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Lawsuit Against LaVie Claims Nursing Home Chain Transferred Ownership to Avoid Dispute Settlement Payments

By **Zahida Siddiqi** | June 7, 2024

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LaVie Care Centers, which filed for Chapter 11 bankruptcy with nearly \$1.2 billion in debt this week, is also at the center of a lawsuit that claims the company shifted ownership of some of its facilities in Florida to avoid payment on previous dispute settlements.

nearly two-thirds of its facilities to new owners since early 2023, including 65 in Florida alone and 90 in total.

LaVie has 43 remaining facilities across five states, with only one facility in Jacksonville, Florida.

A spokesperson for LaVie told Skilled Nursing News [earlier](#) that the restructuring follows a decision to reduce losses from liabilities linked to its legacy facilities that LaVie no longer actively oversees and exited last year, and are mainly located in its Florida portfolio.

However, a lawsuit filed in late April claims the company sought to change its corporate structure and transfer licenses for facilities to new ownership with the intent to avoid paying out the settlements.

Tampa attorney John Anthony, who filed the lawsuit on behalf of 97 plaintiffs seeking settlement money from lawsuits won against various entities related to LaVie, including

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“Consulate’s widespread and expanding web of defaults does not stem from logistical or administrative kerfuffles,” Anthony is noted in the article as stating in a letter to the Florida Agency for Health Care Administration. “Change of ownership of a [skilled nursing facility] can present itself to an unscrupulous owner/operator as a cheap and efficient method of avoiding the legal consequences of negligent care.”

For its part, LaVie addressed the allegations made by the plaintiffs in the bankruptcy filing by saying that while it disputed the claims, it had tried to settle out of court with the plaintiffs.

“Although [LaVie] had already forecasted to the various plaintiffs’ attorneys that their clients would likely receive a higher recovery outside of bankruptcy, their approach remained unchanged,” LaVie Care Centers Chief Restructuring Officer Benjamin Jones states in the court filing. “Accordingly, [LaVie] realized that to preserve its ability to continue caring for its

residents ... an in-court solution was required, necessitating this bankruptcy filing.”

LaVie plans to proceed through the Chapter 11 restructuring with support from Omega Healthcare Investors (NYSE:OHI), its main landlord and largest secured creditor.

The real estate investment trust (REIT) is a landlord for 30 of LaVie’s remaining locations.

Omega said in a press release Monday that it had committed \$10 million to fund 50% of the expected debtor-in-possession financing, in order to support sufficient liquidity to effectively operate the facilities during bankruptcy.

Prior to the bankruptcy filing, LaVie transferred ownership of 19 facilities to new operators in the Tampa Bay region, according to the report in the Tampa Bay Business Journal.

LaVie pins its financial troubles to staffing shortages that began during the COVID-19 pandemic, which forced the company to rely on staffing agencies.

The debts related to legacy facilities include long-term lease obligations, \$249 million in unpaid vendor bills, and \$155 million in litigation, according to the filings.

Moreover, in Florida alone, its facilities lost \$133 million from 2022 to 2023 due to the state's high minimum staffing requirements.

"The challenges facing the skilled nursing industry broadly since COVID-19 are well known and persist today. These challenges combined with the legacy liabilities associated with operations that are no longer in the company's portfolio are what precipitated these filings," a LaVie spokesperson told SNN earlier.

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**Zahida Siddiqi**

Prior to joining SNN, Zahida Siddiqi covered financial news at the Dow Jones Newswires and taught writing at the University of Illinois-Chicago.



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