

# United States Senate

WASHINGTON, DC 20510

August 8, 2024

Marc Rowan  
Chief Executive Officer  
Apollo Global Management  
9 West 57th Street, 42nd Floor  
New York, NY 10019

Dear Mr. Rowan:

I write regarding Steward Health Care's (Steward's) ongoing bankruptcy process and Apollo Global Management's (Apollo's) role as the "key economic stakeholder"<sup>1</sup> and "fulcrum"<sup>2</sup> in the decisions about Steward's onerous leases that will help determine the future of Steward hospitals in Massachusetts.

Steward filed for bankruptcy on May 6, 2024, after years of mismanagement and profiteering by its executive team, led by Ralph de la Torre; private equity firm Cerberus Capital Management (Cerberus); and corporate landlords Medical Properties Trust (MPT) and Macquarie Investment Partners (MIP).<sup>3</sup>

Massachusetts officials are working hard to protect patients and communities, but until recently, the primary threat to Steward's hospitals were the abusive real estate leases held by MPT and MIP. Cerberus locked Steward into these leases when it sold the hospitals' real estate to MPT in 2016. Both Cerberus and MPT have profited handsomely off of this deal – but Steward's hospitals are now left with billions of dollars in debt as part of the Master Leases they were forced into as a result of this financial engineering.<sup>4</sup> These leases cost the Massachusetts hospitals \$114 million annually.<sup>5</sup>

Last week, a federal bankruptcy judge approved Steward's request to close Carney Hospital and Nashoba Valley Medical Center, two of the eight Steward properties in Massachusetts.<sup>6</sup> The fate of the remaining six hospitals remains uncertain while bid negotiations continue – in large part

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<sup>1</sup> Wall Street Journal, "Steward Health Moves to Cut Ties with Landlord of Massachusetts Hospitals," Soma Biswas, July 31, 2024, <https://www.wsj.com/articles/steward-health-moves-to-cut-ties-with-landlord-of-massachusetts-hospitals-e01bacc6>.

<sup>2</sup> Steward Health Care System LLC, Notice of Filing of Demonstrative, Document 1778, Case No. 24-90213, July 31, 2024, <https://restructuring.ra.kroll.com/Steward/Home-DownloadPDF?id1=MzE0OTQwNw==&id2=-1>.

<sup>3</sup> Becker's Hospital Review, "Steward files for bankruptcy," Laura Dyrda, May 6, 2024, <https://www.beckershospitalreview.com/finance/steward-files-for-bankruptcy.html>.

<sup>4</sup> Limited Obj. of the Official Committee of Unsecured Creditors to Emergency Mot. of Debtors for Entry of an Order Directing Mediation of Disputes Relating to Allocation of Hospital Sale Proceeds and Related Issues ¶ 7, June 12, 2024, CML 24-90213.

<sup>5</sup> Wall Street Journal, "Steward Health Moves to Cut Ties with Landlord of Massachusetts Hospitals," Soma Biswas, July 31, 2024, <https://www.wsj.com/articles/steward-health-moves-to-cut-ties-with-landlord-of-massachusetts-hospitals-e01bacc6>.

because potential buyers had been unwilling to assume the onerous leases held by MPT and MIP. Indeed, according to Steward’s filing before the bankruptcy court, “[a]bsent MPT and Macquarie stepping away from their investment in Massachusetts, the Debtors cannot facilitate a consensual and efficient sale and transfer of the hospitals to new operators to ensure continuity of patient care.”<sup>7</sup>

We have – on numerous occasions – written to MPT and MIP, asking those two companies to make concessions on the lease obligations in order to allow for the sale and continued operations of Steward’s Massachusetts hospitals.<sup>8</sup> But new information from Steward’s July 31, 2024 bankruptcy hearing indicates that Apollo may be playing a key role in the impasse between the parties that has left Massachusetts hospitals in the lurch.

Apollo’s role in the ongoing Steward bankruptcy has thus far received little scrutiny. But over the last week, your company has moved squarely into the spotlight as the “single negotiator” for the future of the leases.<sup>9</sup> In 2022, Apollo provided a \$920 million loan to MIP and MPT – secured by the hospitals<sup>10</sup> – when those two companies created the joint venture that resulted in MIP’s 50% partnership in the Massachusetts leases.<sup>11</sup> On July 22, 2024, the *Boston Globe* reported that:

Another factor that has emerged in the discussion is the involvement of Apollo Global Management... the mortgage lender to real estate firms Medical Properties Trust and Macquarie Infrastructure Partners... Just as the eight hospitals owe more than \$100 million to the landowners under a master lease negotiated with Steward, the landowners are obliged to make mortgage payments to Apollo, adding another layer of complexity to the negotiations.<sup>12</sup>

And Steward’s filings ahead of the July 31 bankruptcy hearing indicated that Apollo was playing a key role in the sale negotiations. According to these documents, in which Steward also sought to be released from the leases to facilitate the sales of the remaining Massachusetts hospitals:

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<sup>6</sup> Boston Globe, “Steward bankruptcy judge approves closing of Carney and Nashoba Valley hospitals,” Robert Weisman, July 31, 2024, <https://www.bostonglobe.com/2024/07/31/business/steward-bankruptcy/>.

<sup>7</sup> Steward Health Care System LLC, Emergency Motion of Debtors, Document 1711, Case No. 24-90213, July 31, 2024, <https://restructuring.ra.kroll.com/Steward/Home-DownloadPDF?id1=MzE0MzAyNQ==&id2=-1>.

<sup>8</sup> Letter from Senators Elizabeth Warren and Ed Markey to Medical Properties Trust CEO Edward Aldag and Macquarie Investment Partners CEO Karl Kuchel, April 15, 2024, <https://www.warren.senate.gov/imo/media/doc/2024.04.15%20MPT%20and%20Macquarie%20Letter.pdf>; Letter from Senators Elizabeth Warren and Edward Markey to Chief Executive Officers Edward Aldag and Karl Kuchel, July 1, 2024, [https://www.warren.senate.gov/imo/media/doc/final\\_-\\_warren\\_markey\\_letter\\_to\\_mpt\\_and\\_macquarie\\_on\\_lease\\_concessions.pdf](https://www.warren.senate.gov/imo/media/doc/final_-_warren_markey_letter_to_mpt_and_macquarie_on_lease_concessions.pdf).

<sup>9</sup> Boston Globe, “Steward landlords turn over properties to their lender, advancing talks,” Robert Weisman, August 6, 2024, <https://www.bostonglobe.com/2024/08/06/business/steward-landlords/>

<sup>10</sup> Private Equity Stakeholder Project, “The Pillaging of Steward Hospital, Appendix B,” May 2024, [https://pestakeholder.org/the-pillaging-of-steward-health-care-appendix-b/#\\_edn64](https://pestakeholder.org/the-pillaging-of-steward-health-care-appendix-b/#_edn64).

<sup>11</sup> Commercial Observer, “MPT Lands \$1.7B Recap and Debt Financing for Massachusetts Hospital Portfolio,” Emily Fu, March 21, 2022, <https://commercialobserver.com/2022/03/mpt-lands-1-7b-recap-and-debt-financing-for-massachusetts-hospital-portfolio/>.

<sup>12</sup> Boston Globe, “Bids were due a week ago. There’s still no word on buyers for Steward hospitals.,” Robert Weisman, July 22, 2024, <https://www.bostonglobe.com/2024/07/22/business/steward-hospital-sales/>.

Even with the financial backing of the Commonwealth, the aggregate value of the bids (for total enterprise value – i.e., operations and real property) is a fraction of the value of Master Lease II... and upon information and belief, MPT’s and Macquarie’s lender, Apollo is the fulcrum economic stakeholder in the hospital real estate.<sup>13</sup>

During the July 31, 2024 hearing, the bankruptcy court deemed Master Lease II, which covers Steward’s leases with the Massachusetts hospitals, rejected. This is an important first step – but still leaves significant uncertainty about the fate of the six remaining Massachusetts hospitals prior to the August 13, 2024 deadline for their sale. As a result of this ruling, “buyers of the hospitals will have to negotiate new leases with [MPT and MIP]” — or reach deals to buy the properties<sup>14</sup> – once again centering MPT, MIP, and now Apollo in decisions regarding the future of these important health care facilities in Massachusetts. Steward’s filings indicate that “because of the low bids, there is little value in the properties for MPT, meaning that ... Apollo ... now effectively owns them.”<sup>15</sup>

And on August 6, MPT and MIP, “agreed to turn [the lease] over to [Apollo] ... effectively remov[ing] MPT and Macquarie from the hospital sales talks, leaving lease negotiations with prospective buyers in the hands of ... Apollo”<sup>16</sup>

Given this news, and Apollo’s role as the “fulcrum” in these negotiations, we ask that you work in good faith with Steward, Massachusetts officials, and other stakeholders to facilitate the sale of the remaining six Steward hospitals in Massachusetts to operators that will continue serving their communities. Specifically, we ask that you act quickly to negotiate with prospective buyers and provide relief from onerous leases to enable these hospitals to remain open and serving health care needs of their communities.

We also ask that you provide answers to the following questions by August 11, 2024.

1. Does Apollo have a role as a lender to MIP or MPT related to their Steward real estate holdings? If so, what was the initial amount of the loan, and what were the terms and conditions of this loan?
2. How much in total has Apollo collected on this loan?
3. How much is still owed on this loan?
4. Have the terms and conditions of the loan been modified since the loan was initially provided by Apollo? If so, what modifications have been made?

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<sup>13</sup> Steward Health Care System LLC, Notice of Filing of Demonstrative, Document 1778, Case No. 24-90213, July 31, 2024, <https://restructuring.ra.kroll.com/Steward/Home-DownloadPDF?id1=MzE0OTQwNw==&id2=-1>.

<sup>14</sup> Boston Globe, “Steward bankruptcy judge approves closing of Carney and Nashoba Valley hospital,” Robert Weisman, July 31, 2024, <https://www.bostonglobe.com/2024/07/31/business/steward-bankruptcy/>.

<sup>15</sup> Wall Street Journal, “Steward Health Moves to Cut Ties with Landlord of Massachusetts Hospitals,” Soma Biswas, July 31, 2024, <https://www.wsj.com/articles/steward-health-moves-to-cut-ties-with-landlord-of-massachusetts-hospitals-e01bacc6>.

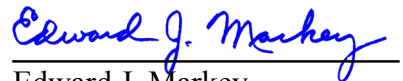
<sup>16</sup> Boston Globe, “Steward landlords turn over properties to their lender, advancing talks,” Robert Weisman, August 6, 2024, <https://www.bostonglobe.com/2024/08/06/business/steward-landlords/>.

5. What is the collateral on this loan?
6. Does Apollo have any other financial investments or holdings related to Steward, MPT, or MIP? If so, please provide a list of and description of these investments or holdings.
7. Has Apollo been involved in discussions with state officials, Steward, or any other entity regarding the effort to keep Steward's Massachusetts hospitals open?
8. If so, what specific concessions has Apollo offered in the context of discussions about keeping the hospitals open?
9. If Apollo has not offered any concessions to date, why have you declined to do so?
10. How much in total compensation (including base pay, dividend payout, bonuses, and any other compensation) did you and other Apollo executives receive in 2023?
11. How much in total compensation (including base pay, dividend payout, bonuses, and any other compensation) do you and other Apollo executives expect to receive in 2024?
12. For any performance-based compensation for senior Apollo 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 Apollo offers or consents to any loan concessions related to Steward's Massachusetts hospitals?
14. What are the financial terms under which MPT and MIP transferred the Massachusetts hospital properties to Apollo?
15. What does Apollo plan to do with the hospital properties?

Sincerely,



Elizabeth Warren  
United States Senator



Edward J. Markey  
United States Senator