

Congress of the United States

Washington, DC 20515

February 15, 2024

Mr. Stephen A. Feinberg
Co-Founder, Co-Chief Executive Officer, and
Chief Investment Officer
Cerberus Capital Management, L.P.
875 Third Avenue
New York, NY 10022

Dear Mr. Feinberg:

We write regarding growing concerns about the future of Steward Health Care-owned hospitals in Massachusetts, and Cerberus Capital Management's (Cerberus) relationship with these hospitals and affiliated companies. The current financial challenges at Steward Health Care¹ (Steward) hospitals threaten access to medical care for thousands of people in eastern Massachusetts:² the abrupt closure of Steward's Massachusetts hospitals would significantly limit access to inpatient critical care, behavioral health care, and maternal and newborn health services.

Cerberus owned these hospitals from 2010 until 2021, when the company completed "an unusual exit" that raked in \$800 million in profit.³ We are particularly concerned about the extent to which Cerberus and its affiliates literally stripped out and sold the property from underneath these hospitals, creating hundreds of millions of dollars in profits for private equity executives, while leaving the facilities with long-term liabilities that are magnifying – if not creating – the current crisis.

We have long been concerned about the nefarious role of private equity in our economy. Ownership by private equity investors increases health care costs and reduces quality of care,⁴ and private equity firms have played a role in the collapse of hospitals around the country, hurting communities and the health care workers and other staff that serve them.⁵ The dire threat of Steward's collapse appears to be a textbook example of the grave risks posed by a private equity takeover of the health care system.

¹ Boston Globe, "Steward Health Care's financial issues could spell catastrophe for the state," Jessica Bartlett, January 19, 2024, <https://www.bostonglobe.com/2024/01/19/business/steward-health-care-hospital-closures>; Boston Globe, "Mass. congressional delegation demands update on Steward Health Care crisis," Jessica Bartlett, January 23, 2024. <https://www.bostonglobe.com/2024/01/23/business/steward-health-care-crisis/>

² *Id.*

³ Bloomberg, "Cerberus Quadruples Money after Unusual Exit From Hospital Giant," Sabrina Willmer, May 27, 2021, <https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant#xj4y7vzkg>.

⁴ Kannan, S., Bruch, J. D., & Song, Z. (2023). Changes in hospital adverse events and patient outcomes associated with private equity acquisition. *JAMA*, 330(24), 2365-2375.

⁵ Borsa, Alexander, et al. "Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: systematic review." *BMJ* 382 (2023).

The series of transactions under which Cerberus made hundreds of millions of dollars from Steward is complicated and opaque. Cerberus bought into the hospital system, then known as Caritas Christi, in 2010, investing \$246 million, rechristening it as Steward, and leaving Dr. Ralph de la Torre in charge as CEO.⁶ Dr. de la Torre continues to serve as CEO of Steward today.⁷

In 2016, six years after its initial purchase, Cerberus-owned Steward made a \$1.25 billion deal with Medical Properties Trust (MPT) in which Steward sold its hospital properties to MPT, and MPT took a 5 percent equity stake in Steward.⁸ In exchange, Steward was locked into a multi-year, multi-million dollar lease payment.⁹ This deal “returned Cerberus’s initial investment,” but still left the firm with “a controlling stake in the company.”¹⁰ Cerberus then began its exit in May 2020 – “before the bedpan hit the fan”¹¹ – by transferring its ownership stake “to a group of the company’s own doctors in exchange for a note that would provide regular interest payments.”¹² Steward then borrowed another \$355 million from MPT in January 2021 to buy this note.¹³ Over the six-year period, Steward took on over a billion dollars in liabilities – while Cerberus executives profited handsomely.

The net result of these transactions appears to be an unfolding tragedy. Cerberus and its private equity executives received \$800 million in profits, while thousands of Massachusetts health care workers’ jobs are at risk and ten communities in the Commonwealth face the potential closure of hospitals that are debt-ridden, unable to pay their bills, and teetering on the financial brink.

You owe Congress and the public answers, and an explanation for your actions. We therefore ask that you provide answers to the following questions, no later than February 28, 2024.

⁶ Bloomberg, “Cerberus Quadruples Money after Unusual Exit From Hospital Giant,” Sabrina Willmer, May 27, 2021, <https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant#xj4y7vzkg>.

⁷ Steward, “Steward Leadership,” <https://www.steward.org/about/leadership>.

⁸ Boston Globe, “Steward gets \$1.25b to fund expansion, repay Cerberus,” Priyanka Daval McCluskey, September, 26, 2016, <https://www.bostonglobe.com/business/2016/09/26/steward-gets-fund-expansion-repay-cerberus/hgC7sjOqZ1lnH1B1bV991M/story.html>.

⁹ Boston Globe, “Steward gets \$1.25b to fund expansion, repay Cerberus,” Priyanka Daval McCluskey, September, 26, 2016, <https://www.bostonglobe.com/business/2016/09/26/steward-gets-fund-expansion-repay-cerberus/hgC7sjOqZ1lnH1B1bV991M/story.html>.

¹⁰ Boston Globe, “How a private equity firm made a killing on Steward Health Care,” Larry Edelman, January 22, 2024, <https://www.bostonglobe.com/2024/01/22/business/steward-health-care-private-equity/>.

¹¹ Boston Globe, “Steward gets \$1.25b to fund expansion, repay Cerberus,” Priyanka Daval McCluskey, September, 26, 2016, <https://www.bostonglobe.com/business/2016/09/26/steward-gets-fund-expansion-repay-cerberus/hgC7sjOqZ1lnH1B1bV991M/story.html>


¹² Bloomberg, “Cerberus Quadruples Money after Unusual Exit From Hospital Giant,” Sabrina Willmer, May 27, 2021, <https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant#xj4y7vzkg>.

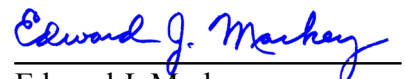
¹³ Bloomberg, “Cerberus Quadruples Money after Unusual Exit From Hospital Giant,” Sabrina Willmer, May 27, 2021, <https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant#xj4y7vzkg>.


1. How much did Cerberus and Cerberus-affiliated entities invest in the purchase of Caritas Christi in 2010?
 - a. What were the terms of the purchase, and what liabilities were assumed?
2. Between 2010 and the time of the MPT deal in 2016, how much did Cerberus and Cerberus-affiliated entities invest in Steward -affiliated entities in Massachusetts? Please list the total amount, and provide a description of all major facility, personnel, or service-based investments.
3. How much did Cerberus retain in profits or dividends from Steward between 2010 and the time of the MPT deal in 2016?
4. How much did Cerberus and Cerberus-affiliated entities retain from the \$1.25 billion investment by MPT in 2016?
 - a. Did the company pay investors a dividend after this deal? If so, what was the total dividend payment and to whom and how was it distributed?
5. What were the specific terms and conditions of the leases or other liabilities imposed on Steward Hospitals as a result of the MPT deal?
6. Were any other liabilities imposed on Steward between the closure of the 2016 MPT deal and Cerberus's May 2020 transfer of ownership?
7. Between the closure of the 2016 MPT deal and its May 2020 transfer of ownership, how much did Cerberus and Cerberus-affiliated entities invest in Steward-affiliated entities in Massachusetts? Please list the total amount, and provide a description of all major facility, personnel, or service-based investments.
8. How much did Cerberus and Cerberus-affiliated entities retain in profits, dividends, or other payouts from Steward or any affiliated entity between the closure of the 2016 MPT deal and its May 2020 ownership transfer?
9. What were the specific terms and conditions of Cerberus's May 2020 exit from Steward?
10. What were the specific terms of the note that provided regular interest payments from Steward to Cerberus?
 - a. How was this note valued?
11. What were the specific terms and conditions of the purchase of the note by Steward in January 2021?
12. Does Cerberus or any Cerberus-affiliated entity currently retain any ownership or any other stake in Steward or any Steward-affiliated entity? If so, please list all such ownership stakes.

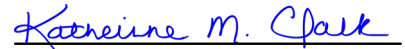
13. Please provide information on all sales, swaps, or other changes in Steward assets owned by Cerberus from 2010-present, including the sale to Macquarie Asset Management.
14. Please provide a list of total annual compensation, including salary, dividends, bonuses, and any other compensation, for each of the five highest-paid Steward executives from 2010-2021.


Sincerely,



Elizabeth Warren
United States Senator



Edward J. Markey
United States Senator



Richard E. Neal
Member of Congress

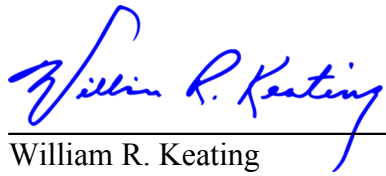

Katherine M. Clark
Member of Congress


Ayanna Pressley
Member of Congress


Lori Trahan
Member of Congress


Jake Auchincloss
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Seth Moulton
Member of Congress



William R. Keating
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