HEDGE PAPERS
No.12
Cancerous Cash
CANCEROUS CASH: HOW HEDGE FUNDS DESTROY AMERICAN HEALTH

If you’re not looking carefully, you would never know that the Sohn Conference is actually a fundraiser for pediatric cancer – the promoters behind the event pretty much describe it as a hedge fund beauty pageant.

Even on the Sohn website, the conference is discussed as the “premier investment forum, bringing together the world’s savviest investors to share fresh insights and strategies.”[1]

Cancer fundraising is an afterthought, something almost never mentioned in coverage of this “must-attend” Wall Street conference.[2]

Far from a charitable event focused on helping pediatric cancer patients, the Sohn Conference is really just another pit stop on the activist investor circuit, where hedge fund managers hype their latest corporate shakedowns.
This report shows that, in the past few years, this 3000-person conference has raised a paltry few million dollars for the charitable foundation it purports to help. This is really not much more than a philanthropic whitewashing, where under-taxed hedge fund managers give some scraps to a cause that they spend much of their business lives undermining.

Whether through investments in healthcare privatization, cancer-causing industries, or in lobbying against progressive medical legislation, hedge funds do more to harm Americans struggling with cancer than help them.
MAKING MONEY FROM ILLNESS, DISABILITY AND DEATH: HOSPITAL PROFITEERS SPEAK AT SOHN

For people purportedly looking to support patients struggling with cancer, Sohn speakers seem to have no scruples about trying to make a few bucks from cancer treatment.

Several speakers at the Sohn conference are going long on for-profit hospitals, despite troubling concerns about lower rates of charity care at for-profit hospitals, higher mortality rates among certain high-risk populations, and a proclivity to trim back on less profitable procedures. And the for-profit hospital industry has been lobbying for years to remove New York’s restrictions on for-profit healthcare.

Many of the speakers at the 2015 Sohn Conference are expected to be peddling their genius investments in for-profit health providers:

LARRY ROBBINS: PULLING CASH FROM HMOs, HOSPITALS

At the last Sohn Conference, billionaire Larry Robbins made a pitch for HMOs, arguing that the Affordable Care Act would ultimately be a boon for private insurers. Robbins’ presentation last year suggested that “perceived bad guys” like “HMOs, GMOs and hedge fund CEOs” would make “great teammates.”

Image via nytimes.com
Robbins has made some big bets on healthcare, not only on HMOs like Humana and WellPoint, but also on for-profit hospitals.

Robbins was a major driver of the merger of Community Health Systems and Health Management Associates, and was a major shareholder of both hospitals during the merger.\[9\]

Robbins sees huge opportunities in U.S. healthcare, taking the view that profit opportunities lie in the 62% of hospitals that are “not-for-profit by charter, they’re not-for-profit by income statement.”\[10\]

To the patient, these hospitals represent a commitment to providing a public service at the lowest possible price, thus preventing them from generating excess returns.

But to Larry Robbins and the billionaire vultures circling the healthcare industry, these hospitals are just pools of money waiting to be siphoned off into their pockets.

**DAVID TEPPER: DEMANDING MORE PROFITS FROM HCA HOSPITALS**

David Tepper, the New Jersey billionaire and Republican fundraiser has a large stake in HCA Holdings, the legal name of Hospital Corporation of America. \[11\]

In 2000, Hospital Corporation of America settled what was, at the time, the largest fraud case in American history.\[12\] The settlement came after the Department of Justice uncovered massive Medicare billing fraud at HCA, which had been ripping off the federal program for billions of dollars.\[13\]

As of his fund’s latest SEC filing, Tepper owned 332 million shares of HCA. \[14\]
ANDREW CUOMO AND THE NEW YORK GOP SENATE MAJORITY: ANGLING TO PILE HEDGE FUNDS INTO HOSPITALS (AND TO PULL CASH PROFITS OUT FOR INVESTORS)

If New York’s hedge-funded Governor Andrew Cuomo and his allies get their way, Robbins could find profit opportunities in New York very soon. GOP Senate Health Committee Chair Kemp Hannon has recently introduced a bill that would allow private investment in New York’s hospitals. [15]

Allowing private investments in New York hospitals was taken out of the 2015 budget, [16] but the Cuomo-backed bill has been a perennial favorite of the hospital industry. [17]
HEDGE FUND LOBBYISTS FIGHT FAIR FUNDING FOR CANCER AND HEALTH CARE

Through their lobbying group, hedge funds have lobbied against federal legislation that would help cancer patients, especially among vulnerable populations.

The Managed Funds Association is the federal lobbying group and PAC that secures influence for hedge fund managers in Washington, DC.

Several of the 2015 Sohn Conference attendees work for funds that are members of the Managed Funds Association.

Bill Ackman’s Pershing Square is a member of the “Founder’s Council” of the Managed Funds Association, as is Mala Gaonkar’s Lone Pine Capital. Glenview Capital and Greenlight Capital are listed as “Sustaining Members” of the lobbying group.
The Managed Funds Association lobbies against legislation that would fairly tax hedge fund managers, whose massive earnings are taxed at rates lower than the working poor.

Managed Funds Association lobbying disclosures show a pattern of opposition to virtually every single progressive taxation measure in the past decade.

In recent years, lobbying records show that the Managed Funds Association has worked to oppose taxation components in several pieces of proposed legislation that would have benefited cancer patients, including:

**AGAINST: Inclusive Prosperity Act of 2013**

This bill would have raised taxes on financial transactions, with the intent of rectifying some of the harm done to ordinary Americans as a result of the Wall Street Financial Crisis of 2008.  

The bill proposed using revenue raised through the financial transaction tax to expand and improve Medicare and Medicaid, and to fund “health care investments.”
Lobbying records show that the Managed Funds Association lobbied extensively on this bill over the course of two years.[22]

AGAINST: Middle Class Tax Relief and Job Creation Act of 2012

Among other things, this bill prevented a scheduled payment cut for physicians who accept Medicare.[23]

The cuts prevented by this bill would have had a significant impact on Medicare-covered cancer patients, whose disease makes them especially vulnerable to Medicare reimbursement reductions.[24]

Likely because the Act also extended unemployment insurance, the Managed Funds Association lobbied against the Middle Class Tax Relief and Job Creation Act.[25]

AGAINST: The Jobs Act of 2011

According to a legislative analysis by the National Employment Law Project, the Jobs Act of 2011 required that employers maintain healthcare and retirement benefits for workers employed in state short-term compensation programs supported by federal funds.[26] As with most progressive pieces of legislation that help ordinary Americans, the Jobs Act of 2011 was opposed by the Managed Funds Association.[27]
HEDGE FUNDS BACK BIG INVESTMENTS IN CANCER-CAUSING FOODS

Fast food companies are another darling investment of several Sohn presenters, including Larry Robbins of Glenview Capital and Bill Ackman of Pershing Square.

Mirroring a play made several years ago by Ackman, Glenview Capital has taken a significant stake in McDonald’s, pressuring the company to alter their business in ways that benefit them as large shareholders. Ackman is not invested in McDonald’s currently, but he is a major investor in and enthusiastic booster of Burger King and its new parent company, Restaurant Brands International.

More ties between hedge funds and the fast food industry can be reviewed in HedgePapers #9: Hedge Funds and the Fast Food Economy.

If Robbins and Ackman really cared about pediatric cancer, perhaps they should focus on pressuring McDonald’s and Burger King to alter their menus.
According to the Physicians Committee for Responsible Medicine, meals served by many fast food restaurants are likely to have high fat content, and contain processed and red meats—consumption of which are both linked to higher incidences of cancers.[28]

In their 2010 report, the Physicians Committee noted that “high-fat, low-fiber foods boost the hormones that promote cancer,” and cited an earlier report by the American Institute for Cancer Research and the World Cancer Research Fund which found that increased consumption of red meats and processed meats increases the risk for colorectal cancer.
Larry Robbins, head of Glenview Capital Management, has made a big investment in Monsanto, the producer of controversial genetically modified food. At a recent investment conference, Robbins made it clear that he doesn’t want to eat GMO foods, he just sees a market opportunity:

“In a utopian world we would all be able to shop with hedge-fund managers and Hollywood stars and pay whatever we wanted at Whole Foods…In the real world, we do need to increase the food supply and GMOs unlock the key to that.”[29]

—Hedge Fund Billionaire Larry Robbins

The message is clear—let the poor eat the GMO foods, that the wealthy could nary find at Whole Foods and other high-end grocers.

The issue, of course, isn’t that genetically modified foods cause cancer or other health problems, it’s that they are being genetically modified to resist carcinogenic weed killers that destroy plants around them.

Monsanto is the archetypal GMO company, creating a line of “Roundup Ready®” staple crops that can resist being doused with Roundup®, Monsanto’s trademark glyphosate-based herbicide.[30]

According to an article in Nature, the World Health Organization recently announced that glyphosate is “probably carcinogenic” to humans.[31]
For Monsanto, glyphosate is really just the tip of the carcinogenic iceberg. Monsanto was one of several companies who manufactured “Agent Orange” a carcinogenic herbicide used as a defoliant during the Vietnam War.

Millions of gallons of Agent Orange were sprayed during the Vietnam War, impacting potentially three million veterans and untold millions of Vietnamese civilians.\(^{32}\)

Among the many maladies experienced by individuals exposed to this toxic chemical is an increased risk of cancer.\(^{33}\)[34]
HEDGE FUNDS BACK BIG CARCINOGENIC POLLUTERS

CORVEX, ANADARKO PETROLEUM, AND CARCINOGENS IN THE DEEPWATER HORIZON OIL SPILL AND AT LAKE MEAD

Keith Meister’s Corvex Management recently exited a large stake in Anadarko Petroleum,[35] which has had several notable environmental fines.

Anadarko held 25% interest in the Macondo oil well, and was found partially responsible for the BP “Deepwater Horizon” oil spill, paying BP $4 billion in settlement costs.[36][37]

The BP oil spill has the potential to raise the risks of cancer among the thousands of workers who were involved in the cleanup, according to a 2013 study published in The American Journal of Medicine.[38]
Following the spill, scientists from the University of Oregon noted a forty-fold increase in oil-related carcinogens.\[^{39}\] It is likely that a complete picture of the cancerous effects of the Gulf oil spill will not be clear for decades to come.

The National Institutes of Health is currently conducting a long-term, longitudinal study of the spill’s health impacts, and it will take years before we get a complete picture of the damage BP and Anadarko caused.\[^{40}\]

In 2014, Anadarko Petroleum reached a $5.15 billion settlement with the Department of Justice—reported to be the largest environmental settlement in history—for the pollution of a subsidiary, Kerr-McGee.\[^{41}\]

A former subsidiary of Kerr-McGee, Tronox, was accused of “polluting Lake Mead in Nevada with rocket fuel, leaving behind radioactive waste piles throughout the territory of the Navajo Nation, and dumping carcinogenic creosote in communities throughout the East, Midwest and South at its wood-treating facilities.”\[^{42}\]

While Tronox had been spun-off by Kerr-McGee prior to their acquisition by Anadarko in 2006, the Justice Department alleged that Kerr-McGee had acted “with intent to hinder” in spinning out Tronox one year before being acquired by Anadarko.\[^{43}\]
Leon Cooperman, another 2015 Sohn Conference presenter, is the chairman and CEO of Omega Advisors, a hedge fund that is currently under investigation by the SEC.\[44\]

Cooperman is making a big play on Atlas Energy, Inc., a Pittsburgh-based energy exploration company that owns Marcellus Shale natural gas wells produced via hydraulic fracturing, or “fracking.”

According to a 2009 lawsuit against the company, soil testing at a farm where an Atlas-operated wastewater impoundment caught fire showed “arsenic at 6,430 times permissible levels and tetrachloroethene, a carcinogen and central-nervous-system suppressant, at 1,417 times permissible levels.”\[45\]

This is not the only time that Atlas has been alleged to have contaminated soil and groundwater. In 2010, Atlas was fined $97,250 for allowing hydraulic fracturing fluid to overflow a containment pit and contaminate the groundwater of Hopewell Township, PA.\[46\]

An Atlas subsidiary was fined an additional $84,506 by the federal Environmental Protection Agency for allegations that Atlas “did not comply with proper storage and handling of natural gas condensate at the [Hopewell Township] site.”\[47\]

Atlas has also been fined by the Pennsylvania Department of Environmental Protection for discharging residual and industrial waste at seven facilities in that state.\[48\]

As of his latest 13F filing, Cooperman owns 5.8 million shares of Atlas Energy, worth approximately $181 million.\[49\]
EINHORN, GREENLIGHT, CONSOL ENERGY AND CANCER-CAUSING POLLUTION AT MINES AND COAL-BURNING POWER PLANS

David Einhorn, another Sohn 2015 presenter, is also heavily invested in a company with a dismal pollution record.

As of his last SEC filing, Einhorn’s Greenlight Capital owned 13.2 million shares of CONSOL Energy Inc., worth slightly under half a billion dollars at the time of filing.\[50\]

CONSOL Energy is a coal and gas exploration company with a long history of environmental fines.

In 2011, the Environmental Protection Agency reached a $5.5 million settlement with CONSOL Energy, over allegations “that six Consol mines violated pollution discharge limits in their Clean Water Act permits hundreds of times over the last four years.”\[51\]

In addition to the $5.5 million fine for the violations, CONSOL also committed $200 million to pollution controls and wastewater treatment efforts, designed to mitigate the damage their mining operations had on West Virginia waterways.

Besides their fines for pollution, CONSOL is a member of an industry association called “American Coalition for Clean Coal Electricity” (ACCCE).\[52\] The ACCCE was a major force lobbying against the EPA’s updated Mercury and Air Toxics Standards,\[53\] a major update to regulations on the toxic and carcinogenic emissions from power plants, which is currently being challenged at the Supreme Court level.\[54\]

According to the EPA, the challenged regulations would tighten permissible emissions of methylmercury, a highly carcinogenic pollutant that is a byproduct of coal-fired power.\[55\][56]
FOOTNOTES:

[20] https://www.govtrack.us/congress/bills/113/hr1579
[21] https://www.govtrack.us/congress/bills/113/hr1579/text
WHO ARE THE HEDGE CLIPPERS?

The Hedge Clippers are working to expose the mechanisms hedge funds and billionaires use to influence government and politics in order to expand their wealth, influence and power. We’re exposing the collateral damage billionaire-driven politics inflicts on our communities, our climate, our economy and our democracy. We’re calling out the politicians that do the dirty work billionaires demand, and we’re calling on all Americans to stand up for a government and an economy that works for all of us, not just the wealthy and well-connected.

The project is supported by the Strong Economy for All Coalition, a coalition of labor unions and community groups working to fight income inequality and build shared prosperity and economic & social justice in New York and around the country.