

# United States Senate

WASHINGTON, DC 20510

June 3, 2024

Tara Twomey  
Director, Executive Office for United States Trustees  
U.S. Department of Justice  
441 G Street, NW, Suite 6150  
Washington, D.C. 20530

Dear Director Twomey,

We write regarding Steward Health Care’s (Steward’s) May 6, 2024 petition for Chapter 11 bankruptcy. Greed and mismanagement by Steward executives, Medical Properties Trust (MPT), and private equity investors — dating back to Cerberus Capital Management’s (Cerberus’s) purchase of Caritas Christi Hospitals in 2010 and the subsequent sale of its real estate to MPT in 2016 — have created unsustainable debts and led to Steward’s bankruptcy, putting patients and communities at risk.

As the federal government’s bankruptcy watchdog, the U.S. Trustee Program (USTP) has the responsibility to oversee bankruptcy proceedings across the United States to ensure compliance with bankruptcy laws and procedures,<sup>1</sup> including identifying and helping investigate bankruptcy fraud and abuse,<sup>2</sup> and “promot[ing] the integrity and efficiency of the bankruptcy system for the benefit of all stakeholders — debtors, creditors, and the public.”<sup>3</sup> We urge the USTP to move to appoint a trustee to run the company in place of Steward’s current management as quickly as possible. And as the bankruptcy moves forward, we ask that the USTP use every legal tool available, including working with parties in the bankruptcy, as well as state and local officials, to ensure, to the maximum extent of the law, that patients and workers are protected and looted corporate assets or improper payments to Steward executives and investors are clawed back.

Steward is one of the largest private, for-profit health systems in the nation, operating 31 hospitals in eight states: Arizona, Arkansas, Florida, Louisiana, Massachusetts, Ohio, Pennsylvania, and Texas.<sup>4</sup> The company’s dramatic growth began with private equity firm Cerberus’s acquisition of six Massachusetts hospitals in 2010.<sup>5</sup> In 2016, Cerberus inked a \$1.25 billion sale-leaseback deal with MPT, selling the hospitals’ real estate to MPT.<sup>6</sup> Rather than

---

<sup>1</sup> U.S. Trustee Program, U.S. Department of Justice, “About the United States Trustee Program,” <https://www.justice.gov/ust/about-program>.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* (emphasis added).

<sup>4</sup> Steward, “Our Network,” <https://www.steward.org/network/our-hospitals>.

<sup>5</sup> Law360, “Steward Health Gets Ch. 11 Loan, Says It Plans Hospital Sales,” Rick Archer, May 7, 2024, <https://www.law360.com/articles/1834358/steward-health-gets-ch-11-loan-says-it-plans-hospital-sales>.

<sup>6</sup> Boston Globe, “Steward gets \$1.25b to fund expansion, repay Cerberus,” Priyanka Dayal McCluskey, September 26, 2016, <https://www.bostonglobe.com/business/2016/09/26/steward-gets-fund-expansion-repay-cerberus/hgC7sjOqZ1lnH1B1bV991M/story.html>.

invest the proceeds from this deal into Steward's Massachusetts hospitals, investors instead used the funds to bankroll the company's national expansion.<sup>7</sup> In 2017, Steward acquired eight hospitals across Ohio, Pennsylvania, and Florida, and merged with IASIS Healthcare to acquire 18 hospitals in Arizona, Arkansas, Colorado, Louisiana, Texas, and Utah.<sup>8</sup> Steward has been leasing its hospitals from MPT ever since, forced to pay higher and higher rents, with rent increases of as much as 5% every year.<sup>9</sup>

In May 2020, Cerberus transferred ownership of the hospitals to a group of physicians led by Ralph de la Torre in exchange for a convertible note, and in January 2021 Steward took out a \$335 million loan from MPT to buy the note from Cerberus and facilitate Cerberus's exit.<sup>10</sup> MPT has also provided eight different "transaction specific and working capital loans" worth \$468.8 million between 2018 and 2023,<sup>11</sup> and engaged in another sale-leaseback deal after Steward's purchase of five hospitals in Florida for \$1.1 billion.<sup>12</sup> As Steward neared collapse in January 2024, MPT provided yet another \$60 million loan to Steward,<sup>13</sup> and an additional \$37.5 million in bridge funding in February 2024.<sup>14</sup> Since 2016, Steward has paid MPT \$2 billion, primarily for rent.<sup>15</sup>

MPT also owns an equity stake of approximately 10% in Steward,<sup>16</sup> and in 2016 "Cerberus and members of Steward's management acquired 10 million shares of MPT."<sup>17</sup> In 2020, MPT

---

<sup>7</sup> *Id.*

<sup>8</sup> Becker's Healthcare, "A house of cards': What's going on with Steward's finances?," Madeline Ashley, April 3, 2024, <https://www.beckershospitalreview.com/finance/a-house-of-cards-whats-going-on-with-stewards-finances.html>; Steward, "Steward Health Completes Acquisition of Iasis Healthcare," September 29, 2017, <https://www.steward.org/1/article/steward-health-completes-acquisition-iasis-healthcare>.

<sup>9</sup> Healthcare Dive, "Steward bankruptcy likely as massive debt remains, with few options left," Susanna Vogel, April 16, 2024, <https://www.healthcaredive.com/news/steward-health-care-bankruptcy-risk/712899/>.

<sup>10</sup> 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>.

<sup>11</sup> Medical Properties Trust, "Steward Update," October 2023, p. 5, <https://medicalpropertystrust.gcs-web.com/static-files/9f32b6d4-5210-424c-b110-4f40a787a93d>.

<sup>12</sup> Becker's Healthcare, "A house of cards': What's going on with Steward's finances?," Madeline Ashley, April 3, 2024, <https://www.beckershospitalreview.com/finance/a-house-of-cards-whats-going-on-with-stewards-finances.html>.

<sup>13</sup> Wall Street Journal, "Nation's Biggest Hospital Landlord Suffers New Losses," Jonathan Weil, January 5, 2024, <https://www.wsj.com/finance/nations-biggest-hospital-landlord-suffers-new-losses-0949fa8b>.

<sup>14</sup> Becker's Healthcare, "Steward drives Medical Properties Trust's Q4 loss," Madeline Ashley, February 22, 2024, <https://www.beckershospitalreview.com/finance/steward-drives-medical-properties-trusts-q4-loss.html>.

<sup>15</sup> Wall Street Journal, "A Bat Infestation, Postponed Surgeries and Unpaid Bills: A Hospital Chain in Crisis," Melanie Evans, March 20, 2024, <https://www.wsj.com/health/healthcare/hospital-chain-financial-crisis-steward-mpt-45be8bfb>.

<sup>16</sup> Wall Street Journal, "PE-Backed Hospital Chain Got Help From Major Landlord as Losses Mounted," Brian Spegele & Laura Cooper, June 18, 2021, <https://www.wsj.com/articles/pe-backed-hospital-chain-got-help-from-major-landlord-as-losses-mounted-11624014000>.

<sup>17</sup> 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>.

invested \$200 million in “a joint venture with [Dr. de la Torre], acting in a personal capacity separate from his role at Steward, to pursue international opportunities.”<sup>18</sup> The constant throughout these decisions has been Dr. de la Torre, who has been at the helm of Steward for 14 years, while reportedly having access to two private jets and 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.”<sup>19</sup>

Steward’s financial mismanagement has resulted in worrisome — even dangerous — impacts to patient care. Last year, a new mother tragically died in one of Steward’s Massachusetts hospitals weeks after an embolization coil — a device used to stop bleeding — was repossessed by the manufacturer due to unpaid bills.<sup>20</sup> At a Steward hospital in Florida, a pest-control company discovered thousands of bats living in the building.<sup>21</sup> Another Steward hospital in Louisiana may lose its funding from the Centers for Medicare and Medicaid Services following three “immediate jeopardy” citations in four months, indicating serious concerns to patient safety.<sup>22</sup> Steward has left behind a trail of unpaid debts across the country, from an Austin breast milk bank to a Mississippi medical supplier to a Houston company from which a Steward hospital rented respiratory equipment.<sup>23</sup>

On May 6, 2024, Steward, headquartered in Dallas, Texas, filed for bankruptcy in the Bankruptcy Court for the Southern District of Texas (Houston). Steward has secured an additional \$75 million debtor-in-possession (DIP) loan from MPT to keep its hospitals running.<sup>24</sup> Creditors, however, have raised concerns with this agreement to provide DIP financing to Steward, arguing MPT is attempting to gain a “leg up” on other creditors by establishing that proceeds from any hospital sales will first go to pay any unpaid rent owed to MPT.<sup>25</sup> Steward has disclosed a shocking \$9 billion in debt, and has said it plans to sell hospitals to pay it down.<sup>26</sup> Steward’s debts include \$68 million owed to its own workers, \$105.6 million in payments for physician services, and \$47.7 million owed to staffing agencies.<sup>27</sup>

---

<sup>18</sup> *Id.*

<sup>19</sup> 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/>.

<sup>20</sup> CBS News, “A new mom died after giving birth at a Boston hospital. Was corporate greed to blame?,” Michael Kaplan, Jon LaPook, & Sheena Samu, February 28, 2024, <https://www.cbsnews.com/news/a-new-mom-died-after-giving-birth-at-a-boston-hospital-was-corporate-greed-to-blame/>.

<sup>21</sup> Wall Street Journal, “A Bat Infestation, Postponed Surgeries and Unpaid Bills: A Hospital Chain in Crisis,” Melanie Evans, March 20, 2024, <https://www.wsj.com/health/healthcare/hospital-chain-financial-crisis-steward-mpt-45be8bfb>.

<sup>22</sup> NOLA, “Louisiana lawmakers blast chain over troubled hospital; ‘We are now at the point of cruelty,’” Emily Woodruff, April 9, 2024, [https://www.nola.com/news/healthcare\\_hospitals/louisiana-lawmakers-steward-health-care-glenwood/article\\_b048b990-f6b2-11ee-9d2c-2f2990555755.html](https://www.nola.com/news/healthcare_hospitals/louisiana-lawmakers-steward-health-care-glenwood/article_b048b990-f6b2-11ee-9d2c-2f2990555755.html).

<sup>23</sup> CBS News, “‘Less about people and more about profits’: Investors’ role in closure of San Antonio hospital under scrutiny,” Jon LaPook, Michael Kaplan, & Sheena Samu, April 25, 2023, <https://www.cbsnews.com/news/texas-vista-medical-center-closure-investors-role-san-antonio-hospital-under-scrutiny/>.

<sup>24</sup> Business Wire, “Medical Properties Trust Comments on Steward Health Care Restructuring,” press release, May 6, 2024, <https://www.businesswire.com/news/home/20240506866138/en/>.

<sup>25</sup> Law360, “Steward Health Gets Ch. 11 Loan, Says It Plans Hospital Sales,” Rick Archer, May 7, 2024, <https://www.law360.com/articles/1834358/steward-health-gets-ch-11-loan-says-it-plans-hospital-sales>.

<sup>26</sup> *Id.*

Steward’s current management has demonstrated a long history of deception, mismanagement, delays, and outright refusal to comply with state disclosure requirements.<sup>28</sup> Leaving current management in control of both the disclosures and the day-to-day operations of these hospitals is a threat to public health as well as an invitation for management to continue to advance its own financial interests over those of the community served by Steward. It is possible that the bankruptcy estate, on behalf of the employees and creditors, may have legal redress against the management team in general and the CEO, Dr. de la Torre, specifically, including actions to claw back the extraordinary amount of assets that the executive team siphoned from the Steward hospitals. A trustee is needed to seek such redress, given that Dr. de la Torre and his management team may have been beneficiaries of potentially fraudulent transfers or other wrongdoing and thus have a conflict of interest.

As such, we urge USTP to move for the appointment of a trustee under 11 U.S.C. 1104, which provides that a court shall order the appointment of a trustee “for cause, including fraud, dishonesty, incompetence, or gross mismanagement of the affairs of the debtor by current management, either before or after the commencement of the case.” These circumstances appear to exist in the case of Steward due to the actions of its executive team led by Dr. de la Torre. The trustee would be able to ensure that Dr. de la Torre, who currently remains at the helm of Steward, and other top executives cannot continue to mismanage Steward during the bankruptcy process as they have throughout their tenure and that they cannot cover up their actions. A trustee would also help restore some badly-needed public trust in the Steward hospitals.

We also urge USTP to closely monitor Steward’s bankruptcy process and work with estate fiduciaries and bankruptcy professionals to:

- Protect the communities served by these hospitals and their workers, which is consistent with USTP’s mission to protect the “public” as a key stakeholder;
- Protect the rights of patients, hospital workers, and local creditors affected by Steward’s bankruptcy, including by ensuring that the appointed Patient Care Ombudspersons are complying with the responsibilities enumerated at 11 U.S.C. 333;
- Ensure Steward and its executives are faithfully complying with the disclosure and transparency requirements of bankruptcy, including full and complete disclosure of the impact of Steward-related private equity and real estate investment trust (REIT) transactions dating to 2016, and the disposition of funds from these transactions;
- Investigate criminal, fraudulent, or abusive conduct for possible civil or criminal prosecution under applicable statutes, including under the federal fraudulent transfer provisions at 11 U.S.C. 548;
- Carefully scrutinize the terms of the DIP financing provided by MPT to ensure that MPT does not receive unduly favorable treatment under the terms and conditions of the financing, particularly in regards to any pre-bankruptcy debts Steward owes to MPT; and

---

<sup>27</sup> Healthcare Dive, “Steward’s bankruptcy documents reveal sprawling debt, planned hospital fire sale,” Susanna Vogel, May 7, 2024, <https://www.healthcaredive.com/news/stewards-bankruptcy-documents-reveal-sprawling-debt-planned-hospital-fire/715245/>.

<sup>28</sup> *Id.*

- Ensure the interests of local creditors, patients, and state officials and regulators are well-represented and heard by the court.

In carrying out the responsibilities of the USTP, we urge you to work with local officials to the maximum extent possible to ensure the interests of local communities are adequately represented. Please provide, by June 18, 2024, a response describing the actions USTP has taken and is planning to take to protect the integrity of the bankruptcy system in this case.

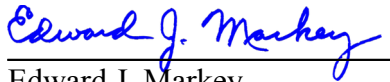
Sincerely,



Elizabeth Warren  
United States Senator



Sherrod Brown  
United States Senator



Edward J. Markey  
United States Senator