Caritas now a for-profit chain

CEO promises a model operation Boston Globe - Boston, Mass.

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A New York buyout firm is the new owner of Caritas Christi Health Care, the region's second-largest hospital system, turning the nonprofit Catholic chain into a for-profit operation.

Caritas yesterday confirmed that its deal to be acquired by Cerberus Capital Management had closed, following a lengthy approval process that began in the spring.

The hospitals - St. Elizabeth's Medical Center and Carney Hospital in Boston, Norwood Hospital, Good Samaritan Medical Center in Brockton, Holy Family Hospital in Methuen, and Saint Anne's Hospital in Fall River - will operate under a Cerberus affiliate, Steward Health Care System LLC.

They will be led by Caritas's current chief executive, Ralph de la Torre.

He has said he plans to expand the system in Massachusetts and beyond under the Steward umbrella. In a statement yesterday, he said Steward "will become a model for high-quality, low-cost, community-based health care" in a state where a large share of medical services are provided by academic medical centers.

He also said Steward plans to build an "accountable care organization" focused on prevention and offering patients access to world-class doctors with the latest clinical technology. "Steward will organize all aspects of clinical care around the patient to ease the burden of coordinating care that many patients experience in the current health care delivery system," de la Torre said.

The most immediate impact of the acquisition will be an acceleration of renovation projects and upgrades begun earlier this year at the Caritas hospitals, said Steward's spokesman, Chris Murphy.

Cerberus will spend about \$116 million on projects that include a radiation therapy center at St. Elizabeth's, a renovated operating room at Carney, new operating rooms and a renovated emergency room at Saint Anne's, a cardiac catheterization lab at Norwood Hospital, a new emergency department at Good Samaritan, and a new emergency room at Holy Family.

The work is part of a \$400 million investment in capital improvements Cerberus has pledged to make over the next four years. The company also will assume \$495 million in Caritas debt, including the unfunded pension obligations of about 13,000 retirees and employees of Caritas hospitals.

Steward director W. Brett Ingersoll, co-head of private equity at Cerberus, said in a statement that the firm will work with Caritas management to "build a community-based health care model that will thrive for many years to come." Cerberus is committed to owning the hospitals for at least three years, though it has held onto many other companies it has bought for much longer.

The transaction includes conditions imposed by state Attorney General Martha Coakley, the state Public Health Council, and the Supreme Judicial Court of Massachusetts.

Among them, the parties have agreed not to close Caritas hospitals for three years under any circumstances. The commitment will extend for two additional years unless an individual hospital has lost money for two consecutive years. Even then, Cerberus would be required to give six months' notice and an 18-month review of the hospital's condition must be conducted by outside monitors before it could be closed.

Caritas, which became an independent nonprofit system in 2008, previously was owned by the Catholic Archdiocese of Boston, which has continued to hold the employee pensions.

Cardinal Sean O'Malley approved the sale to Cerberus in August on the condition that the hospitals retain their Catholic identities, including ethical and religious directives, which will still be overseen by the archdiocese. Those directives prohibit practices and procedures the church deems morally wrong, such as abortion.

In a statement yesterday, O'Malley said he was pleased that the transfer of the hospitals had been completed.

"Caritas will have access to much needed capital for its infrastructure and programs," he said, "and also its pension obligations, while continuing to provide high quality health care, especially for the poor, in accord with Catholic teaching."