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OPINION

Learning from Steward crisis, focus needs to turn to good stewardship of health care resources

As a state, we will be challenged in the coming months to stabilize an already strained health care system. We must center community needs and health equity in charting the best path forward.

By **Amie Shei** Updated March 6, 2024, 3:00 a.m.



Steward Health Care has been facing severe financial challenges that it acknowledges are threatening its ability to continue operating the nine hospitals it has in Massachusetts, including Norwood Hospital. JOHN TLUMACKI/GLOBE STAFF

Before the name “Steward” began dominating [headlines](#) as a for-profit hospital system in crisis, I used the term “steward” in a different way, to describe my role as that of being a temporary steward of community assets. The foundation I have the privilege of leading, [The Health Foundation of Central Massachusetts](#), is one of several “[health care conversion foundations](#)” in Massachusetts and one of hundreds across the country.

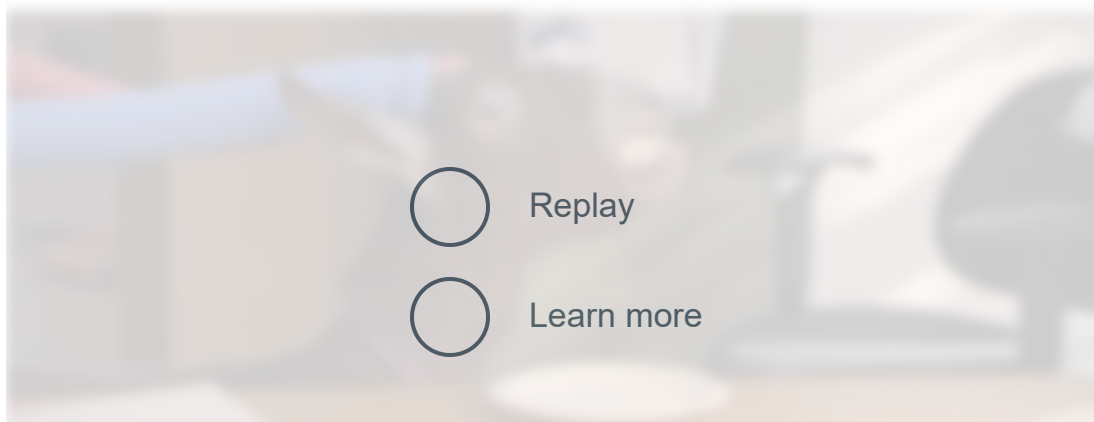
These foundations are created when nonprofit health organizations are sold to for-profit entities and the assets, which have benefited from tax exemptions, favorable treatment, and tax-deductible contributions, are set aside to fulfill the original nonprofit organizations’ charitable purposes.

Yet the regulatory review and outcomes of such conversion transactions have been highly variable, sometimes resulting in a loss of the original charitable purposes and of valuable community assets.

This calls for greater standardization, oversight, and long-term planning at the state level to avoid the potential shortfalls that can occur with conversion transactions, which are bound to continue in a rapidly changing health care sector.

Historically, many health care institutions were structured as nonprofit organizations because of their charitable missions. This landscape changed with a wave of nonprofit health care organizations selling to for-profit entities beginning in the 1990s. A prominent example is Steward Health Care, which owns nine community hospitals in Eastern Massachusetts — and dozens more across the country — and which is now facing serious [financial crisis](#). [State officials](#) are wrestling with how to prevent hospital closures, maintain [safety](#) and quality, and preserve access to vital health care services.

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As reported in the [Globe](#), Steward first entered the Massachusetts health care landscape in 2010 with the sale of the nonprofit Caritas Christi Health Care system to the private equity firm Cerberus. The hospital system was renamed Steward Health Care. Such [conversion transactions](#) primarily fall under state law, with oversight by the courts, attorneys general, and state regulators.

In the case of Caritas Christi, the original asset purchase agreement was executed in March 2010. Seven months later, in October 2010, then-Attorney General Martha Coakley issued a [statement](#) on the transaction, writing, “The Transaction complies with applicable general non-profit and charities law,” and the Supreme Judicial Court [approved](#) it.

Coakley deemed that the transaction served “the public interest,” and it was expected that Steward would spend “no less than \$400 million in capital expenditures to promote the financial health, well-being, or growth of the health system post-Closing.” Furthermore, the statement noted, “If Steward fails to spend or commit to spend no less than \$400 million, then Steward shall donate such shortfall to a charitable foundation selected by the Attorney General.”

In the years that followed, the promise of a stronger hospital system that would serve the public interest did not come to fruition, as Steward engaged in [financial transactions](#) that undermined its financial stability, including selling (and leasing back) physical hospital assets that were once considered charitable assets benefiting the community.

In contrast, hundreds of other health care conversions across the country have generated positive and enduring outcomes through philanthropic organizations dedicated to improving the health of their communities, including the [MetroWest Health Foundation](#) and the [Atrius Health Equity Foundation](#). Nationally, health care conversion foundations have assets ranging from a few million to several billion dollars, with geographic focus areas ranging from local to statewide and beyond. Many have [prioritized](#) their philanthropic investments to address social determinants of health.

The Health Foundation of Central Massachusetts was established in 1999 with assets resulting from the sale of Central Massachusetts Health Care, a physician-initiated, nonprofit health maintenance organization. Upon realizing that CMHC was no longer sustainable as a standalone nonprofit entity, its trustees envisioned a philanthropic organization dedicated to improving health in the region as a fitting legacy to the physicians who founded and supported the original organization.

Though the sale of Central Massachusetts Health Care was initiated in 1995, it was subject to review by the attorney general's [Division of Public Charities](#), and the foundation was only able to launch approximately four years later, following an intensive, community-based planning process and approval by the Worcester Probate Court.

Since its launch with initial assets of about \$60 million, The Health Foundation has dedicated its resources to improving the health of those who live or work in Central Massachusetts. Over the past quarter century, the foundation has granted more than \$56 million to over 230 nonprofit organizations seeking to improve health, broadly defined. It has been [successful](#) in achieving significant and sustained policy changes in diverse areas including children's behavioral health, housing and homelessness, oral health, and re-entry after incarceration.

The foundation operates with a small but dedicated professional staff, a committed board of directors, an ethos of continuous quality improvement informed by evaluation, and a

spirit of partnership and community engagement. Financial statements are audited every year, and best practices are shared with other grantmakers. The Health Foundation also plays an active role in advocating for [regional equity](#) and [health equity](#).

As a state, we will be challenged in the coming months to stabilize an already strained health care system. State officials and health care leaders must center community needs and health equity in charting the best path forward and reappropriate the term “steward” so that it harkens back to the original meaning of good stewardship of health care resources: To protect community assets, earn the public’s trust, and foster an accessible, affordable, high-quality, and equitable health care system.

Amie Shei is the president and chief executive officer of [The Health Foundation of Central Massachusetts](#).

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