

## **COALITION TO SAVE CATHOLIC HEALTH CARE REPORT ON CARITAS CHRISTI, CERBERUS/STEWARD, 19 OCTOBER, 2010**

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Caritas Christi Health Care system is a group of six (6) hospitals affiliated with the Archdiocese of Boston, Massachusetts, serving 55 communities from southern New Hampshire, through eastern Massachusetts, and down into Rhode Island. It is the second largest hospital group in New England, and provides world-class health care. There are 12,000 employees, of whom 2,305 are doctors and 1,880 are nurses. It has 1,552 hospital beds. Annual Inpatient Discharges number 73,546 and Emergency Department Visits 238,551 ([CaritasChristi.org/](http://CaritasChristi.org/)).

The six (6) Caritas Christi hospitals are: Holy Family Hospital in Methuen, St. Elizabeth’s Medical Center in Brighton, Carney Hospital in Dorchester, Good Samaritan Medical Center in Brockton, Norwood Hospital, and St. Anne’s Hospital in Fall River.

It also provides Visiting Nurse Association (VNA) and at-home hospice care. Caritas Christi Network Services (CCNS), with 1,100 members, is the second-largest physician network in Massachusetts. Laboure College trains nurses and other health professionals. Por Cristo provides health care to at-risk women and children in Latin America. There have been financial difficulties over the years, partly because Caritas Christi serves many poor and uninsured people.

### **A brief history follows:**

**1985:** Caritas Christi Health Care group was formed, but its origins go back to 1863, when Carney Hospital was founded. Caritas Christi is owned by the Archbishop of Boston, currently **Cardinal Sean O’Malley**, as a “Corporation Sole”. It has a 501 (c) 3 non-profit charitable status.

**2005-2008:** It posted profits of over \$25 million in FY05 and FY06, which ends on September 30. Profits dropped to around \$4 million in FY07. A loss of \$20.4 million was recorded in FY08. [http://www.boston.com/business/healthcare/articles/2009/08/31/caritas\\_christi\\_poised\\_to\\_profit\\_after\\_cost\\_cuts\\_new\\_medical\\_services/](http://www.boston.com/business/healthcare/articles/2009/08/31/caritas_christi_poised_to_profit_after_cost_cuts_new_medical_services/)

**2007-2008:** Several attempts to sell/affiliate the hospitals failed. In particular, efforts to affiliate with Ascension Health, a Catholic hospital group, failed due to concern about Caritas’ finances. <http://www.mass.gov/Cago/docs/nonprofit/Caritas/Notice%20of%20Transaction.pdf> (Page 3)

**April 2008:** **Dr. Ralph de la Torre** was hired as CEO of Caritas Christi. He is a cardiac surgeon, and is also an engineer, trained at Massachusetts Institute of Technology (MIT).

**May 2008:** Caritas Christi made an agreement with Attorney General Martha Coakley “to create a substantially independent Board of Governors”, adopted May 22, 2008. The Archdiocese would provide religious oversight, but would not be involved in day-to-day management. <http://www.mass.gov/Cago/docs/nonprofit/Caritas/Notice%20of%20Transaction.pdf> (Page 4)

**Early 2009:** Caritas Christi attempted to acquire a substantial share in CultiCare, a state-subsidized Health Insurance plan for low-income individuals who didn't qualify for MassHealth (Medicaid). CultiCare is a subsidiary of Centene Corporation, based in St. Louis, Missouri.

**All three (3) CultiCare plans include abortion referral to Planned Parenthood, which is the USA's #1 abortionist - 305,310 abortions in 2007 (PlannedParenthood.org).**

After nationwide protests, Cardinal Sean O'Malley instructed Caritas Christi to withdraw from part-ownership, but the 6 hospitals are still providers of services to CultiCare - **including abortion referral to three (3) PP locations in Massachusetts. The plan started July 1, 2009.**

**August 31, 2009:** Caritas Christi hospitals turned around. A loss of \$20.4 million in FY08 was turned into a profit of \$31.1 million in FY09: a **“swing of more than \$50 million”...**

[http://www.boston.com/business/healthcare/articles/2009/08/31/caritas\\_christi\\_poised\\_to\\_profit\\_after\\_cost\\_cuts\\_new\\_medical\\_services/](http://www.boston.com/business/healthcare/articles/2009/08/31/caritas_christi_poised_to_profit_after_cost_cuts_new_medical_services/)

A request in 2010 from CTSCHC to **Mark Rich, Chief Financial Officer of Caritas Christi**, for figures/projections for FY10 (ended Sep. 30, 2010) was ignored, although **much improved results are expected** due to the changes and the hospitals' participation in CultiCare insurance.

**Fall 2009:** Dr. de la Torre and his wife Wing hosted a fundraiser in their Newton home, and personally gave the maximum amounts allowed by law - **a total of \$9,600** - to AG Martha Coakley in her primary and special election campaign for the U.S. Senate (<http://FEC.gov/>).

**This was a win-win! If elected, AG Coakley will be a powerful ally in the U.S. Senate. If she loses she will still be a powerful ally in Massachusetts. The AG oversees Caritas Christi!**

**November 2009:** Dr. de la Torre met with Robert Nardelli, a top executive with Cerberus Capital Management, L.P., a New York based venture capital firm. Dr. de la Torre was seeking advice on raising cash for Caritas Christi. By the end of that three-hour meeting at the Marriott Desert Springs Resort & Spa in California, “Nardelli was sold”.

[http://www.boston.com/business/healthcare/articles/2010/03/28/at\\_caritas\\_helm\\_a\\_doctor\\_turned\\_dealmaker/](http://www.boston.com/business/healthcare/articles/2010/03/28/at_caritas_helm_a_doctor_turned_dealmaker/)

**Strangely, no serious efforts seem to have been made to seek the necessary funds commercially, and/or from the vast Catholic community in the Archdiocese of Boston.**

**February 18, 2010:** Caritas Christi News Release: “Caritas Christi health care today announces that **Moody's Investor Service** has upgraded Caritas' bond rating to Baa2 from Baa3 for fiscal year 2009. The upgrade reflects the dramatic turnaround in financial performance in FY 2009, and the rating agency's belief that **this new level of performance is sustainable...**”

“**Standard & Poor's** attributed the dramatic rating upgrade in part to Caritas Christi Health Care's strong management team and well-defined strategic plan that should allow the system to **compete effectively in its primary and secondary markets...**” (Emphasis added).

[http://www.caritaschristi.org/news/To\\_Be\\_Deleted/Good\\_Samaritan/Moodys\\_Investor\\_Service\\_Upgrades\\_Caritas\\_Christi\\_Health\\_Care\\_System\\_Bond\\_Rating&&PrintPage%3DPrint](http://www.caritaschristi.org/news/To_Be_Deleted/Good_Samaritan/Moodys_Investor_Service_Upgrades_Caritas_Christi_Health_Care_System_Bond_Rating&&PrintPage%3DPrint)

**March 21, 2010:** The **Health Care Bill** (“Obamacare”) passes by 219-212 in the U.S. House of Representatives. It was signed into law by President Barack Obama on March 23, 2010.

**March 25, 2010: NO-BID CONTRACT WITH CERBERUS/STEWARD IS REVEALED!**

Just 2 days after the HC Bill is signed: “Caritas Christi Health Care (CCHC) today announced that it has signed an agreement to be acquired by Steward Healthcare System LLC, a newly formed affiliate of Cerberus Capital Management, L.P.” It continued: “The transaction will provide the Caritas health care system with approximately **\$830 million** of capital support,” [http://www.caritaschristi.org/news/Caritas\\_Carney/Caritas\\_Christi\\_Health\\_Care\\_System\\_to\\_be\\_Acquired\\_by\\_Cerberus\\_Capital\\_Management\\_L\\_P](http://www.caritaschristi.org/news/Caritas_Carney/Caritas_Christi_Health_Care_System_to_be_Acquired_by_Cerberus_Capital_Management_L_P)

**Cerberus, a New York venture capital company, has NO experience in running a hospital. No efforts seem to have been made to resume negotiations with Ascension Health etc.**

**May 5, 2010:** “...Option 2 (affiliating with a national Catholic system) was the best option”, according to Christopher M. Jedry, an attorney representing Caritas Christi, in his 12 page letter to David G. Spackman, Division of Charities, Office of the Attorney General. <http://www.mass.gov/Cago/docs/nonprofit/Caritas/Notice%20of%20Transaction.pdf> (Page 3)

How much money would Cerberus/Steward provide, and how much would be borrowed against the assets of Caritas Christi? The Archdiocese would receive nothing for the six-hospital group. **Cerberus/Steward would make a \$25 million donation -Thirty Pieces of Silver- to a charity of Cardinal O’Malley’s choosing for abandoning the Catholic identity within three years.**

The hospitals’ status would change to For-Profit. Local and state taxes would have to be paid. Conservatively, this would lead to an **increase** in charges to patients of **\$103 million per year.**

**AG Tom Reilly’s office warned in 2002 (Deaconess Nashoba):** “The public should be mindful that other for-profit operators have bought and sold community hospitals,” his office wrote, “sometimes at a quick pace and sometimes to the dismay and disruption of the communities.” [http://www.boston.com/business/healthcare/articles/2010/03/26/equity\\_firm\\_in\\_caritas\\_buyout\\_1\\_acks\\_medical\\_field\\_experience/](http://www.boston.com/business/healthcare/articles/2010/03/26/equity_firm_in_caritas_buyout_1_acks_medical_field_experience/)

**June 2010:** The transaction is subject to the approval of AG Martha Coakley, the Massachusetts Department of Public Health, the Supreme Judicial Court (of Massachusetts), and the Vatican. AG Coakley and the Department of Public Health held joint public hearings in the service areas of 5 of the 6 hospitals. There is much information on the AG’s website: [Mass.Gov/AGO/Caritas](http://Mass.Gov/AGO/Caritas)

**July 1, 2010:** The 6th hearing, regarding Carney, was held. Union members were enthusiastic. **James Karam, Chairman of the Board of Governors of Caritas Christi** told the meeting that he spoke with Cardinal Sean O’Malley and told him that he couldn’t guarantee that the Catholic identity of the hospitals will be maintained, but that if the deal with Cerberus/Steward did not go forward, the hospitals would close! (<http://CatholicActionLeague.org/> July 3, 2010).

**This flies in the face of the evidence of Caritas Christi itself, Moody’s, and Standard and Poors, which shows the hospitals to be financially sound. This also contradicts the many assurances from the Archdiocese that the Catholic identity will be maintained.**

Clearly, this is an effort to deceive Catholics and the general public, many of whom use Caritas Christi services, into thinking that the hospitals are in grave financial peril and must be rescued urgently by Cerberus/Steward, who have **NO** experience in running a hospital!

There has been much ado about the underfunding of the pensions, supposedly amounting to \$200 million dollars. In truth, Caritas Christi only needs to finance pensions (and debts) on a current basis. To say otherwise, is like saying that one needs to pay off a mortgage all at once.

**July 27, 2010: The Coalition To Save Catholic Health Care held its initial press conference.**

**Chairman R. T. Neary of Medfield stated:** “Many Catholics have expressed concern about the background of Cerberus, a venture capital company”...“Also, concerns have been raised about the possibility of conflict of interest in Attorney General Martha Coakley's involvement in the approval of any agreement between these entities”, he added...**Neary concluded:** “We need to hear the full facts, including the financial projections. The Coalition is calling on all parties to immediately terminate negotiations on the transfer of Caritas Christi to Cerberus/Steward. **If it is found necessary to transfer ownership, it should only be to a Catholic group”.**

**August 2, 2010: CTSCHC NR: CARITAS CHRISTI CHARGED WITH DECEPTION.**

The Caritas Christi Health Care System was caught in a particularly devious act committed by their **Director of Media Relations, Chris Murphy**, at the news conference on July 27, 2010. “What was particularly egregious is that Mr. Murphy had signed in by using a false identity,”

**August 4, 2010:** R. T. Neary accused Caritas Christi of using “Nixon’s dirty tricks”.  
<http://www.renewamerica.com/columns/neary/100804>

**August 9, 2010: CTSCHC Chairman R. T. Neary wrote an Open Letter to Pope Benedict XVI. He sought “the cessation of all negotiations with Cerberus”, and concluded “Caritas Christi must remain in Roman Catholic ownership.”**

**August 14, 2010: CTSCHC wrote to AG Coakley.** They asked her to recuse herself because of conflict of interest with Dr. de la Torre, who gave the maximum contributions to her campaign.

**August 27, 2010: Caritas Christi** applies to Superior Court Judge Michael Silverstein of Rhode Island to purchase Landmark Medical Center in Woonsocket. Caritas Christi, supposedly near insolvency, are also looking at Merrimack Valley Hospital, Nashoba Valley Medical Center, Cambridge Hospital, Somerville Hospital, and Whidden Memorial, all in Massachusetts.  
[http://www.boston.com/news/health/blog/2010/08/by\\_robert\\_weism.html](http://www.boston.com/news/health/blog/2010/08/by_robert_weism.html)

**Sep 16, 2010: Healthcare Access Coalition**, comprising Lawrence General Hospital, Signature Healthcare Brockton Hospital, and Southcoast Hospitals Group, is represented by Donald K. Stern, a former U.S. attorney. He stated: “**At some point, this could become predatory,**”  
[http://www.boston.com/business/healthcare/articles/2010/09/16/hospitals\\_seek\\_rules\\_for\\_caritas\\_after\\_sale/](http://www.boston.com/business/healthcare/articles/2010/09/16/hospitals_seek_rules_for_caritas_after_sale/)

**Sep 21, 2010: Health Care for All, Healthcare Access Coalition and 19 other groups and individuals, incl. Dan Driscoll, CEO of Harbor Health Services; State Reps David Torrissi, Steven D'Amico; and State Senators Susan Tucker, Patricia Jehlen, wrote to AG Coakley:**

They stated: "...we urge you to conduct this review in a deliberate, transparent, and inclusive manner...The sale could impact access to vital services in many communities and has far-reaching implications for the future of the state's healthcare system...we also ask you to make public for review the information, data, and analysis that your office and hired consultants have compiled over the past three months; to require Steward to provide a detailed business plan and how it will spend its proposed \$400+ million of capital investment for public comment and analysis; and, to provide the public a forum to provide feedback with this new information...

"It should be acknowledged that Steward/Cerberus' ownership of the Caritas network brings with it many risks. **As a private equity fund, Cerberus' bottom line obligation is to its investors, not the Commonwealth, or to the patients in the communities served by the Caritas system.** Cerberus, like many other private equity funds, has a track record of saddling acquisitions with debt when extracting significant returns for itself and investors..." **(Emphasis added)**

[http://hcfama.org/\\_data/global/images/Caritas%20Attorney%20General%20Letter%20with%20signers%20\\_2\\_.pdf](http://hcfama.org/_data/global/images/Caritas%20Attorney%20General%20Letter%20with%20signers%20_2_.pdf)

**September 29, 2010: "JIM MCKENNA CALLS ON MARTHA COAKLEY TO RECUSE HERSELF FROM CARITAS DEAL"** The News Release from the Republican candidate for AG read: "...Coakley has taken tens of thousands of dollars from these political patrons (Dr. Ralph de la Torre etc.) to further her political career. She cannot be objective or impartial, and it is an insult to the voters of Massachusetts that she thought she could get away with this kind of blatantly unethical behavior." <http://jimforag.com/posts/mckenna-calls-on-martha-coakley-to-recuse-herself-from-caritas-christi-deal>

**September 29, 2010: AG Coakley refused to recuse herself:** The donation from de la Torre "was for a different time and place," Coakley said. [http://www.boston.com/news/local/massachusetts/articles/2010/09/30/mckenna\\_launches\\_attack\\_s\\_bid\\_for\\_ag/?comments=all](http://www.boston.com/news/local/massachusetts/articles/2010/09/30/mckenna_launches_attack_s_bid_for_ag/?comments=all)

**This is pure nonsense from AG Coakley:** If elected, she would be a powerful Dr. de la Torre ally in the U.S. Senate. If she loses, she will be a powerful ally - as the AG oversees Caritas!

**What would the financial rewards of this transaction be to Cerberus/Steward, Dr. de la Torre and others? It seems it could run to HUNDREDS OF MILLIONS OF DOLLARS!**

**October 6, 2010: AG Martha Coakley approves the deal with Cerberus/Steward:** There is **NO** guarantee that any of the hospitals will be kept open for more than three (3) years! [http://www.mass.gov/?pageID=cagopressrelease&L=1&L0=Home&sid=Cago&b=pressrelease&f=2010\\_10\\_06\\_caritas&csid=Cago](http://www.mass.gov/?pageID=cagopressrelease&L=1&L0=Home&sid=Cago&b=pressrelease&f=2010_10_06_caritas&csid=Cago) (Then Click [report](#) in the Second Paragraph).

**October 8, 2010: CTSCHC NR: “COAKLEY TARNISHED BY POLITICAL PAYBACK”**

Attorney General Martha Coakley’s total lack of principle was clearly in evidence in her recommendation that the 147-yr old Roman Catholic health care system, Caritas Christi, be sold to a new entity to be led by Ralph de la Torre, an opportunist who used political donations to curry the AG’s favorable ruling...“Martha Coakley is engaged in payback of the worst kind,” said R. T. Neary, Chairman of the Coalition.

John O’Gorman, Director of Media and Research added: “While claiming to be a ‘multi-year report’, AG Coakley used old material, completely ignored recent critical data, and failed to provide full disclosure...it glosses over the remarkable turnaround achieved in FY 2009.”

**October 11, 2010: Boston Globe: AG’s limits on Caritas deal don’t go far enough**

“..Ideally, Coakley would have pressed Cerberus to explain how it plans to convert the struggling nonprofit hospital chain into for-profit facilities without using predatory measures that will disrupt the state’s fragile system of health care facilities; she would have convinced Cerberus to extend the time during which the firm must operate the hospitals to at least seven years; she would have demanded to know the terms of Caritas CEO Ralph de la Torre’s compensation; and she would have insisted that the state retain the power to review the hospital chain’s operation after the sale. She didn’t.”...

“The Massachusetts Public Health Council and the Supreme Judicial Court of Massachusetts must review the proposed sale before it can go through. **Neither should view Coakley’s recommendation as an encouragement to rubber-stamp the deal. Both should look at it with fresh eyes and feel free to add conditions if they deem it necessary.**” (Bolding added)  
[http://www.boston.com/bostonglobe/editorial\\_opinion/editorials/articles/2010/10/11/ags\\_limits\\_on\\_caritas\\_deal\\_dont\\_go\\_far\\_enough?mode=PF](http://www.boston.com/bostonglobe/editorial_opinion/editorials/articles/2010/10/11/ags_limits_on_caritas_deal_dont_go_far_enough?mode=PF)

**October 13, 2010:** Dr. Helen Jackson Ob/Gyn, R. T. Neary and John O’Gorman from CTSCHC; C. J. Doyle of the Catholic Action League of Massachusetts; and others, presented their strong opposition at The Executive Office of Health and Human Services meeting in Boston. [www.Mass.Gov/DPH](http://www.Mass.Gov/DPH)

Written presentations were made - including a six-page report from CTSCHC - all of which required long and careful consideration. Yet, with little delay, the nine-member panel took 6 separate votes to grant licenses to the individual hospitals. All passed unanimously! The proposal went to the Supreme Judicial Court (of Massachusetts) the following day, 14/Oct/2010. If the sale/transfer of the 6-hospital Caritas Christi group to Cerberus/Steward is approved, it would need final approval by the Vatican.

CTSCHC has already written to the Holy Father opposing the deal (Aug 9, 2010). C. J. Doyle, the Executive Director of the Catholic Action League of Massachusetts in a News Release of 13 October, 2010: “...warned however that failure to provide "meaningful and substantive" guarantees for the continuing Catholic identity of Caritas would force Catholics to seek redress in a canonical lawsuit before the courts of the Holy See” ([www.CatholicActionLeague.org](http://www.CatholicActionLeague.org)). Many other appeals would inevitably be made.

It would take several years before a final decision was made by the Vatican.

## **CTSCHC CONCLUSION: NO MERIT IN THE PROPOSAL TO TRANSFER CARITAS**

1. Cerberus/Steward is a venture capital business with NO experience in running hospitals, and NO commitment to the Catholic identity of the six (6) Caritas Christi hospitals. Health care is a core function of the Catholic Church, which must continue to run and own Caritas Christi.

This proposed sale/transfer is an effort to take Caritas Christi from its rightful owners - Catholics of the Archdiocese of Boston and others - who have supported the hospitals as patients and benefactors in the firm expectation that Catholic health care would continue in perpetuity.

2. Costs to patients would increase by at least \$103 million per year due to taxes and profits to shareholders.

3. Three (3) years later, there could be hospital closures and/or cutbacks in services. Taxpayers would then pick up the tab to provide alternative services for closures/cutbacks.

4. No recent financial results have been issued in support of the need for this transfer. Indeed, since FY 2008 there was a remarkable turnaround of over \$50 million to **a profit of \$30 million in FY 2009!** Full public disclosures of plans and finances have not been made.

**Mark Rich, the Chief Financial Officer of Caritas Christi** has not furnished any figures, or even projections, for FY 2010 which ended on 30 September, 2010, although **much improved results are expected** due to the improvements made by Dr. de la Torre, and the hospitals' participation in CeltiCare health insurance, which started on 1 July, 2009.

5. **This was a NO-BID process:** There were no visible efforts made to revive earlier attempts to join a Catholic hospital system, Ascension etc. - the preferred option according to Caritas Christi.

6. Strangely, no serious efforts seem to have been made to seek the necessary funds commercially, and/or from the vast Catholic community in the Archdiocese of Boston.

7. There are very serious concerns about the relationship between AG Martha Coakley and Dr. Ralph de la Torre, who held a fundraiser for her in his home and personally gave the maximum contributions allowed - \$4,800 - to her campaign for the U. S. Senate.

8. The Catholic identity would be lost for the payment of \$25 million to a charity of Cardinal Sean O'Malley's choosing – Thirty Pieces of Silver!

9. There is a real danger of predatory practices which would adversely affect other community hospitals, such as those in the **Healthcare Access Coalition: Lawrence General Hospital, Signature Healthcare Brockton Hospital, and Southcoast Hospitals Group.**

10. There has been much ado about the underfunding of the pensions, supposedly amounting to \$200 million dollars. In truth, Caritas Christi only needs to finance pensions (and debts) on a current basis. **To say otherwise, is like saying that one needs to pay off a mortgage at once.** The Coalition To Save Catholic Health Care forwarded their objections to the SJC and will be at the hearing (2010-453) to be held in Boston on November 21.

