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The Kids Are Not Alright:

How Private Equity Profits Off of Behavioral Health Services for Vulnerable and At-Risk Youth

Private Equity Stakeholder Project

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Key Points

- Private equity firms are increasingly investing in behavioral services for children and adolescents, including services for youth with intellectual and developmental disabilities, services for youth in foster care, services for youth in the juvenile justice system, troubled teen programs, and autism services.
- Private equity has a troubling track record in investing in youth behavioral services. The private equity business model, which focuses on outsized returns over short time horizons, may prioritize profit over the well-being of children. Cost-cutting tactics at private-equity-owned youth behavioral companies, such as cutting staff, relying on unlicensed staff, and failing to maintain facilities, can lead to abuse, neglect, and unsafe living conditions for youth under the care of those companies.
- Despite horrific conditions at some youth behavioral health companies, their private equity owners have in some cases reaped massive profits.
- This report examines several key areas of youth behavioral services:
    - Companies in the troubled teen industry (TTI), including **Aspen Education Group** owned by **Bain Capital**; and **Family Help & Wellness** owned by **Trinity Hunt Partners**.

- For-profit foster care companies, including **the Mentor Network** owned by **Centerbridge Partners**; and **Sequel Youth & Family Services** owned by **Altamont Capital**.
- Services for youth with intellectual and developmental disabilities (I/DD), including **AdvoServ** (aka Bellwether Behavioral Health) owned by **GI Partners** and later by **Wellspring Capital Management**.
- Autism services companies, which have been increasingly bought up by private equity firms in the last several years.

- **Appendix A** includes a list of youth behavioral services companies owned by private equity firms as of December 2021.

Private equity firms are increasingly investing in companies specializing in behavioral services for children and adolescents. This includes services for youth with intellectual and developmental disabilities; services for youth in foster care; services for youth in the juvenile justice system; troubled teen programs; and autism services.[1]

Behavioral health services for youth are largely privatized. Non-profit organizations operate most facilities, but increasingly for-profit companies, including companies owned by private equity firms, make up a significant share of providers.

For-profit youth behavioral health facilities and for-profit foster care have garnered criticism from youth justice and disability rights advocates. In residential facilities, criticism has included:

- Inadequate counseling or education services;
- Physical, sexual, and emotional abuse;
- Forced isolation;
- Use of physical and chemical restraints;
- Squalid living conditions.

In privatized foster care companies, concerns include:

- Inadequate screening of foster parents,
- Increasing workloads for social workers and high social worker turnover,
- Filling beds using a quota system, and
- Relying on unlicensed workers.[2]

The private equity business model may exacerbate these problems. Private equity firms often aim to double or triple their investment over 4-7 years. The pursuit of these outsized return expectations over relatively short time horizons can lead to cost-cutting that hurts care. In addition, use of high levels of debt can divert cash from operations to interest payments and dividends paid out to private equity owners.

PE Cost-Cutting Tactics

- Reducing staffing
- Failing to provide adequate training
- Underpaying employees, resulting in high-turnover and understaffing
- Failing to hire employees with adequate licensing (which can be more costly)
- Cutting services (e.g., therapy or educational services)
- Failing to maintain facilities, leading to unsafe or filthy living conditions

Private equity firms' focus on reducing expenses at its youth services companies in many cases means cutting staff, relying on unlicensed staff, and failing to adequately train staff. Low pay may also make it difficult to attract and retain staff. Inadequate staffing can create dangerous conditions for youth, particularly in residential facilities; insufficient supervision may lead to youth getting hurt or hurting themselves, receiving incorrect medications, or being physically or medically restrained.

Despite the horrific conditions at some private-equity-owned youth services companies, private equity firms have been able to reap massive profits. For example, in just two years of owning foster care and disability services provider The Mentor Network, Centerbridge Capital and the Vistria Group have siphoned almost half a billion dollars in debt-funded dividends from the company. Alaris Royalty, which owned foster care and troubled teen company Sequel Youth & Family Services, reported generating a $71 million profit, or 23% annual return, on its investment in the company.[3]

A tangled web of county, state, and federal agencies regulate services for children and youth, and different states have a wide variety of laws and standards that regulate a variety of services, from foster care to services for youth with disabilities to juvenile detention. As companies grow and operate in multiple states and provide a variety of services regulated by numerous agencies and laws, it is increasingly difficult to ensure safety for youth and create accountability for providers.[4]

Limited regulation of youth behavioral services coupled with the private equity playbook of maximizing profit over short time horizons raises profound concerns about the increasing investment by private equity firms in the sector. This report will examine how private equity investments in several key areas of youth behavioral services have impacted quality of care.

The Troubled Teen Industry (TTI)

The Trouble Teen Industry (TTI) refers to a collection of companies and services designed to change and control the behavior of youth with behavioral challenges, youth with depression, anxiety, or addiction disorders, and youth who act out in ways their parents have difficulty managing. These services include therapeutic boarding schools, residential treatment centers, religious academies, wilderness programs, boot camps, and drug rehabilitation centers.[5]

Concerns raised by TTI survivors and youth advocates about widespread abuses in the industry have garnered increasing scrutiny in recent years. Reports of abuse include inappropriate use of seclusion and restraints, restricted outside communication, medical and nutritional neglect, degrading discipline, and violations of basic human rights.[6]

In September 2021, the US Department of Health and Human Services' Office of the Inspector General announced it will begin investigating abuse and neglect of children in congregate care facilities.[7] In October 2021, Rep. Ro Khanna (D-CA) and Sen. Jeff Merkley (D-OR) announced a plan to introduce federal legislation to regulate youth residential treatment centers.[8]

While there is increasing awareness of the risks of TTI, private equity's role in the industry has largely been unreported. However, several large TTI companies have been owned by private equity firms. For example, Aspen Education, one of the most well-known TTI companies, was owned by multiple private equity firms including Bain Capital, which owned the company for almost a decade until 2015.[9]

Despite the growing scrutiny of TTI, private equity firms have continued to invest in the industry. In 2020, private equity firms Veronis Suhler Stevenson (VSS) and Cimarron Healthcare Capital acquired Ascent Behavioral Health, a TTI company operating wilderness therapy programs, residential treatment and therapeutic boarding schools.[10] In February 2021 Pine Tree Equity invested in Innercept, which runs teen residential behavioral health treatment facilities.[11] In June 2021 Onex Partners bought Newport Academy, an operator of therapeutic boarding schools and other mental health programs for teens.[12]

Aspen Education Group – Troubled teen programs (TTI), residential behavioral health

Aspen Education Group ran boarding schools, wilderness therapy programs, special needs summer camps, residential treatment facilities, and weight loss programs for youth. Throughout its almost two decades of private equity ownership under various firms, Aspen faced scrutiny for numerous reports of abuse and neglect at its troubled teen programs across the United States. However, despite concerns around quality, Aspen's private equity ownership and the impacts of its business model have largely escaped scrutiny.

Most recently, Aspen was owned by Bain Capital's CRC Health Group, which acquired Aspen in 2006 and held it until 2015, when CRC was acquired by publicly traded Acadia Healthcare. [13] By the time Bain acquired Aspen, the company already faced allegations of abuse and wrongful death of teenage clients after eight years of ownership by private equity firms the Sprout Group, Frazier Healthcare, and Warburg Pincus. Under Bain, these allegations continued until Acadia acquired the company in 2015 and many of its programs were closed, sold, or rebranded.[14]

Aspen Education Group Ownership:

- **1998:** Private equity firms the Sprout Group and Frazier Healthcare formed Aspen Education Group.[15]
- **2002:** Private equity firm Warburg Pincus invested in Aspen.[16]
- **2006:** Aspen was acquired by CRC Health Group, an addiction treatment company owned at the time by private equity firm Bain Capital.[17]
- **February 2015:** CRC was acquired by publicly traded Acadia Healthcare.[18]

Aspen and CRC were very profitable for Bain. Bain first acquired CRC in a $720 million leveraged buyout – including $600 million in debt added to CRC's balance sheet – and then immediately acquired Aspen. Under Bain, the combined CRC/Aspen's revenue nearly doubled.[19] CRC reported paying Bain more than $22.6 million in fees.[20] Bain Capital sold CRC in 2015 for almost $1.2 billion.[21]

While Bain reaped substantial profit from Aspen and CRC, safety and quality issues abounded at Aspen facilities. The Salon article reported employees' allegations that Aspen and CRC boosted patient numbers while cutting expenses.[22]

Regulatory actions led to the closure of multiple Aspen facilities. For example, in 2009 the state of Oregon shut down Aspen's Mount Bachelor Academy, a boarding school for troubled youth in central Oregon, following an investigation by the state's Department of Human Services (DHS). The investigation found that students were subjected to sleep deprivation, strenuous work projects, and sexualized role-play in front of peers and adults.[23] In three lawsuits, a total of 51 former students alleged abuse by Mount Bachelor and Aspen. The cases were settled out of court in 2014.[24]

The same year Oregon DHS shut down Mount Bachelor, the department also shut down Aspen's SageWalk Wilderness School in Hampton, Oregon after a 16-year-old boy died of a heat stroke while on one of the program's rigorous wilderness hikes.[25] At an adolescent addiction program in Santa Cruz, California, staff made complaints to state regulatory agencies that after Bain acquired CRC/Aspen, the company began to cut back expenses like staffing levels and drug testing kits.[26] In 2010, the California Department of Human Services cited the facility for understaffing and failing to submit incident reports, demanding corrective action.[27]

In 2015, Bain sold CRC/Aspen to Acadia Healthcare.[28] Since then, Aspen has been rebranded and most Aspen facilities have been spun off.[29] However, Aspen's legacy

is carried on by Family Help & Wellness, another private-equity-owned TTI company with close ties to Aspen (see below).

Bain Capital remains invested in behavioral health. In 2020, Bain acquired Broadstep Behavioral Health, which provides services for children and adults with intellectual and development disabilities (I/DD), mental illness, and co-occurring disorders at 86 facilities across Wisconsin, North Carolina, New Jersey, Illinois and South Carolina.[30]

Family Help & Wellness – Troubled teen programs (TTI), residential behavioral health

Family Help & Wellness (FHW) runs wilderness therapy, residential treatment, and transition programs for teens. It claims to be the leading provider of private pay behavioral health services for adolescents and young adults with 20 programs and almost 800 employees across six states: Utah, Arizona, New Mexico, North Carolina, Idaho, and Colorado.[31]

FHW is owned by private equity firm Trinity Hunt Partners, which first invested in 2014.[32] FHW has close ties to Aspen Education Group: the company was founded in 2008 by Tim Dupell,[33] former EVP and CFO of Aspen,[34] and multiple Aspen sites that were closed reopened under FHW.[35]

For example, Aspen owned Island View RTC, a residential treatment center for troubled teens based in Salt Lake City.[36] [37] Island View closed in April 2014 and was acquired by FHW.[38]

A 2020 investigation by NPR Utah found that calls to local police increased 40% after the facility reopened under Family Help & Wellness as Elevations, and the rate of calls related to abuse, sex offenses, or suicide increased even more.[39] Inspection reports for Elevations from 2015 through 2019 showed 35 violations, including missing documentation for staff training and seclusion methods, not enough food, and repeated citations for mold in the bathrooms.[40]

FHW also operates Solstice East, a residential treatment center for girls in Buncombe County, North Carolina. Solstice East was the subject of numerous investigations by North Carolina

Department of Health and Human Services in 2018, 2019, 2020, and 2021, including a 151-page report in 2020 that outlined issues with medication management, restrictive interventions, isolating patients, and limiting contact between patients and families.[41]

Equinox, FHW's boys residential treatment center in Hendersonville, North Carolina, has also been cited numerous times for violations, including an August 2021 investigation that cited the company for inadequate training for staff, having unlicensed staff distributing medications, and failing to maintain the facility in a safe and clean manner.[42]

Foster Care

Foster care in the United States has become increasingly privatized, with many state and local child welfare agencies contracting with private entities to find placements for children. These private organizations can be non-profit or for-profit agencies. Reports of abuse and neglect at for-profit foster care agencies have attracted scrutiny from regulators and lawmakers.

A 2015 study conducted by the US Senate Finance Committee into for-profit foster care found that 31 of the 33 states that participated in the study reported using private agencies to provide foster care services.[43] The report found that, while foster care providers are "sometimes impossible to monitor," the privatized system can lead to prioritization of profits over children's well-being.[44]

The largest for-profit foster care company, the Mentor Network (which recently rebranded as Sevita Health[45]), has been owned by private equity firms for two decades. It is currently owned by private equity firms Centerbridge Partners and the Vistria Group. Profiled below, Mentor has come under fire for allegations of abuse and neglect of children under its care. Its private equity owners have meanwhile collected hundreds of millions of dollars of dividends from the company.

Mentor Network (Sevita) – Foster care, residential I/DD services

The Mentor Network* is one of the largest for-profit foster care companies in the US. It also provides residential and community services to children and adults with intellectual and developmental disabilities (I/DD) and brain and spinal cord injuries, and to youth with emotional, behavioral and medically complex challenges.[46]

Over the last two decades, Mentor has faced numerous allegations of widespread abuse, neglect, and deaths at its foster care and residential programs. Five private equity firms have owned Mentor throughout the entire period.

Between 2001 and 2014, private equity firms Vestar Capital, Madison Dearborn Capital Partners, and Windrose Health Investors owned Mentor.[47] In 2014 they took Mentor public, with Vestar retaining a majority stake in the company.[48] Private equity firms Centerbridge Partners and the Vistria Group took Mentor private again in 2019 and own the company today.[49]

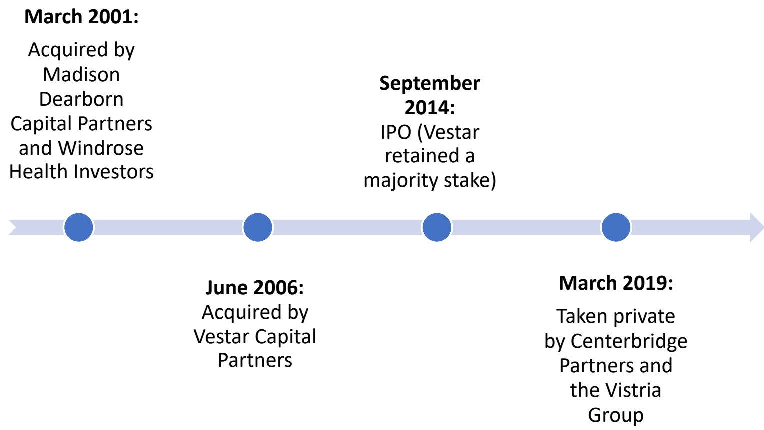
Mentor Network's PE Ownership Timeline

- March 2001: Private equity firms Madison Dearborn Capital Partners and Windrose Health Investors acquired Mentor as a carveout from Magellan Health Services.[50]
- June 2006: Private equity firm Vestar Capital Partners acquired Mentor from Madison Dearborn and Windrose Health. [51]
- September 2014: Vestar took Mentor through an IPO.[52] Vestar retained a majority of Mentor's stock throughout the period it was publicly-traded.[53]
- March 2019: Private equity firms Centerbridge Partners and the Vistria Group took Mentor private through a leveraged buyout.[54]

Despite ongoing regulatory scrutiny for quality and safety concerns at Mentor, Centerbridge and Vistria have collected almost half a billion dollars in debt-funded dividends from the company over the course of their two-year ownership. In October 2019, just six months after they acquired Mentor, Centerbridge Partners and Vistria Group paid themselves a $100 million debt-funded dividend from the company.[55] In February 2021, Centerbridge and Vistria took out additional debt on The Mentor Network in part to pay themselves a $375 million dividend. The new debt brought Mentor's debt/EBITDA ratio to about 6.5x.[56]

* In September 2021 the Mentor Network announced it will rebrand as Sevita. In this report we will refer to the company as the Mentor Network. See: https://www.prnewswire.com/news-releases/nations-leader-in-specialized-health-care-moves-forward-under-a-new-brand-301381984.html

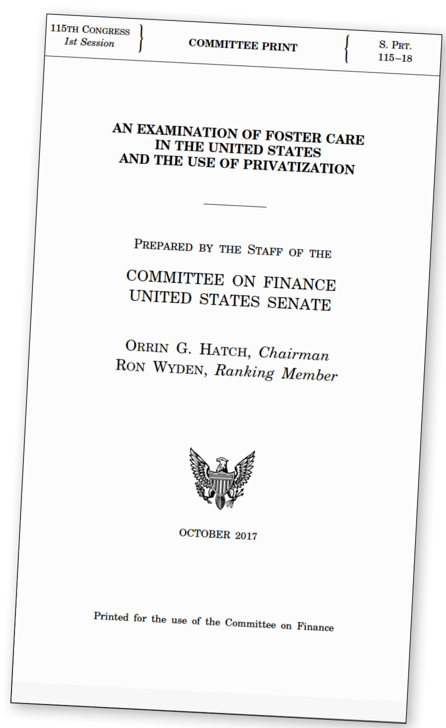
Mentor Network's Private Equity Ownership



Allegations of Abuse and Neglect Under Mentor Network

A 2017 investigation by the US Senate Committee on Finance found that at least 86 children died in a 10-year period while in the custody of Mentor (between 2005 and 2014). In only 13 of those deaths did the company conduct an internal investigation.[57] While representatives from Mentor claimed that its death rates were "comparable to national norms," the committee countered that: "Mentor's death rate among foster children is 42% higher than the national average."[58]

The Senate investigation was in part prompted by a 2015 investigation by Buzzfeed News into abuse and the deaths of healthy foster children under the care of Mentor. Mentor employees told Buzzfeed that the company's focus on increasing profits led to cutting corners on services meant to ensure the safety of foster children. According to the workers interviewed by Buzzfeed, one primary way of cutting costs was to increase caseloads for Mentor's social workers. A former Mentor Network worker told Buzzfeed News, "In therapeutic foster care you are supposed to have 10 kids. So you may have 15 kids. You may have to hire people without licenses because you can get away with it."[59]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AN EXAMINATION OF FOSTER CARE
IN THE UNITED STATES
AND THE USE OF PRIVATIZATION

PREPARED BY THE STAFF OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ORRIN G. HATCH, *Chairman*
RON WYDEN, *Ranking Member*

OCTOBER 2017

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In December 2020, US Senate Finance Committee Chairman Chuck Grassley (R-IA) and Ranking Member Ron Wyden (D-OR) released two investigative reports regarding Mentor's services for people with intellectual and developmental disabilities in Iowa and Oregon. The reports found recurring critical incidents and a consistent pattern of substandard care by Mentor.[60]

These issues persisted through the duration of the Senate investigation; for example, just weeks before the final report was completed, state regulators in Oregon discovered so many violations at a Mentor home that they shut the facility down for good.[61] Three months later, Centerbridge and Vistria collected a $375 million debt-funded dividend from Mentor.[62]

Mentor has grown substantially this year: in 2021 it acquired at least five other companies that primarily operate homes for people with intellectual and developmental disabilities (I/DD).

- February 2021: Mentor acquired D&S Community Services, providing group homes, foster care services, and home care for people with I/DD.[63]
- April 2021: Mentor acquired SageCare, a pediatric therapy company in Texas.[64]
- July 2021: Mentor acquired New Directions, which provides home and community services for people with I/DD in Minnesota.[65]
- September 2021: Mentor acquired Good Neighbor Homes, operates 55 group homes for people with I/DD across Virginia.[66]
- October 2021: Mentor acquired multiple residential, supportive living, and day centers for people with I/DD in seven states: Alabama, Georgia, Illinois, Indiana, Kentucky, Mississippi, and Missouri.[67]

Sequel Youth & Family Services – Foster care, troubled teen programs (TTI), residential behavioral health, juvenile detention

Sequel Youth & Family Services operates residential programs for at-risk youth, including youth in foster care and the juvenile justice system, and youth with behavioral issues. Sequel is a leading provider of youth behavioral services in the US, and until recently claimed to serve 10,000 people at 50 locations in 21 states.[68] However, reports of abuse and neglect at Sequel homes as well as pressure and investigations by state and local governments have led to over a dozen facility closures and severed contracts with state agencies since 2019.[69]

Sequel's Private Equity Owners

Sequel has been owned by different private equity firms for at least 13 years. It is currently owned by Altamont Capital Partners, which acquired Sequel in August 2017 through a leveraged buyout from Canadian private equity firm Alaris Royalty.[70] Alaris reported generating a $71 million profit, or 23% annual return, on its investment in Sequel.[71]

Timeline of Sequel Youth & Family Services PE Ownership

- Patriot Capital invested in Sequel at an unknown date and exited its investment in 2008.[72]
- Private equity firm Levine Leichtman Capital Partners (LLCP) acquired Sequel in 2010.[73]
- Private equity firm Alaris Royalty bought Sequel from LLCP in 2013.[74]
- Private equity firm Altamont Capital Partners bought Sequel from Alaris in 2017.[75]

Altamont Capital Partners Operating Partner Jerry Rhodes serves on Sequel's board of directors. Rhodes previously served as COO and then CEO for CRC Health, a Bain Capital-backed behavioral health company that owned Aspen Education Group (profiled above).[76]

Typical bedroom at Sequel's Courtland, AL facility - [Alabama Disabilities Advocacy Program]

Both Altamont and Alaris added substantial debt to Sequel over the course of their respective ownership. In August 2016, Alaris completed a dividend recapitalization of Sequel in part to pay itself a shareholder dividend. After Altamont acquired Sequel in a leveraged buyout in 2017, it added additional debt to Sequel's balance sheet at least three more times, in 2017, 2018, and 2021, totaling at least $121.5 million.[77]

Foster youth make up about a quarter of the population at Sequel's residential facilities. States pay Sequel to house and treat children in foster care and children in the juvenile justice system.[78] In a presentation at University of Baltimore in 2015, Sequel Co-Founder Jay Ripley emphasized the importance of government clients to the company's business model: "We focused on public pay because we figured kids are always going to have issues and they're always going to get in trouble, and again, the government has to figure out a way to take care of them."[79]

According to a report by NBC News, Sequel collected over $200 million in annual revenue at the time and made about $30 million in profit in 2015. Ripley attributed the company's profitability to keeping staffing costs low: "You can make money in this business if you control staffing." NBC News reported in December 2020 that starting wages for youth counselors at Sequel facilities began at $12/hour.[80] Indeed.com reported a youth worker average wage rate of $12.22 per hour as of December 2021, based on responses from 16 employees, users, and past and present job advertisements on Indeed.[81]

Sequel's Troubling Track Record

There have been complaints of abuse and neglect in almost every state Sequel operates. Inadequate staffing and training are particularly common themes in complaints against Sequel.

Alabama: A July 2020 report by the Alabama Disabilities Advocacy Program (ADAP) conducted an investigation of Sequel's Courtland, Alabama facility and found "unsafe, squalid living conditions and a disturbing cultural and programmatic environment that further traumatizes extremely vulnerable children."[82]

Illinois: Sequel's Northern Illinois Academy relinquished its license and closed in May 2021 following an investigation by a state-appointed monitor finding accusations of battery, isolation, sexual assault, improper restraint, and compliance failures.[83]

Iowa: Clarinda Academy in Iowa, Sequel's flagship program, closed in February 2021 following multiple investigations that found persistently dangerous conditions.[84] Iowa's Department of Human Services found that staff improperly used restraints,

Concrete bed slab at Sequel's Courtland, AL facility - [Alabama Disabilities Advocacy Program] slammed children to the ground and injured them while punishing them, and punished students with extended isolation periods.[85] Other reports revealed allegations of abuse, rape by staff, and unsafe and unsanitary conditions including dirty toilets and exposed nails on furniture.[86]

Michigan: In May 2020, a 16-year-old resident at Sequel-operated Lakeside Academy in Michigan was killed after being restrained by seven staffers for 12 minutes while he struggled to breathe. An investigation by NBC News found records showing that the State of Michigan had substantiated 56 violations at Lakeside Academy since 2018, including multiple instances of inappropriate physical restraints.[87]

Former employees at Lakeside Academy in Michigan alleged that in 2017, after Altamont bought Sequel, the company was focused on keeping beds in the facility filled. These former employees alleged that facilities were short-staffed and had constant employee turnover. Employees alleged that the company was willing to hire "literally anyone who was willing to take the job and could pass a background check."[88]

Ohio: In December 2020, Sequel Pomegranate in Ohio relinquished the license to its residential behavioral treatment center under the threat of revocation by the state. Ohio regulators found recurring incidents of violent assaults, neglect, and improper restraints of children, barring the company from reapplying for its license for a year.[89] As of September 2021, the facility closed permanently.[90]

Tennessee: Sequel shuttered Kingston Academy near Knoxville in 2019 after the Tennessee Department of Child Services (TDCS) removed 18 children from the facility due to reportedly filthy and unsafe conditions.[91] According to the County Sheriff's Department, police were called to Kingston 135 times in 2018. They were called to the facility 36 times in the less than two months preceding the TDCS intervention.[92] State inspectors found mold infestations, overflowing toilets and children sleeping on mattresses on the floor.[93]

Kingston Academy employees reported working long hours, including double shifts, and overseeing almost 50% more residents as recommended by staffing ratios.[94]

Utah: In July 2019, Sequel-owned Red Rock Canyon School in St. George, Utah closed after the state threatened to revoke its license following a riot and revelations about staff abuse and assault.[95] A June 2019 report had found that police had been called to the school 72 times since 2017. During the same period, 23 staff members were investigated for child abuse, nine were charged, and four more were referred for charges.[96]

The state investigation of Red Rock found staffing to be a key recurring concern. The school repeatedly failed to meet minimum staffing requirements required by the state, and when staff and middle management requested additional staff, upper management responded by offering overtime. The state report found that this exacerbated problems, as some staff reported working 16 hours a day 7 days a week. Staffing ratios remained insufficient and staff were exhausted.[97]

Wyoming: Normative Services Inc. closed in early 2021 after Wyoming and California child welfare officials investigated dozens of violations at Normative in 2019 and 2020, including substantiated allegations of assault and improper restraints.[98]

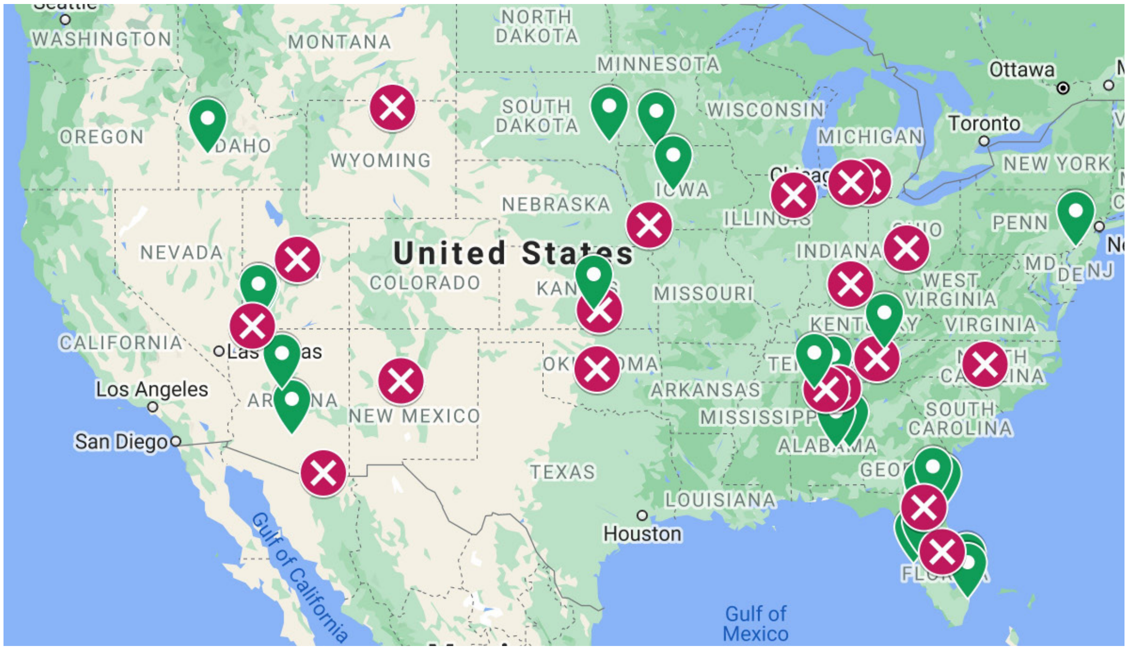
Facility closures amid regulatory scrutiny

States pay Sequel to house and treat children in foster care and children in the juvenile justice system. About a quarter of Sequel's residents were foster children as of 2019. [99]

Since the beginning of 2019, Sequel has shut down 14 of its 36 residential treatment centers, including closing five facilities in 2021.[100] Seven closures happened amid investigations by state or local governments.[101]

Sequel Youth & Family Services Facilities 2010-2021

("X" indicates closed facility)



In suspending the license of Lakeside for Children in Kalamazoo, Michigan, Gov. Gretchen Whitmer directed the state's Department of Health to "take every step necessary to ensure Sequel Youth and Family Services…no longer provides services for facilities licensed by the department."[102]

Shuttered Sequel Facilities

Facility	State	Closed date
Bernalillo Academy	NM	2021
Normative Services Academy	WY	2021
Clarinda Academy	IA	2021
Northern Illinois Academy	IL	2021
Sequel Pomegranate	OH	2021
Auldern Academy	NC	2021
Lakeside Academy	MI	2020
Starr Albion Prep	MI	2020
Mount Pleasant Academy	UT	2019
Red Rock Canyon School	UT	2019
Riverside Academy	KS	2019
Kingston Academy	TN	2019
Sequel TSI Madison	AL	2019
Union Juvenile Residential Facility	FL	2019

As a result of investigations into Sequel, in July 2021 California banned the practice of sending foster youth and teens charged with crimes to out of state facilities. Thousands of California youth had been sent to Sequel facilities out of state. The California Department of Social Services had been investigating allegations of abuse and dangerous conditions since 2017.[103]

Despite ongoing issues, private equity-backed Sequel is still expanding. In April 2020 Sequel acquired Pine Cone Therapies, an autism services provider in Texas.[104] In May 2021 Sequel acquired North Shore Pediatric Therapy, a Chicago-based autism services provider.[105]

Services for Youth with Intellectual and Developmental Disabilities (I/DD)

Private equity firms have also invested in services for children and youth with intellectual and developmental disabilities (I/DD). Like TTI and for-profit foster care companies, for-profit residential programs for children with I/DD have become increasingly scrutinized for reports of abuse and neglect.[106]

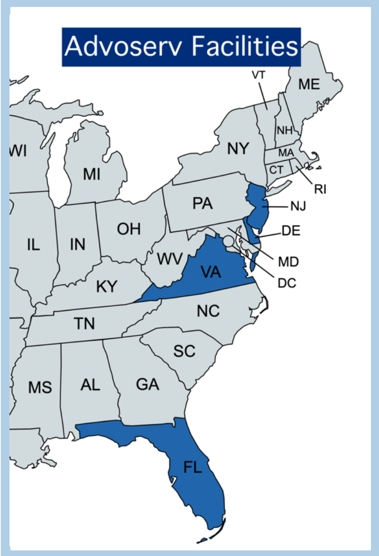
Partially as a result of concerns raised by disability advocates, the use of residential facilities for children has substantially decreased in recent years; between 2009 and 2020, use of residential facilities for children decreased by 20%.[107] However, some private equity firms are continuing to buy up I/DD facilities for youth. In 2020 Bain Capital acquired Broadstep, which specializes in services to individuals living with intellectual, developmental, or behavioral disabilities (Bain Capital was profiled earlier in this report as the owner of troubled teen-focused Aspen Education Group). Broadstep's services include residential group homes and specialized schools for children.[108]

Advoserv/Bellwether Behavioral Health – Residential I/DD services

AdvoServ was a leading provider of residential services to people with intellectual and developmental disabilities, with facilities in Delaware, Florida, New Jersey, and Virginia.[109] AdvoServ ceased operations in 2019 after multiple investigations by state agencies found evidence of abuse and neglect.[110]

AdvoServ was owned by private equity firm GI Partners between 2009 and 2015,[111] when it sold to Wellspring Capital Management.[112] In 2017 Wellspring quietly changed AdvoServ's name to Bellwether Behavioral Health.[113]

Prior to GI Partners' investment, AdvoServ had a history of substantiated claims of abuse at its facilities. Its leadership fought aggressively to defend use of restraints against state and federal legislative efforts to curb their use, especially in facilities for people with developmental disabilities.[114] Under GI Partners' ownership, AdvoServ continued to frequently use restraints at its largest location. Investigations by regulators found inadequate staffing, failure to properly distribute medications, and squalid and unsafe living conditions.[115]



AdvoServ was placed in receivership in June 2019 while it transitioned operations to other providers and closed the business.[116]

Maryland/Delaware

In 2016 Maryland's Department of Human Resources severed its contract with AdvoServ and withdrew Maryland clients from AdvoServ facilities following the death of a 15- year-old Maryland girl staying at an AdvoServ facility in Bear, Delaware.[117] The state had already been investigating quality concerns at AdvoServ, and had reportedly already made the decision to sever its contract when the teen resident died.[118]

In July 2019, the Maryland Attorney General's Office sued AdvoServ alleging that, despite collecting $230,000 per child per year from Maryland, AdvoServ failed to "provide even minimally adequate care to children under their protection"[119] and that "its failures endangered the health and safety of those children."[120]

According to the Attorney General's complaint, a review of medication administration records for 10 of the children revealed 717 instances in which a child did not receive prescribed medication, and staff were aware of dozens more incidents when children did not receive medication.[121]

The Attorney General's investigation found that poor staffing and training contributed to the dangerous conditions for AdvoServ residents. According to the complaint:

- AdvoServ "failed to provide enough staff to properly supervise, assist, and care for students"[122]
- Advoserv attempted to cover staff shortages by refusing to give staff leave time and requiring staff to work double-shifts.[123]
- Per a state requirement, AdvoServ was required to pay staff a living wage, which was $13.39. Many staff were paid below $11. AdvoServ underpaid the required wages by approximately $420,000.[124]
- Advoserv failed to provide speech language therapy, occupational therapy, and counseling services.[125]
- AdvoServ "concealed or attempted to minimize confirmed or alleged staff-on-student assaults."[126]

New Jersey

In May 2019, the New Jersey Department of Human Services barred AdvoServ from operating in New Jersey after an investigation by a state-appointed monitor.[127] Advoserv had been cited more times than any other operator in New Jersey for abuse, neglect, and unsafe conditions.[128]

At the time of the investigation, AdvoServ ran 62 homes across the state. The independent monitor's report found that out of 14 group homes already on provisional licenses, all but two were found "deficient in cleanliness (kitchens covered with grease, vents covered with dust, bathrooms with feces smeared, dead bugs and dust in the light fixtures)." The monitor also noted inadequate staff training and failing to follow physicians' orders.[129]

Florida

In 2018, Florida's Agency for Persons with Disabilities (APD) moved to revoke the license for AdvoServ's Carlton Palms Educational Center and impose a $10,000 fine on the company after the Florida Department of Children and Families found numerous verified instances of abuse and neglect.[130] Carlton Palms was AdvoServ's largest campus.[131]

Investigations by regulators and disability advocates into AdvoServ's Florida operations had been ongoing for years before Carlton Palms was shuttered. In particular, scrutiny of the company was sparked in 2013 by the death of a 14-year-old resident who died of dehydration after vomiting all night while in restraints.

In 2015 ProPublica published an investigation into Carlton Palms detailing the facility's aggressive use of mechanical restraints – such as straps on chairs or beds, wrist cuffs, or wrap-mats. The investigation found that:

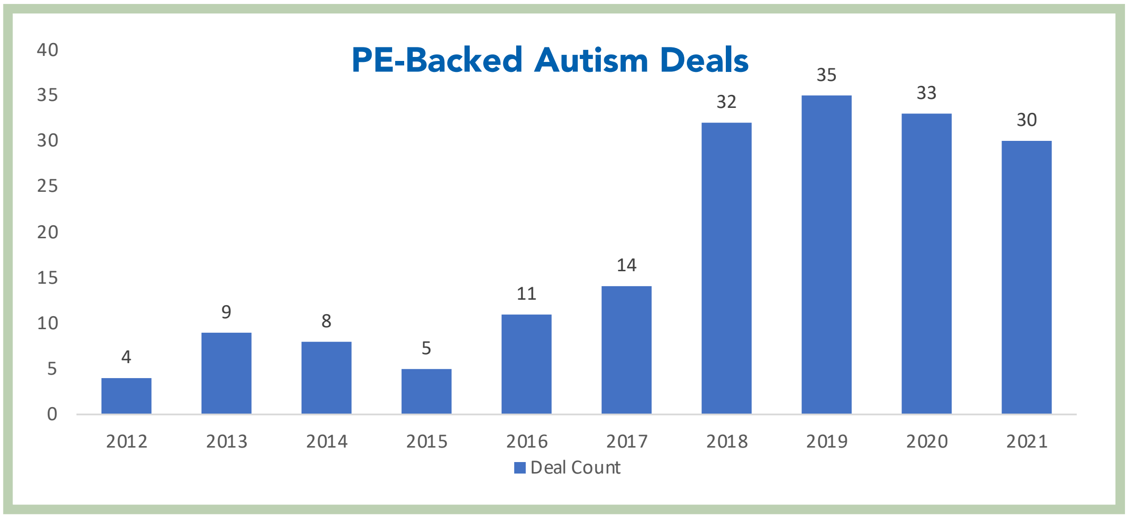
> **"Other than Carlton Palms, just two group homes in Florida reported using such devices at all in the first quarter of 2015. Those two homes, which together have about half as many residents as Carlton Palms, used them 88 times over a five-month period. Carlton Palms used them 4,107 times."[132]**

APD's 2018 administrative complaint against AdvoServ found multiple incidents of abuse and neglect, buildings "dirty and in disrepair," inadequate amounts of food for lunch, and numerous errors in medication distribution. According to ProPublica, "staffing ratios at times fell far short of state standards, with one behavior analyst, who was also the center's clinical director, being assigned 70 clients instead of 20 or fewer as required."[133]

Autism Services

In the last several years private equity investment in autism services, particularly in providers of Applied Behavior Analysis (ABA) therapy, has substantially increased. While a handful of private equity investments in autism occurred earlier, 2017 and onwards have seen a flurry of private equity acquisitions.[134]

For example, in 2018 The Blackstone Group acquired the Center for Autism and Related Disorders, with close to 2,000 employees, for a reported $700 million. It was reportedly the largest single autism provider deal in history.[135] The year before, FFL Partners bought Autism Learning Partners (3,600 employees) for $270 million.[136] In 2019 Gryphon Investors acquired LEARN Behavioral, (3,400 employees),[137] and in July 2021 Cerberus Capital Management acquired Lighthouse Autism Center from Abry Partners for over $400 million.[138]



Source: Pitchbook, as of November 30, 2021.

Because private equity investment in autism services is relatively new, little is known about what it means for quality of care. However, the profit-seeking tactics seen in private equity's ownership of other behavioral health services, particularly in intellectual and developmental disability services, raises concern for how the business model will impact autism services.

Conclusion

Private equity's track record for investing in youth behavioral services is troubling. A pattern of harmful conditions, often related to insufficient staffing and other cuts to expenses, suggests that private equity firms' focus on maximizing profit over short periods of time may come at the cost of children's and teen's safety and well-being.

Despite horrific conditions at some youth behavioral health companies, their private equity owners have in some cases reaped massive profits.

Appendix

Private Equity-Owned Youth Behavioral Services Companies

Company	Type	PE Firm(s)	Year Last Acquired	Locations	Employees
Mentor Network (aka Sevita, Civitas Solutions)	Foster care, I/DD	Centerbridge Partners, Vistria Group	2019	CA, OR, NV, UT, AZ, CO, TX, KS, ND, MN, IA, WI, IL, MO, AR, LA, MS, IN, MI, OH, KY, TN, AL, GA, FL, SC, NC, VA, WV, PA, NH, RI, NJ, MD, MA, DE, ME	23,000
FullBloom	Autism services, behavioral health, school-based education services	American Securities	2021	AZ, CA, CO, CT, DE, FL, GA, IL, MD, MA, MO, NJ, OH, PA, RI, TN, TX, VA, Washington DC	7,800
Stepping Stones Group	Autism services	Five Arrows Capital Partners	2017	CA, CO, TX, IL, IN, FL, GA, MA	6,000
Autism Learning Partners	Autism services, ID/D	FFL Partners	2017	CA, CO, CT, FL, GA, IN, MD, MA, MI, NJ, NM, NY, NC, OH, OR, RI, TX, UT, WA	3,600
Centria Healthcare	Autism services	Thomas H. Lee Partners	2019	WA, OR, CA, AZ, NM, TX, MN, IN, MI, GA, NC, VA, MD, MA	3,500
LEARN Behavioral	School-based autism services	Gryphon Investors and PineBridge Investments	2019	AZ, CA, IL, IN, LA, MD, VA, MA, MI, NV, NM, OK, WA, OR, WI	3,400
ChanceLight Behavioral Health and Education	School-based special education, autism	The Halifax Group	2018	FL, MO, GA, CA, AZ, LA, IL, TN, NE, MS, OH, NJ, NH, KY, PA, SC	3,000
Pyramid Healthcare	Addiction treat-ment	Nautic Partners	2021	CT, PA, NJ, NC, MD, GA, VA	2400
Center For Autism & Related Disorders	Autism services	Blackstone Group	2018	AZ, CA, CO, DC, FL, GA, IL, KY, LA, MA, MD, ME, MI, MO, NH, NJ, NM, NV, NY, OR, RI, TX, VA, WA, WI	1,967
RHA Health Services	I/DD, addiction treatment	Juna Equity Partners	2020	NC, TN, PA, GA	1661
Acorn Health	Autism services	Ontario Teachers' Pension Plan	2021	FL, MI, VA, IL, MD, PA, TN	1,200
360 Behavioral Health	Autism services	DW Healthcare Partners	2018	CA	1,017

Company	Type	PE Firm(s)	Year Last Acquired	Locations	Employees
Sequel Youth & Family Services	Foster care, troubled teen programs, autism	Altamont Capital	2017	NY, FL, NM, NJ, AZ, IA, UT, KS, ID, TN, TX, NV, AL, SD, ME, OK	1000
Trumpet Behavioral Health	Autism services	Windrose Health Investors	2017	AZ, CA, CO, KS, MI, OH, TX	950
Family Help & Wellness	Troubled teen programs	Trinity Hunt Partners	2014	NC, UT, AZ, ID, NM, CO	787
Dominion Youth Services	Autism, I/DD, behavioral health	Century Park Capital Partners	2018	VA	750
Behavioral Health Works	Autism services	TA Associates Management	2018	CA, CO, HI, MD, MA, NM, OR, TX, WA	687
Behavioral Innovations	Autism services	Shore Capital Partners and Resolute Capital Partners	2017	TX, OK, CO	601
Center for Social Dynamics	Autism services	New MainStream Capital, Madison Capital Funding	2019	CA, WA, OR, CO, HI	600
Invo HealthCare Associates	Autism services	Golden Gate Capital (2019), Ares Management (2021)	2019	FL, GA, TX, NJ	537
Caravel Autism Health	Autism services	Frazier Healthcare Partners	2018	IL, WI, MN, IA, WA, ID	527
Shandy Clinic	Autism services	Search Fund Partners, Futaleufu Partners and Endurance Search Partners	2020	CO	290
Newport Academy	Therapeutic boarding school/ troubled teen program	Onex Partners	2021	CA, CT, NY, MD, VA, PA, UT, WA, GA, TX, AR, OK, WY, AZ, HI, MN, MI, MO, IL, NC, OR	260
Lighthouse Autism Center	Autism services	Cerberus	2021	MI, IN	166
MST Services/ Empower Community Care	Therapy for juvinile offenders	Northlane Capital Partners	2021	DC, FL, GA, NY, SC, VA, MD, CT, IL, TN, PA, OH, NJ, RI, LA, TX, NE, CO, NC, MA, ME, NM, MI, AZ, DE, IN, WA, KY, MO, CA, MN, IA	125
The Place for Children with Autism	Autism services	Baum Capital Partners Management	2020	IL	71
Paradigm Treatment Centers	Residential mental health, addiction treatment	Pine Tree Equity Partners	2019	CA, TX	37

Company	Type	PE Firm(s)	Year Last Acquired	Locations	Employees
BlueSprig Autism	Autism services	KKR	2017	AZ, CO, TX, OK, OR, WA, MO, TN, AR, KY, GA, FL, SC, NC, OH	
ABS Kids	Autism services	Petra Capital Partners, Altos Health Management and MMC Health Services	2017	CA, UT, TN, NC	
ACES	Autism services	General Atlantic	2020	AZ, CA, CO, HI, OK, TX, UT, WA	
Action Behavior Centers	Autism services	NexPhase Capital	2018	AZ, CO, IL, TX	
Apara Autism Center	Autism services	Havencrest Capital Management	2019	TX	
Apollo Behavior Services	Autism services	Endurance Search Partners	2020	GA	
Autism Care Partners/ City Pro Group	Autism services, ID/D	Coppermine Capital		CT, MA, NH, NY, RI, VT	
BJA School	Chain of schools specializing in autism	Cottonwood Acqui-sitions	2018		
Cultivate Behavioral Health & Education	Autism services	Imperial Capital Group	2019	CO, CT, FL, IL, KS, KY, OH, OK, TN, TX, WI	
Easy Speech Therapy	Autism services	Carroll Capital Holdings	2019	CA	
Hopebridge	Autism services	Arsenal Capital Partners	2019	AZ, CO, FL, GA, IN, KY, OH	
InBloom Autism Services	Autism services	Webster Equity Partners	2018	AZ, CO, CT, FL, MA, NH, TX, WI	
Kadiant	Autism services	TPG Capital	2019	CA, CO, GA, OH, OR, WA	
Key Autism Services	Autism services	Cane Investment Partners		CO, FL, GA, IL, NC, MA, TX	
Kidz Therapy Services	Autism services	Regal Healthcare Capital Partners	2019	NY	
Los Niños Services	Autism services	Raisol Capita		NY	
Metrowest Counsel-ing Associates	Autism services, youth behavioral health	Shore Capital Partners	Mar-21	MA	
Odyssey Behavioral Healthcare	Eating disorders, addiction treat-ment, autism	The Carlyle Group	2018	AL, IN, OH, CA, TN, VA, NC	
Proud Moments ABA	Autism services	Audax Group	2019	CO, CT, FL, GA MA, MD, MI, MS, NJ, NM, NV, NY, TN, VA	

Company	Type	PE Firm(s)	Year Last Acquired	Locations	Employees
Spectrum of Hope	Autism services	Pine Tree Equity Partners	2019	TX	
The Carolina Center for ABA and Autism Treatment	Autism services	Trilogy Search Partners	2018	NC	
Ascent Behavioral Health Services	Troubled teen programs, addiction treatment	VSS, Cimarron Healthcare Capital	2020	ID	
Broadstep (Phoenix Care Systems)	I/DD, foster care	Bain Capital	2019	IL, IN, NE, NJ, NC, SC, WI	
Discovery Behavioral Health	Residential mental health, eating disorders	Webster Equity Partners	2017	WA, OR, CA, TX, IL , GA, VA, NJ, NJ, NY, CT	
Embark Behavioral Health (Calo Programs, InnerChange Programs, New Vision Wilderness Programs, and Potomac Pathways)	Teen behavioral health, troubled teen programs	Relay Investment	2018	CA, OR, UT, MT, TX, MO, WI, GA, NC, MD, PA	
Evolve Treatment Centers	Residential mental health, addiction treatment	Galen Partners	2020	CA	
Health Connect America	Foster care, addiction treatment, autism	Palladium Equity Partners	2021	AL, GA, MI, TN, VA	
Innercept	Troubled teen programs	Pine Tree Equity Partners	2021	ID	
Logan River Academy	Therapeutic boarding school/ troubled teen program	Pharos Capital Group	2016	UT	
Perimeter Healthcare	Psychiatric hospitals for children and teens	Ridgemont Equity Partners	2016	MO, TN, LA, AR, MO, TX, AL	
Perspectives of Troy	Youth and family therapy	Lindsay Goldberg	2017	MI	
Shortridge Academy	Therapeutic boarding school/ troubled teen program	Pine Tree Equity Partners	2019	NH	
Strategic Behavioral Health	Psychiatric hospitals, residential programs	Dobbs Management Service	2006	NM, IA, WI, TN, NC, TX	
The Family Treatment Network	Residential mental health, troubled teen programs, autism	Pharos Capital Group	2016	UT, TN, TX, FL, CT	
Three Points Center	Troubled teen programs	JAM Capital	2013	UT	
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