



Update of Steward Financial Situation for MNA Members

May 1, 2024. International Workers Day

Overview of the situation:

Will Steward Healthcare seek Chapter 11 Bankruptcy protection from the federal courts?
Many say it is likely.

Chapter 11 bankruptcy protection is a process by which a federal judge supervises a company that is in such financial distress that is not capable of paying all its debtors, and which wants to restructure to stabilize its finances and operations. The bankruptcy judge establishes an order and process for restructuring the debt and allowing continued operations with oversight to assure workers and vendors are paid while the business operations continue.

It is *not* the closure of the company or any of its facilities (that is the very different Chapter 7 bankruptcy, in which a company winds down and liquidates any remaining assets, which is *not* what is under discussion).

Whether or not this occurs, talks *continue* among Steward, the Real Estate Investment Trusts (REITs) that own the hospitals' physical properties, the Mass. state government and non-profit hospital operators for the transfer of ownership. We are told by Steward and by the state government that several hospital operators are in talks with Steward and the REITs to take ownership of hospitals. However, those talks are all taking place under non-disclosure agreements, and so we do not have hard facts to validate if those discussions are happening and if so which companies are in talks for which hospitals.

Overview Position of MNA:

The most important objective is ensuring the orderly and complete transition of ownership of each of the Steward hospitals in Massachusetts to responsible non-profit operators to protect undiminished access of healthcare to our patients and our communities. And to do this, it is essential to protect the jobs and hard won rights and contracts of the staffs at each hospital.

Q & As on Protections for MNA Members:

Q: Is our MNA contract in effect if a new organization takes ownership of our hospital?

A: Yes. We have a binding "Successorship" article in each MNA contract. Quoting:

"If the ownership, operation or control of the Medical Center is changed through sale, acquisition, merger or other similar business transaction, the Medical Center will include a term in the agreement memorializing such transaction that states that any successor employer as that term is defined under federal labor law will recognize the Association within the same bargaining unit as existed before the transaction and be bound by the terms of this Agreement..."

Q: If there is a Chapter 11 Bankruptcy, does our union contract remain in effect?

A: Yes.

Q: If Steward seeks Chapter 11 bankruptcy protection, would MNA members' interests be represented in court by our Union and its attorneys?

A: Yes. The interests of workers and their unions are given high priority in federal bankruptcy court.

Q: Any guesses on which courts in which Steward might file a Chapter 11 petition?

A: We don't know, but most observers predict the federal court in Houston or possibly Dallas.

Q: At some point in a Chapter 11 process, could Steward petition the federal court to change our union collective bargaining agreement?

A: First, we think it unlikely that Steward would do something so unwise. In order to attract buyers for the new hospitals they must maintain the workforce, and therefore must maintain promised wages and benefits and conditions, and the sales will depend on the hospitals being in a relative state of labor peace.

If, however, such an unwise move were made, the legal bar is set high for the employer under Chapter 11 law: The employer would have to bargain in good faith with the union(s) over the proposed change(s). If the parties did not come to a voluntary agreement, then the question goes to the court, which would hear from the unions and the employer. For the court to issue a judgement changing the collective bargaining agreement, the employer would have to demonstrate that they would be unable to successfully come out of Chapter 11 bankruptcy unless the changes are ordered.

Q: Would a Chapter 11 filing change our health insurance, or our PTO or right to cash out PTO or our wages...?

A: Again, our contract remains in effect. See the above two Q and As.

Q: What happens to our retirement savings?

A: Your Pension in the *Nurses & IBT 813 Retirement Fund* is not under control of Steward, but is protected and controlled by a separate set of bonded board of trustees made up of MNA Steward members, MNA's executive director, our Union siblings of Teamsters 813, Teamster employers and Steward executives, and supervised by attorneys and actuaries hired by the pension trustees who legally must and do make decisions in the best interests of the Retirement Fund and the people in it. The pension is also insured by the Pension Benefit Guarantee Corporation (PBGC). Like your wages, time off and health benefits, your pension contribution is a negotiated agreement in your contracts.

Q: What about the old frozen "legacy" pension plans?

Happily, old frozen pension plans (such as the Roman Catholic Archdiocese Plan, the Goddard plan Morton hospital and other frozen plans) were brought under the control and protection of this board of trustees.

Q: Will people currently getting legacy plan retirement payments continue to do so while in Chapter 11?

A: Yes. The Pension fund oversees the retirement benefit payments and will continue to do so.

Q: Separate question: What about what's in a person's 401(k)?

A: That is your property under federal law as well as a practical matter.

Q: But could Steward petition the bankruptcy judge to suspend *new* payments into the pension plans?

A: This would be unwise and would hinder the company's ability to retain staff and transfer ownership. But, just as discussed previously with other contract benefits, they could make a petition to the court to do that and they would have to go through the process on proposing contract changes, above.

Q: What would happen to accrued PTO (or accrued vacation in the Steward hospitals that have separate vacation versus sick banks)?

A: Accrued PTO/vacation is your property in Mass., as is accrued vacation time. It cannot be taken away. When you leave employment an employer must cash it out. By default, that is what would happen in a change of ownership.

Q: Could our union negotiate with Steward and a new operator to simply transfer the PTO (or vacation) to a new operator's bank?

A: That's a possibility. It's been done elsewhere.

Q: When would MNA know when there is a deal in the works for a non-profit company to take responsibility for a given Steward hospital?

A: Steward and the state have been clear that there will be no information on talks, which are under non-disclosure agreements. We don't like that. At the same time, that is not an extremely unusual reality when there are negotiations over the sale of a large business. Once there is a commitment to enter a deal, the parties will make public a "Letter of Intent" as the parties continue to negotiate the finalized agreement, and the proposed deal goes to state and federal regulators and to our and other unions for review.

Q: Would any of us have to "reapply" for our own jobs when there is a new owner?

A: No. See above Successorship language.

Q: If there is a Chapter 11 filing does that stop the process of selling the hospitals?

A: No. That continues on a parallel path (but with supervision of the bankruptcy judge).

A: What does it mean that the Department of Justice is reviewing the proposed sale of Stewardship (formerly Steward Medical Group – the physician's network) to Optum?

Q: The DOJ is reviewing the proposed transaction through an anti-trust lens. It is not a criminal investigation stemming from an allegation of wrongdoing. DOJ is assessing whether the deal would give Optum an anti-competitive control over the physician "market".