VIA ELECTRONIC TRANSMISSION

March 17, 2023

Dear Mr. Aldag, Mr. Dill, Mr. Kaye, Mr. Rowan, and Mr. Carlson:

I write today with serious concerns regarding the horrific events that occurred at the Ottumwa Regional Health Center in Ottumwa, Iowa, in 2021 and 2022, where at least nine female patients were sexually assaulted while sedated at the facility by a now deceased nurse practitioner. Even more disturbing is the fact that these vile acts only came to light following the perpetrator’s overdose and death at the hospital on October 15, 2022, which resulted in law enforcement confiscating the cellphone he used to film and store these graphic images. According to news sources, the perpetrator had been working in senior positions at Ottumwa Regional since 2016, and in February of 2022, he accepted a second job at the Chariton Valley Medical Center in Centerville, Iowa, as a family nurse practitioner.


Throughout my time in Congress representing the people of Iowa, I have been a fierce advocate for rural hospitals and the patients they serve. These facilities fulfill a critical role for our nation’s local communities, and they need predictable and stable resources to ensure that they can continue to thrive and provide high-quality health care. I also have a duty to ensure that federal Medicaid and Medicare dollars aren’t subject to waste, fraud and abuse.

Based on a review undertaken by my staff, your companies have a financial or operational interest in Ottumwa Regional. Beginning with Ottumwa’s sale to RegionalCare Hospital Partners in 2010, which was owned by Warburg Pincus, the hospital has been part of a series of opaque and questionable acquisitions, mergers, and other related-party transactions at the direction of and involving your companies. In November of 2015, Apollo Global Management acquired RegionalCare, Ottumwa’s parent company, from Warburg in a deal valued at $800 million. The new entity was renamed RCCH Healthcare Partners. In 2016, Apollo bought out Capella Healthcare from Medical Properties Trust (MPT) and merged it with RCCH Healthcare for a combined company worth $1.7 billion. Then, in 2018, Apollo purchased LifePoint Health for $5.6 billion and merged it with RCCH, branding the merged entity as LifePoint Health. Of particular concern is a 2019 transaction where MPT reentered the picture and acquired the real estate of 10 LifePoint Hospitals for $700 million in what is known as a sale-leaseback transaction. A recent article characterized MPT’s sale-leaseback deals as “…[P]onzi finance, a series of


7 Press Release, RegionalCare Hospital Partners To Be Acquired by Funds Affiliated with Apollo Global Management, BUSINESSWIRE (Nov. 12, 2015), available at https://www.businesswire.com/news/home/20151112005441/en/RegionalCare-Hospital-Partners-Acquired-Funds-Affiliated-Apollo (RegionalCare described the deal as beneficial for rural hospitals stating, “There is a tremendous need for high quality, compassionate healthcare in areas outside of urban hubs. RegionalCare exists to meet that need by partnering with local hospitals and physicians to improve access to care and expand the range of services available in local communities.”).

8 Batt, supra note 4.

9 Id.

10 Id.

11 Medical Properties Trust, Inc., Annual Report (Form 10-K) at 42 (Mar. 1, 2021), available at https://www.sec.gov/Archives/edgar/data/1287865/000156459021009901/mpw-10k_20201231.htm#CONSOLIDATED_STATEMENTS_NET_INCOME; Batt, supra note 4 (MPT’s CEO at the
financial games to dump losses not just onto patients and communities, but onto investors/taxpayers.”12 Ottumwa Regional was one of the 10 hospitals included in this sale-leaseback, which saddled the hospital with debt.13 Public reports from that period valued the Ottumwa facility deal at more than $57 million.14 Then, in 2021, Apollo resold LifePoint Health back to itself – resulting in a $1.6 billion gain.15 At the same time, LifePoint received an almost identical amount, $1.64 billion in COVID stimulus aid, including almost $650 million in grants that the company will not have to pay back.16

The constant selling and reselling of hospital assets by private equity, private capital, real estate investment trusts (REITs), and other related entities raises questions with respect to whether these financial maneuvers have negatively impacted the resources and thereby the care our nation’s rural hospitals provide to their patients. Recent studies and news articles have sounded the alarm regarding private equity investment in rural health systems, suggesting a business model that places profits before patient safety and care.17 Similar allegations have been made about REITs, accusing them of masquerading as “passive investors” to comply with tax rules, when they are “[a]ctually financial actors that aggressively buy up property assets and manage them to extract wealth at taxpayers’ expense.”18 For example, news articles have described how LifePoint, backed by Apollo, devastated rural hospitals in Wyoming.19 There, LifePoint merged a Riverton hospital, one of the 10 hospitals sold to MPT in the

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12 Matt Stoller, Ponzi Hospitals and Counterfeit Capitalism (Jan. 4, 2023), available at https://mattstoller.substack.com/p/ponzi-hospitals-and-counterfeit-capitalism (explaining MPT’s sale-leaseback transactions as follows: “In a sale-leaseback, a private equity firm will buy a hospital, sell the land underneath it for cash, and pay itself a dividend, leaving the hospital saddled with high rent payments going forward. Basically, it’s a shift of assets, from a community hospital to a banker in a distant city. A corporate landlord now has a stream of promised rent payments, a PE fund gets a bunch of cash upfront, and a hospital, often financially weakened, owes a bunch of rent where before it didn’t.”).

13 Medical Properties Trust, Inc., Annual Report (Form 10-K) at 78 (Mar, 1, 2021) (describing the transaction as follows: “The properties are leased to LifePoint under one master lease agreement. The master lease had a 20-year initial term and two five-year extension options, plus annual inflation-based escalators.”).


15 Alia Paavola, PE firm made $1.6B by selling LifePoint to fund it owns, BECKER’S HEALTHCARE (July 29, 2021), available at https://www.beckershospitalreview.com/finance/pe-firm-made-1-6b-by-selling-lifepoint-to-fund-it-owns.html. See also Sam Sutton, Apollo fee revenue to spike with fund IX launch, PE HUB (Nov. 1, 2017), available at https://www.pehub.com/apollo-fee-revenue-to-spike-with-fund-ix-launch/ (stating that “Apollo Global Management is about to turn on the spigot for hundreds of millions in dollars in management fees. Apollo will likely activate its latest private equity fund, the $24.7 billion Apollo Investment Fund IX, in the first quarter. When that happens, the firm expects its fee-related earnings to increase by $200 million.”).

16 Eileen O’Grady et al., Private Equity Descends on Rural Healthcare, PRIVATE EQUITY STAKEHOLDER PROJECT at 12 (Jan. 2023), https://pestakeholder.org/wp-content/uploads/2023/01/PE_Rural_Health_Jan2023-compressed.pdf (noting that “Despite being owned by Apollo – which has $515 billion under management – through a fund which at the time had more than $2 billion available to support its investments, LifePoint collected a staggering $1.6 billion in CARES Act grants and loans” and “Notwithstanding LifePoint’a profitability, press reports and regulatory investigations describe operating challenges that pose a threat to quality care and access to medical services at LifePoint hospitals around the country.”).

17 Id.

18 Batt, supra note 4.

sale-leaseback, with another facility it owns in Lander, 30 miles away, and began consolidating and cutting services. Over several years, the state found the hospital had used unsanitary surgical tools, some containing dried blood of previous patients. Then, according to the Wall Street Journal, in November of 2021

a psychiatric patient charged into the room of another patient and gouged her eye from its socket, leaving it to dangle on the victim’s cheek, according to a state report on the matter. The patient had to be airlifted out of state and later died. Hospital staff told the state that the person assigned to watch the psychiatric patient hadn’t received special training to deal with a dangerous situation. An emergency-room doctor told the state the hospital’s emergency room didn’t have a locked room for aggressive patients.

Also associated with LifePoint and Apollo’s Wyoming hospital acquisitions was an alarming increase in the use of air ambulances by these facilities, the majority of which are owned by private equity firms and charge tens of thousands of dollars for one trip. “[T]he need for air ambulance trips quadrupled from 155 in 2014 to 937 in 2019.” Wyoming’s Governor, Mark Gordon, made the following statement with respect to LifePoint: “[p]rivate equity’s aggressiveness in driving efficiency at companies it owns is hugely problematic for rural healthcare when it leads to a reduction of services.”

While all of this sounds like a bad Hollywood movie, it happened at a hospital in my home state of Iowa. When I see the type of tragic lapses that occurred at Ottumwa Regional – the sexual assault of nine female patients by a now deceased nurse practitioner who overdosed and died at the facility – it raises serious questions with respect to whether these hospitals have the right resources or if they are being loaded with overwhelming amounts of debt to the point where they are forced to shift money away from patient care. When multiple financial transactions involving the same hospital systems occur, patients can get lost in the equation.

I am seeking additional information with respect to Ottumwa Regional Health Center’s financial stability and to what extent the related-party transactions contributed to the shocking events detailed in news reporting. To better understand the facts and circumstances of your relationship with Ottumwa Regional Health Center and to perform an objective and independent review of the financial impact of the aforementioned financial transactions, please answer the following questions no later than March 31, 2023:

1. Describe your company’s financial or operational relationship with Ottumwa Regional Health Center and provide the exact dollar amount your company has invested in Ottumwa Regional.

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20 Batt, supra note 4.
21 Spegele, supra note 18.
22 Id.
23 Id.
24 Batt, supra note 4 (noting the connection between private equity and air ambulances following LifePoint and Apollo’s acquisition of the hospitals).
25 Id.
26 Spegele, supra note 18 (when local business and community leaders began efforts to secure federal funds for a new hospital, LifePoint actively tried to derail their efforts by lobbying the Biden administration and Wyoming’s senators to oppose the project) (internal quotations omitted).
Please answer in timeline form and include any agreements or contracts between your company and Ottumwa Regional.

2. If your company no longer has a financial or operational relationship with Ottumwa Regional, explain the reasons for which your company withdrew its investment, including the date you exited and your return on investment.

3. While invested in Ottumwa Regional Center or any related entity that has an interest in Ottumwa Regional, please describe your company’s authority to:
   a. Manage its care delivery;
   b. Manage its billing practices;
   c. Determine its annual net income goals;
   d. Determine its charge per patient goals;
   e. Determine its staff-to-patient ratios;
   f. Determine its charge-to-cost ratios;
   g. Enter into contracts for staffing; and
   h. Enter into any contracts on behalf of Ottumwa Regional.

4. Does your company have plans to invest capital in Ottumwa Regional? If so, please describe them. If not, why not?

5. How was your company involved in the 2019 sale-leaseback?

6. Explain in detail the reasons for the 2019 sale-leaseback of Ottumwa Regional. What were the terms of the 2019 sale-leaseback transaction? How did you sell this to the local communities and hospitals? Please provide all records.

7. To what extent does your company contractually shield itself from liability for activities that occur at the hospitals you invest in, operate, or manage?

8. What happens if one of the medical facilities that are subject to a sale-leaseback is unable to pay rent?

9. Describe in detail your company’s expertise regarding rural or non-urban hospitals. Please include the full name and curriculum vitae of every person your company relies on for rural or non-urban hospital advice.

10. How much money did your company receive in COVID-19 stimulus aid, including CARES Act dollars and grants? Provide an explanation as to why your company needed federal stimulus aid. Describe in detail how these funds were allocated.

11. Explain your company’s role in the decision to hire William Kiefer as CEO of Ottumwa Regional.

12. Explain your company’s relationship with William Kiefer, including any prior positions he held with your company or a related company.

For Ottumwa Regional Health Center: Please answer the following questions no later than March 31, 2023:

1. Who oversaw and authorized the 2019 sale-leaseback transaction? Why did the hospital believe it was in the best interest of Ottumwa Regional? Please provide the names and titles of all individuals involved in this transaction.

2. How did the sale-leaseback impact operations at Ottumwa Regional? Please list staffing ratios per patient before and after the transaction. Please list any cost-cutting measures following the sale-leaseback.

3. Describe in detail how Ottumwa utilized the funds it received from the 2019 sale-leaseback.
4. Explain Ottumwa Regional’s relationship with LifePoint Health. Does the hospital rely on LifePoint for any management or operational services? Please provide all contracts with LifePoint.

5. Please describe how LifePoint’s involvement impacted Ottumwa Regional’s authority to:
   a. Manage its care delivery;
   b. Manage its billing practices;
   c. Determine its annual net income goals;
   d. Determine its charge per patient goals;
   e. Determine its staff-to-patient ratios;
   f. Determine its charge-to-cost ratios; and
   g. Enter into contracts for staffing.

6. Describe Ottumwa’s policies and procedures for vetting staff, including drug testing, from January 1, 2010, to the present.

7. Describe all policies and procedures related to controlled substances, including medication safety, facility security, and staff training, from January 1, 2010, to the present.

8. Explain the vetting process utilized when selecting CPS as a third-party contractor for pharmacy solutions. Identify all individuals involved in this decision.

9. Provide all third-party staffing contracts from January 1, 2010, to the present.

Thank you for your prompt review and responses. If you have questions, please contact my committee staff at (202) 224-6988.

Sincerely,

Charles E. Grassley
Ranking Member
Committee on the Budget