***Boston Business Journal***

**Report finds Steward Health Care System in the red**

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An independent consultant hired by Rhode Island state regulators has painted an alarming financial picture of Steward Health Care System, the privately held chain operator that is aggressively buying up New England community hospitals.

Commonwealth Magazine obtained the report by consultants Enterprise Management Corp., and published some of the details contained therein, which Enterprise called financial "red flags." Here's what Commonwealth [reported](http://www.commonwealthmagazine.org/News-and-Features/Online-exclusives/2012/Spring/012-Steward-responds-to-red-flags-in-RI.aspx):

According to the Enterprise letter, Steward reported a net loss of $56.9 million and a negative cash flow of $32.9 million in fiscal 2011, which ended Sept. 30 last year. The company also had a working capital shortfall of $43.6 million, even though it also owed $96.3 million on its revolving credit facility.

Enterprise said Cerberus contributed $251.5 million in capital to Steward in fiscal 2011, but that infusion was offset by $127.6 million in deficits, leaving the total equity value of the company at $123.9 million.

Rhode Island officials hired Enterprise to review privately held Steward's financials as part of the hospital operator's bid to acquire two Ocean State hospitals: Landmark Hospital in Woonsocket and the Rehabilitation Hospital of Rhode Island in North Smithfield.

A Steward spokesman issued the following statement in response to the report.

During the 10 month period covered by Ernst and Young’s audit, Steward was in the process of acquiring eight hospitals, a nursing college, a home health company, an imaging company and a medical malpractice insurance company while doubling the number of physicians in its network. The transaction costs associated with these acquisitions are reflected in the audit and are one-time events. The audit opinion was unqualified with no concerns.

What is remarkable is that as Steward sits today, with 10 hospitals and 2,700 doctors, we are the only investor owned or publicly traded health care system in the United States with no long-term debt. Any individual knowledgeable in the health care field would understand Steward’s solid financial situation.

According to Commonwealth, Steward's attorney has responded to the Enterprise report, saying its Fiscal 2011 deficits were expected, and that the company will be profitable this year, generating positive cash flow by the fourth quarter.