

Congress of the United States

Washington, DC 20515

June 17, 2024

The Honorable Julie Su
Acting Secretary
U.S. Department of Labor
500 C Street, NW
Washington, DC 20001

Dear Acting Secretary Su:

On May 6, 2024, Steward Health Care (“Steward”) announced its filing for Chapter 11 bankruptcy in the United States Bankruptcy Court for the Southern District of Texas. Steward is continuing to operate its 31 hospitals across the United States, including 8 in Massachusetts, while initiating corporate restructuring.¹ Steward’s bankruptcy poses concerns for the nearly 30,000 workers, including nearly 10,000 in Massachusetts, who rely on Steward Health Care for their paychecks, health care plans, and retirement benefits. We write to ask that the U.S. Department of Labor (DOL) ensure that Steward workers and retirees receive the health care and retirement benefits to which they are entitled. Workers and retirees must be protected from further harm resulting from Steward’s gross financial mismanagement.

Steward is a for-profit health system headquartered in Dallas, Texas. It was founded in Massachusetts in 2010 when Steward, backed by private-equity company Cerberus Capital Management (“Cerberus”), purchased several non-profit, community hospitals in the state.² Over the following decade, Steward and Cerberus stripped Massachusetts hospitals of their assets and loaded all their hospitals with debt.³ Part of this strategy included selling the land out from under a hospital to a real estate investment trust, predominately Medical Properties Trust (MPT), and entering into a sale leaseback agreement that required the hospital to pay rent on property it used to own.⁴ This predatory strategy facilitated Steward’s aggressive national and international expansion. Steward now operates 400 facility locations and 3,600 staffed beds, and employs nearly 30,000 employees, in Arizona, Arkansas, Florida, Louisiana, Massachusetts, Ohio, Pennsylvania and Texas.⁵

¹ *In re Steward Health Care System LLC*, Case No. 24-90213 (CML) (Bankr. S.D. Tex.), <https://restructuring.ra.kroll.com/Steward/>.

² Elisabeth Harrison & Roberto Scalse, *A timeline of Steward Health Care, from founding to financial peril*, WBUR (Jan. 31, 2024), <https://www.wbur.org/news/2024/01/31/steward-health-care-timeline>.

³ *Id.*

⁴ Eileen Appelbaum et al., *Hospital Ownership and Financial Stability: A Matched Case Comparison of a Non-Profit and Private Equity Owners Health System*, Center for Economic and Policy Research, CEPR (Mar. 22, 2021), <https://cepr.net/report/hospital-ownership-and-financial-stability-a-matched-case-comparison-of-a-non-profit-and-private-equity-owned-health-system/>.

⁵ *In re Steward Health Care System LLC*, Case No. 24-90213 (CML) (Bankr. S.D. Tex.), <https://restructuring.ra.kroll.com/Steward/>; Our Network, <https://www.steward.org/network/our-hospitals>.

Cerberus profited more than \$800 million from the hospital system before exiting,⁶ but Steward careened under mounting financial challenges. Hospitals fell behind their rent payments to MPT.⁷ As the bankruptcy filings demonstrate, Steward also is indebted to various health and financial stakeholders across the country.⁸ Unpaid medical vendors have resulted in hospitals across the country lacking necessary equipment,⁹ experiencing maintenance issues,¹⁰ and cancelling or rescheduling appointments.¹¹ Steward closed hospital units,¹² threatened to shutter hospitals amid the COVID-19 pandemic,¹³ and shut down some hospitals altogether, leaving behind serious healthcare shortages.¹⁴ Amid this torrent of disruption, hospital workers held firm to their commitment to serve the public as they faced overflowing emergency departments, missing medical supplies and uncertainty about their job security.

Steward has now declared Chapter 11 bankruptcy. Through the bankruptcy court proceedings, Steward will engage in a reorganization process, which may include a change in ownership or closure of some Steward-owned facilities, in order to pay back its debts.¹⁵ The proceedings could impact continuation of wages and management of benefits, including retirement plans.¹⁶ Already, many workers who rely on Steward Health Care for their paycheck are facing financial uncertainty and anxiety—in Massachusetts, for example, paychecks to Steward workers were delayed following the bankruptcy filing due to processing delays.¹⁷ Because the bankruptcy process will prioritize the well-being of Steward’s creditors, it is

⁶ Robert Weisman, *Cerberus says its investment in Steward hospitals yielded an \$800 million profit*, Boston Globe (Apr. 2, 2024), <https://www.bostonglobe.com/2024/04/02/business/cerberus-capital-management-steward-health-care/#:~:text=Cerberus%20Capital%20Management%2C%20which%20more%20than%20a%20decade,investment%20yielded%20a%20profit%20of%20about%20%24800%20million.>

⁷ Press Release, Medical Properties Trust, Medical Properties Trust Provides Update on Steward Health Care (Jan. 4, 2024), <https://medicalpropertiestrust.gcs-web.com/news-releases/news-release-details/medical-properties-trust-provides-update-steward-health-care>.

⁸ *In re Steward Health Care System LLC*, Case No. 24-90213 (CML) (Bankr. S.D. Tex.), <https://restructuring.ra.kroll.com/Steward/>.

⁹ Jessica Bartlett, *Steward’s medical devices were repossessed. Weeks later, a new mother died*. Boston Globe (Jan. 25, 2024), <https://www.bostonglobe.com/2024/01/25/business/steward-health-care-mother-death/>.

¹⁰ Maureen Tkacik, *Scenes from the Bat Cave*, American Prospect (Feb. 27, 2024), <https://prospect.org/health/2024-02-27-scenes-from-bat-cave-steward-health-florida/>.

¹¹ Faimon A. Roberts & Emily Woodruff, *‘Third World Medicine’: Louisiana Hospital Caught in Grip of National Chain’s Meltdown*, nola.com (Mar. 17, 2024), https://www.nola.com/news/healthcare_hospitals/glenwood-regional-medical-center-west-monroe/article_9996c74e-e219-11ee-816d-7f1a2faaf7c7.html.

¹² Tammy Mutasa, *Cancer patients devastated after Steward closes specialty center in Brockton*, CBS News (Apr. 19, 2024), <https://www.cbsnews.com/boston/news/steward-health-care-closes-cancer-center-good-samaritan-hospital-brockton/>.

¹³ Mary Bugbee, *Steward Health Care Reaches \$4.7 Million Settlement to Resolve Allegations of False Claims Act Violations*, Private Equity Stakeholder Project (July 22, 2022), <https://pestakeholder.org/news/steward-health-care-reaches-4-7-million-settlement-to-resolve-allegations-of-false-claims-act-violations/>.

¹⁴ Iris Dimmick, *San Antonio weighs health care access as Texas Vista closes its doors*, San Antonio Report (May 1, 2023), <https://sanantonioreport.org/san-antonio-health-care-access-texas-vista-closing/>.

¹⁵ Elisabeth Harrison et al., *Steward Health Care seeks bankruptcy protections*, WBUR (May 6, 2024), <https://www.wbur.org/news/2024/05/06/steward-bankruptcy-massachusetts-for-profit-hospitals-debt>.

¹⁶ *Making it a Priority: What Happens to Employee Claims When a Business Declares Bankruptcy?*, Congressional Research Service (April 16, 2019) <https://crsreports.congress.gov/product/pdf/LSB/LSB10288>

¹⁷ Jamy Pombo Sesselman, *Paychecks Delayed For Steward Health Care Employees in Massachusetts After Bankruptcy Filing*, WCVB (May 9, 2024) <https://www.wcvb.com/article/paychecks-delayed-for-steward-health-care-employees-in-massachusetts-after-bankruptcy-filing/60743500>

imperative that Steward workers and retirees are supported throughout the bankruptcy proceedings as well. These workers and retirees rely on their wages and benefits for their livelihoods and need clear communication about changes to plan benefits and administration and assurances that their rights are protected throughout this process.¹⁸

DOL must also ensure that workers and retirees receive the wages and health care and retirement benefits to which they are entitled. Given Steward's uncertain future, workers must navigate a rocky employment and benefits terrain. We therefore ask DOL to take the following steps on their behalf:

1. Monitor Steward Health Care's compliance with the Worker Adjustment and Retraining Notification (WARN) Act, which entitles workers to 60-day notice in the event of layoffs at large companies.¹⁹ Workers who are not given 60-day notice may be entitled to additional backpay claims in the bankruptcy proceedings.²⁰
2. Ascertain Steward's plan for continuing benefits during bankruptcy as well as in the event of a facility's closure or buyout—including identifying plan administrators and trustees of retirement plans—and assist in communicating that plan to impacted workers and retirees, where appropriate.
 - a. If retirement plans are terminated, ascertain how accrued retirement benefits will be paid, including potential tax implications of benefit distribution.
 - b. If health plans are terminated, ascertain how outstanding health claims will be paid and whether employees and retirees are eligible for continued coverage under remaining health plans.
 - c. If workers are laid off, ascertain whether Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation benefits will be offered.
3. Secure the availability of information and plan documents relating to health and retirement benefits for all impacted workers and retirees.
4. Monitor Steward to ensure that paycheck deductions are properly deposited into retirement plans.
5. Ensure that Steward and its successor entity safely and prudently manage health and retirement benefits throughout the bankruptcy process.
6. Ensure health claims are paid throughout the bankruptcy process.
7. Enforce violations of health and retirement benefits to which workers are entitled.
8. Guarantee that Steward meets all its obligations under the Employee Retirement Income Security Act of 1974 (ERISA), including ensuring that workers are notified within 60 days of any reduction of their health plan benefits.

¹⁸ Robert Weisman, *An old worry returns for Steward's nurses and retirees: Can they count on their pensions?*, Boston Globe (May 26, 2024), <https://www.bostonglobe.com/2024/05/26/business/steward-pensions-nurses-retirees/>; *Making it a Priority: What Happens to Employee Claims When a Business Declares Bankruptcy?*, Congressional Research Service (April 16, 2019) <https://crsreports.congress.gov/product/pdf/LSB/LSB10288>.

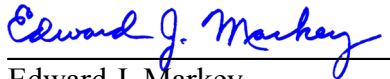
¹⁹ *WARN Act Compliance Assistance*, U.S. Department of Labor, <https://www.dol.gov/agencies/eta/layoffs/warn>

²⁰ *Bankruptcy Basics: A Guide for Employees Whose Employer Files for Bankruptcy*, City Bar Justice Center (April 2022) https://www.citybarjusticecenter.org/wp-content/uploads/2016/11/Bankruptcy-Basics-A-Guide-for-Employees_2016.pdf

9. Support the Pension Benefits Guarantee Corporation in prioritizing defined benefit pensions as creditors, where appropriate.
10. Remain ready to provide additional support to workers and worker representatives.

DOL can be a valuable partner in mitigating the effects of Steward's financial recklessness on workers. Although the responsibility for this crisis rests exclusively on Steward and its corporate collaborators, a resolution to this crisis that protects workers, patients, and communities demands involvement and collaboration among federal, state, and local authorities. It is vital that these hospitals stay open given their importance to the communities they serve, and all options must be considered to protect the workforce that has continued to provide care while their professional futures remain uncertain.

Sincerely,



Edward J. Markey
United States Senator



Bernard Sanders
United States Senator



Sherrod Brown
United States Senator



John Fetterman
United States Senator



Ayanna Pressley
Member of Congress



Stephen F. Lynch
Member of Congress



Seth Moulton
Member of Congress



James P. McGovern
Member of Congress