

Health Care Renewal

Addressing threats to health care's core values, especially those stemming from concentration and abuse of power. Advocating for accountability, integrity, transparency, honesty and ethics in leadership and governance of health care.

Thursday, July 19, 2012

Steward Health Care vs Rhode Island Blue Cross Blue Shield: How Public Relations Twists the Narrative

Negotiations between a local RI hospital system and the largest RI health insurer have now become very public. An advertising campaign by the larger hospital system that is set to absorb our local one provides lessons on how important health care policy issues are publicly discussed.

Simplified Background

Landmark Medical Center is a small health care system in northern Rhode Island. It has been in financial difficulty, and hence ~~management negotiated a buyout~~ [see comment of 19 July, 2012 below] while in receivership a buyout was negotiated. It is now in the process of being acquired by Steward Health Care, a regional hospital system based in Massachusetts (summarized [here](#) and [here](#)). Meanwhile, Landmark has been in negotiations with Rhode Island Blue Cross Blue Shield, the largest RI health insurance company. The negotiations have not been going well, so RI BCBS notified its policy-holders that it is possible Landmark will not be in its network in the future. This difficult negotiation prompted Steward Health Care to make the discussion more public.

The Steward Health Care Advertisements

Steward Health Care has run a series of full-page advertisements in the Providence Journal. One advertisement that has run at least three times, by my count, includes the following text:

WHAT KIND OF CHARITABLE ORGANIZATION SPENDS \$120 MILLION ON ITS HEADQUARTERS

BUT DENIES SERVICES TO ITS POOREST COMMUNITIES?

Blue Cross & Blue Shield of Rhode Island is designated as a "charitable organization." But they certainly don't spend like one. They invested a small fortune on their opulent corporate offices in Providence. They dish out million each year in executive salaries. And for all that exorbitant spending, they pay absolutely nothing in Rhode Island state taxes.

Then, in May of this year, they refused to give Landmark Medical Center in Woonsocket a long-term contract without Steward Health Care participating. Steward, trying to be helpful, proposed base rates that were 5% below the state median, quality metrics

Search This Blog

Search

Pages

[Home](#)
[Health Wonk Review](#)

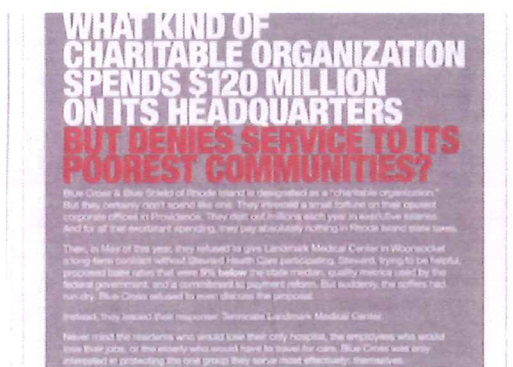
Blog Archive

- ▼ 2012 (233)
 - ▶ November (10)
 - ▶ October (21)
 - ▶ September (28)
 - ▶ August (28)
 - ▼ July (13)
 - [Another Story of Unaccountable Leadership from UC-...](#)
 - [Where is the risk?](#)
 - [Productive Employment](#)
 - [Private Equity vs Patient Care - a Baffling Example...](#)
 - [Health IT FDA Recall: Philips Xcelera Connect - I...](#)
 - [Vermont: Despite \\$70 million investment, health I...](#)
 - [Steward Health Care vs Rhode Island Blue Cross Blu...](#)
 - [University of Virginia, GE settle \\$47M suit over E...](#)
 - [Did Toxic Effects of an EHR Kill Rory Staunton?](#)
 - [Quantitating the Corruption of Finance Leadership ...](#)
 - [Manipulation of 12,000 Medical Records Made Easy b...](#)
 - [Giant GSK Settlement Provides Reminder of the Perv...](#)
 - [Fool Us Once, Shame on You, Fool Us Twice, Shame o...](#)
 - ▶ June (17)
 - ▶ May (10)
 - ▶ April (20)
 - ▶ March (31)
 - ▶ February (34)

used by the federal government, and a commitment to payment reform. But suddenly, the coffers had run dry. Blue Cross refused to even discuss the proposal.

Instead, they issued their response: Terminate Landmark Medical Center.

Never mind the residents who would lose their only hospital, the employees who would lose their jobs, or the elderly who would have to travel for care. Blue Cross was only interested in protecting the one group they serve most effectively, themselves.



- ▶ [January \(21\)](#)
- ▶ [2011 \(305\)](#)
- ▶ [2010 \(330\)](#)
- ▶ [2009 \(364\)](#)
- ▶ [2008 \(317\)](#)
- ▶ [2007 \(380\)](#)
- ▶ [2006 \(324\)](#)
- ▶ [2005 \(464\)](#)
- ▶ [2004 \(34\)](#)

Contributors

- [Wally R. Smith, MD](#)
- [Bernard Carroll](#)
- [Roy M. Poses MD](#)
- [APeticola](#)
- [Cetona](#)
- [InformaticsMD](#)
- [Kimball Atwood, MD](#)
- [Charles Denby M.D.](#)
- [wiswal](#)

This pretty plainly was a David vs Goliath narrative, with poor, small Landmark Medical Center and Steward Health Care, whose only goals were to serve local residents, as David, and huge, wealthy Blue Cross Blue Shield of RI, whose only goal is allegedly to serve its executives' interest, as Goliath.

Given that we have frequently discussed how self-interested, [over-compensated](#) executives may fail to uphold, or may even [undermine their health care organizations' missions](#), this seemed like a narrative primed for further discussion on Health Care Renewal. In addition, Blue Cross Blue Shield of Rhode Island was beset by a scandal before we began Health Care Renewal (look [here](#)), involving allegations of excess compensation given to and conflicts of interest affecting its CEO.

Blue Cross Blue Shield of RI: Executive Compensation, Budget and Taxes

In fact, the most recent figures made public by RI BCBS on executive compensation showed that CEO Peter Andruszkiewicz was offered total compensation of \$600,000 a year when he started in 2011 (look [here](#).) Also, as suggested by the advertisement above, there has been considerable local controversy about the size, scale, and price of the new RI BCBS headquarters (e.g., [here](#)). Apparently, however, Blue Cross Blue Shield of Rhode Island does pay state taxes (per [this report](#)).

On the other hand, keep in mind that RI BCBS is one of the few health insurance companies to provide community (age-adjusted only) rated individual health insurance even for people with pre-existing conditions, (look [here](#)) at the behest of state law, to be sure. So perhaps RI BCBS is not quite the ogre oppressing the

Support Health Care Renewal

Our bloggers are all unpaid volunteers.

The blog receives minimal logistic and infrastructure support from [FIRM - the Foundation for Integrity and Responsibility in Medicine](#).

FIRM is a 501(c)3 that researches problems with leadership and governance in health care that threaten core values, and disseminates our findings to physicians, health care researchers and policy-makers, and the public at large. FIRM advocates representative, transparent, accountable and ethical health care governance, and hopes to empower health care professionals and patients to promote better health care leadership.

FIRM does not accept any direct support from for-profit health care corporations.

FIRM does welcome support from individuals and non-profit organizations. If you are interested in donating to FIRM, please see our [web-site](#) for our address, telephone, and email.

Upcoming Meetings and Events

watch this space!

Past Meetings and Events

poor that the advertisement implies it to be.

But wait, there is more. This all started as a contract negotiation between a health insurer and a local hospital system which is about to be acquired by a regional hospital system. If Steward Health Care saw fit to bring up the executive compensation practices, budget, and taxes of Blue Cross Blue Shield of Rhode Island as relevant to the dispute, might Steward Health Care's executive compensation practices, budget, and taxes also be relevant?

Steward Health Care and Cerberus Capital Management: Executive Compensation, Budget, and Taxes

The problem is that we know very little about Steward Health Care's executive compensation practices, budget, and taxes. While the advertisement above (and Steward's own web address, steward.org) imply that Steward is only about providing health care to the poor and needy, and perhaps that Steward, like Rhode Island BCBS, is non-profit, neither is quite true.

In fact, Steward Health Care is the new name for what was once Caritas Christi Health Care, formerly a Catholic non-profit health system that was acquired in 2010 by Cerberus Capital Management, a private equity firm (look [here](#)).

Private equity firms are notably secretive. Neither Cerberus, nor its new health care acquisition, has seen fit to publish any details about executive compensation practices, budgets, or taxes.

We do have a few clues, however.

Executive Compensation

Caritas Christi at the time it was acquired by Cerberus was lead by CEO Ralph de la Torre. His compensation in 2009 prior to the acquisition was \$2.2 million a year. He is still leading Steward Health Care. It is reasonable to expect that his compensation is not less than it was before, and probably more (look [here](#)). It is reasonable to guess that Dr de la Torre's total compensation is currently several times larger than that of the BCBS of RI CEO.

The leadership of Cerberus Capital Management includes, according to [its web-site](#), John W Snow, chairman and senior managing director. Mr Snow, former Secretary of the US Treasury, was listed in 2009 on the [Virginia 100 web-site](#) as having a net worth of approximately \$90 million, although not with much confidence in the precision of the figure. He is also a director of the Marathon Petroleum Corporation, from which he received \$300,000 in compensation in 2011, according to the company's [proxy statement](#), and of Amerigroup, from which he received at least \$170,000 in equities, and additional amounts in fees and deferred compensation in 2011, per that company's [proxy statement](#). Stephen A Feinberg, founder, CEO, and senior managing director, [described](#) as a "recluse" in the New York Times, was listed as number 21 on a list of the 25 most powerful businessmen in 2007 [by Fortune](#), at that time running through Cerberus 50 companies with total revenues of \$120 billion. [On](#)

Changing Physician Behavior: Evidence, Theory, and Practice

A half-day pre-course at the [the Annual Meeting of the Society of General Internal Medicine](#) on Wednesday, April 25, 2007, in Toronto, Ontario, Canada. Taught by bloggers Roy Poses and Wally Smith, the course addressed not only when and how to change decision making, but when not to do it.

A full description of the course is [here](#)
The slides and handouts from the course are [here](#)

Health Care Governance, Leadership & Ethics

A special session by Dr Roy Poses at the AcademyHealth Research Meeting on Tuesday, 30 June, 2009, in Chicago, IL, US.

The slides from the course are [here](#)

The Promise and Peril of Evidence-Based Guidelines - A US Physician's Cautionary Tale

A presentation by Dr Roy Poses at the European Healthcare Fraud and Corruption Network annual meeting, 6 October, 2011, in Cracow, Poland

The slides from the presentation are [here](#)

Subscribe To Health Care Renewal

 Posts

 Comments

We Get Rave Reviews! ;-)

"Makes interesting and entertaining reading...."

[Minerva, British Medical Journal](#)

"Does an outstanding job of tracking the conflicts of interest that fuel healthcare inflation; and [t]his blog also documents how the opposition to collusion and corruption in our system is mounting."

Maggie Maher in the [American Prospect](#) and [CBS News](#)

"The most influential industry [from within health care] blog is the American based Health Care Renewal."

[Market Sentinel's Stakeholder Analysis](#) commissioned by the UK MHRA to assess public discussion of the Seroxat (paroxetine) controversy.

"Must-Read Health Blog"

per [Forbes.com](#)

[Wikipedia](#), his net worth was estimated as \$2 billion in 2008. These figures suggest that leaders of Cerberus Capital Management can make very large amounts of money, orders of magnitude larger than the compensation of the BCBS of RI CEO.

Budget

There is little public information on the budget of Cerberus Capital Management, but note again the estimate above that in 2007, it controlled 50 companies with \$120 billion in revenues. There is also little public information about the budget of its subsidiary, Steward Health Care. Estimates from a recent [article](#) in Commonwealth suggested that Cerberus invested \$251.5 million in Steward, but that Steward's 2011 budget had a net loss of \$57 million. [According to the Woonsocket Call](#), an apparently short-term balance sheet from March 31, 2012 showed that Steward Health Care had assets of \$1.1279 billion, liabilities of \$1.0259 billion, and stockholder equity of \$102 million.

Taxes

There seems to be no significant public information on taxes paid by Steward Health Care or Cerberus Capital Management. According to Chareles Ferguson in [Predator Nation](#), Cerberus chairman John W Snow resigned as Treasury Secretary "in 2006 only because it was revealed that he had not paid any taxes on \$24 million in income from CSX, which had forgiven Snow's repayment of a gigantic loan that the company had made to him."

So while RI BCBS can be faulted for paying relatively high executive compensation, using its funds to build a rather lavish headquarters building, but not for failing to pay RI taxes, at least all these have been issues for public discussion. Furthermore, Cerberus Capital Management, and Steward Health Care which is its creature, while explicitly bringing these issues into the public debate about the Landmark negotiation with Blue Cross Blue Shield of RI, have not seen fit to reveal their own executive compensation, budget, or taxes. There is reason to think that their executive compensation and management budgets could be far more bloated than those of RI BCBS. We have no idea whether they have paid what might be considered their fair share of taxes, but note that their current chairman has had issues in the past with his personal tax payments.

Summary

The vigorous advertising/ public relations campaign by Landmark Medical Center, Steward Health Care, and ultimately Cerberus Capital Management to get a more successful outcome of the negotiation between Landmark and RI BCBS seems to be an example of the tactics used in support of the public relations by large, for-profit health care organizations. In the absence of any transparency about the executive compensation, budget, and tax payments by Cerberus Capital Management and its subsidiary, Steward Health Care, lavish public advertising faulting the executive compensation, budget, and tax payments of its counter-party suggests a rather crude attempt to twist the narrative so as to divert public attention from relevant issues.

Our Blog Roll

Health News Review

[Heart journals ask scientist-authors to do what we've been teaching journalists for years](#) - For years we have been coaxing and educating journalists - and the general public - to understand that the language used to describe studies - especially o...

24 seconds ago

1 Boring Old Man

[paxil study 352 - what's ghost-writing?](#) - "The medical community is currently trying to come to grips with the idea that much of the clinical trial literature has not been written by named authors,..."

27 minutes ago

Felix Salmon

[Charts of the day, equity volume edition](#) - Yesterday, ZeroHedge published this chart:

39 minutes ago

1 naked capitalism

[Marshall Auerback: Bank of Canada Governor is Wrong on Too Big To Fail and Wrong on Canada's Banking System](#) - Yves here. It was very telling, and disappointing, to find out that the Governor of the Bank of England in waiting, Mark Carney, has been critical of the i...

42 minutes ago

Pharmalot

[One-Stop Shopping Proposed For Conflict Disclosure](#) - In a bid to simplify increasing demands to report conflicts of interest held by physicians and researchers, a leading group of academics, policymakers and ...

43 minutes ago

KevinMD.com

[How insurers take advantage of the EMTALA mandate](#) - Emergency care providers (emergency physicians and specialists on-call for the ER) are at a significant disadvantage when it comes to trying to get paid fa...

1 hour ago

Health Business Blog

[Venture capital in Upstate New York: Interview with Stonehenge's Brian Model \(transcript\)](#) - The audio for this podcast can be accessed here. David Williams: This is David Williams, co-founder of MedPharma Partners and author of the Health Business...

2 hours ago

B Running a hospital

[A sign of the times](#) - Can you guess what was deleted from the top of these three signs at the Logan Airport Hilton Hotel? It used to point to the public telephones. If you loo...

3 hours ago

Republic Report

[For-Profit College Industry's Phony Pitch to Obama: Now We're BFFs!](#) -

If this was not the intention, perhaps Cerberus and Steward will make their executive compensation, budgets, and tax returns fully transparent? We wait with bated breath.

In the absence of such transparency, skepticism about their public discourse remains warranted.

There is more and more public discussion of health policy from the local to the global levels. Much of this discussion, like much political discussion in general, seems dominated by expensive public relations efforts on behalf of the richer health care organizations. Physicians, other health care professionals, health policy researchers and leaders, and the public at large should be alert to the possibility that these communications will use psychological manipulation to divert its narratives in directions favored by these large health care organizations. Anyone listening or viewing communications coming out of such public relations efforts ought to consciously think about the relevant facts and issues they ignore, and why they may have been consciously omitted.

Posted by [Roy M. Poses MD](#) at 2:53 PM 

[Recommend this on Google](#)

Labels: [Cerberus](#), [deception](#), [executive compensation](#), [mission-hostile management](#), [public relations](#), [Rhode Island Blue Cross](#), [Steward Health Care](#)

2 comments:

Anonymous said...

Interesting blog- an inaccuracy is the statement about Landmark that "... management negotiated a buyout." Not so at all- LMC went into bankruptcy and is under supervision of the RI Superior Court via Judge Silverstein. Under this process the Court selected Steward as best bidder etc- the process has been long and tortured as Steward is bullying everyone it can for a better deal- threatening to walk away from the purchase if various parties do not accede to their demands- so far the General Assembly has rolled, the Health Services Council granted an unconditioned approval. Blue Cross has balked. this charade has gone on for nearly 4 years under court supervision! The only one being well served is the Court's appointed agent John Savage Esq. who has made several million in hourly billings- party on Steward!

[July 19, 2012 4:46:00 PM EDT](#)



[Roy M. Poses MD](#) said...

Sorry about that. Statement about negotiation of buyout corrected above in post.

[July 19, 2012 5:11:00 PM EDT](#)

[Post a Comment](#)

The controversial for-profit college industry, threatened by the Obama's Administration's efforts to hold it accountable for a torrent of waste, fraud, a...
4 hours ago

B Fear and Loathing in Bioethics

St Jude Medical blacks out its problems - For another alarming story about device industry wrongdoing, don't look in the Strib. You'll find it in the New York Times.
4 hours ago

B PharmaGossip

You stick it where? - <http://www.theatlantic.com/health/archive/2012/11/the-nasal-spray-created-to-bring-women-orgasms/265592/>?
4 hours ago

The Medical Professionalism Blog

Acts of Professionalism: Opposition to Self-Referrals by Specialty Societies - In September, the Government Accountability Office (GAO) released a report titled Higher Use of Advanced Imaging Services by Providers Who Self-Refer Costi...
6 hours ago

space for transparency

Morocco's youth prepares for Anti-Corruption Day 2012 - [image: Morocco's youth prepares for Anti-Corruption Day 2012] Gearing up to International Anti-Corruption Day (9 December), Transparency Morocco is usin...
6 hours ago

CardioBrief

The Doctor At The Center Of The Insider Trading Scandal - Last week's big insider trading case offers fresh evidence that financial interests often clash with medical ethics. Of course, the news stories were all a...
7 hours ago

University Diaries

A Cooper's Hawk Trapped in a Cupola ... - ... at the University of Windsor was, after three days, released. It was lured out with a pigeon. Hawk, in poetry, is always so relentlessly male - always th...
8 hours ago

The Health Care Blog

What If Success Sucks? - By Rob Lamberts, MD "This could be big," he said after I told him about the company who wants me to cover their 100+ employees. I pay him to give me the s...
9 hours ago

Wing Of Zock

Get the Message? Texting Improves Patient Care - By Scott Harris As a whole, medicine is slow to adopt new technologies. If that new technology involves an erosion of a doctor's already-spare private life...
15 hours ago

The Baseline Scenario