

United States Senate

WASHINGTON, DC 20510

March 7, 2024

Dr. Ralph de la Torre
Chairman and Chief Executive Officer
Steward Health Care System
1900 North Pearl Street, Suite 2400
Dallas, TX 75201

Dear Dr. de la Torre:

We write regarding our ongoing concern about the financial status and fate of Steward Health Care hospitals in Massachusetts. Steward's Massachusetts hospitals are in deep financial distress and appear to be in danger of closure because of years of mismanagement, private equity schemes, and executive profiteering. You have run this hospital system for 14 years,¹ and reportedly have had access to two private jets while owning two luxury yachts – enjoying “the most sophisticated sportfish boat ever built ... [and] cruising the skies in one of the biggest and most luxurious private jets that money can buy.”² Meanwhile, suppliers were unpaid, the system piled on debt, and patients in Steward hospitals, including a new mother, suffered because of inadequate care.³ And now, as a result of years of failures by you and the private equity ownership at Steward, access to health care is at risk for Massachusetts communities, and thousands of health care workers' jobs could be lost.

You are attempting to make a last-minute deal for your remaining assets that would let you walk away, while leaving Governor Healey and the Executive Office of Health and Human Services to scramble for a solution to preserve care.⁴ Even now, you are refusing to cooperate with state officials in the effort to arrange a “safe, orderly transition” to new operators, as the Governor requested.⁵ According to a letter Governor Healey sent you on February 20, 2024:

¹ Fierce Healthcare “Acquisition of Caritas Christi Now Complete,” Chris Murphy, Tuesday, November 09, 2010, <https://www.fiercehealthcare.com/healthcare/acquisition-caritas-christi-now-complete>.

² Boston Globe, “As a hospital system crashes, Steward's CEO rises above it all,” Brian McGrory, February 23, 2024, <https://www.bostonglobe.com/2024/02/23/metro/steward-health-care-ceo-ralph-de-la-torre-private-jet/>.

³ Boston Globe, “Steward's medical devices were repossessed. Weeks later, a new mother died,” Jessica Bartlett, January 25, 2024, <https://www.bostonglobe.com/2024/01/25/business/steward-health-care-mother-death/>; Boston Globe, “Sick patients collapsed waiting for care in overwhelmed Steward hospital's emergency department,” Liz Kowalczyk and Felice J. Freyer, February 15, 2024, <https://www.bostonglobe.com/2024/02/14/metro/steward-health-care-emergency-department-overcrowding/>; CBS News, Steward Health Care is millions in debt and their Massachusetts hospitals and patients are worried, Kristina Rex, January 26, 2024, <https://www.cbsnews.com/boston/news/steward-health-care-lawsuits-millions-hospital-closure-rumors/>.

⁴ WBUR, “Steward says it has deal to temporarily stabilize finances, does not plan to close Mass. Hospitals,” Deborah Becker, February 02, 2024, <https://www.wbur.org/news/2024/02/02/steward-health-care-deal-bridge-financing>.

⁵ GBH, “Healey says ‘time has come’ for Steward to transfer its hospitals,” Chris Lisinski, February 20, 2024, <https://www.wgbh.org/news/politics/2024-02-20/healey-says-time-has-come-for-steward-to-transfer-its-hospitals>.

[W]e have no insight into your allocation of resources across operating units or states, and therefore no clear sense of the financial viability of the hospitals serving Massachusetts residents. You have kept your hospitals' financial condition in a black box, and you have kept us in the dark as well, defying state law and a court order in the process.⁶

This is deeply troubling behavior that appears to represent a years-long pattern. You have been involved in every major transaction involving the hospital system for over a decade. As Chief Executive Officer (CEO) of Caritas Christi Health Care, you “developed the business model for Steward, which was subsequently invested in by [private equity firm] Cerberus Capital Management” in 2010.⁷ Six years later, while you were still CEO, Steward made the now-infamous \$1.25 billion sale-leaseback deal with Medical Properties Trust (MPT) in which Steward sold its hospital properties to MPT and in return took on long-term leases that cost the hospitals millions of dollars in lease payments and created debts that are crippling the hospitals today.⁸

Under your leadership, Steward took on unsustainable levels of debt for unnecessary expansions. In May 2020 Cerberus exited, transferring its ownership to a group of Steward physicians, led by you, in a transaction that ultimately resulted in Steward borrowing another \$335 million from MPT in January 2021.⁹ And Steward took on another \$600+ million loan from a consortium of lenders in late-2023¹⁰ – followed by yet another \$60 million loan from its landlord, MPT this past January.¹¹

Finally, in February 2024, Steward took on another bridge loan, this time “a \$150 million cash infusion to provide additional liquidity as the company marches towards the sale of its highly desired asset physician group Stewardship Health.”¹² In total, Steward appears to be hundreds

⁶ *Id.*

⁷ Steward, “Steward Leadership,” <https://www.steward.org/about/leadership>; WBUR, “As Steward Health flails, once-supporters of Ralph de la Torre now criticize the CEO,” Deborah Becker, March 5, 2024, <https://www.wbur.org/news/2024/02/06/ralph-de-la-torre-steward-profile>.

⁸ Boston Globe, “Steward gets \$1.25b to fund expansion, repay Cerberus,” Priyanka Daval McCluskey, September, 26, 2016, <https://www.bostonglobe.com/business/2016/09/26/steward-gets-fund-expansion-repay-cerberus/hgC7sjOqZ1lnH1B1bV991M/story.html>; The American Prospect, “Reversing Private Equity’s Looting of Hospitals,” Robert Kuttner, February 13, 2024, <https://prospect.org/health/2024-02-13-reversing-private-equitys-looting-hospitals/>.

⁹ Becker’s Healthcare, “Long concerned: Massachusetts lawmakers probe Cerberus for Steward answers,” Madeline Ashley, February 15, 2024, <https://www.beckershospitalreview.com/finance/long-concerned-massachusetts-lawmakers-probe-cerberus-for-steward-answers.html>; Bloomberg, “Cerberus Quadruples Money After Unusual Exit From Hospital Giant,” Sabrina Willmer, May 27, 2021, <https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant#xj4y7vzkg>.

¹⁰ Medical Properties Trust, “Medical Properties Trust, Inc. Reports Second Quarter Results,” August 8, 2023, <https://www.medicalpropertytrust.com/press-release?page=https://medicalpropertytrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-inc-reports-second-quarter-results-0>. MPT’s contribution of \$140 million represents “an amount not to exceed” 25% of the total bridge loan.

¹¹ “Nation’s Biggest Hospital Landlord Suffers New Losses.” Wall Street Journal January 5, 2024. <https://www.wsj.com/finance/nations-biggest-hospital-landlord-suffers-new-losses-0949fa8b>.

¹² Business Wire, “Steward Health Care Announces Six-Point Action Plan and Framework for Future System,” February 23, 2024, <https://www.businesswire.com/news/home/20240223023787/en/Steward-Health-Care-Announces-Six-Point-Action-Plan-and-Framework-for-Future-System>.

of millions of dollars in debt, raising questions about unpaid vendors, patient care, and job losses for front-line health care workers, while creating ongoing uncertainty about whether hospitals will close, and if not, how they will be restructured.

Each step in this process reveals mismanagement, the perils of private equity investment in health care and corporate greed – and raises questions about compliance with state and federal securities laws and other requirements. Cerberus made a series of commitments to the Massachusetts Attorney General and to state regulators when it purchased Caritas Christi only to quickly violate these terms, raising concerns about whether they provided accurate information at the time of the sale and made truthful statements about the status of the hospitals thereafter.¹³ The sale of Steward’s hospital properties to MPT, and the 2021 buyout of Cerberus by Steward, occurred under the watch of MPT’s controlling shareholders and Steward’s management team, raising questions about whether these officials may have breached their fiduciary duty under Massachusetts corporate law.¹⁴ As part of the 2016 deal, “Cerberus and members of Steward’s management acquired 10 million shares of MPT... [and] MPT also took a stake in Steward,” and in 2020, MPT invested \$200 million in “a joint venture with [you] acting in a personal capacity separate from [your] role at Steward, to pursue international opportunit[ies],” raising concerns about self-dealing and conflicts of interest.¹⁵ Throughout this lengthy collapse, Steward and MPT were audited by Public Company Accounting Oversight Board (PCAOB) auditors, raising questions about the integrity of the SEC-required audit process.¹⁶

Each of these questions is exacerbated by the failure of Steward and Cerberus to provide information needed by regulators and legislators. Steward has, for years, refused to provide required information to state officials – and is still not providing complete information requested by the Governor.¹⁷ When we wrote to Cerberus seeking information on the history of these transactions, the private equity firm refused to provide much of the information we sought, telling us that “[t]his question is more appropriately addressed to Steward and MPT.”¹⁸ And you have failed to provide us with answers to several basic questions that we provided you in writing nearly one month ago.

You owe Congress, state officials, and the public answers for the record of failure and greed that has culminated in the current Steward Health Care crisis. We ask that you provide answers to the following questions no later than March 21, 2024.

¹³ Healthcare Innovation, “Caritas Christi Health Care System to be Acquired by Cerberus Capital Management, March 26, 2010, <https://www.hcinnovationgroup.com/home/article/13002358/caritas-christi-health-care-system-to-be-acquired-by-cerberus-capital-management>.

¹⁴ Commonwealth of Massachusetts General Laws, Title XV Chapter 106 Article 3 Section 3-307, “Notice of Breach of Fiduciary Duty,” <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXV/Chapter106/Article3/Section3-307>.

¹⁵ Wall Street Journal, “How a Small Alabama Company Fueled Private Equity’s Push Into Hospitals,” Brian Spegele, February 14, 2022, <https://www.wsj.com/articles/hospitals-private-equity-reit-mpt-steward-11644849598>.

¹⁶ 17 CFR § 275.206(4)-2.

¹⁷ GBH, “Healey says ‘time has come’ for Steward to transfer its hospitals,” Chris Lisinski, February 20, 2024, <https://www.wgbh.org/news/politics/2024-02-20/healey-says-time-has-come-for-steward-to-transfer-its-hospitals>.

¹⁸ Letter from Cerberus Capital Management to Sen. Elizabeth Warren, February 26, 2024, p. 4, [On file with the Office of Senator Elizabeth Warren].

Questions on Executive Compensation, Financial Statements, and Steward's Arrangement with MPT

1. Please provide a list of all compensation (including salaries, bonuses, stock awards, and any other benefit or perk) you and other top executives at Steward have received from Steward and Steward-affiliated entities from 2016 to the present.
 - a. Specifically, did this compensation include access to a private airplane? If so, please provide any and all details on the arrangement, including:
 - i. Steward's annual expenditure on private airplane travel, with personal and business amounts identified; and
 - ii. Any related tax deductions reported to the Internal Revenue Service.
2. What is the specific nature of the arrangement between Steward and MPT?
 - a. Does MPT have any ownership stake in Steward? What is the nature of this ownership stake?
 - b. Do you or other top executives at Steward currently have any stock or other ownership share, or any other financial arrangement giving you a stake in MPT? What is the nature of this stake?
 - c. Have you and other top Steward executives received any compensation or other remuneration, including stock options, from MPT since 2016?
3. Do you have any other arrangement with any other debt-holder, investor, or other entity that does business with Steward Health Care? If so, please describe the nature of this arrangement.
4. Please provide Steward's audited financial statements for fiscal years ending December 31, 2022 and December 31, 2023.

Questions on Steward's Plan to Repay Its Debt and Exit Massachusetts

The following questions were provided to you in writing on February 9, 2024, and your company has yet to provide answers. We are reiterating our request that you provide this important information.

5. Please provide an organizational chart for all Steward entities that are currently doing business in Massachusetts, including those related to the Steward Health Care Network, Steward Medical Group, Stewardship Health, and any other Steward-owned or -affiliated entities.
6. Please provide details on the creation of Stewardship Health, including when this entity was created, and why.
7. Please provide a broad accounting of liabilities and assets, by hospital, for your hospitals in Massachusetts.
8. Please provide the lease with Medical Properties Trust for each of your Massachusetts hospitals, and changes to terms made in the last 3 years.
9. Please provide a summary of the terms and conditions of the bridge loan received by Steward in February 2024.
10. With regard to the potential sale of Steward's managed care organizations, including Accountable Care Organizations or other Medicare Shared Savings Programs, how many individuals are enrolled within each entity?

11. How many physicians are contracted to Steward Medical Group and Stewardship Health, including part and full-time physicians in Massachusetts?

Questions on the Cerberus/Steward-MPT Deal

12. Which Cerberus or Steward shareholders or Board Members approved the 2016 transaction between Cerberus/Steward and MPT?
 - a. Please provide any minutes from any Board or shareholder meeting in which this transaction was discussed or approved.
13. How did Cerberus/Steward and MPT arrive at the \$1.25 billion valuation for the properties in 2016?
 - a. Which entity provided an assessment of the land value?
 - b. How were the terms and conditions of the leases determined? Were any outside evaluators involved in this determination? If so, please name them.
 - c. Please provide the fair valuation report for this deal.
14. What were the specific terms and conditions of the leases or other liabilities imposed on Steward's Massachusetts hospitals as a result of the 2016 MPT deal?
 - a. Have these terms and conditions changed since 2016? If so, how?
 - b. Was the debt owed to MPT collateralized? If so, how?
15. What were the specific terms and conditions of Cerberus's May 2020 exit from Steward?
16. What were the specific terms of the note that provided regular interest payments from Cerberus to Steward?
 - a. How was this note valued?
17. What were the specific terms and conditions of the purchase of the note by Steward in January 2021?
 - a. What additional debt did Steward take on to purchase this note?
 - b. What were the terms and conditions of this debt, and how was it collateralized?
18. Which auditors were responsible for auditing Steward's financial results in the years prior to and following the MPT deal? Did any of these audits raise concerns about Steward's financial position?
19. What were the specific terms of Citibank's role in Cerberus's May 2020 exit from Steward?¹⁹
 - a. Please provide the contract of agreement between Citibank and Steward as financial advisor, including any riders.
 - b. Please provide the contract of agreement between Citibank's asset-based credit facility and Steward as administrative agent, including any riders.
20. Are there any ongoing relationships between Citibank and Steward?
 - a. Please describe the nature of those relationships.
 - b. Please include the latest version of any contractual agreements, including riders.

Questions on Steward's Merger and Acquisition Activity

21. Which Steward Board members approved the 2017 IASIS Healthcare merger?²⁰

¹⁹ Steward, "Steward Team of Steward Doctors Acquire Controlling Stake of Steward Health Care," press release, June 3, 2020, <https://www.steward.org/newsroom/2020-06-03/team-steward-doctors-acquire-controlling-stake-steward>.


²⁰ Steward, "Steward Completes Acquisition of IASIS Healthcare," press release, September 29, 2017, <https://www.steward.org/1/article/steward-health-completes-acquisition-iasis-healthcare>.

- a. Please provide any minutes from any Board or shareholder meeting in which this transaction was discussed or approved.
 - b. Please provide the fair valuation report tied to this transaction.
22. Which Steward Board members approved the 2017 Community Health Systems asset purchase agreement?
- c. Please provide any minutes from any Board or shareholder meeting in which this transaction was discussed or approved.
 - d. Please provide the fair valuation report tied to this transaction.

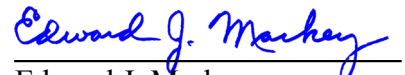
Question on the 2023 Loan from Brigade, Soundpoint, and Other Lenders

23. What were the specific terms and conditions of the \$600+ million loan obtained by Steward from Brigade, Soundpoint, and other lenders in the third quarter of 2023?²¹
- a. How was this debt collateralized?
24. Please provide information on all sales, swaps, or other changes in Steward’s assets owned by Cerberus from 2010-present, including the sale to Macquarie Asset Management.²²

Sincerely,



Elizabeth Warren
United States Senator



Edward J. Markey
United States Senator

²¹Medical Properties Trust, “Medical Properties Trust, Inc. Reports Second Quarter Results,” August 8, 2023, <https://www.medicalpropiertiestrust.com/press-release?page=https://medicalpropiertiestrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-inc-reports-second-quarter-results-0>.

²² Medical Properties Trust, Inc., Form 10-K Annual Financial Report, p. 76: “On March 14, 2022, we completed a transaction with Macquarie Asset Management (“MAM”), an unrelated party, to form a partnership (the “Macquarie Transaction”), pursuant to which we contributed eight Massachusetts-based general acute care hospitals that are leased to Steward, and a fund managed by MAM...”