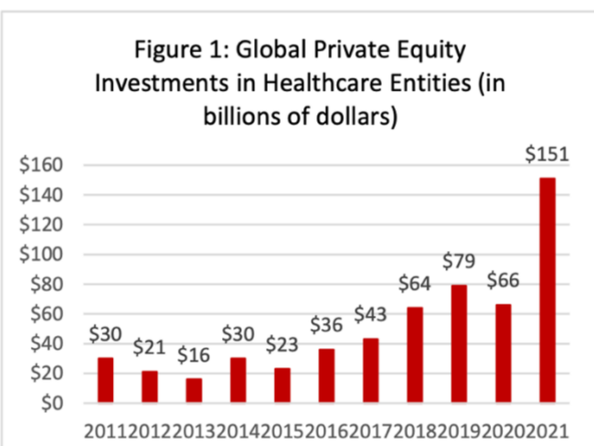
Written testimony at the November 14, 2023 Hearing on state-based **Medicare for All bills (H1239 and S744),** Boston MA/ Contact: bzpearson@gmail.com

In my testimony, I want to emphasize the URGENCY OF THE REFORMS OUTLINED IN MA BILLS **H1239 and S744**. Time is running out. Now that so-called "**Private Equity**" (PE) has discovered the profit potential in our health care infrastructure, we risk finding ourselves with no medical infrastructure left after PE transactions have wrung all the capital out of it. At that point, there will be nothing left to make a profit on, but also nothing left that is capable of healing the sick or keeping us well.

We need a public single-payer health care program as a tool to **get big money out of health care** and re-establish medical ethics--not business ethics. We need these bills to help **save the Health Care industry [in MA] from the clutches of unregulated investors--modern-day financial outlaws** [1]. They are using financial dirty tricks and legal loopholes to loot our health care assets--and get away with it. They structure their acquisitions to avoid liability for the consequences of their callous and irresponsible actions--leaving someone else (often us tax-payers) to clean up after they have squeezed all the cash they can out of each transaction.

Public Citizen's report on it is titled "**Private Equity's Path of Destruction in Health Care**" [2]. A 2023 book by lawyer Brendan Ballou refers to their work as **"plundering and pillaging"** [3, 4]. PE investment in healthcare has grown by a factor of 10 since 2013 (as in Figure 1) [5], $200 billion last year alone, gutting our medical infrastructure from the inside.



Our fragmented and chaotic patchwork of private employer and privatized federal programs opens us up to their abuses. THESE SINGLE PAYER BILLS WILL GIVE US A TOOL TO STOP THEM. Please,

- **no more leveraged "bailouts"** like the one that sent the Caritas Christi hospitals into a tail spin;
- **no more selling off our assets**, like Quincy Hospital to a real estate developer who closed the city's only emergency room to build more profitable and lower-maintenance apartments instead.

Here is the story of the financial debacle that befell Caritas Christi health system after they were "bailed out" by private equity firm Cerberus, soon renamed Steward [7]. *The information about these abuses is not generally accessible to either government officials or the private citizen (since it's very "private" equity). The following is a summary of penetrating research by Cornell University's Industrial and Labor Relations Institute, who provided this case study [7].*

Until 2010, Caritas was a chain of 6 Catholic hospitals and associated clinics with approximately 1,500 beds serving lower and middle-income communities from Methuen to Fall River--one of the largest chains in New England at the time [8]. After the financial difficulties of the 2008 recession, they accepted a $420 million leveraged bailout from a PE firm (which used $245 million of their own cash). The new owners immediately petitioned the state to transfer from a non-profit to for-profit status, accepting the condition from our Attorney General not to sell any properties or take on new debt to pay dividends for 3-5 years. They waited it out, and then sold the chain to a Real Estate Investment Trust for $1.2 billion. From these proceeds, they pocketed 40%, a $485 million "fee," and left the new owners with a staggering debt load and all the liability for the consequences of the severe cost-cutting then required--such as understaffing, more patient falls, slow payment of vendors, and a crumbling physical plant. The investors went scot-free and used the rest of the cash for a national buying spree.

Fast forward to Quincy Hospital, a teaching hospital founded in the 19th century [9], acquired by Steward in 2010. The real estate developer they sold it to closed it in 2019 because of "insufficient revenue," to make room for a more profitable 465-unit apartment building on the site--leaving a city of 100,000 without an emergency room.

In case you think I'm being too dramatic and that these stories are exceptions, here is a visual analogy of PE from the Cornell researchers [10].

PLEASE USE THESE TOOLS AT YOUR DISPOSAL TO STOP THE PLUNDER.

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References

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[3] Ballou, Brendan. 2023. Private Equity's Plan to Pillage America. Public Affairs Pub (Perseus Books). Review: J. Szalai, Going Bankrupt in the Name of Efficiency, NYTimes, June21/July3, 2023.

[4] Ballou interview: https://www.youtube.com/watch?v=HdFmXWbZ5ZA

[5] Figure 1 Bain & Company, Global Healthcare Private Equity And M&A Report 2022. https://www.bain.com/globalassets/noindex/2022/bain_report_global_healthcare_private_equity_and_ma_2022.pdf

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[7] La France, A., Batt, R. & Appelbaum, E. Hospital Ownership and Financial Stability: A Matched Case Comparison of a Nonprofit Health System and a Private Equity-Owned Health System. *Advances in health care management* 2021 (20), 173-220.

[8] Caritas Christi: https://en.wikipedia.org/wiki/Caritas_Christi_Health_Care
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[10] How Private Equity Makes Us Sicker. PNHP NYMetro October 18, 2022 Forum https://vimeo.com/761921383 (Still shot)
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