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October 5, 2020

Via Email

Health Services Council Members
Rhode Island Department of Health
3 Capitol Hill
Providence, RI 02903

Re: Change in Effective Control Applications of Prospect CharterCARE RWMC, LLC d/b/a Roger Williams Medical Center, Prospect CharterCARE SJHSRI, LLC d/b/a Our Lady of Fatima Hospital, Prospect Blackstone Valley Surgicare, LLC and Prospect CharterCARE Home Health and Hospice, LLC

Dear Health Services Council Members:

I am writing regarding the ProPublica article emailed to you on September 30, 2020. The article is riddled with inaccuracies and misleading statements, both by inclusion and omission. Prospect fully cooperated with the authors of the publication, providing evidence refuting the article's content comprised of misleading statements, erroneous information and accusations by former employees now working for a competitor. ProPublica ignored significant information Prospect provided that refuted multiple issues raised in the article. Although we do not believe it would be productive to respond *seriatim* to the allegations in the 24-page article, suffice it to say that Prospect refutes all material allegations therein. Attached at Tab A in bullet form are responses to many of the inaccurate and misleading statements in the article.

As we discussed at the July 21, 2020 Health Services Council meeting, Prospect's two Rhode Island licensed hospitals, Roger Williams Medical Center ("RWMC") and Our Lady of Fatima ("OLF"), are important community hospitals providing quality, cost-effective services to patients in need. You heard from many health care providers at both hospitals who highlighted the good work they are doing for their patient populations with the full support of Sam Lee and David Topper, who will continue to lead Prospect after the Leonard Green transaction, with Department approval, is consummated. We look forward to updating you at the next meeting. As a preview, we invite you to review the attached articles at Tab B highlighting the recent accolades and accomplishments at both RWMC and OLF.

We look forward to meeting with you at the next Health Services Council meeting, which we hope will occur on October 13, 2020. We will be prepared to answer any questions you may have regarding the ProPublica article. As always, thank you for your consideration.

Sincerely,

/s/ Patricia K. Rocha

PATRICIA K. ROCHA
procha@apslaw.com

Attachments

Tab A

PROSPECT MEDICAL RESPONSE TO *PROPUBLICA* ARTICLE

- *ProPublica's* September 30th article is riddled with inaccuracies and misleading statements, both by inclusion and omission. We fully cooperated with the publication, providing content and evidence refuting the article's content, comprised of misleading statements, erroneous information, and the accusations by former employees now working for a competitor.

  It relied on and quoted one source who denied in writing, through his lawyer, that he ever made the statements attributed to him by the reporter. It cited an alleged problem in one of our hospitals from a source who wasn't even employed at that hospital during the time the alleged problem occurred. *ProPublica* also ignored significant information we provided its reporter that refuted multiple issues raised in the story.

- One key piece of information provided to the reporter that was ignored was that nearly all of the hospitals purchased by Prospect were on the verge of closure or bankruptcy. It takes a lot of time, energy, and investment to improve those facilities.

- We told the reporter that these facilities were cash-starved when acquired, had been neglected and were in disrepair. As we told the reporter, "We're a turnaround company. In nearly every instance, we have purchased hospitals no one else wanted. These were hospitals that could have shut down because there hadn't been investment in infrastructure and equipment for as much as 20 years."

- Prospect also told the reporter that that over the past 10 years we:
  - Invested approximately $750 million in its hospitals, including more than $100 million in our Rhode Island facilities
  - Provided $900 million in free healthcare
  - Paid $170 million in local taxes, and
  - Paid approximately $300 million into pension and 401K plans since 2016

- Prospect told the reporter that while we're not where we want to be in all of those facilities, we have made significant improvement and will get there

- Speaking about the sale of the business by Leonard Green & Partners to Sam Lee and David Topper, the article says, "Given the cash and assets that private equity owners have taken out of hospitals, their new owners will be left with heavy debt and limited resources – as the saga of Leonard Green and Prospect demonstrates. It (LGP) is leaving a mess behind at Prospect. The company has little cash, weighty pension debts and lease commitments, and uncertain earnings." **This is patently false**. As *ProPublica* was told, the company has substantial cash and liquidity and a strong earnings outlook. This too was ignored in the article.

- Writing about the sale of Alta, the company Sam Lee and David Topper owned that was sold to Prospect in 2006, the article includes false statements from a disgruntled former employee but omits the company's response contradicting what this individual said.

- The article mischaracterizes a $3.9 million financial restatement taken in connection with the acquisition of Alta, saying it reduced revenues by about $4 million in 2006 (out of more than $100 million in revenues), without telling the reader that the exact same revenue figure was simply moved by the accountants from 2006 and booked in 2007.

- It also falsely states, "The (Alta-Prospect) merger nearly wrecked Prospect," ignoring emails from two independent directors and statements by Prospect that in fact, the merger saved Prospect. It was the surprise loss from the legacy Prospect business for the year ended September 2007, that "nearly wrecked Prospect." This was information we cited included passages from 10-Qs and 10-Ks but was ignored by *ProPublica*.

- After the Alta-Prospect merger the Board – the majority of whom had been appointed by pre-Alta Prospect management --elected Sam Lee CEO. Citing the surprise loss from the pre-Alta Prospect business, that same Board fired then-CEO Jack Terner and the company's lenders relied on Sam Lee and Dave Topper to continue to run the profitable Alta business while turning around the legacy Prospect business. The *ProPublica* article ignored these facts; it also inaccurately stated that it was Sam Lee who ousted Dr. Terner, when it in fact, it was the Prospect Board, a board that was put in place by Dr. Terner.

- The article states: "Many of these problems had yet to emerge by 2015, as Prospect struck rapid-fire deals to double the company's size. That's when it reached agreements to spend more than $500 million to buy hospital systems in three states: East Orange General, in New Jersey; three community hospitals in Connecticut; and a four-hospital system in suburban Delaware County, Pennsylvania, west of Philadelphia." This too is inaccurate. At least two of the four acquisition agreements weren't reached in 2015. Crozer was signed in January 2016 and the transaction closed in July 2016. Waterbury and the ECHN transaction closed in October 2016. Again, the article contains inaccurate and inconsistent reporting. These were all easily verifiable facts that *ProPublica* omitted or ignored.

- The article, discussing a lawsuit at the company's Culver City Hospital, states, "Don Andrews, a seasoned administrator who worked as emergency department director during part of this period, backed these claims in an interview with *ProPublica*." We checked his employment record. He did not work at the hospital during that period. We told *ProPublica* this. They ignored this fact.

Also omitted from the article were the pages upon pages of awards earned for quality of service and other accomplishments that our hospitals have received in recent years.

- Questions raised in the article about the company's response to the COVID-19 pandemic were also demonstrated to the reporter to be unfounded. But that was ignored, too. We provided factual support for our statement that our hospitals and staff responded as efficiently and effectively as any healthcare provider, including larger ones. This is true whether the provider was for-profit or nonprofit. To date, our hospitals – including facilities in pandemic hotspots in New Jersey and Connecticut – have treated more than 3,200 COVID-19 patients and continue to care for cases as they arise. In Rhode Island, OLF and RWMC have treated 481 in-patient COVID patients and have had an approximately 17% mortality rate. That is consistent with treatment of COVID patients throughout the country. By our estimation, the Prospect CharterCARE team has treated more COVID patients per inpatient bed than any hospital in Rhode Island.

- At our peak, 50 percent of our beds were dedicated to COVID-19 patients. Additionally, we made significant investments (and went to extreme lengths) to procure difficult-to-find personal protective equipment (PPE) to keep our staff and patients safe. Although the article included claims that safety was sacrificed, we have hard evidence that it was instead increased and regularly reviewed as changing circumstances warranted.

- The article talked about the tragic death of one of an ER doctor who worked at East Orange General Hospital as a contractor with an outside ER physician management company. He was not a Prospect employee and worked at other hospitals in the greater New York area for the management company. The article claimed his death was due to inadequate PPE at East Orange. Once again, Prospect provided information showing that the assertion was not true. This information was ignored, and the reporting was irresponsible.

- Prospect Medical Holdings and Leonard Green Partners have enjoyed and continue to enjoy an exceptional professional relationship built on mutual respect and a commitment to our businesses and the people who work for these businesses. Although we are for-profit organizations providing healthcare services, we've never exclusively focused on the bottom line. We are as committed to providing care and saving lives as we are doing good business.

  Anyone in the healthcare business — whether nonprofit or for-profit — understands that it *is* a business, and a challenging one, on any given day. But it's especially so when a pandemic essentially throws every plan and operating model out the window. The business of healthcare frequently requires making tough choices that impact the bottom line, and sometimes people. Frequently, those choices are not ones everyone agrees with, or particularly likes. But those decisions must be made.

- The healthcare industry as a whole has certainly had to make its share of tough choices over the years, but for every decision every healthcare system or hospital makes there was a specific, necessary reason for it. And for every criticism about matters resulting from those decisions, ranging from how maintenance issues are handled to how a leadership team manages people, we challenge anyone to find any company, anywhere, in any industry that is without individuals and groups who will never be supportive of what they do or how they do it.

- Prospect Medical has a mission driven by values that are entirely focused on providing access to quality care in the many communities where our hospitals offer services, frequently to members of those communities in need that other healthcare facilities would not treat. During the last decade, while we have operated our facilities in ways intended to improve their efficiency and effectiveness, we've also delivered on our goal of caring for those in need by providing more than $900 million in free healthcare services over the last 10 years.

- As part of our Coordinated Regional Care healthcare model, we've broadened growth strategy by acquiring or entering into joint ventures with other healthcare entities. These include hospitals, physician practices and medical groups, and outpatient service providers such as ambulatory surgery centers, urgent care centers, and freestanding imaging centers. We are proud of our approach to caring for those in need, the way we operate, and the services we provide, the hospitals and jobs we are able to save, our exceptional employees, and the contributions we make in the communities where we have facilities.

- As we mentioned earlier, Prospect's business involves acquiring struggling healthcare facilities and, in the overwhelming majority of cases, turning them around. All seven original Prospect-acquired hospitals in California, for example, were on the brink of closure. Facilities were slated to be closed and sold for real estate value. WARN notices had already been issued. Of the seven acquisitions, Prospect saved five. One of the five was sold and the other four remain part of Prospect today, more than 20 years later.

- For those in the communities to whom we provide healthcare services when other healthcare systems won't, we provide an essential human service that preserves wellness, treats illness, and frequently saves lives. We are proud of our team and the work they do. With regard to our business interests, the financial markets have demonstrated that they clearly believe in our ability to turn around and successfully operate healthcare facilities. These endorsements, along with the support of the vast majority of our employees and physicians, tell the true Prospect Medical story, and they always will.