

Steven Schrag

September 18, 2020

To: Jessica Rider, Health Care Advocate
Fernanda Lopes, MPH, Chief Special Assistant Attorney General

Re: Prospect Medical Holdings, Inc. Hospital Conversion Application

Dear Ms. Rider and Ms. Lopes;

Good afternoon. I am submitting comments regarding Prospect Medical Holdings, Inc. hospital conversion application. I will be relating the impact of the for-profit Prospect Medical Holdings triple dipping into public money sources.

My name is Steve Schrag and I am with the Naugatuck Valley Project. We have been pushing to get a legal written community benefits agreement (CBA) with Waterbury Hospital since it bought Waterbury Hospital in 2016. We are dealing with a triple dipper.

Dip 1. Prospect Medical/Waterbury Hospital property received a more than 70% tax break from the City of Waterbury on July 22, 2020. When CEO Lester Schindel, Interim CEO of Waterbury Hospital, discussed COVID-19 related financial losses as the reason to get the tax break he did not disclose the millions in CARES ACT money that they received from the federal government and their \$26 million in 2019 profits. In fact, he justified the request for the tax break by saying, "... (T)he hospital suffered financial losses during the COVID-19 pandemic."

Prospect Medical Holdings claims:

- There has been \$6.5 million in real estate improvements at Waterbury Hospital. However, Prospect Medical Holdings sold all the hospitals property to an Alabama REIT corporation in July 2019.
- There have been \$16 million in capital improvements at Waterbury Hospital. However, Prospect Medical promised \$55 million by 2019.
- The hospital has contributed \$12 million in community benefits. However, these contributions are donations only. Prospect has not agreed to a written legal signed agreement (CBA) with the community. In addition, because Prospect Medical Holdings is a for-profit company, their donations are not public.

Dip 2. Prospect Medical Holdings, Inc. received \$283 million in CARES ACT money; Forty-five million

was for Waterbury Hospital. In addition, CT hospitals asked the state for \$450 million in July 2020 to assist with higher expenses than budgeted for 2020. Where is the money going?

Dip 3. Prospect Medical Holdings paid dividends and fees to Leonard Green & Partners between 2016 and 2019 totaling \$658 million. We believe that two of Prospect's top officers during the 2016 – 2019 period, Samuel Lee and David Topper, have pocketed approximately 40% of the \$658 million total.

Last month, Waterbury Hospital outsourced 10 Waterbury Hospital Information Technology (WHIT) jobs to another company, Impact. A worker with 32 years' experience, being paid \$38 per hour with healthcare and a pension was offered \$13.50 per hour a 20% increase in healthcare premiums and no employer contribution to pension. Where is the money going?

Here is the Waterbury Hospital/Prospect Medical/Leonard Green report card:

Satisfactory character - Refusal to negotiate a community benefits agreement. Grade: F

Competence - First 2019 Joint Commission review was poor. Grade: F

Continued access to quality healthcare - Endangered by outsourcing the IT Department/Help Desk for healthcare workers to an overseas company. Grade: F

Relationship with unions representing hospital workers - Ignored legal successorship clause when outsourcing IT department. Grade: Failure

The Naugatuck Valley once had 40,000 jobs in the brass industry. They are all gone now. Corporate raiders bought the mills from local owners, then implemented a 4-step plan to extract money from the operations; 1) try to make a profit, 2) when step 1 fails, try to sell the company, 3) when step 2 fails, try to sell parts of the company, and 4) when all else fails and there is little money left to be extracted, shut the company down. We see a similar pattern unfolding at Waterbury Hospital under Prospect Medical Holdings for-profit ownership: 1) reduce staff and use cheaper materials in an effort to extract money in the form of profit from the hospital. Prospect Medical Holdings implemented both policies immediately upon buying Waterbury Hospital in 2016. When step 1 failed, they moved on to step 2) try to sell the company. Prospect Medical Holdings put some of their hospitals, including their 3 Connecticut hospitals (Waterbury Hospital, Manchester Memorial Hospital and Rockville General Hospital) on the market in 2018 and again in 2019. When step 2 failed, 3) try to sell the operation for parts. Prospect sold all of Waterbury Hospital's real estate in July 2019 to an Alabama REIT. Prospect now leases the buildings at Waterbury Hospital from the Alabama REIT. Step 4) when all else fails and there is little money left to be extracted has not occurred yet. But the handwriting is on the wall.

Please consider denying Prospect Medical Holdings Hospital Conversion Application before the Rhode Island Department of Public Health and the Rhode Island Attorney General. The future of quality healthcare depends in the state depends upon it.