

LORI TRAHAN
3RD DISTRICT, MASSACHUSETTS

HOUSE COMMITTEE ON ENERGY
AND COMMERCE

CO-CHAIR, DEMOCRATIC
POLICY AND COMMUNICATIONS
COMMITTEE

DEMOCRATIC STEERING AND
POLICY COMMITTEE

SENIOR WHIP



United States
House of Representatives

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July 29, 2024

Federal Trade Commission
600 Pennsylvania Avenue,
NW
Washington, DC 20580

Department of Justice
950 Pennsylvania Avenue,
NW
Washington, DC 20530

Department of Health and
Human Services
200 Independence Avenue,
SW
Washington DC 20201

Dear Chair Khan, Secretary Becerra, and Attorney General Garland,

I write to bring to your Agency's attention an urgent matter that could have serious implications for healthcare access in Massachusetts. On Friday, July 26, 2024, Steward Health Care announced plans to close two of the eight hospitals it owns in Massachusetts after failing to receive any qualifying bids to rescue the hospitals from the bankruptcy system. One of the two hospitals Steward plans to close is Nashoba Valley Medical Center in Ayer, Massachusetts—a community I represent. This closure will have a long-lasting impact on accessible healthcare for residents in the Nashoba Valley and the surrounding areas.

In 2010, Cerberus Capital Management (Cerberus), a private equity (PE) company, purchased Caritas Christi Health Care, a Massachusetts-based healthcare company owning multiple hospitals in the Bay State, for \$246 million. Cerberus created a new company, Steward Health Care (Steward) to manage their healthcare purchases. In 2016, Cerberus sold all of its land and hospital buildings to Medical Properties Trust (MPT), an Alabama based Real Estate Investment Trust, for \$1.2 billion in a real estate sale-leaseback transaction. After the sale of its Massachusetts hospital buildings to MPT, Cerberus and Steward went on a spending spree, purchasing more than 20 hospitals nationwide in less than a year.

While this pattern of big healthcare system acquisitions and subsequent sale-leaseback deals benefitted Cerberus and Steward's executives and shareholders, the hospital systems themselves were crumbling. MPT has extracted exorbitant rent prices from these hospitals, continuing to strip money from failing healthcare systems at no expense to Cerberus. It has been reported that MPT is charging Steward over \$400 million annually in rent for its 35 hospitals.

By 2020 Cerberus could see the writing on the wall for their failing hospital systems. Their sale-leaseback deals enabled Cerberus to extract hundreds of millions in dividends for its investors and secure a return on investment without having to actually run financially sound hospitals that serve the community. Last year, Steward fell behind on its

rent payments to MPT, owing at least \$50 million in unpaid lease payments. On May 6, 2024, Steward announced Chapter 11 bankruptcy, creating more uncertainty on the future of these vital hospital systems. In Steward's bankruptcy filing, the company disclosed more than \$9 billion in debt, including approximately \$6.6 billion in long-term lease payments and around \$1.2 billion in total loan debts to more than 30 different vendors.

Since news emerged earlier this year about Steward's financial troubles and subsequent bankruptcy filing, federal, state, and local lawmakers have sounded the alarm on predatory private equity (PE) practices that threaten the communities we serve. Now, with two of the eight Steward-owned hospitals in Massachusetts set to close, we are witnessing the real-life consequences of corporate greed and mismanagement that has befallen other states with Steward-owned hospitals. These closures will have serious, negative impacts on patients, healthcare providers, and their communities.

The U.S. Department of Justice, U.S. Department of Health and Human Services, and Federal Trade Commission have been ramping up efforts to scrutinize and address the increasingly large number of problematic private equity purchases in healthcare systems across the United States. As PE investments continue to rise in the healthcare industry, we have seen an increase in bad actors using the healthcare system to make a quick profit at the expense of patients and providers. These predatory private equity companies have placed stakeholder profits squarely above the communities they are supposed to serve.

I write to you with great urgency to ask you to heavily scrutinize these closure announcements as well as the decisions by Steward C.E.O Ralph de la Torre and his colleagues that led to this outcome, including the reported surveillance of potential critics and whistleblowers who could have sounded the alarm on this crisis sooner. Accordingly, I also urge you to hold Mr. de la Torre and his co-conspirators accountable for their roles in causing this crisis and increase transparency and accountability for predatory private equity firm purchases of healthcare systems in the future.

Furthermore, in your investigations, I urge your agencies to closely monitor the sale of the remaining Steward-owned hospitals and physician group in Massachusetts and across the country. It is crucial to ensure that healthcare services remain accessible and affordable for patients as these hospitals transition to new ownership.

I look forward to your prompt response and careful attention to the ongoing issues Steward has caused in Massachusetts and states across our nation.

Sincerely,

A handwritten signature in blue ink that reads "Lori Trahan". The signature is written in a cursive, flowing style.

Lori Trahan
Member of Congress