



VIA ELECTRONIC MAIL

22 May 2012

Ralph de la Torre, MD  
CEO  
Steward Health Care System, LLC  
500 Boylston Street  
Boston, MA 02116

Dear Dr. de la Torre:

Attached is the final *Report of the Committee of the Health Services Council on the applications of Steward Health Care System, LLC for change in effective control of: Landmark Medical Center and Rehabilitation Hospital of Rhode Island* (Report).

The Rhode Island Department of Health ("state agency") accepts the recommendations of approval of the Project Review Committee-I and the full Health Services Council and hereby approves the applications for Change in Effective Control subject to the conditions of approval. The state agency recognizes and appreciates the outstanding effort put forth by the Council in reviewing these applications in such a diligent and intensive manner.

While the state agency accepts the synopsis, proposal description, introduction, recommendation, conditions of approval, and evidentiary content of the Report, the findings in the state agency's decision are at variance with the findings of the Report as stated. The state agency has applied the relevant criteria in the appropriate statute and rules and regulations, and has accorded to them the appropriate weight, and has considered the record and criteria with due deference and balance to those matters which the state agency has deemed to have priority importance. The reasons for the variances in findings are set forth in this decision.<sup>1</sup>

The applications of Steward Health Care System, LLC (Steward), an affiliate of Cerberus Capital Management, LP, for Change in Effective Control were not without limitations. Steward does not have a long term track record against which to assess its performance. Steward made a commitment not to sell the Rhode Island facilities for the next five years, but did not make any commitment not to close these facilities. Steward added conditions to the Asset Purchase Agreement, which would allow it to not proceed with the acquisitions if the conditions are unmet, and some of these conditions remain outstanding. Concerns categorized as "red flags" (though not "smoking guns") were raised by the financial consultant retained by the state agency regarding Steward. The record reflects the lack of pre-assessment undertaken by Steward with regards to final determination on health care services at the facilities and uncertainty regarding the future of the obstetric services at

<sup>1</sup> Pursuant to 23-17-14.4 (d): <http://www.rilin.state.ri.us/Statutes/TITLE23/23-17/23-17-14.4.HTM>

Landmark Medical Center. In making its findings, the state agency gave significant weight to the foregoing.

With regards to the finding concerning character, commitment, competence, and standing in the community, the state agency's finding is that it is adequate.

With regards to the finding concerning the extent to which the facility will continue, without material effect on its viability, to provide safe and adequate treatment for those individuals receiving the facility's services, the state agency's finding is that it is adequate.

With regards to the finding concerning the extent to which the facility will continue to provide safe and adequate treatment for individuals receiving the health care facility's services and the extent to which the facility will encourage quality improvement in all aspects of the operation of the health care facility, the state agency's finding is that it is satisfactory and this finding is not at variance with finding set forth in the Report.

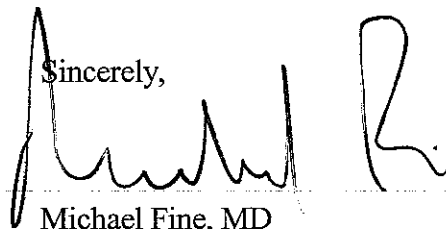
With regards to the finding concerning the extent to which the facility will continue to provide appropriate access with respect to traditionally underserved populations, the state agency's finding is that it is satisfactory and this finding is not at variance with finding set forth in the Report. This finding of satisfactory takes into consideration the safeguards in the current requirements in the statutes with regards to charity care and licensure.

With regards to the finding concerning the proposed continuation or termination of emergency, primary care and/or other core health care services<sup>2</sup> by the facility, the state agency's finding is that it is adequate.

The state agency's decision is subject to the conditions of approval contained in section VI of the Report.

Please contact the Office of Facilities Regulations at (401) 222-2566 to request the appropriate licensure forms necessary to implement the changes in effective control.

Sincerely,



Michael Fine, MD  
Director of Health

Attachment

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<sup>2</sup> including health care services provided by the rehabilitation hospital center