



**National
Nurses
United**

OUR PATIENTS. OUR UNION. OUR VOICE.

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October 18, 2024

Illinois Health Facilities and Services Review Board
Attn: Michael Constantino
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Via email: mike.constantino@illinois.gov

Dear Members of the Board:

**Re: Applications for Change of Ownership from Ascension to Prime
Healthcare Services, Inc. (E-016-24 to E-026-24)**

On behalf of more than 225,000 members across the country, National Nurses United is writing to express our opposition to Ascension's proposed sale of several Illinois hospitals and surgery centers to Prime Healthcare. Crucial to our objection is Prime Healthcare's history of putting profits over patients, leading to illegal and unethical practices that risk people's health, in addition to the elimination of crucial health services in the community.

We request that the Illinois Health Facilities and Services Review Board deny approval for Prime Healthcare to acquire control of the Ascension operations. The transaction would transfer control of the following 11 Illinois medical facilities to Prime Healthcare:

- Ascension Holy Family, Des Plaines
- Ascension Saint Mary - Kankakee, Kankakee
- Ascension Saint Mary - Chicago, Chicago
- Ascension Saint Joseph - Joliet, Joliet
- Ascension Saint Joseph - Elgin, Elgin
- Ascension Saint Francis, Evanston
- Ascension Mercy, Aurora
- Ascension Resurrection, Chicago
- Ascension Saint Elizabeth, Chicago
- Belmont/Harlem Surgery Center, LLC, Chicago
- Presence Lakeshore Gastroenterology, LLC

Ascension's Motives for Selling

News of the proposed sale comes as the Catholic nonprofit health system, Ascension, pursues a new business strategy that prioritizes telehealth and ambulatory care over less-lucrative hospital services.¹ Even before its current efforts to shrink its hospital portfolio, the healthcare giant's cost-cutting drive had led it to close a number of unprofitable or money-losing obstetric

¹ <https://www.healthcaredive.com/news/ascension-q2-2024-earnings/707928/>



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units across the system, typically in some of the most underserved communities—a distressing matter we detail in a recent [report](#).

The deal may help explain other behavior by Ascension's Illinois branch over the past several months, including several dozen layoffs and the outsourcing of "more than 110 doctors and other providers at all 10 of its Chicago-area hospitals, turning them over to a staffing firm backed by private equity," according to *Crain's Chicago Business*. The paper described the move—which reportedly led dozens of providers to leave Ascension and raised widespread concern among healthcare leaders and public officials, including Senator Chuck Grassley of Iowa—as a tactic common in the industry before a potential sale "to make [facilities] appear profitable to prospective buyers."²

Prime Healthcare's Worrisome History

Notwithstanding a Prime Healthcare press release touting the organization's "unique ability to transform financially struggling hospitals," its reputation is less than reassuring. A private firm based in the Los Angeles area, it was founded in 2001 by CEO Prem Reddy, who gained notoriety early on for pressuring doctors to turn unprofitable patients away and shrugging off critics of the practice as having "an entitlement mentality."³

Federal Investigations and Lawsuits

Over the years, Prime Healthcare and Reddy have faced multiple lawsuits over fraudulent Medicare claims and kickback schemes. Notably, a *Reuters* analysis highlighted that Prime was the only healthcare system in the US to settle three federal civil cases since 2018.⁴ In these cases, the company and Reddy collectively paid over \$100 million to resolve allegations of:

- Committing Medicare fraud: In 2018 and 2019, federal authorities accused Prime and Reddy of knowingly submitting false Medicare claims from 2006 to 2013, which included falsifying diagnoses to raise reimbursements and improperly hospitalizing over 35,000 patients;⁵
- Engaging in a kickback scheme: In 2021, federal prosecutors alleged that, in a deal personally negotiated by Reddy, the firm had agreed to pay three times the market value for a cardiologist's private practice in California, constituting a kickback under the law.

Moreover, while Prime has "attested that no adverse action has been taken against any facility" in its portfolio, the company agreed as part of the 2021 settlement to a five-year integrity

² <https://www.chicagobusiness.com/health-care/ascension-selling-most-illinois-hospitals-prime-healthcare>

³ <https://www.latimes.com/archives/la-xpm-2007-jul-08-fi-reddy8-story.html>

⁴ <https://www.reuters.com/investigates/special-report/usa-healthcare-settlements/>

⁵ <https://www.modernhealthcare.com/article/20180803/NEWS/180809945/prime-healthcare-ceo-prem-reddy-settle-false-claims-suit-for-65m>



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agreement, which mandates increased federal oversight of its billing practices, patient admissions, and physician compensation⁶⁷

Years earlier, in 2011, Prime's "disturbing business model" had already convinced then-Attorney General of California, Kamala D. Harris, to block its purchase of a struggling hospital in Victorville, describing the transaction as "not in the public interest."⁸

After all, it was that same year when federal investigators found Prime facilities were billing Medicare for rare conditions at alarming rates. One California hospital, which had reported over one thousand cases of kwashiorkor (a severe nutritional disorder mostly found in children during famines overseas), at least 70 times the state average, the practice ceased as soon as the investigation began.⁹

Service Cuts and Closures

Prime's focus on boosting profits lies behind drastic cuts, or the disappearance altogether, of critical but unprofitable healthcare, particularly impacting some of the most vulnerable communities. Last year, for instance, Centinela Medical Center in South Los Angeles closed its maternity ward, despite averaging a 10% five-year operating margin hospital-wide.¹⁰ It was the fifth Prime-owned hospital in California to do so in a decade.

Serving disproportionately low-income communities of color, Centinela had already seen a significant curtailment of surgical, cancer treatment and maternity services soon after its 2007 acquisition by Prime.¹¹

Just a few months, residents of both Montgomery County, Pennsylvania, and Kansas City, Kansas, also heard bad news about their local Prime-owned facilities. The 127-bed Suburban Community Hospital outside Philadelphia was being converted into a 60-bed "micro-hospital,"¹² while Kansas City's Providence Medical Center was losing its maternity ward.

Providence was the last of Prime's four local hospitals that still had labor and delivery services, as reported in the *Beacon News*. In fact, although the firm "markets itself as a savior of financially struggling hospitals," the article observes, it "only offers labor and delivery care at about a third of its US hospitals."¹³

Private Equity Influence

⁷ <https://www.reuters.com/investigates/special-report/usa-healthcare-settlements/>

⁸ <https://www.latimes.com/business/hiltzik/la-fi-hiltzik-prime-feds-20160717-snap-story.html>

⁹ <https://www.reliasmedia.com/articles/110592-risk-manager-blows-whistle-on-hospital-alleges-medicare-fraud>

¹⁰ <https://laist.com/news/health/17-la-hospitals-closed-their-labor-wards-inside-the-fight-to-keep-one-open>

¹¹ <https://www.latimes.com/business/hiltzik/la-fi-hiltzik-prime-feds-20160717-snap-story.html>

¹² "Suburban Community's shift to micro-hospital set for Tuesday, union protest planned" Philadelphia Business Journal July 15, 2024

¹³ <https://thebeaconnews.org/stories/2024/10/07/kck-providence-medical-center/>



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Finally, though not a private-equity firm itself, Prime's aggressive quest for profit bears a remarkable resemblance to that business model. One contributing factor could be its nearly 20-year relationship with Medical Properties Trust, Inc. (MPT), a company known for its sale-leaseback agreements with private-equity investors. Such arrangements tend to put hospital operators under immense pressure to maximize profitability. Despite Prime's recent reacquisition of several facilities from MPT, it also renewed a new decades-long master lease with that company for at least four hospitals.

Prime's recruitment four years ago of Chief Financial Officer Steve Aleman is also suggestive of the company's interest in mimicking the private-equity mode of doing business. In his bio, Aleman mentions his previous job as CFO at the "private equity backed" Prospect Medical Holdings, a Prime competitor. He held that position between 2013 and 2019, when the company was reported to garner penalties for dangerous conditions at hospitals, as well as for cutting services and shuttering facilities.

Conclusion

The combination of Ascension's embrace of a business strategy that de-prioritizes hospital care and its selection of Prime Healthcare for this sale, despite the company's worrisome track record, bodes poorly for Chicago-area families in need of reliable, quality healthcare. For these reasons, we strongly encourage the Board to deny the transaction.

Sincerely,

Bradley Van Waus, Ascension Division Director