

**September 12, 2024**

The Honorable Bernie Sanders  
Chair  
Committee on Health, Education, Labor and  
Pensions (HELP)  
United States Senate  
Washington, D.C. 20510

The Honorable Bill Cassidy  
Ranking Member  
Committee on Health, Education, Labor and  
Pensions (HELP)  
United States Senate  
Washington, D.C. 20510

**Private Equity Stakeholder Project (PESP) – Statement for the Record**

**Re: “Examining the Bankruptcy of Steward Health Care: How Management Decisions Have Impacted Patient Care”**

**Hearing of the Health, Education, Labor and Pensions Committee - September 12, 2024**

Dear Chair Sanders and Ranking Member Cassidy,

Thank you for holding this critical hearing and investigation into Steward’s bankruptcy and for the opportunity to provide a statement for the record.

My name is Mary Bugbee, and I am the Healthcare Research and Campaign Director for the Private Equity Stakeholder Project. The Private Equity Stakeholder Project is a non-profit organization whose mission is to identify, engage, and connect stakeholders affected by private equity with the goal of engaging investors and empowering communities, working families, and others impacted by private equity investments.

My colleague, Eileen O’Grady, testified at the April 3 hearing, “When Health Care Becomes Wealth Care: How Corporate Greed Puts Patient Care and Health Workers at Risk,” by the Subcommittee on Primary Health and Retirement Security. Her testimony centered on the harms of private equity investments at not only Steward, but also other private equity-owned hospital systems, including Apollo-owned Lifepoint Health and Scion Health, Prospect Medical Holdings and Pipeline Health.

Since the April 3 hearing, there have been significant developments with Steward Health Care. On May 6, 2024, Steward Health Care filed for Chapter 11 bankruptcy.<sup>1</sup> The bankruptcy announcement came after months of media and regulatory attention around the health system’s deteriorating finances and associated patient care crisis. Multiple stories appeared in media outlets highlighting Steward’s many issues, including unpaid vendors,<sup>2</sup> supply shortages and stockouts,<sup>3</sup> understaffing,<sup>4</sup> repossessed medical equipment,<sup>5</sup> service cuts,<sup>6</sup> and hospital closures.<sup>7</sup>

The bankruptcy brought the magnitude of Steward’s numerous debts and liabilities into full view with the system reporting more than \$9 billion in liabilities. Long term lease liabilities accounted for the largest portion of debt (\$6.6 billion). It owed nearly \$1 billion to vendors and medical suppliers, had \$1.2 billion

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in loan debts, and owed nearly \$290 million in unpaid compensation to employees and staffing firms.<sup>8</sup> Steward's bankruptcy is one of the largest hospital bankruptcies in decades.<sup>9</sup>

Despite Steward's nonpayment of vendors and severe patient care issues leading up to the bankruptcy, recent investigative reports have shown how executives were prioritizing payments to noncritical services<sup>10</sup> and nonbusiness expenses.<sup>11</sup>

In early September, the *Boston Globe* published an investigative piece on the secret financial dealings of CEO Ralph de la Torre. The piece was informed by an extensive trove of information, including court documents, flight records, company financials, interviews and emails obtained by the Organized Crime and Corruption Reporting Project (OCCRP).<sup>12</sup>

The investigation revealed how on Steward's dime, de la Torre made a \$10 million contribution to a private school in Texas, purchased a multimillion-dollar apartment, and used Steward corporate jets to travel for vacations – including \$161,020 worth of nonbusiness flights in the year leading up to the bankruptcy. De la Torre was using Steward as his personal piggy bank even as Steward was failing to pay many of its vendors and the system was facing equipment and staffing shortages.<sup>13</sup>

Earlier this summer, the *Boston Globe* also exposed how Steward executives authorized \$7 million in payments from 2018 to 2023 to firms that provide research, intelligence-gathering, and surveillance services. According to the *Globe*, "The surveillance was part of what Steward's general counsel called a 'spare no expenses mission' to gather dirt on people who were viewed as problematic by the hospital chain's executives. And files show that the private intelligence firms discussed ways to potentially weaponize the compromising material, if necessary."

These examples demonstrate how Steward executives made multiple financial decisions that prioritized lavish lifestyles, personal gain, and the attempted silencing of its critics above patient care and the financial solvency of the health system.

However, it is important to note that the pillaging of Steward began under its former private equity owner, Cerberus Capital Management, and its partnership with Medical Properties Trust (MPT), a real estate investment trust (REIT) that helped finance investor payouts to Cerberus and Steward's national expansion by acquiring Steward's hospital real estate.

Under most state laws, real estate transactions are not regulated in healthcare – only transactions involving operations. Major financial decisions involving the sale of Steward's real estate that would come to impact hospital operations and the long-term viability of the health system were able to get past regulators because they involved the hospitals' real estate rather than operations.

Steward executed its original \$1.2 billion real estate deal with MPT in 2016, where MPT mortgaged four Massachusetts hospitals and acquired five others. Steward was then on the hook to pay lease and mortgage payments for these hospitals on real estate it used to own. Meanwhile, Cerberus Capital Management collected \$484 million in dividends from the sale.<sup>14</sup>

Thereafter, MPT helped finance Steward's national expansion when it acquired new hospitals around the country by buying the property and then leasing it to Steward.<sup>15</sup> In 2022, MPT brought in another investor, Macquarie Asset Management, to own fifty percent of the real estate of eight Steward hospitals in

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Massachusetts,<sup>16</sup> as well as a consortium of lenders headed by Apollo Global Management which would have a financial interest in the Massachusetts properties through the \$920 million loan they provided.<sup>17</sup> When Steward ran out of real estate to sell, it worked with MPT to scrape together other byzantine deals that have left some observers scratching their heads.<sup>18</sup>

In 2020 as the pandemic was beginning, Cerberus wanted to exit its investment in Steward. Between Steward's financial troubles, which preceded the pandemic, and the pandemic itself, finding a buyer would have been challenging.<sup>19</sup> Ultimately, Cerberus was able to enlist MPT to help with its exit: MPT provided a \$335 million loan to a new set of physician owners, including CEO Ralph de la Torre,<sup>20</sup> and made a \$400 million cash infusion into the struggling hospital chain allowing Cerberus to exit.<sup>21</sup>

All in all, Cerberus reportedly made at least \$800 million in the decade it owned Steward.<sup>22</sup> Around the time of Cerberus' exit, Steward paid out a \$111 million dividend to its owners, including Ralph de la Torre.<sup>23</sup> Not long after, de la Torre bought himself a \$40 million yacht. The company also bought two private jets and a private suite at Dallas' AA arena.<sup>24</sup>

While Ralph de la Torre's yacht-buying extravagance has attracted criticism, it would be a mistake to pin Steward's collapse primarily on him. The story of Steward is a story about private equity, hospital landlords, and greedy healthcare executives, and how their pillaging has been enabled by an ineffective regulatory landscape and regulators who lacked the willpower to stop Steward's harmful business practices until it was too late. Those left holding the bag are the communities and patients in crisis around the country as their hospitals cut services, go bankrupt, and even close.

The consequences are tragic. The *Boston Globe* recently published the results of a comprehensive investigation that show a disturbing pattern of understaffing and equipment issues at Steward hospitals from 2019 to 2024 that resulted in the deaths of at least 15 patients and the injuries of 16 others.<sup>25</sup> In one tragic case, a patient died waiting in a registration line on a day that just eight nurses were working when there were supposed to be 19.<sup>26</sup> In another tragedy, a woman who gave birth at a Steward hospital died after the embolization coil needed to stop a bleed following childbirth was unavailable. The hospital's supply of embolization coils had been repossessed by the company that owned them because Steward had not paid its bill.<sup>27</sup> In addition to patient deaths and injuries, at least 2,000 patients were found by federal regulators to have been put in immediate peril at Steward hospitals during the time period examined by the *Boston Globe*.<sup>28</sup>

The looting of Steward Health Care has not only contributed to reduced quality care that has crossed the line into patient tragedies but has also resulted in reduced access to care through hospital closures around the country. In the years leading up to its bankruptcy, Steward closed six hospitals, resulting in the layoffs of at least 2,650 workers and reduced access to care for the communities they served in Massachusetts, Texas, Arizona, and Ohio.<sup>29</sup>

Since filing for bankruptcy, Steward has closed two more hospitals in Massachusetts, resulting in the layoffs of 1,243 workers<sup>30</sup> and impacting timely access to emergency care for thousands of patients.<sup>31</sup>

A third hospital was ordered to suspend operations in August by Arizona regulators due to a broken air conditioning system resulting in temperatures inside the facility reaching as high as 99 degrees.<sup>32</sup> Employees at the facility have been furloughed.<sup>33</sup>

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The closure of two more hospitals in Ohio was announced in August 2024,<sup>34</sup> although it appears these hospitals have a potential lifeline.<sup>35</sup>

The sale of Steward's hospitals has been challenging because Steward does not own the hospital real estate, making the hospitals less attractive to potential buyers. Where there have been buyers and potential buyers, negotiations with the landlord, Medical Properties, as well as disagreements from lenders, have complicated and sometimes extended the sale process.<sup>36</sup>

Steward Health Care represents the worst-case scenario that can happen when private equity firms invest in health systems. As we have seen the bankruptcy unfold, it is clear that there were woefully insufficient guardrails in place to prevent the service cuts, hospital closures, nonpayment of vendors, asset stripping, and the many other issues and tragedies that have occurred at Steward hospitals.

However, Steward's situation is not an outlier. There are multiple other private equity-owned and formerly private equity-owned health systems suffering from the consequences of current or former private equity-ownership, including [Prospect Medical Holdings](#), [Pipeline Health](#), and [Lifepoint Health and ScionHealth hospitals](#).

While legislators and regulators scrutinize and investigate potential criminal wrongdoing among the various parties involved in Steward's demise, it is imperative that we do not lose sight of the perfectly legal forms of pillaging that occurred based on the typical private equity playbook that has also been used elsewhere, which involves overleveraging companies, selling off real estate, and taking out dividends – all at the expense of patients.

We must ensure that private equity firms and hospital landlords do not evade accountability by hiding behind the deeds of individual healthcare executives. Every party that was involved in the pillaging of Steward Health Care, whether it was through legal or illegal means, must be brought to account. In addition, our legislators must pass updated laws and regulations – that expand regulatory oversight of for-profit hospital mergers and acquisitions, prevent exploitative real estate plays and the practice of extractive fees and dividends, create protections for workers against mass layoffs, and introduce stronger accountability provisions for healthcare executives and investors that loot health systems – to ensure that nothing like the Steward Health Care crisis could ever happen again in the United States.

Sincerely,



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Attachment following the endnotes - Bugbee, Mary. “The Pillaging of Steward Health Care: How a Private Equity Firm and Hospital Landlord Contributed to Steward’s Bankruptcy.” Private Equity Stakeholder Project, June 26, 2024. <https://pestakeholder.org/reports/the-pillaging-of-steward-health-care/>.

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# **THE PILLAGING OF STEWARD HEALTH CARE:**

**How a private equity firm and  
hospital landlord contributed to  
Steward's bankruptcy**



**PRIVATE EQUITY  
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# Key Points

- Steward Health Care is a multistate hospital system that was owned by private equity firm Cerberus Capital Management from 2010 to 2020.
- Steward formed in 2010 when Cerberus purchased Caritas Christi, a nonprofit Catholic health system in Massachusetts consisting of six hospitals. CEO Ralph de la Torre helped facilitate the no-bid deal with Cerberus that Massachusetts regulators ultimately approved despite community opposition.
- Massachusetts regulators imposed conditions on the transaction and a five-year monitoring period for Steward following the transaction. Despite these guardrails, Steward's financial situation declined from 2012 onward as its liabilities increased and Steward began asset stripping the system.
- In 2016, after its monitoring period was over, Steward sold the real estate of its Massachusetts hospitals to Medical Properties Trust (MPT), a hospital landlord. This transaction generated \$1.2 billion for Steward and its investors. Cerberus used the revenue to finance a \$484 million dividend to one of its funds. The hospitals no longer owned their real estate and would be on the hook for millions of dollars in lease payments for years to come.
- In 2017, with financing from MPT, Steward rapidly expanded from an 11-hospital system confined to Massachusetts to a 37-hospital system operating in 10 states. It became the largest for-profit private hospital operator in the US.
- Many Steward hospitals were financially struggling as Cerberus began to make its exit in 2020. Ultimately, its exit was made possible by MPT, which provided a \$335 million loan to a new set of physician owners and made a \$400 million cash infusion into the struggling system at Cerberus' behest.



- In 2022, MPT brought in another investor, Macquarie Asset Management, which now owns fifty percent of Steward's hospital real estate in eight Massachusetts hospitals. The recapitalization transaction that formed the Macquarie and MPT joint venture was funded with a \$920 million loan from Apollo Global Management and two of its affiliates, Athene Life and Annuities and Aspen Insurance Holdings, which secured the loan with the eight hospitals.
- In 2023, it was becoming apparent that Steward hospitals were on a path of financial distress, with missed rent payments, mounting patient care issues, and reports of unpaid bills to vendors. That year, Steward took on \$600 million more in debt to refinance debt it already had.
- Since 2018, Steward has closed six hospitals in the US, resulting in the layoffs of at least 2,650 workers and reduced access to care for the communities they served. Steward has also cut important service lines, such as obstetrics, behavioral health, and cancer care, at others. Two of the hospital closures happened in 2024 when the health system was on the eve of bankruptcy.
- On May 6, 2024, Steward Health Care filed for Chapter 11 bankruptcy, reporting over \$9 billion in liabilities. \$6.6 billion of its reported liabilities are long-term lease liabilities owed to Medical Properties Trust.
- Steward hospitals are at imminent risk for closure if there are no bidders at upcoming auctions. Experts predict it will be hard for MPT to find new tenants in hospitals with extensive lease liabilities.
- Cerberus reportedly made \$800 million in the decade it owned Steward. Around the time of Cerberus' exit, Steward paid its ownership a \$111 million dividend, including its CEO from its founding in 2010, Ralph de la Torre. Not long after, de la Torre bought a \$40 million yacht. The company also bought two private jets and a private suite at Dallas' AA arena.
- The story of how Steward was pillaged is a story about corporate greed, where a private equity firm, hospital executives and a hospital landlord siphoned money out of a failing health system.

## PURPOSE & ACKNOWLEDGEMENTS

This report synthesizes and builds upon pre-existing research and news coverage of Steward Health Care from 2010 to present. Its purpose is to serve as a resource for policymakers, journalists, unions, healthcare workers, patients, and any other stakeholders who want to better understand the financial engineering implemented by Cerberus Capital Management, Medical Properties Trust, and Steward executives that led to Steward's demise—and take lessons from how and why it happened. This report owes much to the many researchers, journalists, unions, workers, and patients who have been sounding the alarm on Steward for years and shining light on its harmful business practices.

# Introduction

**ON MAY 6, 2024, STEWARD HEALTH CARE**, a 31-hospital system operating in 10 states, employing nearly 30,000 workers, and serving over 2 million patients annually, filed for Chapter 11 bankruptcy.<sup>1</sup> The bankruptcy announcement came after months of media and regulatory attention around the health system's deteriorating finances and associated patient care crisis.

In the months leading up to the bankruptcy, multiple stories appeared in media outlets highlighting Steward's many issues, including unpaid vendors,<sup>2</sup> supply shortages and stockouts,<sup>3</sup> understaffing,<sup>4</sup> repossessed medical equipment,<sup>5</sup> service cuts,<sup>6</sup> and hospital closures.<sup>7</sup>

In Florida, one Steward hospital was infested with thousands of bats and their accompanying bat guano, including on the floor that housed the intensive care unit (ICU).<sup>8</sup> The exterminator hired to address the issue sued the hospital months later alleging Steward had \$1.6 million in unpaid bills.<sup>9</sup>

In Massachusetts, a woman who gave birth at a Steward hospital died after the embolization coil needed to stop a bleed following childbirth was unavailable. The hospital's supply of embolization coils had been repossessed by the company that owned them because Steward had not paid its bill.<sup>10</sup>

At Steward's Glenwood Regional Medical Center in West Monroe, Louisiana, health inspectors cited the hospital for putting patients in immediate jeopardy three times since December 2023.<sup>11</sup> In March 2024, the hospital closed down its inpatient rehabilitation unit. Federal inspectors have found that the hospital ran out of multiple supplies including biopsy needles, catheters, and central lines. Various radiology and imaging equipment were broken and in need of repair, and special beds that help prevent bedsores were repossessed. One doctor quoted in the federal inspection report described the conditions at Glenwood Regional in December 2023 as "third world medicine."<sup>12</sup> That same report said the situation was addressed, but the hospital received a citation for putting a patient in immediate jeopardy in February 2024, according to a letter from physicians to the hospital's governing body.<sup>13</sup>

As the patient care crisis occurring across multiple Steward hospitals garnered national attention, journalists and politicians were asking questions about Steward's finances.

In February 2024, Massachusetts Governor Maura Healey demanded that Steward produce audited financial statements "that are required of other health care systems, but that Steward has refused to submit for years."<sup>14</sup> Steward did produce unaudited financial information to the state that same month, but the governor's office said it was insufficient. As reported by *GBH News*, "the governor said that the hospital system did not produce records signed by an auditor because she suspects no auditor was willing to sign off on them."<sup>15</sup>

On May 6, 2024, Steward finally filed for Chapter 11 bankruptcy. Steward's bankruptcy is one of the largest hospital bankruptcies in decades, with the system reporting over \$9 billion in liabilities, including \$290 million in unpaid employee wages and benefits, nearly \$1 billion in unpaid bills to vendors and suppliers, and \$6.6 billion in long-term rent obligations to its landlord, Medical Properties Trust (MPT).<sup>16</sup>

How could a health system in the United States fail so spectacularly? The answer lies in corporate greed and an industry-friendly regulatory landscape that has allowed for-profit businesses and investors to loot hospitals. Those that end up paying the price are patients, workers, and the communities that these hospitals serve.

In the case of Steward—a more specific answer lies in how a private equity firm, Cerberus Capital Management, partnered with a hospital landlord, Medical Properties Trust, to siphon money out of Steward's hospitals.

## The real estate play

The pillaging of Steward was made possible by its partnership with Medical Properties Trust, a real estate investment trust (REIT), that helped finance investor payouts to Cerberus Capital Management as well as Steward's national expansion by acquiring Steward's hospital real estate.

Under most state laws, real estate transactions are not regulated in healthcare—only transactions involving operations. Major financial decisions involving the sale of Steward's real estate that would come to impact hospital operations and the long-term viability of the health system were able to get past regulators because they involved the hospitals' real estate rather than operations.

Steward executed its original \$1.2 billion real estate deal with MPT in 2016, where MPT mortgaged four Massachusetts hospitals and acquired five others. Steward was then on the hook to pay lease and mortgage payments for these hospitals on real estate it used to own. Meanwhile, Cerberus Capital Management collected \$484 million in dividends from the sale.<sup>17</sup>

Thereafter, MPT helped finance Steward's national expansion when it acquired new hospitals around the country by buying the property and then leasing it to Steward.<sup>18</sup> In 2022, MPT brought in another investor, Macquarie Asset Management, which now owns fifty percent of the real estate of eight Steward hospitals in Massachusetts,<sup>19</sup> as well as a consortium of lenders headed by Apollo Global Management which now have a financial interest in the Massachusetts properties through the \$920 million loan they provided.<sup>20</sup>

When Steward ran out of real estate to sell, it worked with MPT to scrape together other byzantine deals that have left some observers scratching their heads.<sup>21</sup> Short-selling research firm, Viceroy Research, even alleged that MPT was engaging in fraudulent transactions in a report entitled "Medical Properties (Dis) Trust." In response to such allegations, MPT sued Viceroy in March 2023 concerning that report and others. MPT alleged that Viceroy made "numerous defamatory, false and misleading claims."<sup>22</sup> The lawsuit is ongoing.<sup>23</sup>

## Cerberus makes its money and runs, while Steward spirals into financial distress

In 2020 as the pandemic was beginning, Cerberus wanted to exit its investment in Steward. Between Steward's financial troubles, which preceded the pandemic, and the pandemic itself, finding a buyer would have been challenging.<sup>24</sup> Ultimately, Cerberus was able to enlist MPT to help with its exit: MPT provided a \$335 million loan to a new set of physician owners, including CEO Ralph de la Torre,<sup>25</sup> and made a \$400 million cash infusion into the struggling hospital chain allowing Cerberus to exit.<sup>26</sup>

All in all, Cerberus reportedly made \$800 million in the decade it owned Steward.<sup>27</sup> Around the time of Cerberus' exit, Steward paid out a \$111 million dividend to its owners, including Ralph de la Torre.<sup>28</sup> Not long after, de la Torre bought himself a \$40 million yacht. The company also bought two private jets and a private suite at Dallas' AA arena.<sup>29</sup>

In the following years, Steward's financial situation declined. In 2023, it owed \$110 million in rent on its Massachusetts hospitals alone.<sup>30</sup> And, by 2024, it appears Steward had stopped paying many vendors, including nurse staffing companies, medical equipment companies, consultants, human resources and finance services, and more.<sup>31</sup> By the time it filed for bankruptcy, Steward owed nearly \$1 billion in unpaid bills to vendors<sup>32</sup> and nearly another billion to MPT.<sup>33</sup>


Cerberus made its money and is long gone, while Steward and CEO Ralph de la Torre are under intense scrutiny from reporters, politicians, courts, and regulators. MPT, which has been the hospital landlord for other privately owned and private equity-backed systems that have succumbed to financial distress and even bankruptcy, is also facing scrutiny.<sup>34</sup> De La Torre and his yacht have often been at the center of the unfolding drama.<sup>35</sup>

One columnist for the *Boston Globe* posed the question, "Is MPT a victim of de la Torre's recklessness—some would say malfeasance—or an enabler?"<sup>36</sup>

When you look at MPT's business relationships with other distressed healthcare systems, it is clear that Steward is not an outlier among MPT's similarly distressed tenants and that MPT has followed a similar pattern over the years of working with private investors to siphon money out of hospitals through sale-leasebacks.<sup>37</sup>

While Ralph de la Torre's yacht-buying extravagance has attracted criticism, it would be a mistake to pin Steward's collapse primarily on him. The story of Steward is a story about private equity, hospital landlords, and greedy healthcare executives, and how their pillaging has been enabled by an ineffective regulatory landscape and regulators who lacked the willpower to stop Steward's harmful business practices until it was too late. Those left holding the bag are the communities and patients in crisis around the country as their hospitals cut services, go bankrupt, and even close.

This report will trace the history of Steward Health Care, synthesizing over a decade of reporting and publicly available information to make sense of how Steward ended up in bankruptcy with many of its hospitals at imminent risk for closure. The report will close with policy recommendations that if implemented, could help prevent a similar situation from occurring in the future.



**"The story of Steward is a story about private equity, hospital landlords, and greedy healthcare executives, and how their pillaging has been enabled by an ineffective regulatory landscape and regulators who lacked the willpower to stop Steward's harmful business practices until it was too late. Those left holding the bag are the communities and patients in crisis around the country as their hospitals cut services, go bankrupt, and even close."**

# Steward's Beginnings in Massachusetts<sup>38</sup>

## Cerberus acquires Caritas Christi

In November 2010, Cerberus Capital Management, through a newly formed company called Steward Health Care, acquired six Massachusetts hospitals from nonprofit Caritas Christi Health Care in a leveraged buyout. The overall deal was valued at \$895 million,<sup>39</sup> and of the \$895 million price tag, \$475 million was assumed debt and pension liabilities from the struggling system,<sup>40</sup> and \$420 million was the reported cost of the leveraged buyout. According to Bloomberg, Cerberus only put up \$246 million in cash,<sup>41</sup> approximately 27 percent of the deal value, with the remaining \$174 million likely financed through new debt loaded onto Steward, as is typical in leveraged buyouts.

The CEO of Caritas Christi, a board-certified cardiac surgeon named Ralph de la Torre, helped facilitate the no-bid deal with Cerberus, which was first announced in March 2010. Because of the conversion of Caritas Christi to for-profit status, the deal required approval from the state Attorney General's (AG's) office as well as the Massachusetts Public Health Commission and the Massachusetts Supreme Court.<sup>42</sup>

The proposed transaction was controversial, and many community members and medical professionals expressed concern. One of Caritas' own attorneys sent a letter of dissent to the AG's office expressing reservations about the deal. The coalition that formed against the deal highlighted how there had been little transparency around the no-bid deal, and that de la Torre had contributed to AG Martha Coakley's election campaign. Despite the opposition, the Massachusetts regulators ultimately approved the deal, but imposed conditions on the transaction and a five-year monitoring period.<sup>43</sup>

These conditions included a requirement for the new owners to invest \$400 million into the system's infrastructure. Despite Cerberus Capital's deep pockets, these "investments" would come from debt loaded onto Steward as well as proceeds from the sale-leasebacks of some of its medical office buildings.<sup>44</sup> The other conditions of the deal were that the system could not take additional debt to pay investor dividends for the first three years following the transaction; Steward had to assume Caritas Christi's full pension liability; and that Cerberus could not close, sell, or transfer majority ownership for 3 to 5 years.<sup>45</sup> These conditions did not restrict Steward from taking on more debt or selling off assets and real estate during its monitoring period.

Under Cerberus Capital's ownership, Steward expanded its presence in Massachusetts in the following years. In May 2011, it acquired Nashoba Valley Medical Center and Merrimack Valley Hospital from Essent Healthcare.<sup>46</sup> A few months later, it acquired two more Massachusetts hospitals: Quincy Medical Center and Morton Hospital, which were nonprofit to for-profit conversions for which Steward received approval from Massachusetts regulators.<sup>47</sup> And in 2012, it acquired New England Sinai Hospital in Stoughton, Massachusetts in another nonprofit to for-profit conversion.<sup>48</sup>

In February 2013, the *Boston Globe* published an extensive piece on Steward's business practices it described as focused on "innovation" that followed the "classic" private equity business model—cutting

costs and using debt. It eliminated 105 nursing jobs across the system between 2011 and 2012 and outsourced its security jobs to a contractor. The article reported that in 2012 alone, the Massachusetts Nurses Association (MNA) filed more than 1,000 “unsafe staffing” complaints,<sup>49</sup> “a substantial increase over the number filed at the same hospitals in past years.” In spite of the cost-cutting measures, the system was posting losses and the *Boston Globe* reported that its prices were higher than competitors in some locales.<sup>50</sup>

During its five-year monitoring period in Massachusetts, Steward Health Care:

- **Failed to regularly produce financial details** in accordance with state regulations, resulting in the state imposing tens of thousands of dollars in fines.<sup>51</sup>
- **Sold 13 medical office buildings to Healthcare Trust of America**, an Arizona-based real estate investment trust (REIT), in a \$100 million sale-leaseback transaction.<sup>52</sup>
- **Entered into a contract with IPC Healthcare** for it to be the exclusive hospitalist provider for the system for 5 years in exchange for a cash payment of \$44.5 million.<sup>53</sup> IPC Healthcare would be bought out by TeamHealth Holdings in 2015,<sup>54</sup> a medical staffing company that would later be purchased by Blackstone in 2017 and come to be implicated in the controversial practice of surprise billing (i.e. out-of-network billing).<sup>55</sup>
- **Sold its laboratory testing and cytology services business** to Quest Diagnostics for \$35 million in cash and a 10-year noncompete agreement.<sup>56</sup>
- **Sold the real estate of New England Sinai Hospital’s campus** for \$23.4 million in a sale-leaseback transaction with [Carter Validus Mission Critical REIT](#), now Sila Realty Trust.<sup>57</sup>
- **Closed the pediatric ward at Morton Hospital in Taunton.**<sup>58</sup>
- **Announced plans to close Quincy Medical Center** by the end of 2014. Steward made an agreement with the Attorney General when it acquired the hospital in 2011 to keep the hospital open for at least 6 and a half years and give 18 months’ notice before shutting it down. The closure resulted in the displacement of 700 jobs.<sup>59</sup> Steward ended up closing all services but the Emergency Department, which regulators required it to keep open.<sup>60</sup>

In 2015, at the end of the monitoring period, the [report](#) released by the Office of the Attorney General (which was then under Maura Healy) challenged community concerns expressed at the time of the acquisition, including the concern of “a short-term sale of system assets to generate profits,” writing, “Five years later, the most dire of these concerns have not come to pass. Steward has kept the former Caritas system intact and operated the system as it had proposed, albeit in a health care market that remains challenging and dynamic.”<sup>61</sup>

And yet in the same report, the AG’s office described a worsening financial situation at Steward hospitals from 2012 onward:

“Although the operating performance of some of its hospitals appears to have improved over time, the system’s operating losses increased as hospital expenses shifted to the parent company. The system has increasingly relied on bank term loans to fund operating losses and capital expenditures, leading to a capital structure in which debt exceeded equity by several multiples by December 2013. The pension plans, significantly underfunded when Steward acquired the Caritas system, remain one of the system’s largest liabilities.”<sup>62</sup>



When Cerberus acquired Caritas Christi in 2010, the system had \$200 million in pension liabilities and \$275 million in debt (\$475 million in total).<sup>63</sup> The report noted that by the end of FY2014, equity was negative \$185 million and total liabilities exceeded \$1.4 billion.<sup>64</sup>

Despite its poor financial position, Steward had ultimately complied with the conditions of the original acquisition agreement of Caritas Christi.

### **Steward's first sale-leaseback deal with Medical Properties Trust**

During its monitoring period, Steward had begun to dabble in real estate sales and sale-leasebacks. Not long after its five-year monitoring period ended,<sup>65</sup> it embarked on a much larger strategy of monetizing its real estate to fund expansion, to pay down debts (while creating new liabilities through lease arrangements), and to make payouts to investors.

In January 2016, Steward quietly offloaded two vacant properties in Massachusetts for \$21 million, reportedly to pay down some of its debt.<sup>66</sup> About nine months later, Steward made its biggest deal yet.

That September, Steward partnered with Medical Properties Trust, a REIT and hospital landlord, to execute a \$1.2 billion real estate acquisition deal for nine of its Massachusetts hospitals. MPT made an additional \$50 million equity investment in Steward and committed to providing \$1 billion in future Steward hospital acquisitions as part of the transaction.<sup>67</sup> Four of the hospitals were mortgaged by MPT: Carney Hospital, Holy Family (Haverhill), Norwood Hospital, and Nashoba Valley Medical Center. The remaining five underwent sale-leaseback deals: Good Samaritan, Sant Anne's, Holy Family (Methuen), Morton Hospital, and St. Elizabeth's.<sup>68</sup>

At least \$484 million of the proceeds from the transaction were used to pay dividends to investors, specifically to one of Cerberus Capital's funds.<sup>69</sup> The transaction occurred less than a year after AG Maura Healey's Office released its [report](#) highlighting Steward's declining financial position since 2012.<sup>70</sup>

Shortly thereafter, MPT issued 10.3 million shares of common stock to Cerberus Capital Management and members of Steward management, generating proceeds of \$150 million.<sup>71</sup>

In December 2016, Steward sold Quincy Medical Center's real estate to a developer, FoxRock Properties. According to the *Patriot Ledger*, FoxRock acquired the property for less than half of what Steward paid for it through bankruptcy court in 2011; the property was valued for "tax purposes at \$42.1 million—about three-and-a-half times the amount FoxRock paid for it."<sup>72</sup>

With the help of willing buyers, like MPT and FoxRock Properties, Steward was on a roll. The following year it would expand to become the largest private hospital system in the U.S., with MPT's help.<sup>73</sup>



# Steward's National Expansion with Medical Properties Trust

**IN 2017, STEWARD TRANSFORMED** from an 11-hospital system confined to Massachusetts to a 37-hospital system operating in nine states. It did this through two major transactions that were effectively financed by MPT.

In May 2017, Steward bought eight struggling hospitals from Community Health Systems, Inc.—three in Florida, three in Ohio, and two in Pennsylvania. Ninety-nine percent of the \$304 million transaction was financed by MPT, which bought the real estate of all eight hospitals for \$301.3 million to then lease back to Steward.<sup>74</sup>

Later that year, Steward acquired another 18 hospitals from IASIS Healthcare, owned by private equity firm TPG, in an approximately \$2 billion transaction.<sup>75</sup> This transaction expanded its footprint to Arizona, Arkansas, Colorado, Louisiana, Texas, and Utah, and transformed it into the largest for-profit private hospital chain in the US.<sup>76</sup>

As part of the transaction, MPT purchased the real estate of the Arkansas facility, three of the Arizona facilities, three Texas facilities, and four of the five Utah properties from IASIS in a \$1.4 billion transaction, comprised of a \$700 million sale-leaseback and \$700 million mortgage, of which Steward assumed lease and mortgage payments.<sup>77</sup> An additional four of the hospitals purchased from IASIS had already undergone sale-leasebacks with MPT under the ownership of IASIS,<sup>78</sup> and Steward assumed the leases for those hospitals under an updated master lease agreement with MPT.<sup>79</sup> MPT also made a \$100 million equity investment in Steward.<sup>80</sup>

At the time of the sale to Steward, IASIS had \$1.85 billion in debt, despite being purchased for only \$1.4 billion in 2004.<sup>81</sup> Yet, during the course of its ownership, private equity firm TPG had been able to recoup its initial \$434 million equity investment and then some by saddling IASIS with nearly \$3 billion in debt<sup>82</sup> in part to pay itself and other investors dividends.<sup>83</sup> The sale of the hospitals to Steward, made possible by MPT, allowed TPG to extricate itself from its heavily indebted portfolio company and cash out. The 18 hospitals, meanwhile, were simply punted from one private equity owner to another.

## **Steward's growth overshadowed by service cuts, layoffs, closures and labor issues**

Steward ended up closing two of the hospitals it had acquired in its 2017 frenzy not long after they had been acquired. The first closure happened in September 2018 at Northside Regional Medical Center in Youngstown, Ohio, resulting in the layoffs of at least 468 workers<sup>84</sup> and the loss of the city's only labor and delivery unit.<sup>85</sup> A little over a year later, Steward closed St. Luke's Medical Center in Phoenix, Arizona, resulting in the layoffs of 655 workers.<sup>86</sup>

Back in Massachusetts, Steward's Morton Hospital in Taunton had cut its maternity services in 2018, resulting in pregnant patients having to travel 20 miles to have their babies at Steward's Good Samaritan

Hospital in Brockton. According to the *Boston Globe*, the cuts “could pose a hardship in a city where poverty is higher and incomes are lower than they are statewide, and patients may lack easy access to transportation.”<sup>87</sup>

The year prior—the same year Steward embarked on its massive multistate expansion—Steward sued Massachusetts state officials to avoid having to provide complete financial disclosures after it had racked up at least \$300,000 in fines for violating state regulations. *Becker’s Hospital Review* reported that “Steward filed heavily redacted annual financial reports for 2014 and 2015 with [Center for Health Information and Analysis] and reported no information for 2016. According to *The Boston Globe*, Steward is the only organization that has repeatedly failed to submit the financial information to CHIA.”<sup>88</sup> In 2023, the judge in the lawsuit ruled that CHIA had the authority to demand Steward’s financial statements, but the case is currently under appeal.<sup>89</sup>

Nurses in Massachusetts were continuing to sound the alarm on unsafe staffing issues at Steward Hospitals.<sup>90</sup> And in September 2019, Steward threatened to close Nashoba Valley Medical Center if the union didn’t accept Steward’s “final” offer in contract negotiations.<sup>91</sup>

Steward’s appetite to expand was undeterred by the hospital closures, service cuts, and labor issues at some of its hospitals. In 2019, Steward acquired Scenic Mountain Medical Center in Big Spring, Texas,<sup>92</sup> with MPT acquiring the real estate concurrently.<sup>93</sup> Steward also re-opened Florence Hospital in Arizona,<sup>94</sup> a hospital whose real estate MPT already owned,<sup>95</sup> which had gone bankrupt in 2018 under a prior operator.<sup>96</sup>

## Other forms of expansion

In February 2018, Steward announced a public-private partnership with the country of Malta to operate various government-owned facilities, as well as open satellite facilities for medical and dental schools.<sup>97</sup> What happened in Malta over the coming years is beyond the scope of this report, but the long and short is that Steward International’s business practices in Malta were embroiled in scandal, including construction that was never completed as promised and nurses reporting poor working conditions and lack of proper medical equipment and supplies.<sup>98</sup> By October 2023, a Maltese judge nullified Steward International’s contract to run the Maltese facilities.<sup>99</sup> Since 2020, Steward International has purportedly been an independent entity from Steward Health Care,<sup>100</sup> although some analysts and short sellers dispute this<sup>101</sup> and Steward’s own website listed international operations until 2023.<sup>102</sup>



Steward was growing its business beyond hospital services. In early 2019, Steward announced the creation of a new business line called Titan Risk Retention Group, which would reportedly “offer professional liability coverage to physicians and health care professionals practicing in 48 of the 50 states, protecting them from volatile prices and reducing costs” according to the company’s press release.<sup>103</sup>

### **Steward extracts an \$8 million bailout from Pennsylvania**

With the COVID-19 pandemic just around the corner, Steward’s outward appearance of a dynamic, fast-growing system was overshadowed by its unwieldy debt on paper. According to *WSJ*, “Steward’s year-end 2019 balance sheet showed liabilities exceeded assets by \$1.2 billion.”<sup>104</sup> *Bloomberg* reported that by early 2019, Steward was already being sued by multiple vendors for unpaid invoices.<sup>105</sup>

In March 2020, Steward sent a letter to Pennsylvania’s governor requesting a \$40 million bailout to prevent the closure of its Easton Hospital. With the pandemic underway, the state was preparing for a surge in patients, and Steward told the governor’s office that Easton Hospital would be forced to close and would “no longer be able to serve the community’s healthcare needs” without the money. Easton mayor Sal Panto told *WSJ*, “That’s how they kept the state hostage.” The state ultimately agreed to provide the hospital with \$8 million.<sup>106</sup>

Steward went on to sell Easton Hospital to St. Luke’s University Health Network in a \$15 million transaction in July 2020, according to a local newspaper.<sup>107</sup> The county’s property records show a \$62 million price tag paid to MPT for the property.<sup>108</sup>

**“With the COVID-19 pandemic just around the corner, Steward’s outward appearance of a dynamic, fast-growing system was overshadowed by its unwieldy debt on paper.”**



# Cerberus sells its stake in Steward as the COVID-19 Pandemic Takes Off

**IN THE EARLY DAYS OF THE COVID-19 PANDEMIC**, Cerberus began to make moves to exit from its investment in Steward. With Steward's finances in poor condition, *WSJ* reported that Cerberus was considering bringing the system into bankruptcy, according to a spokesperson from Steward (Cerberus disputed this claim).<sup>109</sup> Even with a bankruptcy, Cerberus would have already made a return on its original investment with its \$484 million dividend from the first sale-leaseback transaction with MPT, which nearly doubled its original \$246 million cash investment. But instead of taking the bankruptcy route, Cerberus worked with Steward executives and MPT to facilitate its exit alongside a \$400 million cash infusion for Steward that came in two parts.<sup>110</sup>

As described by the *WSJ*,

“Cerberus in spring 2020 effectively had MPT over a barrel. MPT, a real-estate investment trust based in Birmingham, Ala., had bet its future on Steward, which then accounted for about 30% of its revenue. MPT had put more than \$4 billion into Steward—about 25% of its total assets at the time—on its way to soon topping \$5 billion. Those assets mainly were the hospital buildings that MPT leased to Steward, but also included loans and a 9.9% ownership stake.”<sup>111</sup>

In May 2020, Cerberus issued a \$350 million promissory note due in five years to a group of Steward physician executives, including de la Torre, for its 90 percent ownership stake.<sup>112</sup> In a working paper, Batt, et al. explain how such a setup would ensure Cerberus would still gain whether the health system failed or not, because “if Steward were to head to bankruptcy, Cerberus would do better as a bondholder than a stockholder—as equity is frequently wiped out.”<sup>113</sup>

The \$400 million infusion came from two transactions with MPT in the summer of 2020. First, MPT formed a new joint venture with de la Torre and other Steward executives to buy Steward International using a \$205 million loan from MPT, despite the fact that the international business was only valued at \$27 million.<sup>114</sup>

Then, MPT forgave a \$750 million mortgage on two of the Utah hospitals and paid \$200 million to Steward for the hospitals.<sup>115</sup> According to *WSJ*, the cash infusion was done at Cerberus' behest; Cerberus explained that the cash infusion was to address severe stress the pandemic had placed on Steward, and that the Cerberus funds that owned the company “were not able to invest additional capital in Steward.”<sup>116</sup>

Despite the cash infusion and the \$675 million it received in pandemic-related federal grants and loans by September 2020,<sup>117</sup> Steward was still financially underperforming at the end of 2020; its liabilities exceeded assets by \$1.5 billion.<sup>118</sup> In December 2020, Steward closed Quincy Medical Center in Massachusetts, leaving the city of Quincy with no emergency room. And the system was still receiving complaints from nurses for understaffing, and at some of its hospitals had higher than average patient falls and hospital-acquired infections, as well as higher rates of readmissions.<sup>119</sup>

The troubling financial situation and growing reports of patient care issues did not deter Steward’s investors from siphoning more cash out of the system. In the first month of 2021, Steward borrowed \$335 million from MPT to buy the promissory note from Cerberus at a \$15 million discount, allowing Cerberus to fully exit Steward.<sup>120</sup> Steward then issued \$111 million in dividends to its new set of physician owners. De la Torre reportedly purchased a \$40 million yacht later that year.<sup>121</sup>

It appears Cerberus had the upper hand as it made its exit from the failing health system. By the time it fully exited in 2021, Cerberus had nearly quadrupled its returns—it made about \$800 million in the decade it owned Steward.<sup>122</sup> When bankruptcy finally arrived three and a half years later, it would be MPT and Steward executives taking the brunt of the scrutiny.



# The Road to Bankruptcy

**AFTER CERBERUS EXITED STEWARD**, it would be another three and a half years before the health system would declare bankruptcy. During this time, Steward bought six more hospitals with the help of MPT. But it also sold off assets, cut services and closed other hospitals, and periodically received loans from MPT and other lenders to help keep it afloat.

## Hospital acquisitions and construction amidst deteriorating finances

In August 2021, Steward bought five more hospitals in south Florida. Keeping with its usual practice, MPT acquired the real estate concurrently to then sell back to Steward. The price tag for the transaction was \$900 million, and it appears it went to the real estate alone.<sup>123</sup> The following year, Steward bought two hospitals—one in Arizona and one in Florida.<sup>124</sup> MPT bought the real estate for both hospitals for \$80 million.<sup>125</sup> MPT paid \$60 million for the Florida hospital, according to Miami-Dade property records, and it is still currently owned by MPT.<sup>126</sup> It appears Steward never opened this hospital. The hospital has been under construction and has multiple liens from unpaid contractors.<sup>127</sup>

Steward has other examples of paused construction and claims of payment issues from contractors, including Norwood Hospital in Massachusetts where a temporary hospital closure for renovations could be become permanent due to the system's insolvency.<sup>128</sup>

And in Texarkana, Texas, Steward announced in September 2021 that it had broken ground on construction of a \$227 million replacement facility for Wadley Regional Medical Center,<sup>129</sup> \$169 million of which would be provided by MPT.<sup>130</sup> In its quarterly report filed in May 2022, MPT reported having spent nearly \$57 million on the project so far.<sup>131</sup> Later that year, a local news site reported that the site was an empty field with blue fencing that had undergone minor land clearing, and work had been at a standstill.<sup>132</sup> (As of February 2024, construction on the property has been completely paused.)<sup>133</sup>

Even as Steward was hyping up a new hospital facility in Texas, it was moving to close another. Six months later, Steward closed Texas Vista Medical Center in San Antonio. According to *CBS*, the closure would "leave a population of about half a million people with just one full-service hospital which has 110 beds. The average nationwide ratio is 2.38 beds per 1,000 people. Texas Vista's closure will bring this area's ratio to 0.2 per 1,000."<sup>134</sup> The hospital was at least \$650,000 behind in payments to various vendors and was attempting to get out of its lease obligations with MPT prior to the closure.<sup>135</sup> 827 workers were laid off.<sup>136</sup>

In Utah, Steward also made a 2021 announcement that it would be constructing a hospital facility in St. George that would open in October 2023.<sup>137</sup> As of this writing, the hospital still has not opened.

In the years that Steward was acquiring more hospitals and announcing construction projects, it also faced lawsuits from the federal government. In June 2022, Steward settled a False Claims Act lawsuit with the Department of Justice for \$4.7 million<sup>138</sup> for alleged fraud that occurred mostly under Cerberus Capital's ownership.<sup>139</sup> A year and a half later the federal government filed its second False Claims Act lawsuit against Steward, alleging one of its Massachusetts hospitals engaged in Medicare fraud and violated anti-kickback statutes from January 2013 to March 2022.<sup>140</sup>

## Steward sells off more assets

Steward has sold off multiple assets since May 2020. It is unclear if any of these asset sales resulted in a net gain to Steward or how the proceeds of these asset sales were used.

When Cerberus was beginning its exit from Steward, Steward transferred ownership of its recently announced business line, Titan Risk Retention Group, which offered professional liability insurance, as well as its managed care plan, Steward Health Choice, to a limited liability company of CEO Ralph de la Torre's.<sup>141</sup>

In November 2022, Steward sold its value-based care business, an "integrated physician network and managed care contracting business" that included 1,800 primary care physicians, to CareMax, Inc. for \$25 million.<sup>142</sup> CareMax also issued 23.5 million shares of Class A Common Stock, valued at \$138.5 million, as part of the transaction.<sup>143</sup>

A few months later, Steward entered a definitive agreement to sell its Utah hospital operations to CommonSpirit Health, which continued to lease the real estate from MPT.<sup>144</sup>

Fast forward to 2024, and in January Steward sold its lab assets in Ohio and Pennsylvania to Quest Diagnostics for an undisclosed amount.<sup>145</sup> In March, Steward announced an agreement to sell its physician network, Stewardship Health, to UnitedHealth Group's Optum Care, although this sale has not yet been completed.<sup>146</sup>

## MPT brings in more private equity investors to Steward's real estate

In March 2022, MPT executed a \$1.7 billion recapitalization transaction in which one of Macquarie Asset Management's funds established a 50 percent stake in the real estate of eight of Steward's Massachusetts hospitals.<sup>147</sup> MPT reported \$1.3 billion in cash proceeds from the transaction.<sup>148</sup> A consortium made up of private equity firm Apollo Global Management and two of its affiliates, Athene Life and Annuities and Aspen Insurance Holdings, provided an approximately \$920 million loan for the transaction.<sup>149</sup> In MPT's 2022 annual filing with the Securities and Exchange Commission, it reported that the "partnership raised nonrecourse secured debt of 55% of asset value."<sup>150</sup>

If Apollo's loan represents 55 percent of the total value of the 8-hospital portfolio, then that implies the joint venture and lenders valued the hospitals at \$1.67 billion. Yet, the assessed value of the eight properties was substantially less at approximately \$350 million,<sup>151</sup> meaning the loan itself was 260 percent higher than the estimated assessment. If the joint venture were to default on this loan, Apollo and its two insurance companies could gain ownership of the eight Massachusetts hospitals.

And in a \$1.1 billion transaction in April, MPT sold a 75 percent stake in the real estate of Steward's former Utah hospitals to a newly formed joint venture with Blue Owl Capital for \$886 million.<sup>152</sup> MPT retained a 25 percent stake in the properties,<sup>153</sup> and the new joint venture took on \$190 million in non-recourse secured financing.<sup>154</sup> Blue Owl did not put out a press release for the transaction, and in MPT's press release it did not refer to Blue Owl by name.<sup>155</sup>



# On the Eve of Bankruptcy

**IN THE SUMMER OF 2023**, Steward refinanced a portion of its debt with a \$600 million loan from a consortium of private credit lenders.<sup>156</sup> MPT provided \$105 million in this syndicated asset-backed credit facility, and loaned Steward an additional \$40 million. MPT then sold its \$105 million interest to an undisclosed “global asset manager” for approximately \$100 million in August, with Steward owing the remaining \$5 million to MPT.<sup>157</sup>

That fall, state and federal officials declared that patients were in immediate jeopardy at Steward’s Good Samaritan Medical Center in Brockton, Massachusetts—where MNA had been warning officials since 2021 about critical understaffing and major safety issues in the emergency department.<sup>158</sup>

In December 2023, six months before Steward’s bankruptcy, the financial issues the system faced were starting to come to a head, and any scrutiny it was under from journalists and regulators was now amplified. That month, Steward informed Massachusetts regulators that it would close New England Sinai Hospital (which ultimately closed in April 2024).<sup>159</sup>

MPT’s annual filing with the SEC for the year ending December 31, 2023 reported that in the last quarter of 2023, Steward, its largest tenant accounting for 19.2 percent of its portfolio, had only paid \$16 million of its required \$70 million of rent and interest obligations.<sup>160</sup> In its filing, it also noted a \$211 million loan it had provided Steward, and the \$362 million loan to affiliates of Steward.<sup>161</sup>

In early 2024, Steward was the subject of a litany of news reports and opinion pieces. The *Boston Globe* reported how a new mother at St. Elizabeth’s hospital in Boston had died the previous fall after the medical device needed to stop her bleeding was unavailable because it had been repossessed weeks



before because the company that owned the medical device repossessed it.<sup>162</sup> The *Globe* also reported how the temporary closure of Norwood Hospital could become permanent because construction of the replacement facility had stopped. Steward reportedly was not paying its bills and there were multiple lawsuits concerning the unpaid bills.<sup>163</sup>

In January, MPT provided a \$60 million bridge loan to Steward.<sup>164</sup> The following month Steward reported it had secured a \$150 million bridge loan and planned to sell various assets to help stabilize its finances.<sup>165</sup> The loan came from many of the lenders who provided \$600 million in financing in the summer of 2023,<sup>166</sup> including MPT who provided \$37.5 million.<sup>167</sup> As part of the February bridge loan, the lenders agreed to extend Steward's forbearance period until April 30.<sup>168</sup>

*Healthcare Dive* reported that at least 35 lawsuits had been filed in the previous year against Steward alleging issues ranging from unpaid bills and falsified checks to the second False Claims Act lawsuit from the federal government. The outside policy counsel for the Massachusetts Health and Hospital Association, Larry Vernaglia, told *Healthcare Dive* "It's certainly uncommon to see such a volume—except, you know, when they're in financial distress, which is what appears to be the case here...Not all vendors are equally critical to the operations of a hospital. Not paying consultants – sad. Not paying your nurse staffing company when you need them to run the third floor. That's bad."<sup>169</sup>

At the end of January, the Massachusetts Department of Public Health began conducting daily site inspections at some of Steward's hospitals to ensure patient safety.<sup>170</sup>

In Florida, Steward cut its obstetrics services, including the neonatal unit and labor and delivery, at North Shore Medical Center.<sup>171</sup> And in Texas it closed the entire Medical Center of Southeast Texas's Beaumont campus.<sup>172</sup> Glenwood Regional Medical Center in Louisiana was at risk for closure from the Centers for Medicare and Medicaid services for three "immediate jeopardy" citations. In March its entire rehabilitation unit closed. Louisiana state lawmakers held a hearing over the financial and patient care crisis at Glenwood, where various clinicians testified about the state of the hospital, describing how financial distress had resulted in patient harm.<sup>173</sup>

In Massachusetts, The *Boston Globe* also reported that Steward's hospitals were "paid the same as or better than many Massachusetts hospital systems for the medical care they provide," despite the fact that Steward executives had "repeatedly blamed the financial disaster unfolding at their Massachusetts hospitals on stingy payments from health insurers."<sup>174</sup> Governor Maura Healey told the *Globe* that Steward's argument about insufficient insurance payments was "laughable."<sup>175</sup>

Governor Healey's office was publicly calling on Steward to exit the state "as soon as possible" and hand the facilities over to other licensed healthcare operators.<sup>176</sup> Healey, the then Attorney General in 2015 who oversaw the report where Steward was found to be in compliance with the conditions imposed on it during its five-year monitoring period, called Steward a "house of cards and a charade" in an interview with press.<sup>177</sup> As mentioned in an earlier section of the report, Healey demanded in February 2024 that Steward produce audited financial statements "that are required of other health care systems, but that Steward has refused to submit for years."<sup>178</sup> *GBH News* reported that "the governor said that the hospital system did not produce records signed by an auditor because she suspects no auditor was willing to sign off on them."<sup>179</sup>

A *Boston Globe* article published in February pointed out that Governor Healey had issued a warning about Steward's finances in 2015 when she was then Attorney General. Yet there was little accountability from regulators even as evidence of Steward's financial problems grew and unions like MNA raised the alarm. The article highlighted de la Torre's numerous political campaign contributions to various Massachusetts politicians over the years, reporting that "de la Torre has also contributed a total of \$3,000 to Healey's campaigns for attorney general and governor. A Healey spokesperson declined to comment on contributions."<sup>180</sup>

Massachusetts Senators Ed Markey and Elizabeth Warren sent letters to [Cerberus Capital Management](#) and [Ralph de la Torre](#) in February and March 2024, respectively, requesting information about how both had contributed to Steward's financial situation.<sup>181</sup> De la Torre did not respond; Cerberus provided [a five page response](#) in which it did not disclose specifics about the dividends it extracted. It claimed that:  
"Throughout the entire time of CCM Funds' ownership of Steward, its hospitals and facilities were, to our best knowledge, managed with the capital and liquidity to provide the highest quality care possible. At the time control was passed to Steward's management, Steward was financially healthy with substantial liquidity and in compliance with its financial covenants."<sup>182</sup>

In April, The Senate Health, Educations, Labor, and Pensions (HELP) Subcommittee on Primary Health and Retirement Security held a field hearing in Boston on corporate greed in healthcare, in which witnesses provide scathing critiques of Steward Healthcare and Cerberus Capital Management.<sup>183</sup> Ralph de La Torre was invited as a witness but declined to participate.<sup>184</sup> Later that month, Senators Markey and Warren called on MPT and Macquarie Asset Management "to reduce lease payments or terminate their leases to enable new owners to buy the financially squeezed hospitals."<sup>185</sup> They also sent letters to Steward's creditors asking them to modify Steward's loan terms to help keep the hospitals running.<sup>186</sup>

Despite the eleventh-hour efforts by regulators and politicians to stave off a bankruptcy, the train had already left the station.

### **Even on the eve of bankruptcy, Steward pays its rent on the Massachusetts joint venture**

Despite Steward's serious financial troubles in early 2024, MPT reported to its investors that Steward paid \$29 million in rent for the first quarter of 2024 on the Massachusetts hospital portfolio, owned by the Macquarie and MPT joint venture, and securing the \$920 million loan from Apollo Global Management and its affiliates. Meanwhile, the rest of the portfolio, consisting of approximately triple the number of hospitals, only paid \$11 million for the same time period.<sup>187</sup>

MPT owns the real estate of at least 33 Lifepoint Health, ScionHealth, and Springstone hospitals,<sup>188</sup> which are in turn owned by Apollo Global Management.<sup>189</sup> In the first quarter of 2024, MPT sold its minority stake in Springstone to Lifepoint for \$12 million.<sup>190</sup>

Considering the magnitude of unpaid bills and unpaid vendors Steward had on the eve of its bankruptcy,<sup>191</sup> Steward's ability to prioritize rent on the Massachusetts joint venture to which Apollo has a financial interest is noteworthy.<sup>192</sup>

# The Bankruptcy

**ON MAY 6, 2024, STEWARD FILED FOR CHAPTER 11 BANKRUPTCY** in the Southern District of Texas bankruptcy court, Houston Division,<sup>193</sup> reporting more than \$9 billion in liabilities. Long term lease liabilities accounted for the largest portion of debt (\$6.6 billion). It owed nearly \$1 billion to vendors and medical suppliers, had \$1.2 billion in loan debts, and owed nearly \$290 million in unpaid compensation to employees and staffing firms.<sup>194</sup> Steward's bankruptcy is one of the largest hospital bankruptcies in decades.<sup>195</sup>

The bankruptcy court overseeing Steward's case is a "scandal-plagued" and "notoriously 'debtor-friendly' court," as described by the *American Prospect*. The court has also overseen the bankruptcies of private equity-owned [Pipeline Health](#) and [Corizon/YesCare](#) in recent years.<sup>196</sup> Steward moved its headquarters to Texas in 2018,<sup>197</sup> allowing it to utilize the infamous court for its bankruptcy.

In line with its previous pattern of propping up Steward, MPT agreed to provide Steward with \$75 million in debtor-in-possession (DIP) financing.<sup>198</sup> DIP financing provides liquidity to companies during a Chapter 11 bankruptcy so they can continue operating, and often allows the DIP lender to have priority over other lenders in getting its money back. *Healthcare Dive* quoted a bankruptcy expert, Laura Coordes, explaining how it was "notable" that the five other lenders from the August 2023 \$600 million loan and the second \$150 million bridge loan in February 2024 were not also providing DIP financing. She told *Healthcare Dive*, that "Something went on to get these other lenders to drop out."<sup>199</sup>

In order to remain operational during bankruptcy proceedings, Steward needed more financing. However, MPT ultimately declined to provide Steward with additional funds. On June 11, Steward secured \$225 million in DIP financing from a consortium of lenders from which it had previously received financing, and from which it had sought more financing in March 2024, according to *Healthcare Dive*.<sup>200</sup>



Because Steward is a hospital system, regulators may exercise more influence over the bankruptcy than is typical, with the goal of protecting public health. As reported by *WSJ*, this could create conflicts between regulators, like the MA Attorney General's Office, and creditors like MPT.<sup>201</sup>

On May 28, the Department of Justice (DOJ) entered the fray and submitted an objection to MPT's DIP financing terms, arguing the terms could interfere with the agency's regulatory rights in performing antitrust review of Steward's physician network to Optum.<sup>202</sup> It remains to be seen how the court will rule on this.

In MPT's earnings call held a few days after Steward's bankruptcy filing, multiple analysts had questions about the bankruptcy. In its opening statement, MPT's CEO Edward Aldag shared that "While we've seen a great deal of misinformation recently reported about our business model, the fact remains that MPT provides hospital operators permanent and affordable capital enabling them to redirect the substantial cash resources that would otherwise be used for real estate to their primary mission, healing patients."<sup>203</sup> He also stated that rent was not listed as factor in Steward's bankruptcy,<sup>204</sup> leaving out the fact that \$6.6 billion<sup>205</sup> of Steward's approximate \$9 billion in liabilities was long term lease obligations.

Steward's hospitals face great uncertainty as the bankruptcy plays out. Most of the hospitals are scheduled to be auctioned in July,<sup>206</sup> and the Florida and Texas hospitals in August.<sup>207</sup> If there are no buyers available, some hospitals may close.<sup>208</sup> Despite MPT's public optimism about finding new tenants for the hospitals,<sup>209</sup> some experts are skeptical that buyers would be interested in purchasing hospitals that do not own their real estate and have substantial lease liabilities.<sup>210</sup>

The business model in which Steward does not own its hospitals and land has introduced more complications into the bankruptcy proceedings and hospital sales. Steward has petitioned the bankruptcy court to sever master leases with MPT in certain cases, especially for undeveloped land and buildings currently not in use.<sup>211</sup> It has also sought mediation with MPT and lenders over the land value of the 30 open hospitals owned by MPT. According to *Bloomberg Law*, Steward is seeking "mediation to establish a framework for allocating, between MPT and Steward, the proceeds from asset and lease sales. The company is also aiming to resolve challenges by creditors to the leases, according to the filing."<sup>212</sup>

In Massachusetts, the state is already weighing how to handle potential closures. The Massachusetts Nurses Association (MNA) has reported that in Massachusetts, the Healey "administration may consider it acceptable collateral damage if some hospitals do not survive." The press release cites three Steward hospitals—Carney Hospital, Holy Family Hospital in Haverhill, and Nashoba Valley Medical Center—that the state appears willing to write off, and raises questions about Norwood Hospital, which is still temporarily closed due to construction.<sup>213</sup>

# Conclusion and Policy Recommendations

**WITH THE HELP OF MEDICAL PROPERTIES TRUST**, Cerberus Capital Management made at least \$800 million from a struggling health system that ultimately ended up in bankruptcy. Steward owners siphoned out at least \$111 million more. At least 2,650 workers have lost jobs because of Steward's hospital closures and service cuts. Patient care has suffered at many hospitals, and some communities have lost hospitals or important healthcare services because of Steward's financial mismanagement.

The story of Steward is filled with preventable tragedies. Our health system allowed Cerberus Capital Management, Steward healthcare executives, and Medical Properties Trust (MPT) to pillage a hospital system that cut services, closed hospitals, laid off workers, and ultimately ended up in bankruptcy.

As Steward was heading toward bankruptcy, regulators and politicians were scrambling for more information and for ways they could keep hospitals open, including sending letters to Steward's lenders asking them to help keep the hospitals afloat, sending letters to the landlords to reduce rents and find new operators, demanding that Steward provide audited finances, and requesting that Steward hand over operations to another health system. But at the end of the day, these were all requests. Regulators did not succeed in stopping the runaway train that Steward had become.

That's because Steward Health Care operated in a regulatory landscape that permitted various types of pillaging by private equity investors, hospital landlords, and healthcare executives. Regardless of whether Steward or its investors broke the law, they did implement various legal business practices, such as extractive dividend payouts and sale-leasebacks, that threatened the financial viability of the system.

In Massachusetts, regulators missed opportunities, first in 2010 when they approved Steward's acquisition with insufficient conditions despite community concern, and again in 2015 when they released Steward from continued monitoring. Unions and journalists were sounding the alarm for years about the condition of Steward hospitals, and yet state regulators where Steward operated failed to prevent the system's failure. Even as evidence mounted of the legal forms of plunder Steward and its investors were engaging in, state policymakers did not pass legislation that would have created more accountability and remedy the situation.

Steward's patient care crisis, closures and cuts, and May 2024 bankruptcy demonstrate how the US healthcare system has routinely failed millions of patients and workers. If policymakers do not act now to pass legislation to prevent a similar crisis, this will only happen again. The fact that a parallel crisis is occurring with formerly private equity-owned Prospect Medical Holdings at its Connecticut and Pennsylvania hospitals is telling<sup>214</sup>—Steward's financial distress is unfortunately not an outlier. It is the logical result of a failed regulatory landscape that has allowed private equity firms and hospital landlords to plunder US healthcare.

The Arizona Attorney General, Kris Mayes, has announced an investigation into Steward Health Care,<sup>215</sup> and the Massachusetts Attorney General, Joy Campbell, has signaled pursuing Steward if it is found to have broken any laws<sup>216</sup> It is also likely that MPT is involved in an ongoing Securities and Exchange Commission (SEC) investigation.<sup>217</sup> If regulators discover that Steward or its current and former investors broke any laws, it is critical that such laws are enforced to their fullest extent. In addition to accountability for those responsible, policymakers need to step up and pass legislation that can prevent another case like Steward from happening.

## POLICY RECOMMENDATIONS

The Private Equity Stakeholder Project has the following policy recommendations to help prevent future pillaging:

### State legislatures must pass laws to:

- **Create a robust set of change-of-ownership regulations for healthcare facilities** that give the state the authority to approve or deny transactions based on multiple factors, including cost and market share, long term access to quality healthcare for the community, and preservation of jobs and collective bargaining rights. Rhode Island's [Hospital Conversions Act](#) is a good starting place.
- **Require full financial transparency of licensed hospital operators and their investors, including private equity firms, real estate investment trusts (REITs), and other shareholders.** States should have statutory requirements for all hospitals and health systems to produce annual, audited financial disclosures to the state, including for their parent company(ies) and any subsidiaries.
  - These laws must be enforceable and have real consequences for noncompliance. As we have seen with the case of Steward, fines were not adequate deterrents. Businesses should lose their licenses to operate hospitals and be permanently barred from acquiring or opening new facilities if they demonstrate a pattern of noncompliance.
- **Require that acute care hospital operators offer a minimum package of services,** including emergency care and labor and delivery services, in order to maintain or be granted a license to operate.
- **Give the state the authority to put hospitals in receivership in the event of mismanagement by their owners,** in order to protect access to healthcare for the communities the hospital serves. States should implement a tax on for-profit providers to fund state receivership.
- **Bar hospital investors from paying themselves debt-funded dividends from health systems** (also called dividend recapitalizations) or dividends from real estate sales. If dividends are allowed, they should only be paid as a percentage of overall profit, and may not be funded by taking on additional debt or lease liabilities. Investors should be able to prove that the dividends can be funded without impacting the short -and long-term financial viability of the hospital/health system.

- **Ban or place limits on sale-leasebacks and similar types of real estate transactions** involving hospital real estate, for all types of hospitals.
  - If sale-leasebacks are permitted, the state should have the authority to approve or deny the transaction, and there should be limits or bans on their proceeds being used for investor payments; requirements for the health system and investors to prove that transaction will not negatively impact the short- and long-term sustainability of the system; a requirement for the state to commission an independent valuation of the property; and a requirement for a certain percentage of the proceeds to go toward capital improvements in the hospital(s).
  - Triple net leases for hospital real estate, which require the tenant to pay property taxes, property insurance and maintenance, should be outright banned.
- **Place limits on the amount of debt used to finance hospital buyouts.**
- **Have joint liability and several liability for corporate owners and investors of hospital systems** (both operations and real estate). This would mean that if the hospital was sued for violations of the False Claims Act, a right of action would automatically exist against the private equity owner(s), landlord, and other investors.
- **Place limits on management fees.** Investor owners may not charge arbitrary fees to hospital companies, such as management fees for services not provided. Management fees should be completely illegal if they're for services unrendered (or to be rendered in the future—i.e. charging a company management fees for the next five years). Investors should have to report management fees collected from hospital portfolio companies (and for what services rendered and when) to state regulators

The aforementioned policy recommendations could go far in reigning in the most exploitative business practices of private equity firms, hospital landlords, and other investors in US hospitals. However, in an underregulated for-profit healthcare system, private players—be they for-profit hospitals, insurers, hospital landlords, or medical staffing companies—will continue to dictate access to and quality of health care unless our society shifts to treat healthcare as a public good and a human right.

The lack of direct public investment into safety net hospitals and our larger healthcare system creates openings for for-profit companies, including those that are private equity-owned, to invest in healthcare. While in the current system, private investment is often needed in the short term to keep certain hospitals open, it can often be extractive and fail to strengthen health systems in the long term. Time and time again, aspects of our healthcare system defy the market-based assumptions that underly so many health policies.

Safety net hospitals that serve populations that are disproportionately uninsured or underinsured, especially, can be harmed by market-based and market-focused solutions, because such hospitals are often inherently unprofitable. At the minimum, states, with the help of the federal government, should invest directly in safety net hospitals and bar them from being for-profit. Direct public investment must come with guidelines and strict accountability measures, and limit extractive practices from for-profit interests, such as private equity firms, healthcare REITs, private insurers, physician staffing groups, medical staffing agencies, and vendors. With proper measures in place, public investment can preserve and even expand access to healthcare, including life-saving care.



# Appendices

## Appendix A: LIST OF CURRENT, SOLD, AND CLOSED STEWARD HOSPITALS IN THE UNITED STATES


Note that dates in which MPT acquired real estate are taken directly from MPT's filings with the SEC.

Hospital	State	Ownership status	Year acquired	Previous owner	Real estate owner	Date MPT acquired real estate	Notes
Wadley Regional Medical Center at Hope	AR	Current	2017	IASIS	MPT	9/29/2017	
Steward Mesa Hospital	AZ	Current (part of Mountain Vista campus)	2022	Abrazo Health	MPT	4/18/2022	
Florence Hospital	AZ	Current	2019	New Vision Health/ bankruptcy	MPT	2/7/2012	Real estate sold to MPT under Ernest Health's ownership.
Mountain Vista Medical Center	AZ	Current	2017	IASIS	MPT	9/30/2013	Sale-leaseback occurred under IASIS/TPG's ownership.
St. Luke's Behavioral Health Center	AZ	Current	2017	IASIS	MPT	9/26/2017	
St. Luke's Medical Center	AZ	Closed	2017	IASIS	MPT	9/29/2017	Closed on 11/24/2019. 655 associated job displacements.
Tempe St. Luke's Hospital	AZ	Current	2017	IASIS	MPT	9/29/2017	
Pikes Peak Regional Hospital	CO	Former—Sold	2017	IASIS	MPT	9/29/2017	Real estate no longer owned by MPT according to MPT's current property list.
Melbourne Regional Medical Center	FL	Current	2017	Community Health Systems	MPT	5/1/2017	
Sebastian River Medical Center	FL	Current	2017	Community Health Systems	MPT	5/1/2017	
Coral Gables Hospital	FL	Current	2021	Tenet	MPT	8/1/2021	
Hialeah Hospital	FL	Current	2021	Tenet	MPT	8/1/2021	
North Shore Medical Center	FL	Current	2021	Tenet	MPT	8/1/2021	
Palmetto General Hospital	FL	Current	2021	Tenet	MPT	8/1/2021	
Rockledge Hospital	FL	Current	2017	Community Health Systems	MPT	5/1/2017	
Florida Medical Center	FL	Current	2021	Tenet	MPT	8/1/2021	

Glenwood Regional Medical Center	LA	Current	2017	IASIS	MPT	9/30/2013	Sale-leaseback occurred under IASIS/TPG's ownership. The Glenwood Rehabilitation Center was located within Glenwood Regional Medical Center. It closed in March 2024.
Carney Hospital	MA	Current	2010	Caritas Christi	MPT/ Macquarie	10/3/2016; 10/5/2018	Property was first mortgaged by MPT in 2016 (10/3/2016). In 2018 MPT extinguished the mortgage & created a lease arrangement.
Good Samaritan Medical Center	MA	Current	2010	Caritas Christi	MPT/ Macquarie	10/3/2016	
Holy Family Hospital—Methuen	MA	Current	2010	Caritas Christi	MPT/ Macquarie	10/3/2016	
Holy Family Hospital—Haverhill	MA	Current	2010	Caritas Christi	MPT/ Macquarie	10/3/2016; 9/13/2018	Property was first mortgaged by MPT in 2016 (10/3/2016). In 2018 MPT extinguished the mortgage & created a lease arrangement.
Merrimack Valley Hospital	MA	<i>Merged</i>	2011	Essent Healthcare	N/A	N/A	Merged with Holy Family Hospital—Haverhill in 2014.
Morton Hospital	MA	Current	2011	Independent	MPT/ Macquarie	10/3/2016	
Nashoba Valley Medical Center	MA	Current	2011	Essent Healthcare	MPT/ Macquarie	10/3/2016; 6/27/2018	Property was first mortgaged by MPT in 2016 (10/3/2016). In 2018 MPT extinguished the mortgage & created a lease arrangement.
New England Sinai Hospital	MA	Closed	2012		Sila Realty Trust	12/23/2014	The hospital closed on 4/2/2024.
Norwood Hospital	MA	Temporarily closed for construction of new building	2010	Caritas Christi	MPT	10/3/2016; 6/27/2018	Property was first mortgaged by MPT in 2016 (10/3/2016). In 2018 MPT extinguished the mortgage & created a lease arrangement. The temporary closure of Norwood Hospital may become permanent because construction of the replacement facility has stopped. As of February 2024, Steward reportedly was not paying its bills and there are multiple liens on the property.
Saint Anne's Hospital	MA	Current	2010	Caritas Christi	MPT/ Macquarie	10/3/2016	
St Elizabeth's Medical Center	MA	Current	2010	Caritas Christi	MPT/ Macquarie	10/3/2016	

Quincy Medical Center	MA	Closed	2011	Independent/ bankruptcy	FoxRock Properties	12/8/2016	In 2014 all services were cut except emergency services. Steward had tried to close the entire hospital but Massachusetts regulators would not permit it to do so. The hospital officially closed on 11/1/2020. There were approximately 700 job losses related to the 2014 closure.
Northside Regional Medical Center	OH	Closed	2017	Community Health Systems	MPT	5/1/2017	Closed on 9/17/2018. There were 468 layoffs.
Hillside Rehabilitation Hospital	OH	Current	2017	Community Health Systems	MPT	5/1/2017	
Trumbull Regional Medical Center	OH	Current	2017	Community Health Systems	MPT	5/1/2017	
Sharon Regional Health System	PA	Current	2017	Community Health Systems	MPT	5/1/2017	
Easton Hospital	PA	Former—Sold	2017	Community Health Systems	MPT	5/1/2017	MPT sold the real estate in July 2020 for \$60 million.
Odessa Regional Medical Center	TX	Current	2017	IASIS	MPT	9/29/2017	
Scenic Mountain Medical Center	TX	Current	2019	Scenic Mountain Medical Group	MPT	4/12/2019	
St. Joseph Medical Center	TX	Current	2017	IASIS	MPT	9/29/2017	
Texas Vista Medical Center	TX	Closed	2017	IASIS	MPT	9/29/2017	Closed on 5/1/2023. There were 827 associated layoffs/job displacements.
Medical Center SE Texas - Port Arthur	TX	Current	2017	IASIS	MPT	9/26/2013	Sale-leaseback occurred under IASIS/TPG's ownership.
Medical Center SE Texas - Beaumont	TX	Closed	2017	IASIS	MPT	9/29/2017	Closed on 2/2/2024.
Wadley Regional Medical Center	TX	Current	2017	IASIS	MPT	9/29/2017	
Davis Hospital and Medical Center	UT	Former—Sold	2017	IASIS	MPT	9/29/2017	Steward sold the Utah hospital operations to CommonSpirit in 2023, which retained the lease with MPT. MPT sold its majority stake in the real estate to Blue Owl Capital in 2024.
Jordan Valley Medical Center - West Jordan	UT	Former—Sold	2017	IASIS	MPT	9/29/2017	
Salt Lake Regional Medical Center	UT	Former—Sold	2017	IASIS	MPT	9/29/2017	
Jordan Valley Regional Medical Center - West Valley	UT	Former—Sold	2017	IASIS	MPT	4/22/2008	
Mountain Point Medical Center	UT	Former—Sold	2017	IASIS	MPT	9/29/2017	

## Appendix B: A TIMELINE OF STEWARD HEALTH CARE

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- Nov. 2010** ● Cerberus Capital Management, through a newly formed company called Steward Health Care, acquires six Massachusetts hospitals from nonprofit Caritas Christi Health Care in a leveraged buyout. The overall deal is valued at \$895 million.<sup>218</sup> Of the \$895 million price tag, \$475 million is assumed debt and pension liabilities<sup>219</sup> and a reported leveraged buyout cost of \$420 million. Cerberus only puts up \$246 million in cash,<sup>220</sup> approximately 27 percent of the deal value. Massachusetts regulators approve the deal, but impose multiple conditions including a five-year monitoring period.<sup>221</sup>
- May 2011** ● Steward acquires Nashoba Valley Medical Center and Merrimack Valley Hospital from Essent Healthcare.<sup>222</sup>
- Sept. 2011** ● Steward acquires Quincy Medical Center and Morton Hospital in Massachusetts.<sup>223</sup>
- April 2012** ● Steward sells 13 medical office buildings to Healthcare Trust of America, an Arizona-based real estate investment trust (REIT), for \$100 million.<sup>224</sup>
- Sept. 2012** ● Steward acquires New England Sinai Hospital in Stoughton, Massachusetts.<sup>225</sup>
- July 2013** ● Morton Hospital in Taunton, Massachusetts, closes its pediatric ward.<sup>226</sup>
- March 2014** ● Steward announces it will merge Merrimack Valley Hospital with Holy Family Hospital in Haverhill, Massachusetts.<sup>227</sup>
- Nov. 2014** ● Steward announces it plans to close Quincy Medical Center, three years after acquiring it.<sup>228</sup> Steward made an agreement with the Massachusetts Attorney General when it acquired the hospital to keep the hospital open for at least six and a half years and give 18 months' notice before shutting it down.<sup>229</sup> Typical regulations require 90 days' notice and a public hearing before a hospital closure. The closure results in the displacement of 700 jobs.<sup>230</sup>
- Dec. 2014** ●
- Steward fails to provide consolidated financial statements to Massachusetts regulators, racking up \$1,000 per week in fines.<sup>231</sup>
  - Steward closes all services but the Emergency Department at Quincy Medical Center. It had attempted to close the whole hospital, but regulators required it to keep emergency services open.<sup>232</sup>
  - Steward sells the real estate of New England Sinai Hospital in a \$23.5 million sale-leaseback transaction with Sila Realty Trust.<sup>233</sup>
- Jan. 2016** ● Steward sells two vacant properties in Massachusetts for \$21 million, reportedly to pay down some debt.<sup>234</sup>

- Sept. 2016** ● Steward and MPT execute a \$1.2 billion real estate acquisition deal for nine of its Massachusetts hospitals. MPT makes an additional \$50 million equity investment in Steward and commits to providing \$1 billion in future Steward hospital acquisitions.<sup>235</sup> At least \$484 million of the deal is used to pay dividends to investors.<sup>236</sup>

  - Four of the hospitals are mortgaged by MPT: Carney Hospital, Holy Family (Haverhill), Norwood Hospital, and Nashoba Valley Medical Center. The remaining five undergo sale-leaseback deals: Good Samaritan, Sant Anne's, Holy Family (Methuen), Morton Hospital, and St. Elizabeth's.<sup>237</sup>
- Oct. 2016** ● MPT issues 10.3 million shares of common stock to Cerberus Capital Management and members of Steward management, generating proceeds of \$150 million.<sup>238</sup>
- Nov. 2016** ● Steward acquires Central Massachusetts Independent Physician Association in a leveraged buyout for an undisclosed amount.<sup>239</sup>
- Dec. 2016** ● Steward sells Quincy Medical Center's real estate in Massachusetts to FoxRock Properties. According to the *Patriot Ledger*, FoxRock acquired the property for less than half what Steward paid for it through Bankruptcy Court in 2011; the property was valued for "tax purposes at \$42.1 million—about three-and-a-half times the amount FoxRock paid for it."<sup>240</sup>
- May 2017** ● In a \$304 million transaction in which 99 percent is paid by MPT, Steward acquires eight hospitals from Community Health Systems, marking the beginning of its expansion outside of Massachusetts. The hospitals are located in Florida, Ohio, and Pennsylvania.<sup>241</sup> MPT effectively finances the transaction by acquiring the real estate of all the hospitals for \$301.3 million to lease back to Steward.<sup>242</sup>
- Sept. 2017** ●

  - In a [deal](#) first announced in May 2017,<sup>243</sup> Steward acquires 18 hospitals from IASIS Healthcare, a health system owned by private equity firm TPG.<sup>244</sup> This transaction expands Steward's footprint to Arizona, Arkansas, Colorado, Louisiana, Texas, and Utah, and transforms it into the largest for-profit private hospital chain in the US.<sup>245</sup> As part of the transaction, MPT purchases the real estate of the Arkansas facility, three of the Arizona facilities, three Texas facilities, and four of the five Utah properties from IASIS in a \$1.4 billion transaction. This transaction is comprised of a \$700 million sale-leaseback and \$700 million mortgage, of which Steward will assume lease and mortgage payments.<sup>246</sup> An additional four of the hospitals purchased from IASIS already underwent sale-leasebacks with MPT under the ownership of IASIS,<sup>247</sup> and MPT will continue to own and lease that real estate to Steward.
  - MPT also makes a \$100 million equity investment in Steward.<sup>248</sup>
- Nov. 2017** ● Steward sues Massachusetts state officials to avoid financial disclosures after it has racked up at least \$300,000 in fines for violating state regulations. *Becker's Hospital Review* reports "Steward filed heavily redacted annual financial reports for 2014 and 2015 with [Center for Health Information and Analysis] and reported no information for 2016. According to *The Boston Globe*, Steward is the only organization that has repeatedly failed to submit the financial information to CHIA."<sup>249</sup>

- Feb. 2018** ● Steward announces a public-private partnership with the country of Malta to operate various government owned facilities, as well as open a satellite medical and dental school, launching Steward International.<sup>250</sup>
- March 2018** ●
  - Steward's Morton Hospital in Taunton, Massachusetts cuts maternity services, which will mean pregnant patients will need to travel 20 miles to have their babies at Steward's Good Samaritan Hospital in Brockton. According to the Boston Globe, the cuts "could pose a hardship in a city where poverty is higher and incomes are lower than they are statewide, and patients may lack easy access to transportation."<sup>251</sup>
  - MPT sells the real estate of Steward's St. Joseph Hospital in Houston back to Steward for \$148 million in exchange for a mortgage loan of the same amount.<sup>252</sup>
- Aug. 2018** ● Steward moves its headquarters from Boston, MA to Dallas, TX.<sup>253</sup>
- Sept. 2018** ● Steward closes Northside Regional Medical Center in Youngstown, Ohio, resulting in the layoffs of at least 468 workers<sup>254</sup> and the loss of the city's only labor and delivery unit.<sup>255</sup>
- Feb. 2019** ● Steward announces the creation of a new business line called Titan Risk Retention Group, which will "offer professional liability coverage to physicians and health care professionals practicing in 48 of the 50 states, protecting them from volatile prices and reducing costs" according to the company's press release.<sup>256</sup>
- April 2019** ● Steward acquires Scenic Mountain Medical Center in Big Spring, Texas.<sup>257</sup> MPT acquires the real estate concurrently.<sup>258</sup>
- Sept. 2019** ● Steward opens Florence Hospital in Arizona.<sup>259</sup> MPT already owns the real estate of this hospital,<sup>260</sup> which went bankrupt in 2018 when its operations were owned by New Vision Health.<sup>261</sup>
- Nov. 2019** ● Steward closes St. Luke's Medical Center in Phoenix, Arizona, resulting in the layoffs of 655 workers.<sup>262</sup>
- March 2020** ● Steward writes a letter to Pennsylvania's Governor requesting a \$40 million bailout to prevent the closure of its Easton Hospital. With the pandemic underway, the state was preparing for a surge in patients. Easton mayor Sal Panto told *WSJ*, "That's how they kept the state hostage." The state ultimately agreed to provide the hospital with \$8 million.<sup>263</sup>
- May 2020** ●
  - Cerberus begins its exit from Steward Health Care, with the help of MPT. First, Cerberus issues a promissory note due in five years to a group of Steward physician executives, including de la Torre, for its 90 percent ownership stake.<sup>264</sup>
  - The Arizona Division of Insurance approves Steward CEO Ralph De La Torre's and his holding company's acquisition of Titan Risk Retention Group and Steward Health Choice, Inc., two of Steward's business lines.<sup>265</sup>

- July 2020** ● Steward sells Easton Hospital in Pennsylvania to St. Luke's University Health Network for \$15 million.<sup>266</sup> MPT receives \$62 million for the property.<sup>267</sup>
- Summer 2020** ● MPT provides a \$400 million cash infusion into Steward at Cerberus' behest. First, MPT forms a new joint venture with de la Torre and other Steward executives to buy Steward International using a \$205 million loan from MPT, despite the fact that the international business is only valued at \$27 million.<sup>268</sup> Then, MPT forgives a \$750 million mortgage on two of the Utah hospitals and pays \$200 million to Steward for the hospitals.<sup>269</sup>
- Sept. 2020** ● *Bloomberg* reports that Steward Health Care has received \$675 million in federal pandemic-related loans and grants.<sup>270</sup>
- Nov. 2020** ● Quincy Medical Center in Massachusetts permanently closes its emergency department, leaving the city of Quincy with no emergency room.<sup>271</sup>
- Jan. 2021** ●
  - MPT provides a \$335 million loan to affiliates of Steward,<sup>272</sup> used by Steward executives to buy Cerberus' note at a \$15 million discount. Cerberus fully exits its Steward investment.<sup>273</sup>
  - Steward pays a \$111 million dividend to its new physician owners.<sup>274</sup>
- March 2021** ● Steward announces plans to build a new hospital in St. George, Utah that will reportedly open by October 2023.<sup>275</sup> (As of this writing, the hospital has not opened).<sup>276</sup>
- May 2021** ● Steward announces \$92 million in planned renovations at St. Joseph Medical Center in Houston, Texas.<sup>277</sup>
- Aug. 2021** ● Steward buys five more hospitals in south Florida. Keeping with its usual practice, MPT acquires the real estate concurrently to then sell back to Steward. The price tag for the transaction is \$900 million, and it appears it went to the real estate alone.<sup>278</sup>
- March 2022** ● MPT executes a \$1.7 billion recapitalization transaction for eight of Steward's Massachusetts hospitals in which one of Macquarie Asset Management's funds establishes a 50 percent stake in the real estate of eight of Steward's Massachusetts general acute care hospitals.<sup>279</sup> Apollo Global Management and its affiliates provide a \$920 million loan for the transaction,<sup>280</sup> which is secured by the hospitals.<sup>281</sup> MPT reports \$1.3 billion in cash proceeds from the transaction.<sup>282</sup>
- April 2022** ● Steward acquires Abrazo Mesa Hospital in Arizona and renames it Steward Mesa Hospital.<sup>283</sup> It also acquires a closed hospital facility in Miami, Florida, although it never opens it. MPT pays \$80 million for the two properties,<sup>284</sup> \$60 million of which goes to the Florida hospital.<sup>285</sup>
- June 10, 2022** ● Steward agrees to pay \$4.7 million to resolve allegations of False Claims Act violations related to one of its Massachusetts hospitals.<sup>286</sup>

- Nov. 2022** ● Steward sells its value-based care business, an “integrated physician network and managed care contracting business” that includes 1,800 primary care physicians, to CareMax, Inc. for \$25 million.<sup>287</sup> CareMax also issues 23.5 million shares of Class A Common Stock, valued at \$138.5 million, as part of the transaction.<sup>288</sup> As part of the deal, Steward Health Care and CareMax enter “into an exclusive access agreement pursuant to which [Steward Health Care Network] is required to exclusively make its participating provider network available to CareMax for the provision of services to MA members under MA risk agreements for an initial period of ten years..”<sup>289</sup>
- Feb. 2023** ● CommonSpirit Health enters a definitive agreement with Steward Health Care to purchase Steward’s Utah hospital operations (five hospitals in total) and lease the real estate from MPT.<sup>290</sup>
- April 2023** ● Steward closes Texas Vista Medical Center in San Antonio, Texas. According to *CBS*, the closure “will leave a population of about half a million people with just one full-service hospital which has 110 beds. The average nationwide ratio is 2.38 beds per 1,000 people. Texas Vista’s closure will bring this area’s ratio to 0.2 per 1,000.”<sup>291</sup> The hospital was at least \$650,000 behind in payments to various vendors and was attempting to get out of its lease obligations with MPT prior to the closure.<sup>292</sup> 827 workers were laid off.<sup>293</sup>
- Summer 2023** ● Steward refinances a portion of its debt with a \$600 million loan from a consortium of private credit lenders.<sup>294</sup>
- Aug. 17, 2023** ● Medical Properties Trust sells \$105 million of its interest in Steward’s syndicated asset-backed credit facility.<sup>295</sup>
- Sept. 2023** ● Federal and state officials in Massachusetts cite Good Samaritan Hospital in Brockton, MA for putting patients in immediate jeopardy. MNA had been warning officials since 2021 about critical understaffing and major safety issues in the emergency department.<sup>296</sup>
- Oct. 2023** ● A woman who gave birth at Steward’s St. Elizabeth’s Medical Center in Massachusetts dies after the embolization coil needed to stop a bleed following childbirth was unavailable. It had been repossessed by the company that owned it because Steward had not paid its bill.<sup>297</sup>
- Dec. 2023** ●

  - Steward notifies Massachusetts healthcare officials its plans to close New England Sinai Acute Long-Term Care and Rehabilitation Hospital, a 182 bed-hospital.<sup>298</sup>
  - The federal government files a second False Claims Act suit against Steward.<sup>299</sup>
- Jan. 2024** ●

  - MPT announces that as of December 31, 2023, Steward Health Care was \$50 million behind in rent payments.<sup>300</sup>
  - Steward sells its lab assets in Ohio and Pennsylvania to Quest Diagnostics for an undisclosed amount.<sup>301</sup>



## Feb. 2024

- Steward's North Shore Medical Center in Florida ends obstetrics services, including neonatal unit and labor and delivery.<sup>302</sup>
- Massachusetts Governor Healey shares that Steward has not provided the state with audited financial records. NBC Boston quotes the governor as saying "that the hospital system did not produce records signed by an auditor because she suspects no auditor was willing to sign off on them."<sup>303</sup>
- The *Boston Globe* reports that the temporary closure of Norwood Hospital may become permanent because construction of the replacement facility has stopped. Steward reportedly is not paying its bills and there are multiple liens on the property.<sup>304</sup>
- Steward closes the Medical Center of Southeast Texas's Beaumont campus on Feb 2.<sup>305</sup>
- Steward receives a \$150 million loan from a consortium of lenders to help stabilize its finances.<sup>306</sup>
- Massachusetts Senators Ed Markey and Elizabeth Warren sent a letter to [Cerberus Capital Management](#) requesting information about how it had contributed to Steward's financial situation. Cerberus [responded](#) the same month.

## March 2024

- Steward closes Glenwood Rehabilitation Center, located within Glenwood Regional Medical Center in West Monroe, Louisiana, amidst deteriorating finances and patient care issues.<sup>307</sup>
- Massachusetts Senator Ed Markey [publicly](#) invites Steward CEO, Ralph De La Torre, to testify at the health, education, labor and pensions committee's field hearing in Boston on April 2.<sup>308</sup>
- Steward announces an agreement to sell its physician network, Stewardship Health, to UnitedHealth Group's Optum Care.<sup>309</sup>
- Southcoast Health expresses a desire to purchase one of Steward's ailing MA hospitals, St. Anne's Hospital in Fall River.<sup>310</sup>
- *WSJ* reports that MPT may be involved in a Securities and Exchange Commission (SEC) investigation.<sup>311</sup>
- The *Boston Globe* reports that Steward's hospitals are "paid the same as or better than many Massachusetts hospital systems for the medical care they provide," despite the fact that "Steward Health Care executives have repeatedly blamed the financial disaster unfolding at their Massachusetts hospitals on stingy payments from health insurers."<sup>312</sup>

## April 2024

- Steward closes New England Sinai Hospital in Stoughton, Massachusetts.<sup>313</sup>
- The Senate Health, Education, Labor, and Pensions (HELP) Subcommittee on Primary Health and Retirement Security holds a field hearing on Boston on corporate greed in healthcare, in which witnesses provide scathing critiques of Steward Healthcare and Cerberus Capital Management.<sup>314</sup>
- In a \$1.1 billion transaction, MPT sells its majority interest in the real estate of Steward's former Utah hospitals to a newly formed joint venture with an undisclosed investor. MPT retains a 25 percent stake in the properties.<sup>315</sup>
- Louisiana state lawmakers hold a hearing over the financial and patient care crisis at Glenwood Regional Medical Center in West Monroe, Louisiana.<sup>316</sup> Various clinicians testify about the state of the hospital, describing how financial distress has resulted in patient harm.<sup>317</sup>

**May 2024**

- Massachusetts Senators Ed Markey and Elizabeth Warren call on Medical Properties Trust and Macquarie Infrastructure Partners “to reduce lease payments or terminate their leases to enable new owners to buy the financially squeezed hospitals.”<sup>318</sup> They also sent letters to Steward’s creditors asking them to modify Steward’s loan terms to help keep the hospitals running.<sup>319</sup>
- Steward Health Care files for Chapter 11 bankruptcy in the Southern District of Texas bankruptcy court, Houston Division,<sup>320</sup> reporting more than \$9 billion in liabilities. Long term lease liabilities account for the largest portion of debt (\$6.6 billion). It owes nearly \$1 billion to vendors and medical suppliers, has \$1.2 billion in loan debts, and owes nearly \$290 million in unpaid compensation to employees and staffing firms.<sup>321</sup> Steward’s bankruptcy is one of the largest hospital bankruptcies in decades.<sup>322</sup>
- The Arizona Attorney General, Kris Mayes, announces an investigation into Steward Health Care.<sup>323</sup>

## Endnotes

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