



## **EXCLUSIVE: New Group Making \$550M Offer to Purchase Care New England**

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[GoLocalProv](https://www.golocalprov.com)

The financially troubled Care New England has a new suitor.

According to a letter to the board of Care New England sent on Monday morning and secured by GoLocal, StoneBridge Healthcare is offering a financial package of \$550 million comprised of a purchase price of \$250 million and a \$300 million investment in the hospital group.

Care New England owns and operates Woman & Infants, Kent and Butler hospitals among its assets.

Since the early fall, Care New England has been in merger negotiations with Lifespan — this is the fourth round of merger negotiations between the two over the past 20 years. Over the past years, Care New England has also had failed merger negotiations with South Coast and Boston healthcare giant Partners -- now rebranded Mass General Brigham.

“It is critical for Rhode Island that Lifespan have viable competition. It is important for quality of care, for physicians and for Brown’s medical school,” StoneBridge’s CEO Josh Nemzoff told GoLocal.

Nemzoff founded StoneBridge in August of 2020, but he is one of the most experienced individuals in hospital acquisition and was part of the team that stabilized and sold Landmark Medical Center after its receivership.

“Rhode Islanders have so much at stake. Presently, care is suffering [at Care New England] and there are quality of care issues,” said Nemzoff.

He points to a range of issues. “The revenue side of Care New England is broken. The staffing costs are through the roof due to outside nursing agencies and their costs, especially during the pandemic,” said Nemzoff.

The letter to Care New England’s Board states, “StoneBridge has been tracking the situation at Care New England for over a year and we believe that now is the time for us to act and offer our assistance to you and the citizens of Rhode Island. It is clear to us that Care New England is

in financial trouble and needs help. We are aware that the health system has incurred significant losses over the past years which have further depleted their cash reserves. 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.”

As GoLocal reported, Care New England has a burgeoning pension problem. The pension liability including this year’s yet to be made estimated \$30 million payment will drive the total unfunded gap to more than \$160 million.

Not counting this year’s pension payment obligation, the gap has grown to more than \$130 million for Care New England.

And over the past two years, the gap has grown from \$89,880,243 to \$131,513,347 a 46% increase from fiscal year 2018 to 2020.

The letter to Care New England further states, "We do not believe that creating a virtual monopoly of acute care providers in your market is in the best interests of the citizens of Rhode Island, the medical staff, the employees and the employers in the area. In addition, you have defined your own service area in recent security filings as essentially the State of Rhode Island, with limited penetration into the Massachusetts market. This will further focus the attention of the Federal Trade Commission on the transaction with Lifespan. StoneBridge Healthcare can help. We have the expertise, the resources, and the financial strength to provide all of the things that Care New England needs to compete and succeed."

#### New Company, Experienced Team

StoneBridge has been looking for acquisitions across the country. The firm has the backing of some major financial entities including a major real estate investment trust and Oaktree Capital, but is not a private equity firm. “We are not a private equity firm and we do not behave like one,” said Nemzoff.

The firm describes itself as “formed to help communities save their distressed hospitals by bringing industry-leading management to return the hospitals to operational and financial health, while providing high-quality, patient-centered care and complying with all relevant regulations.”

Besides Nemzoff’s role in finding an owner for Landmark, he has deep Rhode Island connections.

His wife Susan, formerly Linden, grew up in Cranston.

"Most summers we are back in Matunuck," said Nemzoff. "We now stay at the Admiral Dewey Inn and try to eat as many lobster rolls as possible at Jim's Dock."

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