**Steward Health: Crisis in Massachusetts**

In January of 2024, amid mounting financial losses, union and patient complaints of poor medical care and understaffing, dozens of lawsuits from unpaid vendors, and an inability to pay its landlord, Steward Health Care, a for-profit system based in Dallas, Texas, announced plans to sell or close at least five of its nine Massachusetts hospitals. Also in January, Steward's landlord, Medical Properties Trust (MPT) announced that it would write off $350 million in Steward debt and hire a restructuring advisor to help them collect $50 million in overdue rent from Steward.

Steward hospitals served primarily low-income, underserved communities in Massachusetts. Any closures would exacerbate an ongoing shortage of acute hospital capacity in the state still reeling from labor shortages and escalated labor and supply costs post-Covid.

Massachusetts Governor Maura Healey publicly stated that there will be "no bailouts" for Steward. The crisis sparked a finger-pointing contest over who was to blame, and whether for-profit sources of capital should be allowed to finance essential community services. Since January, lawmakers at both the state and federal levels have raised questions about the lack of financial transparency of private equity capital, the role of for-profit ownership of hospitals in general, and the role the state should play in overseeing the financial behavior of hospitals.

## Pre-Steward: Caritas Health System

In 2006, the Caritas Health System, composed of six acute care hospitals in Massachusetts owned by the Roman Catholic Archdiocese of Boston (RCAB), began seeking a buyer. The six were Carney in Dorchester, St Elizabeths in Brighton, Good Samaritan in Brockton, Holy Family in in Haverhill, Norwood Hospital in Norwood, and St Anne's in Fall River. While the hospitals generated thin operating margins most years leading up to 2006, their facilities and pension plans were severely undercapitalized. A strategic consultant to the System strongly recommended that the RCAB relinquish its executive powers [i] and seek an independent organization focused on successfully operating a health care system to run Caritas. The RCAB approached national Catholic health care organizations as well as other, including for-profit, systems over the next three years, but a viable offer acceptable to the RCAB failed to materialize.

In 2008, Caritas hired Dr Ralph de la Torre, a cardiovascular surgeon from Beth Israel Medical Center in Boston, to be its CEO. Dr. de la Torre was considered by many at the time to be a brilliant visionary who would focus on delivering affordable, high quality health care to underserved and low-income communities [ii]

In March, 2010, the RCAB announced an agreement to sell the Caritas Health System to Steward Health Care, a newly-established for-profit company created and financed by Cerberus Capital Management ("Cerberus"). In a March 25, 2010 press release, Cerberus promised to provide $830 million in capital by assuming the System's pension fund liabilities, paying down Caritas' existing long-term debt, and investing $400 million in capital upgrades for the six hospitals,

while continuing to operate the hospitals in accordance with Catholic principles[iii]. Dr de la Torre became Steward's Chairman and CEO.

The Caritas 2010 notice to the Attorney General requesting approval for a sale explained, "Caritas was in a precarious and unstable financial situation and would likely be unable to meet its capital needs in light of its aging facilities, its underfunded pension liability, and its debt obligations." [iv]

Massachusetts Attorney General Martha Coakley approved the deal, subject to an extensive five year monitoring period during which the Attorney General's office oversaw compliance with the capital investment promises, monitored the affordability and competitive impact of the new entity on local markets, and monitored other sale requirements such as maintaining the Caritas charity care policy, employing the Caritas workforce, and not closing a Caritas hospital for the first five years. Steward subsequently acquired four more acute Massachusetts hospitals in 2011 and promised to not close two of those hospitals, Quincy and Morton, for at least 10 years.

### "Accountable Care Organization on Steroids" 2011-2015

By 2012, Steward was a $1.8 Billion company, the third largest employer in the state, caring for 1.2 million patients/year. By 2014 it had the third largest physician network in the state , expanded into home health and long-term care, and partnered with two local insurers to pursue the small business market. In 2011, Steward was selected as one of the first 32 participants in Medicare's Pioneer ACO.

During this period, Steward's strategy was to focus on operational efficiencies and building its accountable care organization with incentives to keep care within the local community. De la Torre stated his strategy at a January 2011 health care conference , as "the ultimate business model for the age of Obamacare: a national chain of no-frills hospitals". In a 2013 article in Bloomberg Business News, de la Torre vowed that "Steward would compete aggressively on price with the large university-affiliated teaching hospitals that dominate most metropolitan areas. In a world of Neiman Marcuses, we're OK with being Filene's," he said. Steward would deliver low-cost, state-of-the-art care through the use of advanced electronic medical records systems, new preventive medicine approaches, and the standardizing of everything throughout the chain, from billing to emergency room procedures. His business plan was to be an accountable care organization "on steroids"[v]

Cerberus did not contribute any cash beyond the initial $245.9 million, which was used to retire the mostly tax-exempt long-term debt incurred under the Caritas System. The $325 million pension fund liability assumed by Steward in November, 2010, was sold to a Multiple Employer Trust in 2015, generating an accounting gain of $132 Million. The $400 million in capital improvements promised in the Attorney General's agreement were funded by additional debt on the books of Steward Health Care System, totaling roughly $456 million by the end of 2015.

By the end of the monitoring period, Steward's system represented roughly 10% of hospital beds and 18% of beds characterized as "high public payer" in the state.

In December of 2015, the monitoring period ended with the Attorney General concluding that Steward had largely complied with its promises, despite closing Quincy Hospital in 2014 when it could not attract enough patients to remain viable. However, her report noted that Steward had not improved the financial situation of the Massachusetts hospitals; the System was unprofitable in every year 2012 – 2014 (see Table 1). Steward's 2014 inpatient discharge volume was 8.8% below 2010 which compared unfavorably to a state-wide decline of 7.7%. And the system had become highly leveraged with term loans and bank debt.

**Background on Private Equity**

Private equity (PE) emerged in the 1980's as a rebranding of the Leveraged Buyout (LBO) method of finance prevalent in the prior decade. Private investment firms such as Kohlberg Kravitz Roberts (KKR) , Blackstone, Carlyle, and Drexel Burnham Lambert, raised low-grade "junk bonds" in the market which they lent to operating company managers to take a publicly-traded company private. The debt was assumed by the acquired company, not the purchaser (management-owners). In a favorable economy, LBOs were often financially "successful" for their purchasers and creditors. However, not infrequently, they ended in spectacular bankruptcies for the operating companies, especially during periods of economic slowdown, when company assets lost some of their "value" and debt became more expensive and harder to refinance. The "junk bond" craze gave LBOs a bad name, as did its "king", Michael Milken, who spent two years in prison for securities fraud before being pardoned by President Trump in 2020.

Private equity firms, as with LBOs, were unregulated financial operators that lacked transparency to their portfolio of operating companies, and even to their limited partners. They enjoyed special tax benefits: they were structured as "pass through" vehicles: all financial returns (dividends, interest, capital gains/losses) were passed through to investors (both general and limited partners) without corporate taxation. Investor returns were taxed as long-term capital gains (e.g., 15%-20% tax rate) rather than as ordinary income (up to 35% tax rate). The PE firm typically collected an annual 2% management fee on all funds committed by the limited partners, and also received "performance fees", known as "carried interest", representing a share of all profits beyond a minimum rate of return, often 20% of the gain. "Carried interest" was also taxed as a long-term capital gain.

Private equity firms raised time-limited pools of equity capital mostly through limited partnerships funded by large pension funds, university endowments, foundations, banks and insurance companies – 90% of the funds came from such institutional investors.[vi] On average only 5% of a PE fund was from the PE firm's general partners. Typically, 70% of the acquisition cost of an operating company came from loans from banks and other lenders who then repackaged the debts and resold them as securities collateralized by the operating company's assets.

PE funds generally had 10 years or less to invest, reap financial returns, and exit from the operating companies in the fund portfolio. One common exit strategy in recent years was to sell the operating company's real estate to a REIT, using the proceeds to pay off investors in the PE fund. Other exit strategies included taking the operating company public or selling it to another PE firm.

Over the period 2003 – 2019, PE firms increased their investments in the health care sector, especially after the Affordable Care Act of 2010 increased the number of insured people, which lowered the

financial risk of a health care company being unable to repay debts. PE investments in healthcare rose from $5 billion in 2000 to $124 billion in 2019.[vii]

A 2017 analysis of private equity-acquired hospitals found that they represented 7.5% of all non-government-operated general acute care hospitals, and 11% of all patient discharges. PE-acquired hospitals were more likely to be for-profit and in urban areas.[viii] More recently, the Private Equity Stakeholder Project identified 386 US hospitals owned by private equity, [ix] representing 9% of all private and 30% of all for-profit hospitals in the US, with 85 of those hospitals being in Texas. Twenty-four percent of the PE-owned hospitals were psychiatric hospitals. Another popular investment sector for PE firms was nursing homes; MedPAC found that PE firms owned 11% of US nursing homes in 2021. [x]

**Background on Cerberus Capital Management**

Cerberus, a private equity firm, was formed in 1992 by Stephen Feinberg and William Richter. In the early 1980's Feinberg worked at Drexel Burnham and another investment bank after graduation from Princeton. Among Cerberus' senior officers were Dan Quayle, former Vice President of the United States, and former Secretary of the Treasury, John Snow. Feinberg served as Chair of the President's Intelligence Advisory Board from 2018-2021.

As of 2024, Cerberus had $60 billion in 10 funds under management, spanning private equity, real estate, corporate lending, nonperforming loans, and other areas.[xi] Recent investments and acquisitions included communications technology, cloud storage, rare earth minerals, medical clinics, supermarkets, textiles, banking, airlines, and many other industries.[xii]

In its private equity business, Cerberus had a history of leaving significant debt on the books of operating companies, some of which eventually went bankrupt. [xiii] [xiv] Cerberus investors generally received their expected returns, but the creditors, employees, and customers of the operating company lost out. As David Johnson, a seasoned industry observer commented, "I look at private equity the same way I look at nuclear energy. It has beneficial and detrimental uses. It is a heat-seeking missile for profits." [xv],

## The Steward "Asset-Light" Strategy

Between 2016 and 2018, Steward sold all of its Massachusetts hospitals' capital assets to a real estate investment trust (REIT) called Medical Properties Trust (MPT) in sale/leaseback arrangements that yielded Steward roughly $1.2 billion in cash. In return, the hospitals assumed 15 year renewable lease obligations and an additional 200 million in long-term debt. Table 2 compares the value of Steward's net property, plant and equipment in 2015 to the acquisition value that MPT reported for these assets in 2021.

The Steward strategy was hailed by some industry observers as an "asset-light", patient-centric health care company that is "well-positioned to compete in a post-reform competitive environment that rewards better outcomes, more efficient care delivery and an enhanced customer experience."[xvi] In 2017, Dr Ralph de la Torre was ranked among the top 50 most influential physician executives by Modern Healthcare magazine.[xvii]

However the operating company still required capital assets. The first year lease and mortgage interest rate was reported to be 10.1%[xviii]; the leases had escalator clauses for future years that rose by between 2% and 5% per year[xix] depending on the performance of the Consumer Price Index. The 2017 first full-year lease payment from Steward's Massachusetts business was $107 million, roughly 2 ½ times Steward's 2015 debt service of $42 million.[xx]

Meanwhile the $1.25 billion in cash generated by the asset sales was used to pay a $484 million dividend[xxi] to Cerberus. It also helped finance an out-of-state hospital acquisition spree. In early 2017 Steward acquired eight hospitals from Community Health Systems (in Ohio, Pennsylvania, and Florida) for a purchase price of $312 million; it sold the hospitals' physical property to MPT for $301 million. Later in 2017, Steward acquired 18 hospitals in Utah, Arizona, and Texas, and a health plan from IASIS for a purchase price of $1.9 billion. For that transaction, Steward provided $419M in cash, and obtained a combined sale/leaseback and mortgage finance arrangement with MPT for about $1.4 Billion which became long-term debt and lease obligations to be paid by the newly acquired hospitals.

In 2019, Steward sold the health plan it had acquired from IASIS for cash consideration of $416 million, and in 2020 it sold a 50% interest its international hospital management company, with a book value of $27 million, to MPT and certain Steward managers for $200 million in cash.[xxii]

In June of 2020, Cerberus sold its ownership interests in Steward Health to a private group of Steward-affiliated physicians, led by Dr. de la Torre, in exchange for a $335 million note due in five years that paid interest to Cerberus and could be converted back to equity if Steward turned its financial situation around. In January, 2021, the physicians borrowed $335 million from MPT to retire the Cerberus note.[xxiii] MPT recorded the $335 million loan as an "investment in unconsolidated operating entities" because it provided MPT with "opportunities for participation in the value of Steward's growth."[xxiv]

In the first quarter of 2021, Steward paid its owners (90% the physician group, 10% MPT) a dividend of over $100 million.[xxv] Yet as of December 31, 2020, Steward had over $2 billion in long-term debt on its balance sheet, another $4.4 billion in future minimum lease obligations not on the balance sheet, and a negative net worth of $1.5 billion. (See Table 5)

In 2021, Steward bought five hospitals in Florida from Tenet Healthcare for $1.1 billion – financed in large part by MPT, which acquired the hospital real estate in a sale/leaseback transaction for $900 million.

In 2022, MPT sold a 50% share of its Massachusetts "assets" (eg, physical plant plus the intangible value of future lease payments) to Macquarie Asset Management, valuing the total investment at $1.7 billion ($537 million more than the value of the assets before this sale) which MPT booked as a "gain on sale of real estate".

**Background on Real Estate Investment Trusts (REITs)**

Congress authorized REITS in 1960 to allow ordinary Americans to share in the wealth created by real estate assets by owning shares in REITs. REITs can be privately held or public corporations that invest in or own income-producing real estate. They qualify for tax-exemptions as long as they distribute 90% of their taxable income to shareholders every year as dividends.

As of 2021, REITS owned more than $3.5 trillion in US assets. In the 1980's and 1990's REITS began investing in health care facilities and senior housing [xxvi]; more recently they became active in owning nursing homes, hospitals, and other health care properties. In 2021, REITS owned 3% (197) hospitals and 12% (1870) of all skilled nursing facilities, with the greatest number of hospital acquisitions occurring in 2016-2017[xxvii].

Health care-focused REITS acquired hospitals and other health care-related properties and leased the property back to the operating company or "tenant" through a sale/leaseback transaction. The tenant was usually responsible for paying the facility rent, maintenance, insurance and taxes ("triple net lease") for a period of 10 – 15 years or more under renewable leases. At the end of the lease term, ownership of the property and all capital improvements remained with the REIT.

**Background on MPT**

Steward found the perfect partner in Medical Properties Trust (MPT). Edward K Aldag, Jr, Chairman, President, CEO of MPT, described his company's core strategy of investing in acute care hospitals: "They are the top of the pyramid of the health care delivery system. They are critical to a local community infrastructure. " [xxviii] MPT Senior Vice President and Chief Financial Officer R. Steven Hamner explained that many governments (federal and state) supplied hospitals with funding to ensure they remained fully operational. "This is why MPT offers such a great investment opportunity—because somebody is going to pay to have these hospitals open. The people demand it."[xxix]

MPT was founded by Edward Aldag, Emmett McLean and Steven Hamner in 2003 to acquire hospital facilities. Following an initial public offering in 2005, MPT grew to become one of the largest owners of hospital properties in the world, with 435 facilities and 44,000 licensed beds in ten countries. As of 2022, MPT's holdings in the United States included 98 general acute, 24 behavioral health, 31 inpatient rehabilitation, 20 long term acute, and 43 freestanding emergency/urgent care centers in 31 states.[xxx] Its largest tenants (hospital operating companies) in the United States as of September 30, 2023 are shown in Table 3. They also had tenants in the United Kingdom - 92 properties (Circle Health, Priory); Switzerland – 17 properties (Swiss Medical Network); Germany - 85 properties (MEDIAN); and Spain- 9 properties (IMED) among other countries. As of September 2023, MPT reported total US Assets of $11.8 billion, and total international valued at $7.2 billion.

Total assets grew rapidly since 2004, doubling every two – three years (see Figure 1). Roughly 75- 80% of total assets were in real estate. At the same time, MPT incurred over $10 Billion in

debt, a third of which was on repayment terms of five years or less. See Table 4 for the debt maturity schedule as of 2023. Recent increases in interest rates have pushed MPT's weighted average interest rate from 3.091% in 2021 to 4.04 in 2023.

MPT's stock price recently plummeted as interest rates rose and their tenants, including Steward and others, were unable to make lease payments (see Figure 2). In prior years, MPT assisted Steward with loans to make its lease payments, but this option became less feasible as MPT faced its own financial headwinds.

**Financial Performance of Steward 2017- present**

Steward lost money on operations every year over the period 2017 – 2020 (see Table 5). Its cumulative operating loss over those years totaled $1.3 billion, brought down to a cumulative loss of $800 million after a gain in sale of assets in 2019 and other non-operating adjustments.

Steward has not publicly released its audited financial statements since 2020. However, industry sources suggest that it was continuing to struggle; MPT was lending Steward money to make lease payments in the last couple of years.[xxxi] Hospital closures, service cuts, and vendor lawsuits mounted. In 2023, it closed a vital safety net hospital in San Antonio, Texas; in just one Texas county, it was being sued by six vendors for $13 million for nonpayments.[xxxii]

Over 2021- 2023, MPT statements have repeatedly assured MPT shareholders that Steward and its other hospital operators were moving in a positive and stable financial direction. For instance, in MPT's first quarter 2021 press release to shareholders, Mr Aldag reported "hospital tenants uniformly reporting continued strong operating and financial performance." He added "Our operators are well-capitalized, and their fundamentals returned to very close to normalized levels more than nine months ago and remain there today. "[xxxiii] It announced the 2022 sale of Massachusetts assets to MacQuarrie Asset Management as evidence of the "proficiency of operators such as Steward."[xxxiv]

**March 2024 Update**

On February 21, 2024, MPT announced its financial results for the fourth quarter and year ending December 31, 2023. They recognized a fourth quarter loss of roughly $772 million in non-recurring write-offs and impairments, "primarily related to Steward". Future reporting of Steward's revenue was moved from an accrual to a cash basis, due to the uncertainty of its collection by MPT.

Mr Aldag commented, "With regard to Steward, we are encouraged by the amount of interest received to date from other hospital operators for these mission-critical facilities, and we expect this real estate portfolio will either resume its contributions to earnings or become additional sources of liquidity as the year progresses."[xxxv]

In March, 2024, the Securities and Exchange Commission made staff comment letters to MPT executives public, alleging that MPT was not responding to staff questions about MPT's annual reports (10K filings) in 2021 and 2022, and demanding the release of the financial statements of Steward Health, as well as explanations of how MPT valued its assets and classified its loans.

Discussion Questions:

1. What were the key assumptions driving Steward's corporate strategy? How well do they reflect reality?
2. What are the key assumptions underlying MPT's corporate strategy? How well do they reflect reality?
3. What should the state of Massachusetts do now?
4. What preventive measures, if any, should be taken by state or federal government to avoid this type of crisis in the future?

Table 1 Steward Health System Financial Metrics 2011 – 2015 plus Caritas 2010

| | Steward | Steward | Steward | Steward | Steward | Caritas |
|---|---|---|---|---|---|---|
| **Year** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** |
| **Profitabilty:** | | | | | | |
| Total Margin | 0.050 | (0.036) | (0.025) | (0.017) | (0.031) | 0.018 |
| Operating Margin | 0.003 | (0.036) | (0.032) | (0.015) | (0.028) | 0.012 |
| Operating EBITDA Margin | 0.054 | 0.017 | 0.018 | 0.028 | 0.018 | 0.066 |
| **Liquidity:** | | | | | | |
| **Current Ratio** | 0.79 | 0.79 | 0.93 | 0.99 | 0.92 | 0.86 |
| Days Cash on Hand | 2 | 2 | 6 | 12 | 10 | 61 |
| Days in Patient Accounts Receivable | 35 | 36 | 38 | 40 | 39 | 35 |
| Days in Accrued expenses/accts payable | 55 | 56 | 57 | 63 | 74 | 65 |
| Cash and Investments, $000 | 74,219 | 84,773 | 102,703 | 128,205 | 94,597 | 297,592 |
| **Solvency:** | | | | | | |
| Longterm debt/total capitalization | 0.770 | 1.870 | 0.861 | 0.938 | 0.569 | 0.461 |
| Pension-adjusted LTD/Capitalization | 0.773 | 1.319 | 0.906 | 0.970 | 0.825 | 0.523 |
| Longterm debt/ Operating EBITDA | (2.304) | 38.626 | 13.884 | (32.757) | 4.464 | 2.460 |
| Debt Service Coverage | 8.45 | 1.26 | 2.38 | 3.96 | 8.63 | 6.64 |
| Cash and Investments/Longterm deb | 0.17 | 0.21 | 0.26 | 0.40 | 0.75 | 1.34 |
| Total Member's Equity (deficit) $000 | 131,010 | (185,399) | 64,091 | 21,322 | 95,565 | 259,988 |
| **Capital Adequacy** | | | | | | |
| Average Age of Plant | 4.44 | 3.51 | 2.72 | 2.08 | 1.11 | 14.06 |
| Capital expenditure / depreciation e: | 1.00 | 1.18 | 1.58 | 2.11 | 2.14 | 1.54 |

Note: Steward assumed the additional $163 million unfunded RCAB pension liability which was not part of the Caritas Health System pension obligations as of 2010.

Table 2

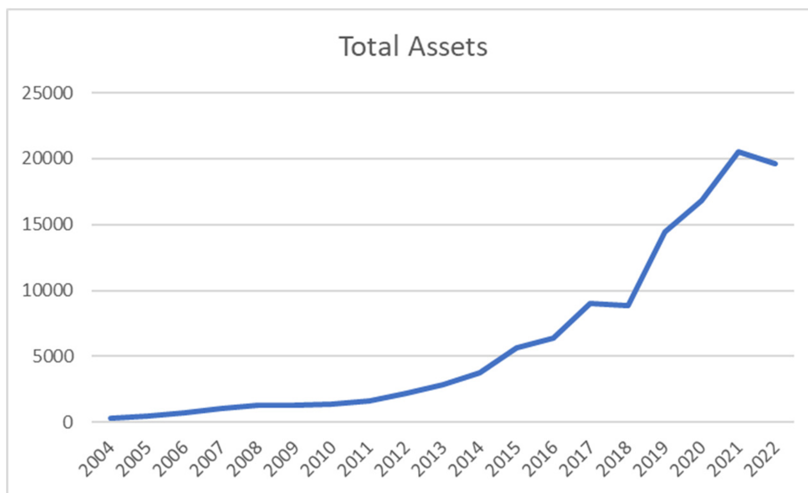
"Real Estate Acquisition Cost" of Massachusetts Hospitals per MPT 2021 SEC Filing Schedule lll Compared to 2015 Net Property Plant and Equipment Reported on Medicare Cost Report

| Hospital: | MPT Acquisition Date | Acquisition "Cost" In $ thousands* | Acquisition "Cost"/Net Property Plant and Equipment 2015 |
|---|---|---|---|
| Carney | 2018 | 285,003 | 4.84 |
| Good Sam | 2016 | 85,576 | 1.20 |
| Holy Family Methuen | 2016 | 113,314 | 1.74 |
| Morton | 2016 | 77,656 | 1.17 |
| Nashoba | 2018 | 86,961 | 3.83 |
| St Anne | 2016 | 85,884 | .99 |
| St Elizabeth | 2016 | 165,031 | 1.22 |
| Norwood | 2018 | 161,568 | 3.04 |
| Total | | | 1.84 |

*The "cost" of acquired real estate by MPT was based on management's estimate of the fair value of the property plus intangibles such as leases and customer relationships.

Figure 1: Total MPT Assets 2004 – 2022

Dollars in Millions




Source: MPT Annual Reports, various years

Table 3

MPT Properties in the United States as of September 30, 2023

| State/Country | # Properties ** | Total Assets ($000)<br><br>(MPT 3rd Qtr 2023 Supplement) | Q3 2023 Revenues ($000) |
|---|---|---|---|
| UNITED STATES | | | |
| **Steward Health Care** | | | |
| Florida | 8 | 1356050 | 29968 |
| Texas/Arkansas/Louisiana | 7 | 1138050 | 20659 |
| Massachusetts | 10 | 840046 * | 6225* |
| Arizona | 5 | 305611 | 9413 |
| Ohio/Pennsylvania | 3 | 122318 | 3918 |
| Total | 33 | 3757534 | 101953 |
| | | | |
| Prospect Medical Holdings | 13 | 1065752 | 16465 |
| Lifepoint Behavioral Health | 19 | 806350 | 18553 |
| CommonSpirit (Utah) | 5 | 791480 | 29355 |
| Ernest | 29 | 619910 | 18225 |
| Lifepoint Health | 8 | 502457 | 15063 |
| | | | |

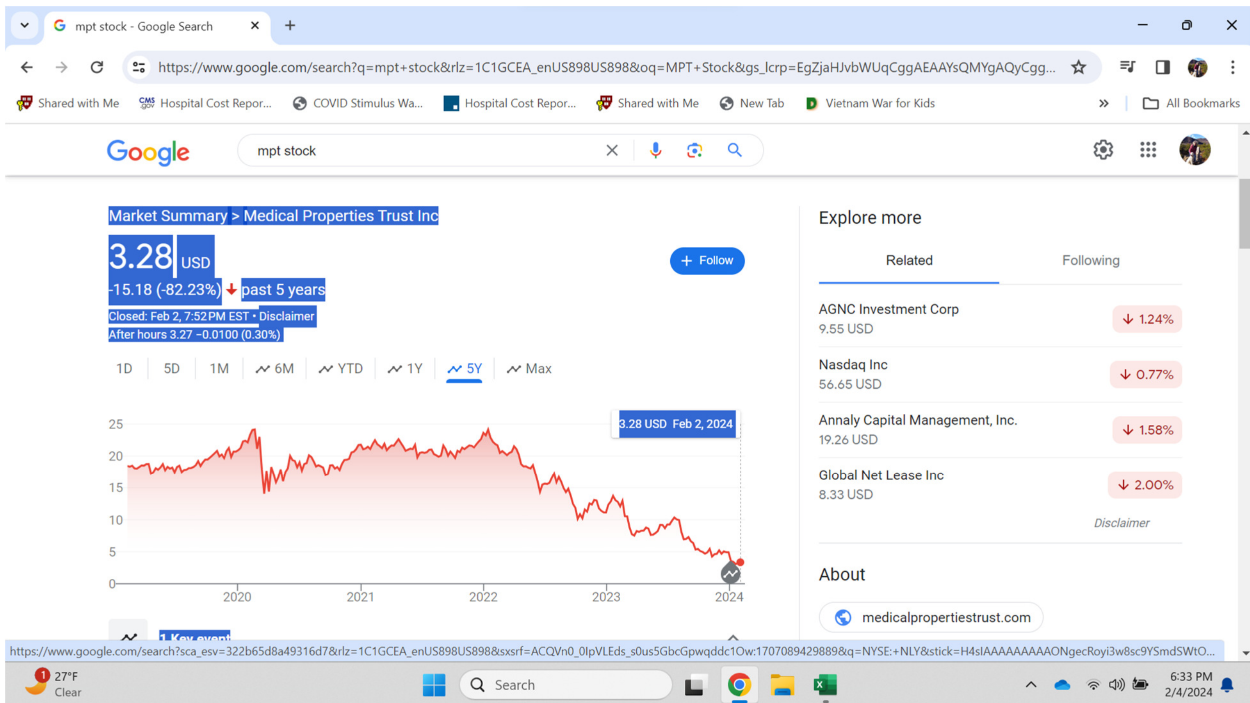
*in 2022, MPT sold a 50% interest in 8 Massachusetts hospitals to Macquarie Asset Management (MAM); the figures in this table represent only the 50% owned by MPT as of 2023. The reported value of these assets in the third quarter of 2022, before the MAM transaction, was $1.166 Billion; the MAM transaction raised the reported value of the Massachusetts assets to $1.678 billion (3rd quarter 2023 MPT Financials).

Table 4

MPT Debt Maturities

| Year | Debt Maturity $000 |
|---|---|
| 2023 | $439,399 |
| 2024 | $430,352 |
| 2025 | $1,382,580 |
| 2026 | $2,992,894 |
| 2027 | $1,600,000 |
| 2028 | $731,940 |
| 2029 | $900,000 |
| 2030 | $426,965 |
| 2031 | $1,300,000 |
| Total | $10,204,130 |

Figure 2 shows the five year trend in MPT stock prices as of February 2, 2024



Source: https://www.sec.gov/Archives/edgar/data/1287865/000156459021032186/mpw-ex991_87.htm

Table 5

Steward Health System Financial Metrics 2017-2020

| | Steward | Steward | Steward | Steward |
|---|---|---|---|---|
| **Year** | **2020** | **2019** | **2018** | **2017** |
| Total Margin | (0.075) | 0.012 | (0.041) | (0.056) |
| Operating Margin | (0.082) | (0.039) | (0.046) | (0.087) |
| Operating Margin excl COVID Grant | (0.154) | (0.039) | (0.046) | (0.087) |
| EBITDA Margin | (0.024) | 0.054 | 0.019 | 0.015 |
| **Liquidity:** | | | | |
| Current Ratio | 0.84 | 1.10 | 0.80 | 0.85 |
| Days Cash on Hand | 26 | 12 | 4 | 7 |
| Days Cash on Hand Excl Medicare | | | | |
| and Social Security Advances,Deferrals | (7) | 12 | 4 | 7 |
| Days in Patient Accounts Receivable | 48 | 48 | 50 | 82 |
| Days in Accrued expenses/accts payable | 81 | 55 | 57 | 86 |
| **Solvency:** | | | | |
| Longterm debt/total capitalization | (0.371) | 4.432 | 10.609 | 1.903 |
| Add Mortgage and sale-lease back | (94.591) | 3.168 | 4.915 | 1.352 |
| Longterm debt/Operating EBITDA | (2.304) | 38.626 | 13.884 | (32.757) |
| Debt Service Coverage | (1.50) | 2.93 | 0.52 | n/a |
| Cash and Investments/Longterm deb | 0.21 | 0.11 | 0.04 | 0.03 |
| Member Net Deficit $000 | (1,507,611) | (1,220,716) | (1,297,393) | (989,906) |
| **Capital Adequacy** | | | | |
| Average Age of Plant | 4.86 | 4.40 | 2.86 | 3.88 |
| Capital expenditure / depreciation e› | 1.40 | 0.84 | 0.87 | 0.54 |

---

[i] http://wayback.archive-it.org/1101/20171230170031/http://www.mass.gov/ago/docs/nonprofit/caritas/complaint-exhibit-c.pdf
[ii] https://www.wbur.org/news/2024/02/06/ralph-de-la-torre-steward-profile

[iii] https://www.cerberus.com/media-center/caritas-christi-health-care-system-to-be-acquired-by-cerberus-capital-management-l-p/
[iv] See http://wayback.archive-it.org/1101/20180104150805/http://www.mass.gov/ago/docs/nonprofit/interim-steward-report.pdf
[v] Leonard,David. "Private Equity's Hospitals: A Business Model for the Obamacare Era?" Bloomberg Business Deals, August 29, 2013

[vi] MedPAC June 2021 Report to Congress. "Congressional request: Private equity and Medicare". Chapter 3.
[vii] Ibid p. 60
[viii] Offodile, Ceullo et al, "Private Equity Investments in Health Care: An Overview of Hospital and Health System Leveraged Buyouts, 2003-2017." Health Affairs May 2021 40:5.
[ix] https://pestakeholder.org/private-equity-hospital-tracker/
[x] MedPAC June 2021 Report to Congress, Chapter 3. "Congressional request: Private Equity and Medicare."
[xi] https://www.cerberus.com/ Accessed 2/9/2024
[xii] https://www.crunchbase.com/organization/cerberus-capital-management/recent_investments
[xiii] https://prospect.org/health/2023-05-23-quackonomics-medical-properties-trust/
[xiv] Barron, Jesse. "How America's Oldest Gun Maker Went Bankrupt: A Financial Engineering Mystery", NYT Magazine, May 1, 2019
[xv] Hechinger, Wellmer, "Life and Debt at a Private Equity Hospital. Bloomberg.com. August 6. 2020. https://www.bloomberg.com/news/features/2020-08-06/cerberus-backed-hospitals-face-life-and-debt-as-virus-rages
[xvi] Fraiman R and Johnson D. "Letting Go: Steward Sells its Hospitals and Embraces Patient-Centric Care', Market Corner Commentary, Jan 25, 2017. 4SightHealth.
[xvii] https://www.modernhealthcare.com/awards/2017-most-influential-physician-executives-ralph-de-la-torre
[xviii] https://commonwealthbeacon.org/health-care/stewards-asset-light-philosophy/
[xix] https://www.sec.gov/Archives/edgar/data/1287865/000119312517065943/d295656dex1033.htm
[xx] See 2015 audited financial statements of Steward Health Care System LLC. Calculated by adding 2015 interest expense of $26 million plus 2014 "current portion of long-term debt" of $14.6 million.
[xxi] Hechinger and Willmer, "Life and Debt at a Private Equity Hospital", Bloomberg Business Week Feature, August 6. 2020 ; https://www.bloomberg.com/news/features/2020-08-06/cerberus-backed-hospitals-face-life-and-debt-as-virus-rages
[xxii] Op Cit, Quackonomics
[xxiii] The $335 million loan from MPT was subsequently accounted for on MPT's books as an "investment in unconsolidated operating entities, along with an additional $27 million in paid-in-kind interest accrued on the loan.
https://www.sec.gov/Archives/edgar/data/1287865/000119312523188870/filename1.htm

---

[xxiv] MPT responses to SEC letter of July 18, 2023, at https://www.sec.gov/Archives/edgar/data/1524607/000119312523188870/filename1.htm

[xxv] https://www.sec.gov/Archives/edgar/data/1287865/000119312521138537/d166327dex991.htm
[xxvi] https://www.reit.com/what-reit/history-reits#:~:text=U.S.%20REITs%20were%20established%20by,local%20communities%20through%20new%20development./
[xxvii] Bruch JD, et al. "Trends in Real Estate Investment Trust Ownership of US Health Care Properties", JAMA Health Forum. 2022: 3(5): e221012
[xxviii] Edward Aldig, CEO of MPT, P. 4 letter to Investors, MPT 2020 Annual Report
[xxix] R. Steven Hamner , EVP and CFO of MPT, p.9 MPT 2020 Annual Report
[xxx] https://www.medicalpropertiestrust.com/portfolio
[xxxi] Tkacik, Maureen. "The Great American Hospital Shell Game". The American Prospect, August 20, 2023. https://prospect.org/health/2023-08-10-great-american-hospital-shell-game/
[xxxii] Op cit

[xxxiii] https://www.nasdaq.com/press-release/medical-properties-trust-inc.-reports-first-quarter-results-2021-04-29
[xxxiv] Medical Properties Trust, "Medical Properties Trust Completes Hospital Partnership with Macquarie Asset Management", March 16, 2022
[xxxv] https://medicalpropertiestrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-inc-reports-fourth-quarter-and-full-2