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Attorney General Peter F. Kilmartin today announced that he has approved, with conditions, the proposed sale of Landmark Medical Center and Rehabilitation Hospital of Rhode Island ("Landmark") to Steward Health Care System, LLC and affiliated entities ("Steward"), pursuant to the Hospital Conversions Act.

"I am pleased to announce the approval of, with reasonable conditions, the sale of Landmark to Steward. For nearly four years, the fate of Landmark has been in question, in terms of access to healthcare for Northern Rhode Island residents, as provider of good paying jobs, and as a generator of economic activity. Today's announcement, along with the recent approval by the Department of Health, allows the two entities to move forward with the proposed sale, and give greater certainty that access to quality healthcare services to area residents will continue," said Kilmartin.

Attorney General Kilmartin recognized Jodi Bourque, Assistant Attorney General and Health Care Advocate, and the cooperative partnership with the Department of Health in concluding the review and approval process nearly two months in advance of the statutory timeline.

"Jodi and the Department of Health dedicated the time and resources to a rigorous and diligent review that ensured both parties adhered to the letter and spirit of the HCA statute."

"With the rapidly-changing and highly competitive healthcare marketplace, we will continue to see increased pressure on community hospitals. It is critically important to the long-term success of those hospitals and the communities they serve that an unbiased, strict and thorough review be in place to allow regulators to protect the interests of the community, the employees and the state," concluded Kilmartin.

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THE CALL

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Landmark surpasses final hurdle to sale

By *editor*

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By Joseph Fitzgerald

 [landmark.jpg](#) [1]

WOONSOCKET — Three days after the Rhode Island Department of Health gave its blessing, state Attorney General Peter F. Kilmartin Friday announced he has approved - with conditions - the proposed sale of financially-troubled Landmark Medical Center and Rehabilitation Hospital of Rhode Island to Steward Health Care System, a for-profit Massachusetts hospital group.

Kilmartin's decision, which finally paves the way for the sale, came just days after State Health Director Michael Fine announced his decision to approve the deal, under which Landmark would become a for-profit hospital.

Woonsocket Mayor Leo T. Fontaine and many in the community support the deal, saying it would preserve critical medical services and jobs. Landmark has been under court supervision since 2008. A state judge approved the sale last year. The deal would include the hospital's North Smithfield affiliate, the Rehabilitation Hospital of Rhode Island. The two facilities employ an estimated 1,100 healthcare workers in the area.

"I am pleased to announce the approval of, with reasonable conditions, the sale of Landmark to Steward," Kilmartin said in a statement issued early Friday afternoon. "For nearly four years, the fate of Landmark has been in question, in terms of access to healthcare for Northern Rhode Island residents, as provider of good-paying jobs, and as a generator of economic activity. Today's announcement, along with the recent approval by the Department of Health, allows the two entities to move forward with the proposed sale, and give greater certainty that access to quality healthcare services to area residents will continue."

Kilmartin's decision includes 16 conditions. Among them is a demand that the closing on the sale take place 60 days from the date of the decision and that the board of directors of Blackstone Medical Center, Inc. and Blackstone Rehabilitation Hospital, Inc. consider no less than seven members, at least three of which are to be independent of and not employed by or affiliated with Steward Health Care System or its affiliates.

Some of the other conditions include:

- * That a binding agreement acceptable to the Department of the Attorney General with the Rhode Island Foundation for other appropriate entity for disbursement of all charitable assets be provided.

- * That a petition be filed and granted prior to closing allowing all charitable assets to be

transferred to the Rhode Island Foundation or other appropriate entity for disbursement of all charitable assets.

In the list of 19 conditions he imposed in his decision Tuesday, Fine demanded that Steward not use ownership interests as incentives for employees or physicians to refer patients to the hospital, and that it spend \$30 million on capital expenditures and \$4.5 million on physician recruitment in the first five years.

In his decision, Kilmartin addressed the issue of Steward's ability to finance the transaction, saying that according to Steward's balance sheet for the fiscal period ending March 31, the company had \$107.1 million in cash and cash equivalents and \$402.6 million in current assets. Steward's total assets as of March 31 were \$1,127.9 million. Steward's total liabilities were \$1,025.9 million, which includes \$361.0 million in current liabilities and \$664.9 million in non-current liabilities. Steward's shareholder equity (net assets) was \$102.0 million as of March 31.

According to Kilmartin's decision, Steward will pay a total purchase price of \$40.1 million, plus the value of the networking capital as of the closing date for the acquisition of Landmark. Steward has also stated that it will spend \$4.5 million in the first five years for the purpose of physician recruitment.

In affidavits reviewed by the department, Kilmartin said Steward's current maximum borrowing ability under the existing terms of its assets-based line is \$200 million. Also, the organization is putting \$90 million toward preexisting pension liabilities over the next three years and is expected to reach a settlement related to a preexisting Stark Law violation that will range between \$1 million and \$35 million.

"The organization appears to have the capacity to finance the transaction, but its capacity to meet future capital commitments could be compromised if the organization enters into other transactions that, in total, exceed their available financial resources and access to capital, or if their financial performance or position does not materially improve," Kilmartin wrote.

If the deal is accepted by Steward, a hospital chain that owns 11 facilities in Massachusetts, it would be the very first sale of a not-for-profit hospital to a for-profit Massachusetts hospital group under the Rhode Island Hospital Conversions Act, the state law that lays out the regulatory process governing the sale of a non-profit healthcare facility to a for-profit entity.

Steward spokesman Christopher Murphy had little to say Friday about Kilmartin's decision, saying his company will be examining the conditions before it decides whether to accept the terms.

"The decision was just handed down and we are in the process of reviewing all of the conditions," Murphy said.

Landmark Medical Center officials yesterday lauded both Fine's and Kilmartin's decisions to approve Steward's application.

"The Department of Health and Attorney General's approval was the final regulatory decision we were awaiting to ensure these hospitals continue to operate," said Rick Charest, president of Landmark Medical Center. "Today marks the successful ending, from a regulatory standpoint, of a very long and complex process. This is obviously great news for the thousands of local residents who rely on Landmark and RHRI, and for our 1,200 employees."

He continued: "We are grateful for the hard work and due diligence of Dr. Michael Fine... and Attorney General Peter Kilmartin, and their staffs, who thoughtfully and carefully reviewed this application."

U.S. Congressman David Cicilline (D-RI), who earlier this year rallied support for

Landmark Medical Center in front of the Rhode Island Department of Health and spoke publicly on its behalf at a hearing in Woonsocket, said he was pleased with Kilmartin's decision.

"For years, Landmark Medical Center has been a treasured institution for both the dedicated health professionals who work there and the Northern Rhode Island families who depend on it for life-saving care," he said. "Over the past year, I have spoken with stakeholders and elected officials across our state to discuss what we could do to keep Landmark from closing its doors."

"I am pleased that Attorney General Kilmartin took action to approve this sale so that Landmark will continue to serve as a valued community asset," Cicilline added. "I look forward to working with Landmark's new administration to ensure that it continues to deliver affordable, quality health care and well-paying jobs for hardworking Rhode Islanders."

Kilmartin Friday recognized Jodi Bourque, assistant attorney general and health care advocate, and the cooperative partnership with the Department of Health, in concluding the review and approval process nearly two months in advance of the statutory timeline. "Jodi and the Department of Health dedicated the time and resources to a rigorous and diligent review that ensured both parties adhered to the letter and spirit of the HCA statute," Kilmartin said. "With the rapidly-changing and highly competitive healthcare marketplace, we will continue to see increased pressure on community hospitals. It is critically important to the long-term success of those hospitals and the communities they serve that an unbiased, strict and thorough review be in place to allow regulators to protect the interests of the community, the employees and the state."

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Woonsocket, RI

Staff Writer

Woonsocket Call

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5/25/2012

Attorney General approves sale of Landmark

By **SANDY PHANEUF, Valley Breeze Staff Writer**

WOONSOCKET – Attorney General Peter F. Kilmartin announced today that he has approved, with conditions, the proposed sale of Landmark Medical Center and Rehabilitation Hospital of Rhode Island to Steward Health Care System, LLC and affiliated entities.

Under the Hospital Conversions Act, the state law that lays out the regulatory process governing the sale of a non-profit healthcare facility to a for-profit entity, the purchase of Woonsocket's fiscally troubled hospital needed the approval of both Kilmartin and the Department of Health. Health Director Michael D. Fine announced DOH's approval earlier this week with a list of 19 conditions for the sale. Steward representatives are reportedly still reviewing those terms.

"I am pleased to announce the approval of, with reasonable conditions, the sale of Landmark to Steward. For nearly four years, the fate of Landmark has been in question, in terms of access to healthcare for Northern Rhode Island residents, as provider of good paying jobs, and as a generator of economic activity," said Kilmartin. "Today's announcement, along with the recent approval by the Department of Health, allows the two entities to move forward with the proposed sale, and give greater certainty that access to quality healthcare services to area residents will continue."

There is still a possibility, although slight, that Steward, a Massachusetts hospital chain which owns 11 facilities in the neighboring state, could walk away from the deal. In May, Steward petitioned in Superior Court for the right to abandon the hospital if certain conditions were not met. The terms include amending HCA to allow for the purchase of additional hospitals in the state. A bill authorizing the change is still before the General Assembly.

But with more than \$7 million invested in keeping the facility's operations afloat since the sales process began last year, Steward officials are motivated to see the sale to completion. And Landmark officials, who have been forced to juggle financial constraints and at times low worker moral during the year-long transition, are pleased to have made it through the regulatory hurdles.

"The Department of Health and Attorney General's approval was the final regulatory decision we were awaiting to ensure these hospitals continues to operate," said Rick Charest, president of Landmark Medical Center and the Rehabilitation Hospital of Rhode Island. "Today marks the successful ending, from a regulatory standpoint, of a very long and complex process. This is obviously great news for the thousands of local residents who rely on Landmark and RHRI, and for our 1,200 employees."

“With the rapidly-changing and highly competitive healthcare marketplace, we will continue to see increased pressure on community hospitals. It is critically important to the long-term success of those hospitals and the communities they serve that an unbiased, strict and thorough review be in place to allow regulators to protect the interests of the community, the employees and the state,” Kilmartin added.

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Advertisement

AG okays Landmark Medical sale

Nonprofit hospital can go to for-profit group

Updated: Friday, 25 May 2012, 2:03 PM EDT
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PROVIDENCE, R.I. (AP/WPRI) -- Rhode Island's attorney general has approved the proposed sale of financially-troubled Landmark Health Systems Inc. to a for-profit Massachusetts hospital group.

Attorney General Peter Kilmartin said Friday that he approved the deal for Steward Health Care System LLC to take over the nonprofit Landmark Medical Center in Woonsocket with "reasonable conditions."

Steward was previously known as Caritas Christi, and is the owner of several hospitals in Massachusetts, including St. Anne's Hospital in Fall River.

Rhode Island state health director Dr. Michael Fine said Tuesday he had approved the deal, under which Landmark would become a for-profit hospital.

Both the attorney general and health director are required to give it the green light.

Woonsocket's mayor and many in the community support the deal, saying it would preserve critical medical services and jobs.

Landmark has been under court supervision since 2008. A state judge approved the sale last year.

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RI health director OKs hospital deal

May 22, 2012

PROVIDENCE, R.I.—Rhode Island's state health director has approved the sale of financially-troubled Landmark Health Systems Inc. to a for-profit Massachusetts hospital group.

Dr. Michael Fine announced Tuesday evening he is approving the deal for Steward Health Care System LLC to take over the nonprofit Landmark Medical Center in Woonsocket and its for-profit subsidiary Rehabilitation Hospital of Rhode Island.

The Rhode Island attorney general still must approve the deal, under which both hospitals would be for-profit.

Fine accepted the recommendation of the advisory Health Services Council, with some conditions.

Woonsocket's mayor and others have urged the state to approve the deal, saying it would preserve critical medical services and jobs. Landmark has been under court supervision since 2008. A state judge approved the sale last year.

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HEALTH CARE

Health Department approves Landmark sale, with conditions



LANDMARK MEDICAL Center took a big step toward becoming a for-profit hospital that will be owned by Steward Health Care, renamed the Blackstone Medical Center and incorporated in Delaware. PBN FILE
PHOTO/DAVID LEVESQUE

BY RICHARD ASINOF
CONTRIBUTING WRITER
TWITTER: @RICHARDASINOF

5/23/12

PROVIDENCE – Landmark Medical Center took a big step toward becoming a for-profit hospital that will be owned by Steward Health Care, renamed the Blackstone Medical Center and incorporated in Delaware.

Dr. Michael Fine, the director of the R.I. Department of Health, issued approval Monday evening for the Hospital Conversions Act application by Steward to purchase Landmark and its sister facility, the Rehabilitation Hospital of Rhode Island.

Fine also approved the Change in Effective Control application, which had been approved earlier this month by the state Health Services Council.

“In evaluating these applications, [our agency] was charged with considering the totality of the evidence, as well as the needs of the people of Woonsocket,” Fine said in the news release accompanying documents about the approval.

The agency staff worked hard to thoroughly review these applications quickly and efficiently to keep this process moving along, Fine continued. “After extensive review of the evidence, the

R.I. Department of Health determined that Steward adequately met the criteria for approval of its applications.”

The approvals by Fine complete the reviews by the R.I. Department of Health, according to spokeswoman Dara Chadwick.

The Rhode Island Attorney General’s office still needs to complete its regulatory review and give its regulatory approval, focused on aspects of charitable assets.

Landmark has been in receivership for almost four years, since June 2008. The final purchase agreement will need to be approved by Superior Court Judge Michael A. Silverstein.

In approving the applications, Fine imposed 16 conditions. They include:

- Steward and Blackstone Medical Center shall collaborate and coordinate care with primary care and maternity care providers in its service area, including physicians and community health centers;
- Steward and Blackstone Medical Center shall participate in currentcare, Rhode Island’s health information exchange, and endeavor to enroll all of its patients in currentcare;
- Steward and Blackstone shall not use ownership interests as incentives for hospital employees or physicians to refer patients to the hospital;
- Data, including but not limited to finances, utilization, and demographic patient information, shall be furnished to the R.I. Department of Health upon request;
- Steward shall expand \$4.5 million in physician recruitment in its first five years after closing on the purchase of the hospital;
- Steward shall honor naming commitments to past donors; and
- Composition of both facilities’ board of directors be made up of between seven and 11 members, including three who serve by virtue of their positions at Steward, 2 to 3 physicians or hospital medical staff, and community leaders or prominent local business executives with an interest in revitalizing the hospital.

Legislation to amend the current Hospital Conversions Act is now before the General Assembly.

One version, 2012-S 2180Aaa, which passed the Senate, is now pending before the House Committee on Corporations. A second version, 2012-H 7283, is scheduled to be voted on when the committee meets on Thursday.

The key provision in the proposed legislation would enable Steward to purchase additional financially troubled nonprofit community hospitals in the Rhode Island without having to wait for three years following completion of the Landmark purchase.

Steward, owned by a private equity firm in New York City, Cerberus Capital Management, currently owns 10 hospitals in Massachusetts.



2/22/2012

Steward seeks law change, plans layoffs for Landmark

By SANDRA PHANEUF, Valley Breeze Staff Writer

WOONSOCKET - Steward Health Care System has completed the purchase application for Woonsocket's fiscally troubled Landmark Medical Center and has submitted plans that include layoffs, a name change and \$30 million in investment and upgrades for the facility.

The for-profit health care chain, however, must first pass the strict guidelines set forth in the Hospital Conversions Act, the legislation that guides the purchase of health care facilities in the state. And nearly nine months after submitting the winning bid for Landmark, Steward, which oversees 10 hospitals in neighboring Massachusetts, is seeking to alter HCA to eliminate the waiting period for buying more hospitals in Rhode Island. Steward representatives have said the outcome of the bill, H-7283, which would waive the three year requirement for additional acquisitions, could affect their decision to move forward with the Landmark deal.

According to an application submitted to the state Department of Health on Jan. 26, 2012, the Cass Avenue hospital would be renamed Blackstone Medical Center if the sale is approved. Rehabilitation Hospital of Rhode Island, meanwhile, an affiliated center in North Smithfield with roughly 100 employees, would be called Blackstone Rehabilitation Hospital. The total purchase price for LMC and RHRI would be \$40.1 million, \$30 million of which would be paid in the form of investment for upgrades and other capital expenditures. From the city's perspective, that investment could signify a tremendous boost to the local tax base.

"Almost all of that \$30 million will be taxed," said Economic Development Director Matthew Wojcik. That investment could mean real progress toward Wojcik's stated goal of increasing Woonsocket's tax base by \$73 million in five years.

In the document, Steward outlines additional plans that include 88.9 full time equivalent layoffs at Landmark, primarily in the clerical, support staff and other professional fields; 2.6 registered nurses could lose their jobs at the hospital, but 2.5 licensed practical nurses would be hired. At RHRI, 3.5 positions are expected to be eliminated, with one management position added. The two facilities combined currently employ more than 1,300.

"Steward is currently reviewing all departments, and medical, clinical, social and administrative services provided by LMC and RHRI, but has not yet made final determinations regarding whether such departments and/or services may need to be changed by eliminating, significantly reducing or enhancing such departments and/or services," the application states.

The 52-page "Change in Effective Control Application" is just a fraction of the extensive requirements Steward must meet under HCA. The 1997 law governs the process by which the attorney general and the Rhode Island Department of Health approve - or reject - hospital mergers and sales. A similar deal between Care New England and Lifespan was ultimately abandoned after the parties spent two years in limbo trying to get a merger approved.

The full 12,000-page application submitted by Steward and Landmark under HCA in Oct. 2011 was initially labeled incomplete by the state entities. An adjusted application was submitted and deemed complete in January.

At Steward's request, House Majority Leader Nicholas A. Mattiello, state Sen. Roger A. Picard and state Sen. Marc Cote have sponsored bills in the General Assembly that could alter that law, allowing a for-profit chain to purchase multiple hospitals in one year. Currently, the bill specifies that for-profit hospitals must wait three years before filing for additional acquisitions. Although Steward has yet to identify any specific hospitals up for consideration, there's no shortage on candidates in the state. Westerly Hospital filed for receivership in December and St. Joseph Health Services reported \$11 million in losses for 2011.

Providence Business News reports that after a recent hearing on the House bill, Steward spokesman Christopher Murphy said the legislation would be one of several "important factors" in Steward's final decision to move ahead with the proposed purchase of Landmark Medical Center in Woonsocket.

"Keeping Landmark open is a priority for a number of reasons," explained Picard, one of the sponsors of the bill to amend HCA. "Maintaining quality health care in Rhode Island, the jobs, the number of patients served by emergency services are all important," he said. Picard said he became aware of the need for the legislation, in part, by observing the relatively low number of bidders who came forward for the hospital. "There's a lot of community hospitals in serious trouble and looking for assistance," Picard said. "And it is far more difficult for a hospital to stand alone."

In the application, Steward additionally documents the importance of the purchase not only for the city, but the entire state. According to data in Steward's community benefit analysis, the health care and social assistance sector comprised 19 percent of private sector employment in Rhode Island in 2009.

"Given the economic condition of the service area and the state, it may be unlikely that all of LMC's employees would find re-employment within the health care sector, much less other industry sectors, within the region or potentially even within the state," it says. One economic impact model estimates the total cost from loss in employment alone could reach \$189 million.

"It is important to note that the growth of services and significant capital investment Steward will put into Landmark entities will inevitably bring more jobs to the community," the application continues.

Critics of the bill fear the impact a for-profit outsider could have on local community hospitals. "There's always concern for quality patient care," Picard said. "But all this does is allow them to put in an application. If there are additional safeguards that need to be added, I'm to open that."