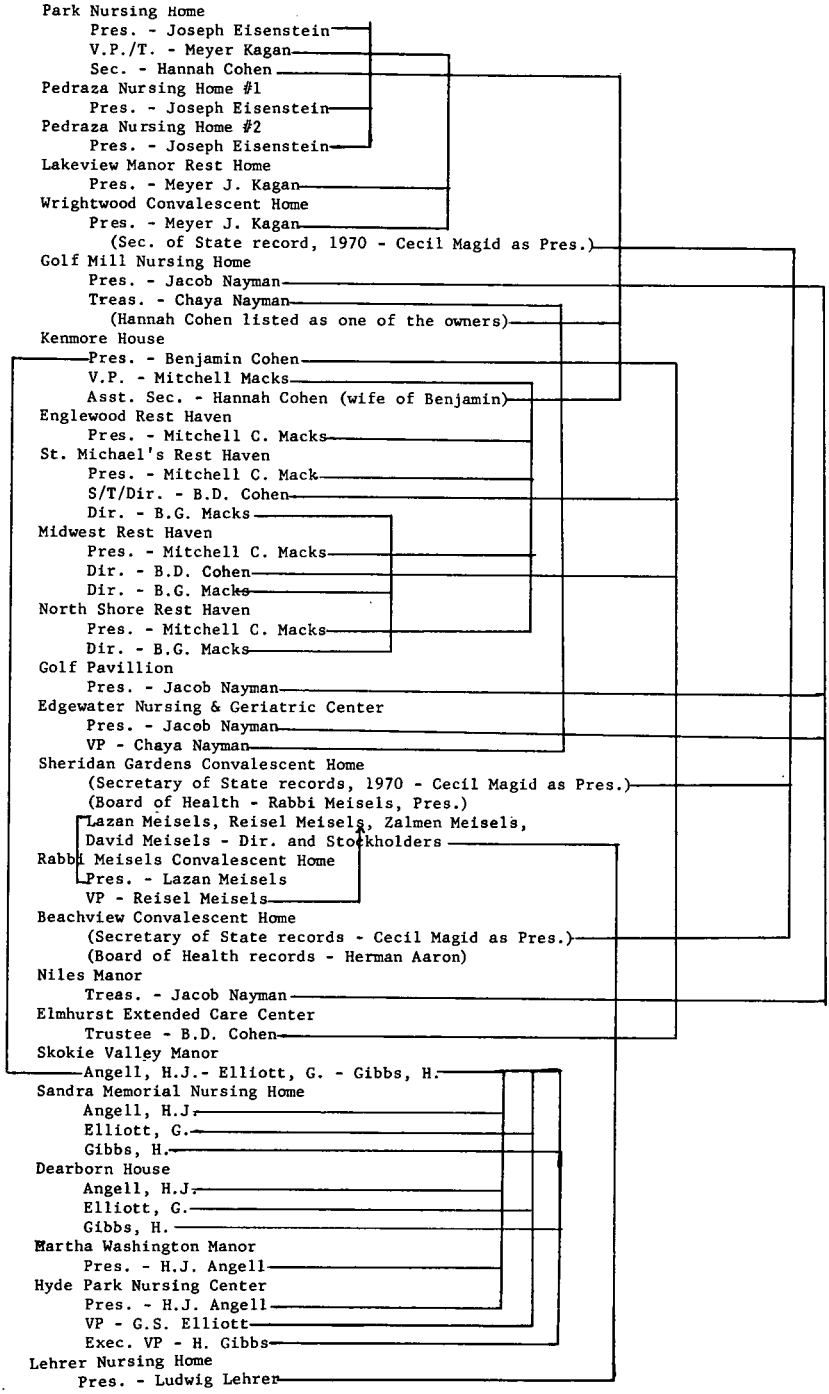
Total cost of buldings	596,100.00
Total cost of land	40,000.00
Total cost of property	636,100.00
1970 interest expenses	15,358.24
Real estate taxes	51,626.96
Insurance (fire and extended coverage)	6,351.00
Legal and trust fees	45.00
Total	73,381.20
Depreciation on property only [1]	24,164.00
Total	97,545.20
Rent income	204,000.00
Less expenses [1]	95,945.00
Total (or 17 percent return on real estate investment)	108,055.00

[1] $1,600 was omitted due to depreciation on property not used in hotel operation.

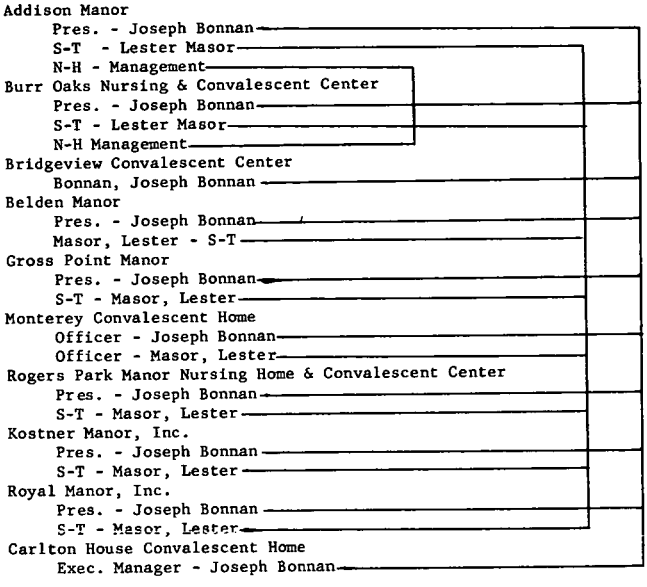
Balance sheet, December 31, 1970

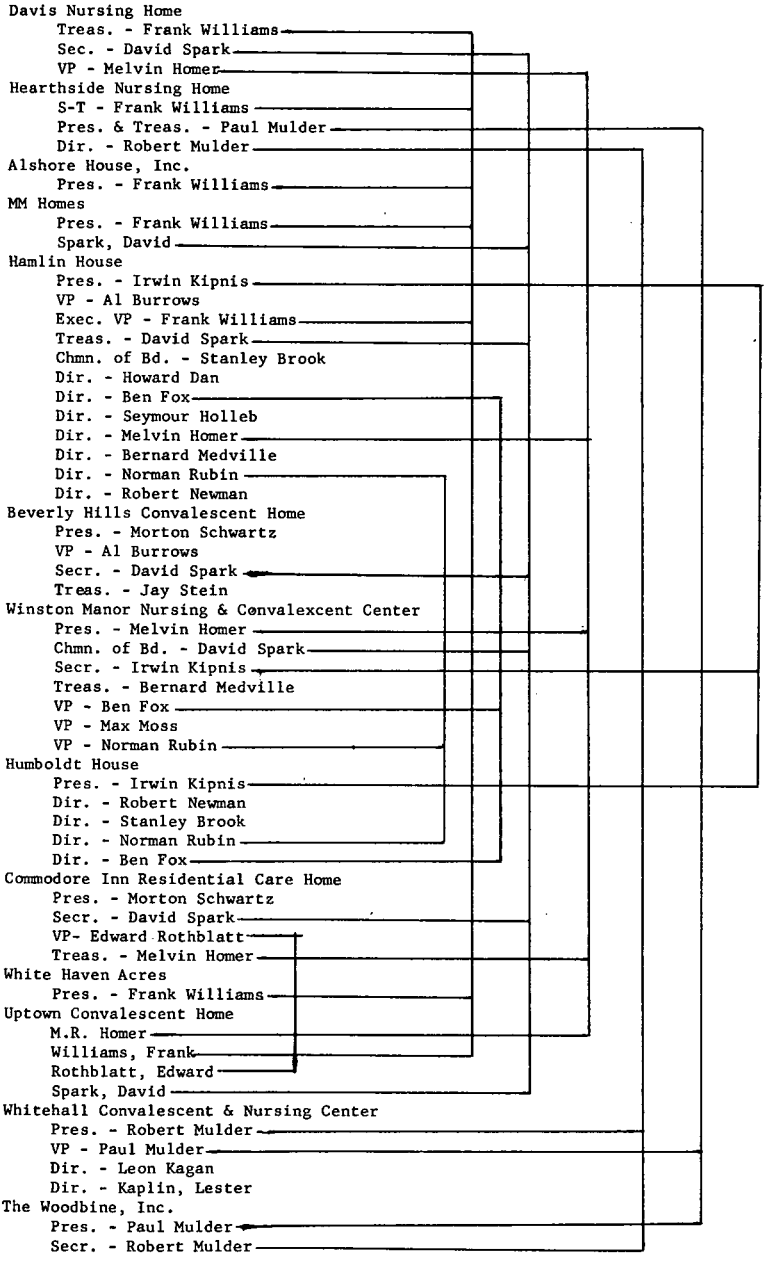
Assets:	
Cash	7,890.81
Notes	80,000.00
Building	596,100.00
Less depreciation	86,705.36
Total	509,394.64
Land	40,000.00
Total	637,285.45
Liabilities:	
Mortgages	371,105.90
Partners capital account	266,179.55
Total	637,285.45

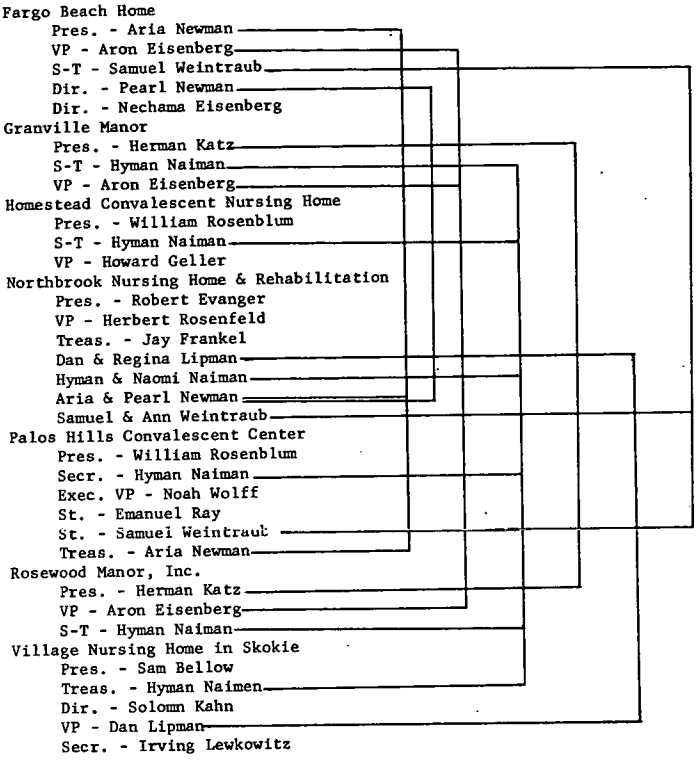
ITEM 15.—CHART SHOWING INTERLOCKING OWNERSHIP AND DIRECTORS*

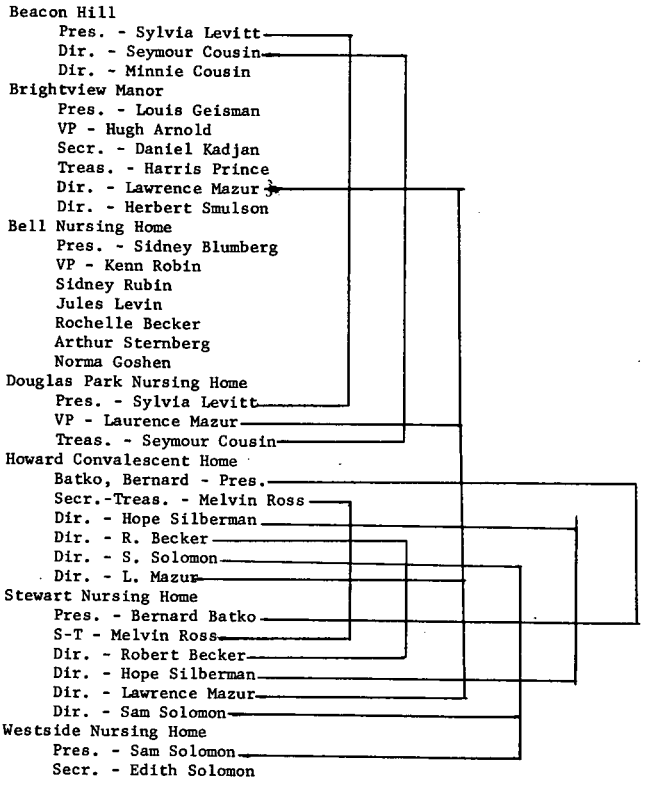


*Prepared by the Better Government Association, Chicago, Ill.; see statement, p. 1469.


Addison Manor
Pres. - Joseph Bonnan
S-T - Lester Masor
N-H - Management
Burr Oaks Nursing & Convalescent Center
Pres. - Joseph Bonnan
S-T - Lester Masor
N-H Management
Bridgeview Convalescent Center
Bonnan, Joseph Bonnan
Belden Manor
Pres. - Joseph Bonnan
Masor, Lester - S-T
Gross Point Manor
Pres. - Joseph Bonnan
S-T - Masor, Lester
Monterey Convalescent Home
Officer - Joseph Bonnan
Officer - Masor, Lester
Rogers Park Manor Nursing Home & Convalescent Center
Pres. - Joseph Bonnan
S-T - Masor, Lester
Kostner Manor, Inc.
Pres. - Joseph Bonnan
S-T - Masor, Lester
Royal Manor, Inc.
Pres. - Joseph Bonnan
S-T - Masor, Lester
Carlton House Convalescent Home
Exec. Manager - Joseph Bonnan


Davis Nursing Home
Treas. - Frank Williams
Sec. - David Spark
VP - Melvin Homer
Hearthside Nursing Home
S-T - Frank Williams
Pres. & Treas. - Paul Mulder
Dir. - Robert Mulder
Alshore House, Inc.
Pres. - Frank Williams
MM Homes
Pres. - Frank Williams
Spark, David
Hamlin House
Pres. - Irwin Kipnis
VP - Al Burrows
Exec. VP - Frank Williams
Treas. - David Spark
Chmn. of Bd. - Stanley Brook
Dir. - Howard Dan
Dir. - Ben Fox
Dir. - Seymour Holleb
Dir. - Melvin Homer
Dir. - Bernard Medville
Dir. - Norman Rubin
Dir. - Robert Newman
Beverly Hills Convalescent Home
Pres. - Morton Schwartz
VP - Al Burrows
Secr. - David Spark
Treas. - Jay Stein
Winston Manor Nursing & Convalexcent Center
Pres. - Melvin Homer
Chmn. of Bd. - David Spark
Secr. - Irwin Kipnis
Treas. - Bernard Medville
VP - Ben Fox
VP - Max Moss
VP - Norman Rubin
Humboldt House
Pres. - Irwin Kipnis
Dir. - Robert Newman
Dir. - Stanley Brook
Dir. - Norman Rubin
Dir. - Ben Fox
Commodore Inn Residential Care Home
Pres. - Morton Schwartz
Secr. - David Spark
VP- Edward Rothblatt
Treas. - Melvin Homer
White Haven Acres
Pres. - Frank Williams
Uptown Convalescent Home
M.R. Homer
Williams, Frank
Rothblatt, Edward
Spark, David
Whitehall Convalescent & Nursing Center
Pres. - Robert Mulder
VP - Paul Mulder
Dir. - Leon Kagan
Dir. - Kaplin, Lester
The Woodbine, Inc.
Pres. - Paul Mulder
Secr. - Robert Mulder


Fargo Beach Home
Pres. - Aria Newman
VP - Aron Eisenberg
S-T - Samuel Weintraub
Dir. - Pearl Newman
Dir. - Nechama Eisenberg
Granville Manor
Pres. - Herman Katz
S-T - Hyman Naiman
VP - Aron Eisenberg
Homestead Convalescent Nursing Home
Pres. - William Rosenblum
S-T - Hyman Naiman
VP - Howard Geller
Northbrook Nursing Home & Rehabilitation
Pres. - Robert Evanger
VP - Herbert Rosenfeld
Treas. - Jay Frankel
Dan & Regina Lipman
Hyman & Naomi Naiman
Aria & Pearl Newman
Samuel & Ann Weintraub
Palos Hills Convalescent Center
Pres. - William Rosenblum
Secr. - Hyman Naiman
Exec. VP - Noah Wolff
St. - Emanuel Ray
St. - Samuel Weintraub
Treas. - Aria Newman
Rosewood Manor, Inc.
Pres. - Herman Katz
VP - Aron Eisenberg
S-T - Hyman Naiman
Village Nursing Home in Skokie
Pres. - Sam Bellow
Treas. - Hyman Naimen
Dir. - Solomn Kahn
VP - Dan Lipman
Secr. - Irving Lewkowitz


Beacon Hill
Pres. - Sylvia Levitt
Dir. - Seymour Cousin
Dir. - Minnie Cousin
Brightview Manor
Pres. - Louis Geisman
VP - Hugh Arnold
Secr. - Daniel Kadjan
Treas. - Harris Prince
Dir. - Lawrence Mazur
Dir. - Herbert Smulson
Bell Nursing Home
Pres. - Sidney Blumberg
VP - Kenn Robin
Sidney Rubin
Jules Levin
Rochelle Becker
Arthur Sternberg
Norma Goshen
Douglas Park Nursing Home
Pres. - Sylvia Levitt
VP - Laurence Mazur
Treas. - Seymour Cousin
Howard Convalescent Home
Batko, Bernard - Pres.
Secr.-Treas. - Melvin Ross
Dir. - Hope Silberman
Dir. - R. Becker
Dir. - S. Solomon
Dir. - L. Mazur
Stewart Nursing Home
Pres. - Bernard Batko
S-T - Melvin Ross
Dir. - Robert Becker
Dir. - Hope Silberman
Dir. - Lawrence Mazur
Dir. - Sam Solomon
Westside Nursing Home
Pres. - Sam Solomon
Secr. - Edith Solomon

Appendix 2

COMPARATIVE REPORT ON DISCHARGED MENTAL HEALTH PATIENTS

[Response by Chicago Board of Health to State Allegations]

SEPTEMBER 14, 1971.

To: Mr. V. Halamandaris, U.S. Senate.

From: Thomas E. Frey, Director, Bureau of Institutions and Medical Care Facilities, Chicago Board of Health.

Attached is a copy of a comparative report on discharged mental health patients residing in nursing homes, sheltered care homes, and residential care homes in Chicago. This report was prepared by my office with figures provided from the office of Dr. A. J. Glass, Director of the Illinois Department of Mental Health.

We respectfully request that this document be accepted and be entered for the record of this hearing for study by the Senate Special Committee on Aging.

THOMAS E. FREY.

(Enclosure.)

DISCHARGED MENTAL HEALTH PATIENTS

The attached report is a comparison of Discharged Mental Health Patients residing in Nursing Homes, Homes for the Aged, Residential Care, and Sheltered Care facilities in the City of Chicago as of April 30, 1971 and June 30, 1971.

Listed below are additional facts which will give the reader a better understanding of the report, and ten (10) summary statements pertaining to the Nursing Home section of the report:

Additional information:

Nursing homes with discharged mental health patients	72
Nursing homes without discharged mental health patients	32
Capacity of the 72 homes with DMH patients (beds)	6,094
Capacity of the 32 homes without DMH patients (beds)	1,862
Average capacity for 72 homes containing DMH patients (beds)	84
Average capacity for 32 homes without DMH patients (beds)	58

SUMMARY STATEMENTS

1. According to the current list of Nursing Homes in the City of Chicago, there are 104 homes classified as nursing homes (licensed or approved). Of these 104 homes, 72 or 69 percent of the homes in the City of Chicago, contain Discharged Mental Health Patients.

2. There is an average number of 84 patient beds in the Nursing Homes that contain Discharged Mental Health Patients, however, the average bed capacity in the homes without Discharged Mental Health Patients is considerably less, or 58 patient beds per home.

3. The seven (7) homes that are shown as no longer having Discharged Mental Health Patients as of June 30, 1971, previously had had only one (1) patient residing in each of the homes.

4. The ten (10) homes that were added to the list of June 30, 1971, show from one (1) to thirty-five (35) Discharged Mental Health patients residing in the respective homes.

5. A majority of the homes with an increase in the number of Discharged Mental Health Patients residing in the home are located on the Northside of the city, however, there is no heavy concentration of increase in any one particular community area.

6. A majority of the homes with a decrease in the number of Discharged Mental Health patients residing in the home are located on the Northside of the city, with one-third (or 5) located in the Uptown area.

The above statement could lead the reader to believe that there is a decrease in the number of Discharged Mental Health patients that are being placed in the Uptown area, however, when the decrease in the area is compared to the increase in the area, the figures reveal that there are actually twelve (12) more DMH patients in the area since the April 30, 1971 report.

7. Of the twenty-five (25) homes with an increase in DMH patients, six (6) have been taken to court by the Chicago Board of Health since May 1, 1971, with three (3) of the cases being fined a total of $1,410.00.

8. Of the fourteen (14) homes with a decrease in DMH patients, four (4) were taken to court by the Chicago Board of Health since May 1, 1971, with two (2) being fined a total of $210.00.

9. Of the ten homes added to the list, six (6) have been taken to court by the Chicago Board of Health since May 1, 1971, one home having two (2) court cases. Five of these six (6) cases have been fined a total of $1,265.00.

10. Of the seven (7) homes removed from the list of June 30, 1971, two (2) have been taken to court by the Chicago board of Health, for a total of $55.00 in fines.

DISCHARGED MENTAL HEALTH PATIENTS RESIDING IN NURSING HOMES, RESIDENTIAL CARE, SHELTERED CARE FACILITIES IN CHICAGO

(Comparison of April 30, 1971 to June 30, 1971)

Section I, nursing homes:
- A. List of discharged mental health patients residing in nursing homes
  - (1) Comparison with list of April 30, 1971
  - (2) RECAP
    - (a) Homes removed from lists
    - (b) Homes added to list
    - (c) Homes with increase
    - (d) Homes with decrease

Section II, sheltered care homes:
- A. List of discharged mental health patients residing in sheltered care homes
  - (1) Comparison with list of April 30, 1971
  - (2) RECAP
    - (a) Percent of increase

Section III, residential care homes:
- A. List of discharged mental health patients residing in residential care homes
  - (1) Comparison with list of April 30, 1971
  - (2) Comparison to Board of Health figures
  - (3) RECAP
    - (a) Homes with increase
    - (b) Homes with decrease

Section IV, homes for the aged:
- A. List of discharged mental health patients residing in sheltered care homes
  - (1) Comparison with list of April 30, 1971
  - (2) RECAP
    - (a) Percent of increase

SECTION I

DISCHARGED MENTAL HEALTH PATIENTS RESIDING IN NURSING HOMES—RESIDENTIAL CARE—SHELTERED CARE FACILITIES IN CHICAGO (AS OF JUNE 30, 1971)

Facility	Capacity	Discharged mental health patients		Percent of capacity		Increase (decrease) (percent)
		Apr. 30, 1971	June 30, 1971	Apr. 30, 1971	June 30, 1971	
A–1 (4249 North Hazel)	8	3	4	37.5	50.0	12.5
Addison Manor, Inc	40	13	13	32.5	32.5	----------
Albany Park	30	13	13	43.3	40.0	(3.3)
All American	147	29	33	19.7	22.4	2.7
Alshore	53	1	0	1.8	0	[1] (1.8)
Austin Congress	136	0	2	0	1.5	[2] 1.5
Anna Hadley	29	3	2	10.3	6.8	(3.7)
Balmoral Home	213	0	1	0	.4	[2] .4
Beachview Convalescence	47	1	0	2.1	0	[1] (2.1)
Beacon Hill	33	1	1	3.0	3.0	----------
Beckwith Home	36	0	1	0	4.1	[2] 4.1
Beverly Hills	32	1	0	3.1	0	[1] (3.1)
Birchwood Beach (1)	39	11	11	28.2	28.2	----------
Birchwood Beach (2)	32	8	4	25.0	12.5	(12.5)
Birchwood Pavilion	116	1	1	.8	.8	------
Brightview Manor	140	2	2	1.4	1.4	----------
Brittany Terrace	87	1	1	1.1	1.1	----------
Briarwood Terrace	300	5	6	1.6	2.0	.4
Bryn Mawr House	183	1	3	.5	1.6	1.1
Burnside Rest	49	1	0	2.0	0	[1] (2.0)
Carlton House	122	7	27	5.7	22.1	16.4
Convalescence Home of First Church	199	28	25	14.0	12.0	(2.0)
Davis	85	4	3	4.7	3.5	(1.2)
Dearborn House	128	13	23	10.0	18.0	8.0
Douglas Park	40	1	1	2.5	2.5	----------
Edgewater Geriatric	93	23	23	24.7	24.7	----------
Elizabeth Olivia	49	16	13	32.6	26.5	(6.1)
Englewood Rest	26	0	1	0	3.8	[2] 3.8
Fargo Beach	149	24	25	16.1	16.7	.7
Farwall Beach	27	2	1	7.4	3.7	(3.7)
Feinstein Rest	27	6	8	22.4	29.6	7.2
Fullerton Convalescence	132	20	16	15.9	12.1	(3.8)
Garden View	130	1	1	.7	.7	----------
Harmon Bragg (1)	25	3	4	12.0	16.0	(4.0)
Harmon Bragg (2)	34	1	0	3.2	0	[1] (3.2)
Hollywood Convalescence	45	15	10	33.3	29.4	(3.9)
Howard Convalescence	32	1	0	3.1	0	[1] (3.1)
Hyde Park	152	21	26	13.8	17.1	3.3
Kenmore	109	2	10	1.8	9.1	7.3
Kostner Manor	115	52	54	45.0	46.9	1.9
Lehrer Nursing (Northside)	40	10	28	35.0	70.0	45.0
Lincoln Park	33	1	1	3.0	3.0	----------
Linderman	25	0	1	0	4.0	[2] 4.0
Malden	26	15	14	57.4	53.8	(3.6)
Mark Howard	93	5	5	5.3	5.3	----------
Martha Washington	99	4	4	4.0	4.0	----------
Michigan Terrace	152	23	24	15.1	15.7	.6
Melbourne	188	164	152	87.2	80.8	(6.4)
Midwest Rest	32	0	28	0	87.8	[2] 87.8
Miller Nursing Home	46	6	6	13.0	13.0	----------
Monterey Convalence (P)	62	50	48	80.6	77.4	(3.2)
Monterey Convalence (D)	56	22	28	39.3	50.0	10.7
Montgomery	80	9	12	11.2	15.0	3.8
Nesbitt	34	2	2	5.8	5.8	----------
North Shore	49	0	24	0	48.9	[2] 48.9
Ogden Park	60	2	3	3.3	5.0	1.1
Park House	79	0	35	0	44.3	[2] 44.3
Patterson	32	3	3	9.3	9.3	----------
Podraza	31	6	10	19.3	32.2	12.9
Peyton Convalescence	43	2	2	4.6	4.6	----------
Rabbi Meisels Convalescence	49	11	12	22.4	24.5	2.1
Senn Park	128	28	19	21.8	14.8	(7.0)
Rogers Park	93	18	14	19.3	15.0	(4.3)
Rosewood Manor	127	3	3	2.3	2.3	----------
Royal Manor	28	16	24	57.1	85.7	28.6
St. Michaels	43	0	4	0	9.2	[2] 9.2
Schiller Rest	28	5	5	18.0	18.0	----------
Sheridan Gardens	99	3	7	3.0	7.0	4.0
Shorecrest Convalescence	35	13	14	37.0	40.0	3.0
South Shore Kosher	111	1	0	1.6	0	[1] (1.6)
Stern's Convalescence	37	5	5	13.5	13.5	----------
Sunnyside	47	17	23	36.1	48.9	12.8
Thorndale Nursing	41	0	13	0	31.7	[2] 31.7
Unicare Carmen	113	59	37	52.2	32.7	(19.5)
Uptown Convalescence	55	11	16	20.0	29.0	9.0
Vincennes Manor	312	104	115	33.3	36.8	3.5
Westwood	115	43	49	37.3	42.6	5.3
Winston Manor	180	11	8	6.1	4.4	(1.7)
Wrightwood Convalescence	90	1	1	1.1	1.1	----------

[1] Not shown on list of June 30, 1971.
[2] Not shown on list of Apr. 30, 1971.

RECAP

	Total	Net increase of—
Number of nursing homes with discharged mental health patients as of June 30, 1971	72	3
Capacity of the 72 nursing homes	6,094	214
Number of discharged mental health patients residing in nursing homes as of June 30, 1971	1,167	159
Percentage of discharged mental health patients in 72 nursing homes (acutal compared to capacity)	19.1	1.8

Recap—Homes No Longer Listed as Having Discharged Mental Health Patients

Home:	*Percentage*
Alshore	1.8
Beachview	2.1
Beverly Hills	3.1
Burnside	2.0
Harmon Bragg (2)	3.2
Howard	3.1
South Shore	1.6
Homes Added to List as of June 30, 1971:	
Austin Congress	1.5
Balmoral	0.4
Beckwith	4.1
Engelwood	3.8
Linderman	4.0
Midwest	87.8
Northshore	48.9
Park House	44.3
St. Michael's	9.2
Thorndale	31.7

Homes With an Increase in Mental Health Patients

Home:	*Amount of increase*
Lehrer	45.0
Royal	28.6
Carlton House	16.4
Pedraza	12.9
Sunnyside	12.8
A–1	12.5
Monterey (P)	10.7
Uptown	9.0
Dearborn	8.0
Kenmore	7.3
Feinstein	7.2
Westwood	5.3
Sheridan	4.0
Montgomery	3.8
Vincennes	3.5
Hyde Park	3.3
Shorecrest	3.0
All American	2.7
Rabbi Meisels	2.1
Kostner	1.9
Ogden	1.1
Bryn Mawr	1.1
Fargo	0.7
Briarwood Terrace	0.4
Michigan Terrace	0.6

Homes With a Decrease in Mental Health Patients

Home:	Amount of decrease
Unicare-Carmen	19.5
Birchwood Pavilion	12.5
Senn Park	7.0
Melbourne	6.4
Rosewood	4.3
Harmon Bragg (1)	4.0
Hollywood	3.9
Fullerton	3.8
Malden	3.6
Albany Park	3.3
Monterey Conv. (D)	3.2
Winston	1.7
Conv. Home of First Church	2.0
Davis	1.2

SECTION II

SHELTERED CARE HOMES

Facility	Capacity	Discharged mental health patients		Percent of capacity		Increase (decrease) (percent)
		Apr. 30, 1971	June 30, 1971	Apr. 30, 1971	June 30, 1971	
Approved Home	81	49	62	60.5	76.5	16.0
Boulevard	19	0	18	0	94.7	[1] 94.7
Bethune Plaza	276	235	219	85.1	79.3	(5.8)
Belden Manor and Annex	542	400	525	[2]	96.8	[2]
Hamlin House	424	230	288	54.1	67.7	13.0
Hastings	14	1	1	7.1	7.1	

[1] Not shown on report of Apr. 30, 1971.
[2] Belden Manor listed separately on previous list.

RECAP

		Net increase of—
Total number of sheltered care homes with discharged mental health patients as of June 30, 1971	6	1
Total capacity of the 6 sheltered care homes	1,357	156
Total number of discharged mental health patients residing in sheltered care homes	1,113	198
Percentage of discharged mental health patients (average) in 6 sheltered care homes	82.8	6.6

SECTION III

RESIDENTIAL CARE HOMES

Facility	Capacity	Discharged mental health patients		Percent of capacity		Increase (decrease) (percent)
		Apr. 30, 1971	June 30, 1971	Apr. 30, 1971	June 30, 1971	
Central Plaza	160	160	160	100	100	
Chapman Hotel	139	138	132	99.2	95.8	(3.4)
Clayton Residential	250	150	190	60.0	80.0	20.0
Columbus Manor	126	116	115	92.0	92.0	
Commodore Inn	185	184	173	99.4	93.5	(5.9)
Fleetwood	101	98		97.0		
Increase in capacity	129		125		96.9	(0.1)
Gracell Manor	100	95	[1] 107	95.0	107.0	12.0
Graesmere	225	224	215	99.5	95.5	(4.0)
Hazel Wilson	150	150	[1] 151	100.0	100.6	0.6
Humboldt House	68	63	57	92.6	83.8	(8.8)
Kenbeach	43	6	25	13.9	58.1	44.2
MM Homes	52	52	52	100.0	100.0	
Margaret Manor South	135	80	100	59.2	74.0	14.8
Margaret Manor North	50		41		82.0	[2] 82.0
Stratford Hotel	300	276	253	92.0	84.3	(7.7)
Traemore Hotel	276	255	268	92.3	97.1	4.8
Uptown Club	25	25	24	100.0	96.0	(4.0)
Michigan Manor	41	41	[1] 56	100.0	139.0	39.0

[1] See attached Board of Health figures.
[2] Not listed on report of Apr. 30, 1971.

RESIDENTIAL CARE HOMES—BOARD OF HEALTH FIGURES

According to the Board of Health Inspection reports, the following discrepancies were noted between the Board of Health census figures and the census figures submitted by the Illinois Department of Mental Health for the homes listed below:

1. Gracell Manor: Inspection reports dated June 24, 1971, shows a census of 96 residents. The Illinois Department of Mental Health report of June 29, 1971, shows a census of 107, *or 7 over the capacity, and 11 more than our reports show.*

2. Hazel-Wilson: Inspection reports dated July 1, 1971, show a census of 148. Illinois Department of Mental Health report of June 29, 1971, shows a census of 151, *or 1 over the capacity, and 3 more than our records show.*

3. Michigan Manor: Inspection reports of both June 16, 1971, and July 14, 1971, show a census of 40 residents. Ilinois Department of Mental Health report of June 29, 1971, shows a census of 56, *or 16 more than our report, and 15 more than the capacity.*

RECAP

		Net Increase of
Total number of residential care homes with discharged mental health patients (June 30, 1971).	18	1
Total capacity of 18 residential care homes	2,444	78
Total number of discharged mental health patients in residential care homes	2,213	110
Percentage of discharged mental health patients in 18 residential care homes	90.5	1.7

Homes With Increase in Mental Health Patients

Home:	*Percent of increase*
Kenbeach	44.2
Michigan Manor	39.0
Clayton	20.0
Margaret Manor South	14.8
Gracell	12.0
Traemor	4.8
Hazel-Wilson	0.6
New Homes on List:	
Margaret Manor North	82.0

Homes With Decrease in Mental Health Patients

Homes:	*Percent of decrease*
Humboldt House	8.8
Stratford Hotel	7.7
Commodore Inn, Inc	5.9
Uptown	4.0
Graesmere	4.0
Chapman	3.4
Fleetwood	0.1

SECTION IV

HOMES FOR THE AGED

Facility	Capacity	Discharged mental health patients		Percent of capacity		Increase (decrease)
		Apr. 30, 1971	June 30, 1971	Apr. 30, 1971	June 30, 1971	
Drexel Home, Inc	220	19	19	8.2	8.2	----------
Park View Home	139	1	1	0.7	0.7	----------
Sacred Heart Home	178	52	58	29.2	32.5	3.3
Home of Jewish Blind	57	0	2	0	3.5	3.5

RECAP

		Increase
Total number of homes for aged with discharged mental health patients	4	1
Total capacity of 4 homes for aged	584	47
Total number of discharged mental health patients residing in homes for aged	80	8
Percentage of discharged mental health patients in 4 homes for aged	13.7	0.3