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Rhode Island's two major hospital groups still want to merge. But a new suitor just swooped in with a big offer

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As merger negotiations continue between Lifespan and Care New England – Rhode Island's two largest hospital groups – a newly formed Pennsylvania company swooped in Monday with an offer to buy Care New England for \$250 million, and a promise to invest another \$300 million in its hospitals.

StoneBridge Healthcare, a for-profit company which launched in August with billions of dollars in committed capital and a mission to “buy, save and turn around deeply distressed hospitals in the cities and suburbs of America,” made the offer in a letter to Care New England's board of directors.

Chief executives at Care New England and Lifespan, along with the United Nurses and Allied Professionals Service Employees International Union quickly poured cold water on the proposal, but StoneBridge CEO Joshua Nemzoff said he has had several conversations with Rhode Island leaders about the company's desire to buy Care New England, including Governor Gina Raimondo's chief of staff, David Ortiz.

“We weren't talking about the Patriots,” Nemzoff quipped in a telephone interview on Monday afternoon.

In September, the boards for Lifespan and Care New England announced they had signed a letter of intent to form a nonprofit academic medical center with Brown University, and those negotiations are ongoing, according to spokespeople from the two hospital groups.

Lifespan, the state's largest employer, runs Rhode Island Hospital, Hasbro Children's Hospital, The Miriam Hospital, Bradley Hospital, and Newport Hospital. Care New England's properties include Women & Infants Hospital, Butler Hospital, and Kent Hospital.

Nemzoff said he has been monitoring Care New England's shaky finances for more than a year – the organization reported losing \$13 million for the fiscal year that ended Sept. 30 – and he

suggested a merger with Lifespan might struggle to win approval from the Federal Trade Commission.

Partners HealthCare, which is now Mass General Brigham, attempted to acquire Care New England in 2019, but the deal fell apart when merger discussions between Care New England and Lifespan began to take shape. Care New England's board voted to end talks with Lifespan last year, but the two sides came back to the table in September.

"We quite frankly were stunned that they're still talking about merging," Nemzoff said.

In the letter to Care New England's board, Nemzoff wrote that it is "clear to us that Care New England is in financial trouble and needs help," particularly with its pension fund. StoneBridge is giving Care New England until Jan. 15 to make a decision on its offer.

"We are aware that the health system has incurred significant losses over the past years which have further depleted their cash reserves," the letter states. "Also, we are aware that the system has been unable to fund the employees' pension plan and that has resulted in a \$125 million unfunded pension liability. Our offer will fully fund the pension fund at closing."

Dr. James E. Fanale, the president and CEO of Care New England, said the letter of intent with Lifespan prohibits his organization from talking to other suitors.

"It's abundantly clear that the best direction for Rhode Island's healthcare future is the creation of a robust academic health system with the merger of Care New England and Lifespan, and a deep affiliation with Brown University," Fanale said. "We are united in our commitment that a merger must only serve to strengthen Rhode Island's healthcare system. The merger conversations we've embarked on are the right ones, and they will continue expeditiously and exclusively."

Lifespan President and CEO Dr. Timothy J. Babineau issued a similar statement, suggesting that the two organizations "share the goal of strengthening Rhode Island's health care system to the long-term benefit of our community."

"Our two hospital systems have collaborated remarkably well during the pandemic while also steadily working in tandem to bring a merger to fruition," Babineau said. "There is now even more appreciation and recognition – within Lifespan and Care New England as well as across the state – of the invaluable benefits to all Rhode Islanders of our creating an academic medical center with Brown University that is not-for-profit, locally owned, and locally controlled."

A spokeswoman for Raimondo said the Governor "believes that a unified academic health system is in the best interest of Rhode Islanders."

StoneBridge has not finalized any hospital purchases since the firm launched, but Nemzoff said it is currently looking at least four other transactions that are similar financially to its offer for Care New England.

Nemzoff also said StoneBridge would be willing to partner with Brown University if the university was interested.

“They are a medical school without a hospital,” Nemzoff said. “They could write a check for \$550 million to buy this hospital, but they’re not going to do it.”

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