

Congress of the United States
Washington, DC 20515

October 1, 2020

The Honorable Alex Azar
Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Azar,

We write to follow up on our June 17, 2020 letter regarding the interest-free loans provided to private-equity owned health care companies by the Department of Health and Human Services (HHS) and the Centers for Medicare and Medicaid Services (CMS). We have yet to receive a response to our letter, which asked that the agency provide us with a full accounting of the billions in taxpayer dollars that have been distributed. Considering that this information should have been readily available, we are concerned that it has been more than three months and we have yet to be provided with any information. In the intervening time, additional information has come to light which only serves to emphasize the need for transparency. As such, we ask that you respond to this letter, including to our original requests, in two weeks, on October 15, 2020.

Since our June 17 letter, it has been reported that just one single private-equity owned hospital chain received \$1.5 billion.¹ While community hospitals are suffering significant financial losses, many are doing all they can to protect patients.² Community hospitals have been forced to cease routine work; treat unpredictable and costly COVID-19 cases; build temporary medical sites; and fight to acquire resources, such as personal protective equipment (PPE) and testing supplies. As community hospitals endured these challenges with little to no external financial support other than the limited aid provided by Congress, hospitals owned by private equity firms have remained flush with cash, thanks in part to this administration. For example, the hospital chain that received \$1.5 billion in federal relief funds, LifePoint Health, which is owned by Apollo Global Management, had more than \$2 billion in support from Apollo in June. In fact, Apollo told investors that LifePoint was planning additional acquisitions.³ As hospitals are struggling to keep their doors open, and many are forced to shutter,⁴ private equity owned providers are raking in taxpayer funded aid.

As the role of private equity in health care grows considerably, even during a global pandemic, we must examine how ownership affects cost and quality. In 2018, there were 855 private equity deals in health care, totaling \$100 billion invested in the industry.⁵ However, the classic private equity business model, which extracts value in a short time period to meet interest payments on high debt levels and to provide returns to investors, is antithesis to the needs of patients and providers. The private equity model does not foster a sustainable, high quality health care system.⁶ Instead, the focus of these firms, generating cash flow in a three to five year window, places immense pressure on health care practitioners to increase patient volume, overprescribe costly tests and procedures, and cut costs by using cheaper supplies. This model often raises costs not just for patients but for the entire system.

Many hospitals owned by private equity firms have faced extreme hardship because they have been run into the ground. For instance, while the private equity owner of one group of hospitals, Steward Health

Care, has about \$8 million in revenue, it threatened to close a Pennsylvania hospital towards the end of March, during a global pandemic. Steward Health Care received \$675 million in loans and grants from the federal government during the pandemic.⁷ There appears to be no reason why this Steward-owned hospital should be closed, other than it fails to reap the profits its private-equity investors hoped it would.

It is egregious that HHS has prioritized money for private equity owned hospitals with no transparency and seemingly no regard for hospitals that do not have financial support from Wall Street. Given the severe implications of the latest reporting, please provide the following no later than October 15, 2020:

- 1) A full accounting of Provider Relief Funds and Medicare Accelerated and Advanced Payments Program funding, disaggregated by provider type and ownership, including private-equity firm ownership.
- 2) Methodology of the federal loans provided in fiscal year 2020 through the Medicare Accelerated and Advanced Payments Program, including any details and documentation related to this methodology;
- 3) Information regarding the usage of the current methodology in fiscal year 2021, and if a new methodology will be used, any details and documentation of this methodology;
- 4) The number of hospitals and health care providers, including community health centers, teaching health centers, and non-profit owned health centers, denied loans through the Medicare Accelerated and Advanced Payments Program, including:
 - a) A list of hospitals and health centers that were denied;
 - b) The amount of funding these hospitals and health centers applied for;
 - c) The date of application and the date of denial;
 - d) The criteria for which they were denied a loan; and
 - e) Information regarding an appeals process if applicable.
- 5) The number of hospitals and health care providers, including community health centers, teaching health centers, and non-profit owned health centers, denied funding through the Provider Relief Fund.

Once again, we ask that HHS provide a full accounting of grants and loans that have been distributed as part of the Provider Relief Fund and the Medicare Accelerated and Advanced Payments Program. Congress must be able to ensure that these funds are properly allocated. Thank you for your attention to this request. We look forward to your response by October 15, 2020.

Sincerely,


BILL PASCRELL
Member of Congress


KATIE PORTER
Member of Congress


ROSA DELAURO
Member of Congress

¹ A Wall Street Giant Tapped \$1.5 Billion in Federal Aid for Its Hospitals, Bloomberg, Retrieved at: <https://www.bloomberg.com/news/articles/2020-09-14/a-wall-street-giant-tapped-1-5-billion-in-federal-aid-for-its-hospitals?srd=premium>

² Moody's: Hospital financial outlook worse as COVID-19 relief funds start to dwindle, Fierce Healthcare, Retrieved at: <https://www.fiercehealthcare.com/hospitals/moody-s-hospital-financial-outlook-worse-as-covid-19-relief-funds-start-to-dwindle>

³ Bloomberg, as cited.

⁴ Financial fallout from COVID-19: 9 latest hospital layoffs and closures, Becker's Hospital Review, Retrieved at: <https://www.beckershospitalreview.com/finance/financial-fallout-from-covid-19-9-latest-hospital-layoffs-and-closures.html>

⁵ Private Equity Buyouts in Healthcare: Who Wins, Who Loses?, Institute for New Economic Thinking, Retrieved at: <https://www.ineteconomics.org/perspectives/blog/private-equity-buyouts-in-healthcare-who-wins-who-loses>

⁶ Institute for New Economic Thinking, as cited.

⁷ Bloomberg, as cited.