

# Protestors of hospital chain owners change look to state AG

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HARTFORD — Nonprofit and union leaders gathered outside the state attorney general's office Tuesday to request an investigation into the impending change in ownership of Prospect Medical Holdings Inc., the California for-profit company that owns Manchester Memorial, Rockville General, and Waterbury hospitals.

While the state agreed late last year with Prospect's assertion that the ownership change wouldn't significantly impact the area hospitals, those protesting the move say the reported \$12 million sale price for a company that includes 17 hospitals across multiple states raises red flags.

Protestors gathered outside the State Office Building at 165 Capitol Ave., where Attorney General William Tong's office is located. Those present included members of the Naugatuck Valley Project, a Waterbury regional advocacy organization that has fought to maintain Waterbury Hospital's presence in the community, as well as members of the SEIU-1199 New England union, which represents more than 400 Waterbury Hospital workers.

Richard Natale, president of the Naugatuck Valley Project, said the company was being sold for what he and others believe is "an extraordinarily low number." Natale said the current majority shareholder, Los Angeles private equity firm Leonard Green & Partners LP, originally bought Prospect for more than \$300 million.

“We are very suspect,” he said. “We’re not financial experts but I’ll tell you right now, \$12 million for a health network across four states just doesn’t seem right, something’s wrong.”

Last year, Prospect representatives notified the state Office of Health Strategy that it would be undergoing an ownership change.

According to documents Prospect submitted to the state, the company is owned by a series of holding companies ultimately held by Leonard Green & Partners, Prospect Medical Holdings CEO Samuel Lee, a family trust held by Prospect Medical Holdings President David Topper, and other management that own a small minority of shares.

Prospect representatives said last year that its shareholders had reached an agreement with Leonard Green & Partners to purchase its outstanding shares of the company, a transaction the representatives said would take three to six months to complete.

According to the documents filed with the state, once the transaction is done, Lee and Topper’s family trust would become the sole shareholders of the company.

Prospect’s representatives asserted that the change, several holding companies removed from the hospitals, wouldn’t have an impact on hospital operations or governance of the facilities, and the state agreed, determining no state approval was required as a result of the change.

According to documents provided to Journal Inquirer, the agreement with Leonard Green & Partners was for \$12 million, and a rival California-based for-profit hospital system made an offer more than four times that.

In his offer letter to John Baumer, a Prospect board member and senior partner with Leonard Green & Partners, Prime Healthcare President and Chief Executive Officer Dr. Prem Reddy said he was aware that Leonard Green & Partners was selling its stake in

Prospect for \$12 million, and said he believed the company had a “substantially higher value,” offering to pay \$50 million.

Asked about the offer, Prospect representatives said it had signed a binding agreement with Leonard Green & Partners months before and was “required to close the transaction” without considering other proposals.

Natale said Tuesday that it was “inconceivable” that a business that was bought for roughly \$350 million 10 years ago can be sold for \$12 million.

“Something doesn’t make sense,” he said.

Natale said he and his fellow Naugatuck Valley Project members were “extremely concerned” about what the sale could mean for the hospitals, as are leaders and members of unions representing workers at Prospect’s three hospitals.

In a letter addressed and hand-delivered Tuesday to Tong, Gov. Ned Lamont, other agency heads, and legislative leaders, Natale and AFT President Jan Hochadel, AFT Connecticut Vice President John Brady, SEIU-1199 New England President Rob Baril, and Connecticut Health Care Associates union Secretary/Treasurer David Hannon requested a meeting to explore investigating the sale and evaluating what actions their offices could take to ensure the “future viability” of the hospitals.

They also attached a recent study from the Private Equity Stakeholder Project, which claims that Leonard Green & Partners have “extracted” \$570.44 million in fees and dividends since taking over Prospect in 2010, concluding that the firm added “little value” to the company, loaded it with debt and sold off much of the company’s real estate to pay down that debt.

A Prospect representative dismissed the report Tuesday, calling it an “agenda-driven document prepared by an activist organization with no connection to — or vested interest in — the communities we serve across the country.”

“The report deliberately ignores the many positive contributions our company has made and continues to make in those communities every day,” the representative said.

The representative went on to say that the transaction with Leonard Green & Partners would be completed within about three months, and reiterated the company’s stance that, once completed, there would be no change in its capital commitments to its facilities or the quality of care they provide.

Tong said he is open to discussing the matter.

“Access to community-based health care is vitally important, so too are the good paying jobs at our local health care facilities,” he said. “We received today’s letter from the Naugatuck Valley Project and look forward to scheduling a time to discuss the matter further.”