

Neronha's Consultant Gives Approval for Conversion of CharterCare's Ownership

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The consulting group hired by RI Attorney General Peter Neronha is giving the green light to the hospital conversion for Prospect Medical Holdings to transfer its ownership on CharterCare to another corporate entity.

The nearly 900-page report by Neronha's consultant Affiliated Monitors, Inc (AMI) the report concludes, among other things, that Prospect Medical Holdings, Inc. has met its capital commitment requirements that were required under the preceding conversion that took place in 2014. The question was did CharterCare and its owner Prospect make the investments it promised over the past seven years.

Prospect CharterCARE wrote in a statement in response to the AMI report:

"Following an independent, exacting, and comprehensive review, the Affiliated Monitors' independent report has determined that Prospect Medical has met all the regulatory conditions set forth by the Rhode Island attorney general and Department of Health when Prospect's acquisition of CharterCARE Health Partners was approved in June 2014.

Over the past year, Prospect has provided thousands of documents to Affiliated Monitors and answered scores of questions in interviews. Prospect is proud that this report conclusively proves our compliance with all conditions and puts to rest unfounded allegations that commitments had not been met, when in fact Prospect satisfied all conditions and -- in the case of its capital commitment -- exceeded the commitment made in 2014."

AMI on Record

AMI writes in its report, "Prospect submitted appropriate documentation to demonstrate that it complied with the terms set forth in the Initial Application pertaining to: - continued provision of necessary services and outreach to the local community; - protection of hospital employees' salary/ wage bases, seniority and benefits; and - maintenance of the Catholic identity of Our Lady of Fatima Hospital. With regard to the requirement that the Prospect parent company provide \$50 million for LongTerm Capital expenditures, this amount was later revised by approval from the Attorney General of Prospect's request to include the proceeds from the sale of Elmhurst Extended Care Facility, the Peace Street property and the Fruit Hill Avenue property (the Revised Capital Commitment). The revised amount was \$62,475,444. The documentation submitted demonstrates that Prospect complied with and exceeded the amount specified in this condition. "

And the AMI report concludes, "For this report alone, AMI reviewed approximately 1,300 pages of documentation submitted by Prospect. We estimate that over the course of this monitorship, Prospect has provided and AMI has viewed more than 6,000 pages of documentation. With regard to the financial requirements, AMI has seen supportive documentation (contracts, invoices, checks, for example) for 95.6% of the confirmed Long-Term Capital expenditures and 93.9% of the required \$40 million in Routine expenditures. We are confident in our conclusion that Prospect has met and exceeded the requirements of the HCA Decision.

On January 4, GoLocal first reported that St. Joseph's failed pension fund has reached an agreement with a number of litigants including the hospital's former owner CharterCARE.

The agreement does not include the Diocese of Providence who refused to participate in negotiations.

The settlement is for \$30 million not including legal fees and bolsters the total amount recovered for the past 3 plus years to \$47 million.

CharterCare's parent company will pay the lion's share of \$27 million and other related litigants will pay combined \$3 million.



Peter Neronha PHOTO: GoLocal

In a letter from Special Investigator Max Wistow to Senate President Dominick Ruggerio, he announced, "We have filed with Superior Court a fully executed settlement agreement with certain defendants in the lawsuit relating to the shortfall in the plan's funding."

In December, a Wall Street Journal report raised questions about the controversial debt-financed dividend payout structure being used by Prospect and Leonard Green.

The Wall Street Journal is reporting that "Over the last decade, Prospect paid its shareholders, the biggest of which is Leonard Green, more than \$500 million in dividends from these hospitals, while loading Prospect's balance sheet with new debt, according to a debt prospectus and Moody's."

"After the company sought to buy two hospitals in Rhode Island in 2013, state officials requested that Prospect confirm it had no plans to pay further dividends to its shareholders after a \$100 million dividend it had paid in 2012. Prospect responded that it didn't, according to correspondence between the state and the company viewed by the Journal," reported WSJ.

A few years after receiving clearance to buy the hospitals, Prospect agreed to pay an over \$400 million debt-funded dividend to shareholders including Leonard Green.