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## New Player Makes \$550M Offer for Care New England - Promises to Preserve as Non-Profit

Wednesday, February 23, 2022

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Rhode Island's hospital industry may have a new player -- Pennsylvania-based StoneBridge Healthcare.

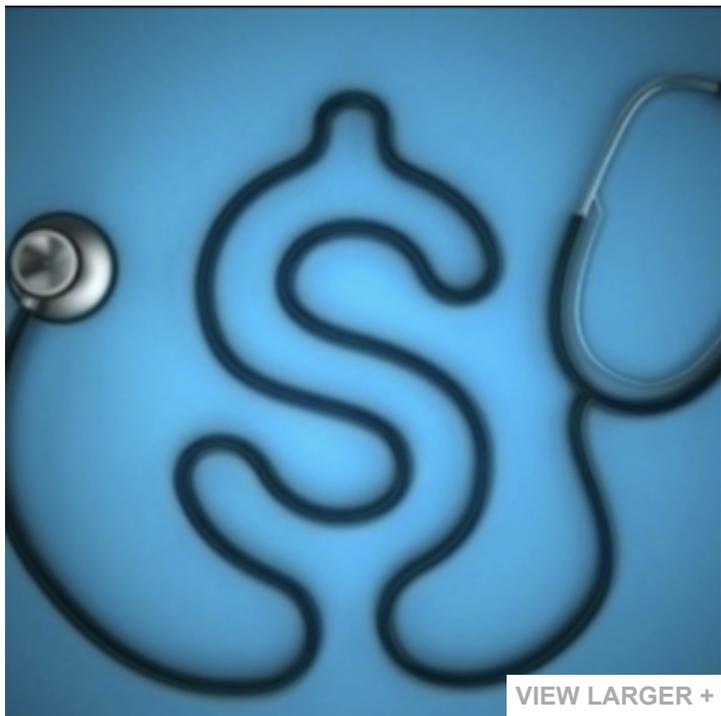
The company has sent an offer to the **financially troubled** Care New England that totals \$550 million and promises to keep the hospital group operating in a not-for-profit structure.

Care New England owns and operates Women & Infants, Kent and Butler Hospitals as well as other associated healthcare interests.

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### Merger Blocked

Last week, **the Federal Trade Commission and Rhode Island Attorney General Peter Neronha filed a federal lawsuit** to block the proposed merger between Care New England and Lifespan. Care New England has been in financial turmoil for the better part of a decade. And, it has tried to execute mergers with a number of different healthcare groups across the region.



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StoneBridge is offering \$550M PHOTO: File



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**RI Attorney General Peter Neronha PHOTO: GoLocal**

financial situation was not optimal before the pandemic hit and has deteriorated significantly. Your operating losses, excluding one-time grants, were more than \$150MM in the past two years and were \$58MM for the 6 months ended December 31, 2021. Rhode Island is a highly competitive marketplace," writes Nemzoff.

"A transaction with StoneBridge will allow Care New England to remain competitive in the marketplace and is in the best interests of the citizens of Rhode Island, the medical staff, the employees and the employers in the area. 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," he adds.

The package sent to the board included a letter of intent that states in part:

*Buyer would pay consideration of \$550 million comprised of a purchase price of \$250 million (the "Purchase Price") and capital expenditures, programmatic expansion and workforce development of \$300 million during the first seven (7) years following the closing of the transaction. The commitments for capital expenditures, programmatic expansion and workforce development will be binding and monitored commitments. The Purchase Price includes a normalized level of working capital. Seller will retain all of its cash and all of its debt and pension obligations other than the current liabilities included in working capital. Buyer will require Seller, as a condition of closing, to fully fund the organization's pension plan at closing with the Purchase Price funds provided by Buyer. The capital expenditures and programmatic expansion commitment is detailed in Section 6(g) below.*

*Buyer would receive a credit against the Purchase Price equal to all Medicare Advance Payments as well as any payroll tax deferrals, but only to the extent such advance payments and deferrals are required to be repaid by Buyer. This transaction would provide for the creation of a well-funded Foundation that would be able to fund many needed projects throughout the State. As part of our offer, we are open to the concept of having the Governor and or Attorney General appoint Board Members to the Board of Trustees for each of the hospitals as more particularly described in Section 6(d) below.*

According to sources with direct knowledge, the letter to the Care New England board was also delivered to state leaders including Governor Dan McKee, legislative leaders Speaker Joe Shekarchi and Senate President

StoneBridge Healthcare in a letter to the board of Care New England outlines a \$250 million purchase price and \$300 million of which \$100 million is committed to fully cover the unfunded pension obligation for workers.

"Our offer is a transaction value of \$550 million that will allow the health system to keep all of its cash, pay off all of its liabilities and fully fund its pension at closing," states the letter signed by Stonebridge's CEO Joshua Nemzoff. He is a healthcare professional

According to Nemzoff in his letter, Care New England's financial situation could be considered dire.

"Care New England is a well-respected organization and provides outstanding care to area residents. Its



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Care New England CEO James Fanale

Dominick Ruggerio as well as Neronha.

**StoneBridge has also made an offer in 2020 -- Care New England rejected that unsolicited bid then.**

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