



COMMONWEALTH OF MASSACHUSETTS  
**MASSACHUSETTS SENATE**  
STATE HOUSE, BOSTON 02133-1053

**SENATOR STEVEN A. BADDOUR**

FIRST ESSEX DISTRICT  
ROOM 208

TEL. (617) 722-1604  
FAX. (617) 722-1999

E-Mail: [Steven.Baddour@state.ma.us](mailto:Steven.Baddour@state.ma.us)

**CHAIRMAN:**

TRANSPORTATION

**VICE-CHAIRMAN:**

THE JUDICIARY

**MEMBER:**

WAYS AND MEANS  
POST AUDIT AND OVERSIGHT  
GLOBAL WARMING AND CLIMATE  
CHANGE  
CONSUMER PROTECTION AND  
PROFESSIONAL LICENSURE  
FEDERAL STIMULUS

**TESTIMONY OF STATE SENATOR STEVEN A. BADDOUR (D-METHUEN)  
ON CERBERUS ACQUISITION OF CARITAS CHRISTI HEALTH CARE NETWORK  
OCTOBER 13, 2010**

I would like to start by thanking the Department of Public Health and the Public Health Council for their diligent review of this matter. My name is Steven Baddour and I represent the First Essex District, consisting of Methuen, Haverhill, Merrimac, Salisbury, Amesbury, Newburyport, and North Andover. I am joined here today by the Mayor of Methuen, William M. Manzi, who along with other members of our Legislative delegation, share my thoughts on this important matter to our community.

I am not going to spend a lot of time discussing how important these hospitals are to their patients. The fact that Caritas Christi hospitals and physicians care for approximately one million people per year in Massachusetts speaks for itself. In addition, these hospitals provide millions in community benefits to their cities and towns. These benefits fund essential public health and educational programs that benefit everyone in the community, not just Caritas patients. This sale will preserve these essential programs and ensure they continue. The additional economic benefits this sale provides to Massachusetts are less obvious, but equally important.

Most people realize that health care is a key economic driver in Massachusetts. But, they probably do not recognize the significant role community hospitals play in that. Currently, Caritas Christi Health Care is the tenth largest employer in Massachusetts. 12,000 employees and their families depend on Caritas Christi for their financial security.

This fact becomes even more important when you consider where the Caritas Christi hospitals are located. Caritas hospitals are the largest or second largest employer in Brighton, Brockton, Dorchester, Fall River, Methuen and Norwood. Caritas Christi's hospitals are key economic engines in these communities, many of which are dealing with severe economic challenges. This sale ensures the economic stability for these important community institutions and preserves all existing contracts with labor. It also generates further economic activity through infrastructure and construction projects.

The current Caritas Christi construction projects that are taking place in each of these hard hit communities will create an estimated 4,000 jobs. In this economy and in these communities, the creation of 4,000 jobs should not be taken lightly. This sale commits \$400 million to invest in the newly created Steward Health Care System over the next four years. That additional investment promises to create an additional 12,000 desperately needed jobs in these communities.

For years, the high-cost Boston hospitals have marketed directly to and attracted private pay patients at the expense of community hospitals such as Holy Family Hospital and Lawrence General Hospital – a term described as “leakage”. This sale, which will result in quality physical improvements to Holy Family Hospital, is an opportunity to capture that leakage and help keep patients and physicians in the lower-cost community hospital setting – not poach patients away from Lawrence General.

Holy Family Hospital is a local institution and a key part of our community. The Hospital is Methuen's single largest employer and provides 1,500 jobs to area residents. For this reason alone, we need to keep the Hospital vibrant and growing.

The infusion of capital provided by the acquisition will allow the hospital to construct a new \$21 million Emergency Department – a critically needed project. Last year, over 40,000 people visited their emergency room. Incredibly, 60% of hospital admissions come through those doors and the extra capacity will ensure that patients receive timely access to medical attention in a modern facility. This project is immediate proof that Cerberus is committed to providing locally-based, high-quality, low cost health care.

Another key economic benefit to this transaction is the potential tax revenue generated by the sale. As a taxable entity, Steward Health Care will likely contribute approximately \$100 million to Massachusetts cities and towns over the next five years. We all know how state and municipal budgets are struggling in this recession. We also know that all the non-profit hospitals, colleges and universities in Massachusetts are not required to pay taxes. Converting these Caritas facilities into tax-paying entities will generate much needed revenue without raising taxes on individuals that have been suffering with job losses and reduced wages. This tax revenue will be in addition to the more than \$60 million per year in community benefits, free care for the uninsured and pastoral care that Steward will continue after the sale.

One of the most admirable aspects of this sale is the commitment by all parties to fund and guarantee the pensions of the 13,000 Caritas Christi pensioners. Without this sale, it is likely

that Caritas Christi would eventually default on its pension obligations. This is the economic reality that they are facing. What would happen to these 13,000 people if that happened? Where would they turn? As a church plan, the pension is not currently insured with the federal government. In all likelihood, these 13,000 families would be left with nothing. Imagine, spending your entire life caring for others in their times of greatest need, and then finding yourself with no income as you reach your retirement years. That is an unacceptable outcome and I commend Steward Health Care for their commitment to making sure that does not happen.

I have talked a lot about numbers here today.

- One million patients treated per year
- 10<sup>th</sup> largest employer in MA
- 12,000 employees
- 13,000 pensioners
- 4,000 new jobs

These are important numbers. But, sometimes when you reference numbers and statistics you lose sight of the big picture. In this case, we cannot afford to do that, the big picture is essential. So I would like you all to take a moment and think about what would happen if Caritas Christi no longer existed.

What would happen to these communities if these major employers were shut down?

Where would these 12,000 people find new jobs?

How would the pensioners afford to live during their retirement?

Where would one million people in Massachusetts go for their care?

Would they all be forced to travel to downtown Boston for all of their needs?

What if that isn't an option? We can't afford to let that become a reality.

The numbers and economic implications overwhelmingly support this sale and the licensing of these hospitals. In addition, the Attorney General has used her broad review authority to apply additional community safeguards and assurances to the transaction. I ask you to keep that in mind as you consider this license application and I urge you to grant the licenses to these essential community institutions.

###