

United States Senate

WASHINGTON, DC 20510

April 15, 2024

Edward K. Aldag, Jr.
Chairman, President, and Chief
Executive Officer
Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 501
Birmingham, AL 35242

Karl Kuchel
Chief Executive Officer
Macquarie Infrastructure Partners
125 West 55th Street 22nd Floor
New York, NY 10019

Dear Mr. Aldag and Mr. Kuchel,

We write seeking information on the role of Medical Properties Trust (MPT) and Macquarie Infrastructure Partners (MIP) in the ongoing financial crisis facing Steward Health Care (Steward) in Massachusetts. Steward's Massachusetts hospitals are in deep financial distress and appear to be in danger of closure because of years of mismanagement, private equity schemes, and executive profiteering.¹ MPT and MIP have played a key role in this steep financial decline and must play a role in the recovery of these hospitals in order to preserve and protect access to care for communities in Massachusetts.

MPT has been enmeshed with Steward since 2016, when Steward's then-owner, private equity firm Cerberus Capital Management (Cerberus), inked a \$1.25 billion sale-leaseback deal with MPT.² In doing so, Cerberus saddled Steward hospitals with long-term leases and millions of dollars in rent payments.³ MIP's involvement with Steward dates from September 2021, when the company, in a "first of its kind partnership," acquired a 50% interest in MPT's Massachusetts portfolio of Steward hospitals.⁴

¹ WBUR, "Steward Health Care says financial difficulties jeopardize care at Mass. Facilities", Deborah Becker, January 19, 2024, <https://www.wbur.org/news/2024/01/19/steward-health-care-says-financial-difficulties-jeopardize-care-at-mass-facilities>.

² Boston Globe, "Steward gets \$1.25b to fund expansion, repay Cerberus," Priyanka Dayal McCluskey, September, 26, 2016, <https://www.bostonglobe.com/business/2016/09/26/steward-gets-fund-expansion-repay-cerberus/hgC7sjOqZ1lnH1B1bV991M/story.html>; The American Prospect, "Reversing Private Equity's Looting of Hospitals," Robert Kuttner, February 13, 2024, <https://prospect.org/health/2024-02-13-reversing-private-equitys-looting-hospitals/>.

³ Boston Globe, "Steward gets \$1.25b to fund expansion, repay Cerberus," Priyanka Dayal McCluskey, September, 26, 2016, <https://www.bostonglobe.com/business/2016/09/26/steward-gets-fund-expansion-repay-cerberus/hgC7sjOqZ1lnH1B1bV991M/story.html>; The American Prospect, "Reversing Private Equity's Looting of Hospitals," Robert Kuttner, February 13, 2024, <https://prospect.org/health/2024-02-13-reversing-private-equitys-looting-hospitals/>.

⁴ Macquarie, "Macquarie Infrastructure Partners V and Medical Properties Trust enter partnership for eight Massachusetts hospitals valued at \$US1.78 billion," September 1, 2021, <https://www.macquarie.com/au/en/about/news/2021/macquarie-infrastructure-partners-v-and-medical-properties-trust-enter-partnership-for-eight-massachusetts-hospitals-valued-at-1-78-billion-usd.html>.

MPT appears to have loaned hundreds of million to Steward. The company loaned \$200 million to “a joint venture it had formed with Steward in the summer of 2020.”⁵ It also converted mortgages it had on two Steward-owned Utah hospitals into leases and paid Steward around \$200 million through acquiring the real estate.”⁶ Later in 2020, MPT lent another \$335 million to Steward to finance Cerberus’s exit.⁷ MPT has also provided eight different “transaction specific and working capital loans” worth \$468.8 million between 2018 and 2023.⁸ As Steward neared collapse in January, MPT provided yet another \$60 million loan to Steward,⁹ and an additional \$37.5 million in bridge funding in February 2024.¹⁰

According to MPT disclosures, these loans “help safeguard the value of MPT’s real estate.”¹¹ Meanwhile, these investments have all the appearances of a Ponzi scheme that is continuing to harm Steward-owned hospitals: MPT continued to provide capital to Steward, which allowed the hospital system to continue paying rent to MPT. This allowed MPT to avoid devaluing its real estate purchases and the leases that it held, bolster its stock price, and report lucrative cash flows. An August 2022 investor presentation from MPT indicated that it had collected “[a]pproximately \$1.6 billion in cash rent and interest ... on real estate leased to Steward since Q4 2016,” while enjoying an “[a]pproximate \$600 million real estate gain on sale of eight Massachusetts hospitals in Q1 2022”¹²

That is, however, until the music stopped. These transactions were unsustainable. By 2023, rent came due, and Steward hospitals ran up a \$50 million shortfall.¹³ MPT’s October 2023 financial report indicated that Steward’s Massachusetts hospitals owed cash rent of nearly \$60 million annually on leases that run until 2041 and include “escalator” clauses indexed to inflation.¹⁴ In other words, Steward hospitals fell further behind as rent continued to rise. Now, as state officials struggle to resolve the crisis and keep these hospitals open, the hospitals’ ongoing

⁵ Becker’s Hospital CFO Report, “A house of cards: What’s going on with Steward’s finances?,” Madeline Ashley, February 7, 2024, <https://www.beckershospitalreview.com/finance/a-house-of-cards-whats-going-on-with-stewards-finances.html>.

⁶ *Id.*

⁷ Becker’s Healthcare, “Long concerned: Massachusetts lawmakers probe Cerberus for Steward answers,” Madeline Ashley, February 15, 2024, <https://www.beckershospitalreview.com/finance/long-concerned-massachusetts-lawmakers-probe-cerberus-for-steward-answers.html>; Bloomberg, “Cerberus Quadruples Money After Unusual Exit From Hospital Giant,” Sabrina Willmer, May 27, 2021, <https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant#xj4y7vzkg>.

⁸ Medical Properties Trust, “Steward Update,” October 2023, <https://medicalproptiestrust.gcs-web.com/static-files/9f32b6d4-5210-424c-b110-4f40a787a93d>.

⁹ Wall Street Journal, “Nation’s Biggest Hospital Landlord Suffers New Losses,” Jonathan Weil, January 5, 2024, <https://www.wsj.com/finance/nations-biggest-hospital-landlord-suffers-new-losses-0949fa8b>.

¹⁰ Becker’s Hospital CFO Report, “Steward drives Medical Properties Trust’s Q4 loss,” Madeline Ashley, February 22, 2024, <https://www.beckershospitalreview.com/finance/steward-drives-medical-properties-trusts-q4-loss.html>.

¹¹ Medical Properties Trust, “Steward Update,” October 2023, <https://medicalproptiestrust.gcs-web.com/static-files/9f32b6d4-5210-424c-b110-4f40a787a93d>.

¹² Medical Properties Trust, “Investor Update,” August, 2022, <https://medicalproptiestrust.gcs-web.com/static-files/bc900aaa-9eac-413f-9625-bbe025c03f44>.

¹³ Medical Properties Trust, “Medical Properties Trust Provides Update on Steward Health Care,” January 4, 2024, <https://www.medicalproptiestrust.com/press-release?page=https://medicalproptiestrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-provides-update-steward-health-care>.

¹⁴ Medical Properties Trust, “Steward Update,” October 2023, <https://medicalproptiestrust.gcs-web.com/static-files/9f32b6d4-5210-424c-b110-4f40a787a93d>.

liabilities to MPT and MIP are significant barriers to recovery. As one expert noted, “Given the amount of wealth extracted from the hospitals and the high rents they're paying, the challenge of continuing to provide quality care to these communities who are in great need will be extraordinary.”¹⁵

MPT has – along with Steward – plundered these hospitals. There must be a thorough review of how we got here, and to what extent MPT worked in tandem with Steward and Cerberus to flout requirements set by law, as well as any role played by MIP. There should be a detailed investigation of these matters, including a review of whether officials at Cerberus, Steward, and MPT may have breached their fiduciary duty under Massachusetts corporate law,¹⁶ whether the connections between Steward and MPT may have resulted in illegal self-dealing and conflicts of interest,¹⁷ and whether MPT accurately reported information on the financial state of Steward’s hospitals to shareholders and the Securities and Exchange Commission.

While we seek answers to these questions about MPT’s past behavior and MIPs involvement in Steward’s financial problems, your companies also have an important opportunity to help Steward’s Massachusetts hospitals overcome this crisis by offering long-term reductions in lease payments or early termination of leases to make it financially feasible for new operators to take over these hospitals. We are concerned that there have been no public reports that MPT or MIP are considering such actions, and your companies have not publicly indicated a willingness to make any concessions to help the hospitals survive – even while MPT announced a dividend payout of nearly \$100 million to shareholders on April 12, 2024.¹⁸ This is deeply disappointing, and we hope that you will reconsider your aggressive posture and act to preserve jobs and ensure that residents of the Commonwealth have access to health care at hospitals in their communities.

To address our concerns about this matter, we ask that you provide answers to the following questions no later than April 22, 2024:

Questions for MPT

1. To date, how much has MPT collected in total rent and interest from Steward since 2016?
2. How much has MPT earned in dividends or other profits via its partial ownership interest in Steward?
3. What is the estimated value of MPT’s real estate holdings in Massachusetts at present?
4. Has MPT been involved in discussions with state officials, Steward, or any other entity regarding the effort to keep the hospitals open?

¹⁵ Becker’s Hospital CFO Report, “A house of cards: What's going on with Steward's finances?,” Madeline Ashley, February 7, 2024, <https://www.beckershospitalreview.com/finance/a-house-of-cards-whats-going-on-with-stewards-finances.html>.

¹⁶ Commonwealth of Massachusetts General Laws, Title XV Chapter 106 Article 3 Section 3-307, “Notice of Breach of Fiduciary Duty,” <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXV/Chapter106/Article3/Section3-307>.

¹⁷ Wall Street Journal, “How a Small Alabama Company Fueled Private Equity’s Push Into Hospitals,” Brian Spegele, February 14, 2022, <https://www.wsj.com/articles/hospitals-private-equity-reit-mpt-steward-11644849598>.

¹⁸ Business Wire, “Medical Properties Trust Declares Regular Quarterly Dividend,” April 12, 2024, <https://finance.yahoo.com/news/medical-properties-trust-declares-regular-202000224.html>. The dividend will be worth \$0.15 per share, and the company has an estimated 600 million shares of common stock.

5. Does MIP have the ability – independent of MPT – to offer modifications to the hospital leases?
6. What specific concessions to existing long-term leases for the hospitals has MPT offered in the context of discussions about keeping the hospitals open?
 - a. Has MPT offered to reduce annual lease payments?
 - b. Has MPT offered to limit or eliminate inflation escalators?
 - c. Has MPT offered to allow early termination of Steward hospital leases?
 - d. If MPT has offered none of these concessions to date, why has the company declined to do so?
7. Why did you report to investors in August 2022 that “Steward expects a substantial and sustainable positive free cash flow run-rate beginning in Q4 2022”¹⁹ at the same time you were offering the company substantial “working capital loans”?²⁰
8. In previous years, MPT has offered Steward hundreds of millions of dollars worth of “working capital loans.” Why has the company offered these loans rather than reducing required lease payments?
9. MPT has indicated that its “cash flows [are] protected by the nature of hospitals, as well as the lease structure,” including that “landlords cannot be ‘crammed down’ in bankruptcy.”²¹ What rights does MPT intend to assert if Steward declares bankruptcy and is forced to close its hospitals?
10. How much in total compensation (including base pay, stock options, bonuses, and any other compensation) did you and other senior MPT executives receive in 2023?
11. How much in total compensation (including base pay, stock options, bonuses, and any other compensation) do you and other senior MPT executives expect to receive in 2024?
12. For any performance-based compensation for senior MPT executives, please provide an explanation of the terms under which such payments will be issued.
13. Will any component of this total or performance-based compensation be reduced if MPT offers any lease concessions to Steward’s hospitals?

Questions for MIP

1. To date, how much has MIP collected in total rent and interest from Steward since September 2021?
2. Has MIP charged any fees to Steward or obtained any other revenue via its interests in Steward? If so please identify the type and quantity of income.
3. What is the estimated value of MIP’s real estate holdings in Massachusetts at present?
4. Has MIP been involved in discussions with state officials, Steward, or any other entity regarding the effort to keep the hospitals open?
5. Does MIP have the ability – independent of MPT – to offer modifications to the hospital leases?


¹⁹ Medical Properties Trust, “Investor Update,” August, 2022, <https://medicalproptiestrust.gcs-web.com/static-files/bc900aaa-9eac-413f-9625-bbe025c03f44>.

²⁰ Medical Properties Trust, “Steward Update,” October 2023, <https://medicalproptiestrust.gcs-web.com/static-files/9f32b6d4-5210-424c-b110-4f40a787a93d>

²¹ Medical Properties Trust, “Investor Update,” August, 2022, <https://medicalproptiestrust.gcs-web.com/static-files/bc900aaa-9eac-413f-9625-bbe025c03f44>.

6. What specific concessions to existing long-term leases for the hospitals has MIP offered in the context of discussions about keeping the hospitals open?
 - a. Has MIP offered to reduce annual lease payments?
 - b. Has MIP offered to limit or eliminate inflation escalators?
 - c. Has MIP offered to allow early termination of Steward hospital leases?
 - d. If MIP has offered none of these concessions to date, why has the company declined to do so?
7. In previous years, MPT has offered Steward hundreds of millions of dollars worth of “working capital loans.” Has MIP offered Steward any loans or does the company have any interest in Steward beyond the 50% stake it purchased from MPT in 2021?
8. What rights does MIP intend to assert if Steward declares bankruptcy and is forced to close its hospitals?
9. How much in total compensation (including base pay, stock options, bonuses, and any other compensation) did you and other senior MIP executives receive in 2023?
10. How much in total compensation (including base pay, stock options, bonuses, and any other compensation) do you and other senior MIP executives expect to receive in 2024?
11. For any performance-based compensation for senior MIP executives, please provide an explanation of the terms under which such payments will be issued.
12. Will any component of this total or performance-based compensation be reduced if MIP offers any lease concessions to Steward’s hospitals?

Sincerely,



Elizabeth Warren
United States Senator



Edward J. Markey
United States Senator