

United States Senate

WASHINGTON, DC 20510

May 16, 2024

The Honorable Xavier Becerra
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Becerra:

On May 6, 2024, Steward Health Care (“Steward”) announced its filing for Chapter 11 bankruptcy in the United States Bankruptcy Court for the Southern District of Texas. Steward is continuing to operate its 31 hospitals across the United States, including 8 in Massachusetts, while initiating corporate restructuring.¹ Steward’s bankruptcy poses short and long-term ramifications that may impact access to care. We write to request that the U.S. Department of Health and Human Services (HHS) stand ready to provide any support or regulatory flexibilities necessary to help ensure that no one loses access to care as a result of Steward’s gross financial mismanagement.

Steward is a for-profit health system headquartered in Dallas, Texas. It was founded in Massachusetts in 2010 when Steward, backed by private-equity company Cerberus Capital Management (“Cerberus”), purchased several non-profit, community hospitals in the state.² Over the following decade, Steward and Cerberus stripped Massachusetts hospitals of their assets and loaded all their hospitals with debt.³ Part of this strategy included selling the land out from under a hospital to a real estate investment trust, predominately Medical Properties Trust (MPT), and entering into a sale leaseback agreement that required the hospital to pay rent on property it used to own.⁴ This predatory strategy facilitated Steward’s aggressive national and international expansion. Steward now operates 400 facility locations and 3,600 staffed beds, and employs nearly 30,000 employees, in Arizona, Arkansas, Florida, Louisiana, Massachusetts, Ohio, Pennsylvania and Texas.⁵

¹ *In re Steward Health Care System LLC*, Case No. 24-90213 (CML) (Bankr. S.D. Tex.), <https://restructuring.ra.kroll.com/Steward/>.

² Elisabeth Harrison & Roberto Scalse, *A timeline of Steward Health Care, from founding to financial peril*, WBUR (Jan. 31, 2024), <https://www.wbur.org/news/2024/01/31/steward-health-care-timeline>.

³ *Id.*

⁴ Eileen Appelbaum et al., *Hospital Ownership and Financial Stability: A Matched Case Comparison of a Non-Profit and Private Equity Owners Health System*, Center for Economic and Policy Research, CEPR (Mar. 22, 2021), <https://cepr.net/report/hospital-ownership-and-financial-stability-a-matched-case-comparison-of-a-non-profit-and-private-equity-owned-health-system/>.

⁵ *In re Steward Health Care System LLC*, Case No. 24-90213 (CML) (Bankr. S.D. Tex.), <https://restructuring.ra.kroll.com/Steward/>; Our Network, <https://www.steward.org/network/our-hospitals>.

Cerberus profited more than \$800 million from the hospital system before exiting,⁶ but Steward careened under mounting financial challenges. Hospitals fell behind their rent payments to MPT.⁷ As the bankruptcy filings demonstrate, Steward also is indebted to various health and financial stakeholders across the country.⁸ Unpaid medical vendors have resulted in hospitals across the country lacking necessary equipment,⁹ experiencing maintenance issues,¹⁰ and cancelling or rescheduling appointments.¹¹ Steward closed hospital units,¹² threatened to shutter hospitals amid the COVID-19 pandemic,¹³ and shut down some hospitals altogether, leaving behind serious healthcare shortages.¹⁴ Steward's CEO Dr. Ralph de la Torre continues to abdicate responsibility,¹⁵ but it is clear that Steward's corporate greed and financial mismanagement led the hospital system into a state of disrepair that left it with no alternative but to seek the protection of a bankruptcy filing.

Steward's implosion directly affects patients, providers, and communities. Patients are anxious and uncertain about continuing their care at Steward. Surrounding health systems and community providers in Massachusetts report feeling additional pressure as patients and providers turn to them.¹⁶ Many of these facilities serve a high percentage of Medicare and

⁶ Robert Weisman, *Cerberus says its investment in Steward hospitals yielded an \$800 million profit*, Boston Globe (Apr. 2, 2024), <https://www.bostonglobe.com/2024/04/02/business/cerberus-capital-management-steward-health-care/#:~:text=Cerberus%20Capital%20Management%2C%20which%20more%20than%20a%20decade,investment%20yielded%20a%20profit%20of%20about%20%24800%20million.>

⁷ Press Release, Medical Properties Trust, Medical Properties Trust Provides Update on Steward Health Care (Jan. 4, 2024), <https://medicalpropiertiestrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-provides-update-steward-health-care>.

⁸ *In re Steward Health Care System LLC*, Case No. 24-90213 (CML) (Bankr. S.D. Tex.), <https://restructuring.ra.kroll.com/Steward/>.

⁹ Jessica Bartlett, *Steward's medical devices were repossessed. Weeks later, a new mother died*. Boston Globe (Jan. 25, 2024), <https://www.bostonglobe.com/2024/01/25/business/steward-health-care-mother-death/>.

¹⁰ Maureen Tkacik, *Scenes from the Bat Cave*, American Prospect (Feb. 27, 2024), <https://prospect.org/health/2024-02-27-scenes-from-bat-cave-steward-health-florida/>.

¹¹ Faimon A. Roberts & Emily Woodruff, *'Third World Medicine': Louisiana Hospital Caught in Grip of National Chain's Meltdown*, nola.com (Mar. 17, 2024), https://www.nola.com/news/healthcare_hospitals/glenwood-regional-medical-center-west-monroe/article_9996c74e-e219-11ee-816d-7f1a2faaf7c7.html.

¹² Tammy Mutasa, *Cancer patients devastated after Steward closes specialty center in Brockton*, CBS News (Apr. 19, 2024), <https://www.cbsnews.com/boston/news/steward-health-care-closes-cancer-center-good-samaritan-hospital-brockton/>.

¹³ Mary Bugbee, *Steward Health Care Reaches \$4.7 Million Settlement to Resolve Allegations of False Claims Act Violations*, Private Equity Stakeholder Project (July 22, 2022), <https://pestakeholder.org/news/steward-health-care-reaches-4-7-million-settlement-to-resolve-allegations-of-false-claims-act-violations/>.

¹⁴ Iris Dimmick, *San Antonio weighs health care access as Texas Vista closes its doors*, San Antonio Report (May 1, 2023), <https://sanantonioreport.org/san-antonio-health-care-access-texas-vista-closing/>.

¹⁵ Press Release, Steward Health Care, Steward Health Care Finalizing Financing Deal with Medical Properties Trust to Support its Restructuring (May 6, 2024), <https://pestakeholder.org/news/steward-health-care-reaches-4-7-million-settlement-to-resolve-allegations-of-false-claims-act-violations/>.

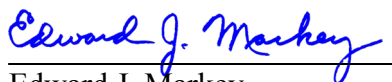
¹⁶ Jeremy Siegel, *Community nonprofits are already casualties of Steward Health financial crisis*, GBH (Feb. 5, 2024), <https://www.wgbh.org/news/local/2024-02-05/community-nonprofits-are-already-casualties-of-steward-health-financial-crisis>; Alison Kuznitz, *Hospital patient backlogs push parts of Mass. Health care system into 'high risk'*, NBC10 (Feb. 5, 2024), <https://www.nbcboston.com/news/local/mass-health-care-system-high-risk/3269480/>; Madeline Ashley, *'Running on a shoestring': Steward's financial struggles' impact on employees, patients*, Becker's Hospital Review (Feb. 1, 2024), <https://www.beckershospitalreview.com/finance/running-on-a-shoestring-stewards-financial-struggles-impact-on-employees-patients.html>.

Medicaid patients and are located in lower-income communities that already have limited and overburdened healthcare providers.¹⁷ Any reductions to health quality or access would cause immense harm. Despite some states are taking steps to protect health care quality and access – Massachusetts is setting up an incident command structure and sending Massachusetts Department of Public Health monitors to Steward facilities¹⁸ — ongoing concerns about access to and the quality of healthcare across the country are amply justified.

Steward has now declared Chapter 11 bankruptcy. This means that Steward-owned hospitals are expected to remain open. Through the bankruptcy court proceedings, Steward will now engage in a reorganization process, which may include a change in ownership for some Steward-owned facilities.¹⁹ Additional impacts to Steward-owned facilities or surrounding health facilities are possible, if not likely, and risk disruptions in access to care.²⁰ Federal, state, and local authorities must take every measure to protect against this prospect. It is imperative that, if needed during this crisis, every federal resource, including financial support and technical assistance, be made readily available to states, providers, and patients impacted by Steward’s catastrophic financial mismanagement.

Millions rely on Steward nationwide, and its bankruptcy threatens to send shockwaves across the country. HHS can be a valuable partner in mitigating the effects of Steward’s financial recklessness. If states and healthcare providers in states where patients receive Steward-affiliated care request support, we hope that HHS will urgently respond. Although the responsibility for this crisis rests exclusively on Steward and its corporate collaborators, a resolution to this crisis that preserves and protects patients and providers demands involvement and collaboration among federal, state, and local authorities.

Sincerely,



Edward J. Markey
United States Senator



Bernard Sanders
United States Senator

¹⁷ Deborah Becker, *Steward Health Care says financial difficulties jeopardize care at Mass. Facilities*, WBUR (January 19, 2024), <https://www.wbur.org/news/2024/01/19/steward-health-care-says-financial-difficulties-jeopardize-care-at-mass-facilities>.

¹⁸ Press Release, Governor Maura Healey and Lt. Governor Kim Driscoll, Healey-Driscoll Administration announces steps to protect patients, workers, and access to care as Steward Health Care enters bankruptcy (May 6, 2024), <https://www.mass.gov/news/healey-driscoll-administration-announces-steps-to-protect-patients-workers-and-access-to-care-as-steward-health-care-enters-bankruptcy>.

¹⁹ Elisabeth Harrison et al., *Steward Health Care seeks bankruptcy protections*, WBUR (May 6, 2024), <https://www.wbur.org/news/2024/05/06/steward-bankruptcy-massachusetts-for-profit-hospitals-debt>.

²⁰ Jessica Bartlett & Robert Weisman, *Will Steward’s Massachusetts hospitals stay open?* Boston Globe (May 6, 2024), <https://www.bostonglobe.com/2024/05/06/business/will-stewards-massachusetts-hospitals-stay-open/>.