

# Congress of the United States

Washington, DC 20515

November 13, 2024

Board  
Massachusetts Health Policy Commission  
50 Milk Street, 8<sup>th</sup> Floor  
Boston, MA 02109

Dear Board Members,

We are writing in advance of the Massachusetts Health Policy Commission's (HPC's) Annual Health Care Cost Trends Hearing on November 14, 2024, which will include a panel discussion titled "What Comes Next? The Future of Former Steward Hospitals and Physician Network" at which Mr. Benson Sloan, CEO of Rural Healthcare Group (RHG), is scheduled to deliver testimony.<sup>1</sup> We urge you to request confirmation from Mr. Sloan at the hearing – where he will testify under oath – that he and his company RHG will uphold the public commitments they made to the HPC during the Commission's review of RHG's proposed acquisition of Steward Health Care's (Steward's) physician group, Stewardship Health (Stewardship).<sup>2</sup> In addition, we urge you to seek clarification from Mr. Sloan regarding RHG's compliance with Massachusetts state law prohibiting the corporate practice of medicine, as outlined in our September 29, 2024 letter to Mr. Sloan.<sup>3</sup>

On August 12, 2024, Steward announced that it had entered into an agreement to sell Stewardship to private equity-owned RHG, three months after Steward's CEO Ralph de la Torre, private equity investors, and predatory landlords drove Steward into bankruptcy.<sup>4</sup> The following month, we wrote to RHG to express our concerns that the proposed acquisition could reproduce the conditions that led to Steward's demise, citing RHG's executive team's troubling ties to a health care technology firm that is currently embroiled in litigation on charges that it inappropriately denied medically necessary care to seniors, and the potential for RHG to circumvent Massachusetts state law prohibiting the corporate practice of medicine.<sup>5</sup> Over a month later, RHG has failed to provide written responses to our specific questions.<sup>6</sup>

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<sup>1</sup> Massachusetts Health Policy Commission, "From Crisis to Stability: The Path to a More Affordable, Accessible, and Equitable Health Care System," press release, November 14, 2024, <https://masshpc.gov/news/press-release/2024-health-care-cost-trends-hearing-agenda-announced-today>.

<sup>2</sup> Massachusetts Health Policy Commission, "HPC Board Meeting," October 10, 2024, [https://masshpc.gov/sites/default/files/2024-10/20241010\\_Board%20Meeting%20Presentation\\_vfinal\\_0.pdf](https://masshpc.gov/sites/default/files/2024-10/20241010_Board%20Meeting%20Presentation_vfinal_0.pdf).

<sup>3</sup> Letter from Senator Warren to Rural Healthcare Group CEO Benson Sloan, September 29, 2024, [https://www.warren.senate.gov/imo/media/doc/final\\_-\\_warren\\_markey\\_auchincloss\\_letter\\_to\\_rural\\_health\\_group\\_on\\_acquisition\\_of\\_stewardship\\_health\\_092924.pdf](https://www.warren.senate.gov/imo/media/doc/final_-_warren_markey_auchincloss_letter_to_rural_health_group_on_acquisition_of_stewardship_health_092924.pdf).

<sup>4</sup> Fierce Healthcare, "Steward Health Care agrees to sell physician group to private equity affiliate in \$245M deal," Heather Landi, August 13, 2024, <https://www.fiercehealthcare.com/providers/steward-agrees-sell-physician-group-private-equity-affiliate-245m-deal>.

<sup>5</sup> Letter from Senator Warren to Rural Healthcare Group CEO Benson Sloan, September 29, 2024, [https://www.warren.senate.gov/imo/media/doc/final\\_-\\_warren\\_markey\\_auchincloss\\_letter\\_to\\_rural\\_health\\_group\\_on\\_acquisition\\_of\\_stewardship\\_health\\_092924.pdf](https://www.warren.senate.gov/imo/media/doc/final_-_warren_markey_auchincloss_letter_to_rural_health_group_on_acquisition_of_stewardship_health_092924.pdf).

<sup>6</sup> On file with the Office of Senator Elizabeth Warren.

On October 10, 2024, HPC announced that it had completed its review of RHG’s Material Change Notice – an initial review of mergers and acquisitions between health care providers in Massachusetts that relies on “best available data and information” provided, in part, by the merging parties – and found that the acquisition “is [] not anticipated to increase pricing” and that “a decrease in quality is unlikely.”<sup>7</sup> HPC also revealed that, in the course of this review, RHG’s executive team had made a series of commitments, including a pledge to continue participating in MassHealth, which administers Medicaid coverage in Massachusetts; comply with state transparency and market oversight requirements; and provide periodic updates on its operations to HPC over the next two years.<sup>8</sup>

While we appreciate that RHG has voluntarily made these commitments to HPC, we are concerned that non-binding commitments provide little, if any, assurances that this transaction will not adversely harm Massachusetts patients and providers. HPC acknowledged that the “transaction present[ed] many uncertainties as RHG is a young organization with a limited track record and is a new private equity backed entrant to the Massachusetts market” – but accepted RHG’s assurances at face value, including RHG’s commitment not to engage in profit-seeking behaviors associated with other private equity firms in the health care industry.<sup>9</sup>

In addition, we remain deeply troubled by the concerns outlined in our September letter to RHG, and the company’s failure to provide written responses to the questions posed therein. For example, in its public materials, HPC confirmed that RHG plans to adopt the “‘Friendly PC’ and MSO model” – an arrangement employed by private equity firms that creates a loophole allowing them to comply with state laws prohibiting the corporate practice of medicine even when they are not acting consistent with the laws’ intent.<sup>10</sup> These laws are intended to prevent corporate entities from directly employing physicians and interfering with their clinical judgment, but by using the “Friendly MSO-PC” model to enter into management services agreements with health care entities, private equity firms are able to manage and operate the physician practice, while preserving physicians as nominal owners.<sup>11</sup> However, once in control of the practices, these private equity-backed entities often raise prices,<sup>12</sup> degrade quality of care,<sup>13</sup> and impose pressure on physicians to increase patient volumes, maximizing returns for executives and shareholders.<sup>14</sup>

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<sup>7</sup> Massachusetts Health Policy Commission, “HPC Board Meeting,” October 10, 2024, pp. 56-58, [https://masshpc.gov/sites/default/files/2024-10/20241010\\_Board%20Meeting%20Presentation\\_vfinal\\_0.pdf](https://masshpc.gov/sites/default/files/2024-10/20241010_Board%20Meeting%20Presentation_vfinal_0.pdf); Massachusetts Health Policy Commission, “Material Change Notices and Cost and Market Impact Reviews,” <https://masshpc.gov/moat/mcn-cmir>.

<sup>8</sup> *Id.*, pp. 60-61.

<sup>9</sup> *Id.*, p. 61.

<sup>10</sup> Massachusetts Health Policy Commission, “HPC Board Meeting,” October 10, 2024, p. 55, [https://masshpc.gov/sites/default/files/2024-10/20241010\\_Board%20Meeting%20Presentation\\_vfinal\\_0.pdf](https://masshpc.gov/sites/default/files/2024-10/20241010_Board%20Meeting%20Presentation_vfinal_0.pdf).

<sup>11</sup> New England Journal of Medicine, “A Doctrine in Name Only — Strengthening Prohibitions against the Corporate Practice of Medicine,” Jane M. Zhu, Hayden Rooke-Ley, and Erin Fusé Brown, September 9, 2023, <https://www.nejm.org/doi/full/10.1056/NEJMp2306904>.

<sup>12</sup> STAT, “Extensive review finds private equity owners jack up the cost of medical care,” Tara Bannow, July 20, 2023, <https://www.statnews.com/2023/07/20/private-equity-spikes-prices>.

<sup>13</sup> *Id.*

<sup>14</sup> Health Affairs, “Workforce Composition in Private Equity-Acquired Versus Non-Private Equity-Acquired Physician Practices,” Joseph Dov Bruch et. al., January 2023, [https://www.yashaswinisingh.com/files/PE\\_workforce.pdf](https://www.yashaswinisingh.com/files/PE_workforce.pdf); New England Journal of Medicine, “A Doctrine in Name Only – Strengthening Prohibitions against the Corporate Practice of Medicine,” Jane M. Zhu, Hayden Rooke-Ley,

RHG has represented to HPC that the management services organization (MSO) “has no ability to interfere with or control medical decisions by the [physician-owned practice],”<sup>15</sup> but RHG has failed to provide any evidence to support this claim or provide written responses to the questions we have posed to the company regarding this model.

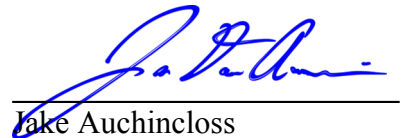
HPC’s public hearing on November 14, 2024, is a critical opportunity for Mr. Sloan – on the record and under oath – to address concerns about the clinical autonomy of Stewardship’s physicians, the potential for future price increases, and access to care for Massachusetts patients. Accordingly, we urge you to ask Mr. Sloan to explain how RHG plans to structure its “Friendly MSO-PC” model;<sup>16</sup> whether it will use that model to impose pressure on Stewardship’s physicians, including by forcing them to pursue “growth in volume;”<sup>17</sup> and to confirm the following commitments under oath:

1. Will RHG “comply with state transparency and market oversight requirements, including participation in the Annual Cost Trends Hearings and immediate registration with the Registration of Provider Organizations program, and annual registration thereafter”?<sup>18</sup>
2. Will RHG “provide periodic updates on its operations over the next two years to HPC including, but not limited to, updates on personnel changes, any changes to services, updates on patients served, as well as information regarding any significant financial activities that could impact operations in Massachusetts”?<sup>19</sup>
3. Will RHG continue its participation in MassHealth without changing Stewardship’s public payer mix, which was 58% Medicare and Medicaid patients in 2022?<sup>20</sup>
4. Will RHG generate profit by “cutting internal costs or services”?<sup>21</sup>

Sincerely,



Elizabeth Warren  
United States Senator



Jake Auchincloss  
Member of Congress

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and Erin Fuse Brown, September 9, 2023, <https://www.nejm.org/doi/full/10.1056/NEJMp2306904>.

<sup>15</sup> Massachusetts Health Policy Commission, “HPC Board Meeting,” October 10, 2024, p. 55, [https://masshpc.gov/sites/default/files/2024-10/20241010\\_Board%20Meeting%20Presentation\\_vfinal\\_0.pdf](https://masshpc.gov/sites/default/files/2024-10/20241010_Board%20Meeting%20Presentation_vfinal_0.pdf).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*, p. 60.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*, p. 61.

<sup>21</sup> *Id.*