'Could have predicted': Steward downfall started with former AG

By Monica Sager

METHUEN — Former Attorney General Martha Coakley admitted there would be risks in Steward Health Care System taking over the Catholic hospital group Caritas Christi in 2010, as written in the transaction materials in accordance with her statutory duties on the proposed transfer.

She claimed the “transaction serves the public interest,” yet 13 years after her opinion the private, for-profit network is struggling with missing payments and violations of the False Claims Act.

Steward Health Care System announced on Feb. 2 it has no plans to close any of its Massachusetts hospitals. This follows concerns at the local, state and federal levels of possible closures, violations of Medicare rules and financial distress.

“I am outraged in Steward’s management of Holy Family Methuen and Haverhill,” said State Sen. Pavel Payano, D-Lawrence. “My No. 1 priority is the well-being of my constituents.”

Steward Health Care System owns nine facilities in the commonwealth, including the Holy Family Hospitals in the Merrimack Valley. The deal with Caritas Christi provided Steward with control of six hospitals, which included Holy Family Hospitals in Methuen and Haverhill.

“Many of us at that time (in 2010) could have predicted what happened because of the fiduciary responsibility,” said Mark DiSalvo, CEO of health intelligence company Sema4. “I think we’ve seen that play out very starkly in this Steward situation.”

Yet, Coakley had thought a for-profit hospital ownership would not be a bad idea.

“The Attorney General has no evidence to suggest that our for-profit hospital operators have failed to provide quality health care while supporting the service needs of their communities and all without the public financial support conferred by tax exempt status,” the transaction documents read.

Massachusetts law requires the attorney general to review a nonprofit hospital’s agreement to sell. The Supreme Judicial Court later approves.

This was not the first time a for-profit entity took control of a hospital, Coakley’s documents read. For that reason she said she had “no data or experience to suggest that the for-profit hospital sector is prone to acting in a manner so inconsistent with the non-profit charitable sector” so that it would need constraints.

Yet this is exactly what Rep. Lori Trahan, D-Westford, argued in a House committee hearing on health care spending Jan. 31.

“It’s looking more and more like this is part of a dangerous Steward-private equity playbook,” Trahan said.

“When these hospitals are forced to close ... it’s the patients who suffer.”

The Merrimack Valley and other Steward hospitals in Massachusetts are not the first to face the for-profit network's "playbook" either.

In 2017, Steward Health Care, the largest private for-profit health network in the country, purchased Texas Vista Medical Center in San Antonio, Texas. At the same time, Medical Properties Trust (MPT) purchased the land and buildings on the hospital's campus and charged Steward $5 million in rent each year, Trahan said.

Six years later, Steward announced it was closing the San Antonio hospital because of low Medicaid reimbursement. However, the medical franchise corporation also owed over $30 million to MPT, Trahan said.

"This is what the disastrous reality of private equity in our health care system looks like, and the thing is, it's happening again," Trahan said in the hearing. "But this time, families in my district are the ones who are being told that they have to pay the price."

Current Attorney General Andrea Campbell declined to comment on the matter at this time.

Private, for-profit entities are the issue, according to financial experts. Private equity investors are driven by maximizing returns. They often cut corners — like how Steward owes money for travel nurses, technology services, linens and more — just to get a better outcome for those with money in the game, according to DiSalvo.

"It's very incompatible with health care, especially today with movements toward improving quality care in health care, increasing the coordination among different types of health care providers, being very focused on patients and patient needs," said Bob Seifert, senior fellow with Americans for Financial Reform.

At the same time, Seifert doesn't think the model is "going away."

And this leads to a "catastrophe" that affects the public's safety, according to Ricardo Valadez, a campaign manager at Americans for Financial Reform.

"That leads to very destructive business practices," Valadez said. "It might not be as visible to the public but it's felt by the nurses who are trying to provide quality care and are understaffed."