

Testimony in Support of House Bill 5575 and in Support of House Bill 5991

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Dear Senator Mary Daugherty Abrams, Representative Jonathan Steinberg, and Members of the Public Health Committee, thank you for the opportunity to address you in support of HB 5575.

As a researcher on the impact of private equity investments in the health care industry, I believe HB 5575 is critical to providing the oversight necessary to protect hospitals and maintain quality of care for patients. I will share an example of why this bill is so important.

Safety net hospital chain Prospect Medical Holdings operates seventeen hospitals in five states, including three hospitals in Connecticut: Waterbury Hospital, Manchester Memorial Hospital, and Rockville General Hospital. Prospect is owned by private equity firm Leonard Green & Partners.

Since it took over Prospect, Leonard Green and the minority owners have collected \$658 million dollars in fees and dividends from the company even as its hospitals have suffered operating challenges, substantially underfunded pensions, and regulatory scrutiny.

Leonard Green's ten-year ownership of Prospect has been rife with problems. Many of its hospitals have some of the lowest quality ratings. In 2019, state regulators placed Waterbury Hospital under review for deteriorating conditions that place patients in "immediate jeopardy." Prospect has been sued in California for allegations that its hospitals needlessly admitted homeless patients and elderly patients with dementia to boost Medicaid and Medicare payments. At the end of 2019 it shut down all facilities it owns in Texas and sold its San Antonio hospital building to a luxury hotel developer.

Despite these operational difficulties, Prospect's owners were lining their pockets. In 2018, Prospect was made to take on hundreds of millions of dollars in debt so that it could pay its ownership group a \$457 million dividend. It then sold almost all of the real estate, including that of the Connecticut hospitals, to pay off that debt. The massive real estate sale left Prospect's hospitals with greater liabilities and fewer assets. Leonard Green essentially used the hospital company as a platform to raise debt and siphon out cash.

This has not gone unnoticed-- the mismanagement of Prospect continues to draw growing scrutiny from regulators, investors, lawmakers and workers. It has made national news multiple times.

Members of Congress, including Rep. Rosa DeLauro and Rep. Jahana Hayes, have sent letters to Leonard Green detailing numerous problems with Leonard Green's ownership of Prospect and asking the firm to return the fees and dividends it collected.

Leonard Green's looting of Prospect may not have happened if we had the tools to monitor these kinds of transactions and get in front of this kind of bad behavior. We cannot allow Wall Street to raid hospitals at the expense of the communities they serve. I urge you to support this bill to ensure that hospitals in Connecticut remain at the service of patients, and not Wall Street investors.