

**PROPOSED TRANSFER OF ASSETS OF
EASTERN CONNECTICUT HEALTH NETWORK, INC. AND AFFILIATES
TO
VHS EASTERN CONNECTICUT HEALTH SYSTEM, LLC,
A JOINT VENTURE TO BE FORMED BETWEEN TENET HEALTHCARE
CORPORATION AND YALE-NEW HAVEN SERVICES CORPORATION**

**Public Hearing Held Pursuant to Section 9 of Public Act 14-168
(Amending Section 19a-486a of the Connecticut General Statutes)**

Location: Manchester Memorial Hospital, Manchester, CT

Date: June 23, 2014

TABLE OF CONTENTS

<u>Document/Item</u>	<u>Page(s)</u>
Hearing Transcript.....	1-62
Slides Presented at Hearing.....	63-84
Written Statements Submitted in Connection with Hearing*	
Statement of Kye Cohen.....	85
Statement of Representative Timothy D. Larson.....	86-87
Statement of Melodie Peters.....	88-90

*Representative Sam Belsito submitted a statement on June 23, 2014 directly to the Office of Health Care Access and to the Attorney General's Office. Representative Belsito's statement was not referenced or read into the record at the hearing and has not been included here.

EASTERN CONNECTICUT HEALTH NETWORK

DATE HELD: JUNE 23, 2014

MANCHESTER PUBLIC HEARING

1 DR. O'NEILL: [Slide 1: Preparing for the Future
2 of ECHN] I thank you for joining us this evening. My name
3 is Dennis O'Neill. I'm a physician in private practice, and
4 the current Chair of the Board of Trustees of Eastern
5 Connecticut Health Network.

6 ECHN is a valuable asset to the eastern
7 Connecticut community and after nearly three years of
8 review, consideration, due diligence and determination to
9 strengthen ECHN's future, a selection has been made to
10 preserve ECHN through a proposed acquisition by a newly
11 formed joint venture between Tenet Healthcare Corporation
12 and Yale-New Haven Health Systems.

13 This decision was made through the engagement of
14 the community governance structure of Trustees and
15 Corporators associated with ECHN which includes
16 representatives of our medical staff. The Board of Trustees
17 voted unanimously recently to pursue an acquisition of ECHN
18 by the newly formed joint venture, and this decision was
19 also supported by the ECHN Corporators, with a ninety-one
20 percent favorable vote to move forward in pursuance of the
21 proposed transaction.

22 Additionally, on May 7th, the Connecticut
23 Legislative Session came to a close with a bill which has
24 now been signed into law, allowing for hospital conversions
25 in the State of Connecticut to continue. This allows ECHN to

1 move into the next phase of the transaction process which
2 includes a regulatory process as governed and outlined by
3 the State and Federal Governments. You'll hear more about
4 this phase throughout the evening.

5 Now to review some of this evening's agenda and
6 the statutory requirements associated with this public
7 forum, I will hand it over to Dennis McConville, the Chief
8 Strategy Officer of ECHN. Dennis.

9 MR. McCONVILLE: Thank you, Dennis, and good
10 evening everyone, and thank you for coming this evening.

11 [Slide 2: Agenda] ECHN is hosting two Public
12 Hearings: one here tonight in Manchester and another
13 tomorrow evening, June 24th at the Vernon Senior Center in
14 the Rockville section of Vernon, Connecticut.

15 The hearings are to provide information about our
16 proposed transaction contained in the Certificate of Need
17 Determination Letter that was filed with both the Office of
18 the Attorney General and the Department of Public Health,
19 Office of Healthcare Access on June 4th of 2014.

20 Our agenda this evening is as follows: I'll take a
21 few moments to present the purpose for the Hearing, the
22 statutory requirements that we believe apply to our proposed
23 transaction and let you know the format for your
24 participation in this Hearing.

25 Peter Karl, our President and CEO, will then present

1 information about the healthcare landscape for ECHN, the
2 rationale for pursuing our transaction with Tenet Healthcare
3 Corporation and the Yale-New Haven Health System, and the
4 process that ECHN followed. Then Joyce Tichy who is ECHN's
5 Senior Vice President and Legal Counsel will present the
6 Letter of Determination and then we'll have a comment,
7 question and answer period for you with our panel.

8 For the panel or Q and A portion of the Hearing,
9 we're laying out some guidelines for that portion of the
10 Hearing. We've conducted public hearings for our proposed
11 transaction in the past, some of you may have attended, both
12 at the Rockville High School and, here, at Manchester
13 Hospital. With the changes to the CON statute, we want to
14 conduct this evening's Hearing in a very precise manner.
15 Therefore, it will be more structured. It will require that
16 we take some time before we open the floor to comments or
17 questions to address the Letter of Determination and related
18 matters. I anticipate this will take about forty-five to
19 fifty minutes.

20 This Hearing is a legal requirement for the State
21 Regulatory Approval Process. Tonight's presentation and
22 question and answer period will be recorded, transcribed and
23 submitted to the State Department of Public Health, Office of
24 Healthcare Access, and the Office of the Attorney General.

25 We ask that you sign in if you wish to comment or ask a

1 question of the panel regarding the Letter of Determination.
2 If you've not signed in and wish to speak, please see Nina
3 Kruse in the back of the room to sign in.

4 If you signed up to testify, I will call your name to
5 come up to one of the podiums in the front-- one of the
6 microphones in the front-- to make your statement or to ask
7 your question. Before you begin your testimony, I will ask
8 you to please state your name and your town or residence.

9 In deference to allow everyone who wishes to speak, we
10 request that each speaker limit their participation to one
11 appearance at the microphone, and in the interest of time we
12 ask that you try to limit your comments to approximately
13 three minutes or less to ensure time for all participants.

14 Your statements or comments should be directed to the
15 contents to the Letter of Determination. Copies of the
16 Letter of Determination are available this evening for your
17 review. The Letter of Determination and all filings will be
18 made available on the Attorney General's website promptly,
19 after filing, and on the OHCA website, as the process
20 advances.

21 [Slide 3: Proposed Transfer of Assets] Our focus
22 for this evening is the Letter of Determination which
23 describes a proposal for the transfer of the assets of
24 Eastern Connecticut Health Network and its affiliates to VHS
25 Eastern Connecticut Health System, LLC, a joint venture to

1 be formed between Tenet Health Care Corporation and the
2 Yale-New Haven Health Services Corporation.

3 [Slide 4: State Regulatory Process] The first
4 step in the process is the filing of a Letter of
5 Determination. Within thirty days of filing the Letter of
6 Determination, the Non-Profit Hospital and the proposed
7 purchaser have to hold a public hearing on the contents of
8 the Letter of Determination, which is why we're here this
9 evening. Again, this evening's Hearing is being recorded
10 and transcribed as required. We'll make a recording of the
11 transcription available to the Commissioner of the Office of
12 Health Care Access, the Attorney General and members of the
13 public upon your request. The Commissioner and the Attorney
14 General will review the Letter of Determination, and it's
15 the Attorney General who will determine whether the
16 transaction requires approval under the so-called conversion
17 statute as a conversion from a non-profit to a for-profit
18 company.

19 A joint review process then ensues-- is undertaken
20 by the Commissioner and the Attorney General.

21 [Slide 5: State Regulatory Process] The Certificate
22 of Need approval process for hospital conversions is
23 governed by Connecticut Law and that Law contains standards
24 that the Attorney General and the Commissioner of Public
25 Health must apply in rendering a decision for each

1 application. The Law also allows for each Agency to engage
2 experts to assist in the Certificate of Need process.

3 The Statute states that the Attorney General shall
4 deny an application as not being in the public interest if
5 the transaction is prohibited by Connecticut Statutory or
6 Common Law governing non-profit entities, trusts or
7 charities; if the Applicant fails to exercise due diligence
8 in deciding to transfer the assets, the selection of a
9 purchaser, obtaining a fairness evaluation, or in
10 negotiating the terms and the conditions of the transfer.
11 The Attorney General shall deny the Application if the non-
12 profit hospital failed to disclose any conflict of interest,
13 or if the non-profit hospital will not receive fair market
14 value for its assets.

15 [Slide 6: State Regulatory Process] By statute,
16 the Commissioner of Public Health must also apply standards
17 in reviewing and ruling on an Application. The Commissioner
18 must deny an Application unless the community will be
19 assured of continued access to high quality, affordable care
20 after accounting for any proposed change impacting hospital
21 staffing and that a commitment has been made to provide care
22 to the uninsured and underinsured.

23 The proposal is also reviewed under standard
24 Certificate of Need Guidelines including that there is clear
25 public need, the impact on the financial strength of the

1 health system in the State, whether the proposal will
2 improve quality, accessibility and the cost effectiveness of
3 the health care delivery -- for health care delivery in the
4 region.

5 [Slide 7: Conversion/CON Process Timeline] Now
6 I'm going to walk you through an estimated timeline for the
7 CON approval process. Some of these intervals are mandated
8 by statute and others are estimates so they may change.
9 The process begins with the filing of the Letter of
10 Determination, which I mentioned we filed on June 4th.
11 Within thirty days we're required to hold hearings on the
12 contents of the Letter of Determination. We expect that the
13 Attorney General will rule that our proposed transaction is
14 subject to the Conversion Statute, so we anticipate that
15 we'll receive an Application from the Attorney General's
16 Office and the Office of Health Care Access, within forty-
17 five days bringing us to early August.

18 Once we receive the Application, we have sixty
19 days to file a completed Application, which gets us to an
20 early October timeframe. The Attorney General's Office and
21 OHCA have twenty days to determine if the Application is
22 complete. If they identify deficiencies in the Application,
23 we'll receive what are known as "completeness questions" and
24 we estimate it will take twenty more days to respond to
25 those and then twenty more days for those Offices to respond

1 to our answers to those completeness questions. We could
2 see one or two cycles of completeness questions. It's not
3 uncommon. We estimate that our Application would be deemed
4 complete somewhere between the November and March timeframe.

5 Once deemed complete the Attorney General and the
6 Public Health Commissioner have a hundred and twenty days to
7 decide on the Application. They'll hold Public Hearings
8 during that hundred and twenty days which will give the
9 public an opportunity to make statements and -- after the
10 Application has been considered. We estimate that the
11 overall process will take nine to twelve months, which
12 brings us out to somewhere between March and June of 2015.

13 [Slide 8: The Proposed Transaction] Joyce Tichy
14 will be providing more detailed information in a few minutes
15 about the Letter of Determination, but we didn't want to go
16 too far into the Hearing without providing a summary of the
17 proposed transaction and Letter of Determination.

18 The new joint venture between Tenet Health Care
19 Corporation and Yale-New Haven Healthcare would buy ECHN.
20 There would be a continued operation of Manchester Memorial
21 Hospital and Rockville General Hospital; continued
22 involvement of an advisory board that includes community
23 representatives; capital investments to improve facilities,
24 equipment and bring new programs to ECHN patients; a
25 partnership with a leading academic medical center and

1 access to Yale-New Haven Health Systems clinical support,
2 quality and service line management; the establishment of a
3 community foundation to oversee certain charitable assets --
4 charitable funds; and a continuation of the ECHN brand and
5 mission, including a continued commitment to charity care
6 and indigent care.

7 With that, I'd like to turn over the podium to
8 Peter Karl, our President and CEO, who will talk about our
9 process and some background information for you.

10 MR. KARL: Okay, thank you.

11 [Slide 9: Preparing for the Future at ECHN] Thank
12 you, Dennis and thank you for joining us this evening. We
13 are here to discuss the proposed transfer of assets of
14 Eastern Connecticut Health Network and affiliates to VHS
15 Eastern Connecticut Health System, LLC., which is a joint
16 venture formed between Tenet Healthcare and Yale-New Haven
17 Health System.

18 ECHN is proud to serve Eastern Connecticut by improving
19 the well-being of the community by offering quality,
20 compassionate healthcare. That is our mission and our
21 organization has pursued this mission for nearly one hundred
22 years. Our commitment to that mission is what we want to
23 continue on behalf of our patients and their families, our
24 physicians, and our employees.

25 We want to see the ECHN name and brand continue.

1 We have made an obligation to training our next generation
2 of physicians. We have developed strong relationships with
3 our medical staff. We support the education of medical
4 students and established a new graduate medical education
5 residency program at ECHN.

6 Our two acute care facilities, Manchester Memorial
7 and Rockville General Hospital, as well as dozens of
8 affiliates and joint venture companies are anchors in the
9 regions we serve. ECHN is a significant economic engine
10 providing the salaries for over three thousand skilled jobs
11 and purchasing over ninety million in services and supplies
12 each year.

13 [Slide 10: Preparing for the Future at ECHN] The
14 Patient Protection and Affordable Care Act is designed to
15 provide insurance to thirty-two million Americans who are
16 uninsured. Hospitals, as industry -- as an industry, agreed
17 that they would accept lower payments as more of their
18 patients would now have some form of insurance.

19 In Connecticut, unlike parts -- other parts of the
20 country, residents are relatively well insured so there is
21 not the benefit of more revenue for our hospitals. We
22 estimate that we need to reduce our expenses by fifteen to
23 twenty percent which would mean cutting services and staff
24 if we did not change.

25 In addition, the governmental and commercial insurers

1 are pushing for payment reforms that shift the risk for
2 getting paid to providers like hospitals. The resulting new
3 payment systems reward those that can deliver care at lower
4 costs with improved quality and outcomes. This means we
5 need to reform and refocus our delivery and care -- delivery
6 of care to keep patients well in the lowest cost settings,
7 generally at home or in outpatient settings preventing
8 patients from needing expensive hospital stays.

9 The focus on our patients needs to be ongoing and
10 proactive, not just for episodes of illness and hospital
11 stays. The information about our patients needs to be
12 accessible across providers, across the network. Care
13 Management Programs need to be expanded throughout the
14 community. The investments needed to succeed with
15 population health are major, and difficult for organizations
16 that are operating on extremely thin margins.

17 [Slide 11: ECHN's Financial Challenges] As you
18 can see here in this slide, in 2001 ECHN lost more than ten
19 million dollars and continued to operate in the red for many
20 years. During this time the level of debt continued to
21 rise. I took over nearly ten years ago, and ECHN began to
22 make course corrections, but it took six years to catch up
23 and we were forced to defer capital investments. You can
24 see by the lower graph, the pension liability grew
25 dramatically as a result in the Pension Funding Reforms and

1 at a time when the market crashed in 2008. Debt service and
2 pension contributions consume a large portion of ECHN's
3 annual cash flow and making capital investments extremely
4 difficult.

5 [Slide 12: ECHN's Financial Challenges] Hospital
6 systems are extremely capital intensive. The costs for new
7 medical and information technology are significant. The
8 building codes for our facilities make improvements
9 expensive.

10 I mentioned population health and the need to
11 share technology across the system. A new electronic
12 medical record system will cost twenty million dollars.

13 There are programs that we would like to develop to
14 address health needs that require capital investments.
15 Private accommodations for our patients are not only about
16 comfort and privacy, but they offer a safer environment for
17 our patients. Again, hospitals are expensive to build or
18 renovate.

19 [Slide 13: Continuing Financial Challenges] ECHN
20 and all Connecticut hospitals are struggling with financial
21 challenges associated with the reduction to government
22 payments for services provided to our patients.

23 Since we started on our journey to evaluate a
24 partnership, more has happened that worsens our financial
25 position. The state imposed tax on hospitals that has been

1 increased to five hundred fifty million in the current state
2 budget. You can see that our tax burden grows and it is
3 significant because for a three hundred thirty million
4 dollar health system like we are, we have struggled to
5 achieve a one to two percent margin which is three to six
6 million dollars. That tax is much higher. ECHN, along with
7 all other hospitals, also had to shoulder the financial
8 impact of federal sequestration. Medicare provider payments
9 have been cut by two percent since April of 2013. The Act
10 requires Federal spending cuts to be achieved over the
11 course of nine years so the sequestration is expected remain
12 in place through 2022. Sequestration equates to a loss of
13 more than 2.2 million dollars each year for ECHN.

14 Some of our reimbursement from the government is
15 already at risk and we are penalized if we don't meet
16 certain benchmarks. We have done well and not incurred any
17 penalties for readmissions to our hospitals.

18 Additional threats to reimbursement are also on
19 the horizon for the next fiscal year. ECHN is projected to
20 have an additional seven million dollar financial burden to
21 bear.

22 [Slide 14: Negative Forces into the Future] As
23 you can see here, the negative forces associated with the
24 reduction in payment for services coupled with the increased
25 salary and non-salary costs equate to an inability to

1 reinvest in ECHN in an unsustainable future.

2 [Slide 15: Preparing for the Future at ECHN] In
3 order to prepare for the future of ECHN, a workgroup of
4 trustees, Corporators, medical staff, and administrators was
5 formed in 2011 to study ECHN's needs and the benefits that
6 could come from partnering with another healthcare
7 institution. After studying the national, regional and
8 Connecticut landscapes along with ECHN's current and
9 potential future position, it was decided that a partnership
10 was in the best interests of ECHN.

11 The partnering workgroup developed criteria in
12 which to evaluate potential partners including cultural and
13 strategic fit, financial strength and long term viability,
14 and the partners' interest to invest in our organization.

15 The workgroup made their findings and
16 recommendations to a Committee of the Board of Trustees, the
17 Transaction Committee. The Committee conducted its due
18 diligence and made the recommendation to the Board to pursue
19 a transaction with Tenet Health Care Corporation and Yale-
20 New Haven Health System.

21 [Slide 16: Preparing for the Future at ECHN] The
22 reasons to join another system are clear. We strive to
23 create economic scale to decrease our costs; we want to
24 improve access to capital and afford investments; we have to
25 improve finances, and reduce or eliminate our debt; and we

1 have prepare to participate in the new payment systems to
2 ensuring that we protect, preserve and grow local access to
3 healthcare services.

4 [Slide 17: The Request for Proposal Process]
5 Request for proposals were sent to three non-profit health
6 systems and three for-profit hospital operators. A very
7 careful and thorough request for proposal process that
8 included many meetings with each potential partner produced
9 two viable offers. Both were from joint venture
10 partnerships to acquire ECHN.

11 The first, a joint venture between Hartford
12 Healthcare and L.H.P., a for-profit, and the second a joint
13 venture between Yale-New Haven Health and Vanguard Health
14 Systems. When we learned that Vanguard Health Systems was
15 to be purchased by Tenet Healthcare, we went back and
16 performed more due diligence to confirm that a joint venture
17 between Yale-New Haven Health and Tenet Healthcare to
18 acquire ECHN was still a good option.

19 [Slide 18: Tenet, YNHHS, ECHN Strategic Alliance]

20 After careful due diligence which included several
21 additional rounds of questions and answers, and additional
22 meetings with the parties, the Board selected the proposal
23 from Tenet Healthcare and Yale-New Haven Health as one that
24 best met our needs and criteria for a partner.

25 ECHN would be part of a strong regional healthcare

1 system with an aligned mission, vision and values. The
2 network would offer thought leadership from the best
3 practices among almost eighty hospitals across the U.S.
4 Yale-New Haven Health will offer its clinical leadership and
5 programs.

6 Tenet has extensive experience with risk-based
7 contracting and with Yale-New Haven Health System are
8 forming another joint venture to offer the support and
9 services needed for value-based risk contracting.

10 [Slide 19: What will be achieved?] ECHN firmly
11 believes that this partnership will allow us to continue to
12 serve our mission. It will protect the accessibility and
13 affordability of care for our patients while continuing our
14 focus on the quality and safety of patient care. This will
15 support our efforts to continuously improve satisfaction and
16 will enable us to reinvest in programs, technology,
17 facilities for the benefit of our patients. The key to this
18 is preserving jobs and preparing for the future.

19 Now I'd like to ask Joyce Tichy to walk you
20 through some of the finer details associated with the Letter
21 of Determination. Joyce.

22 MS. TICHY: [Slide 20: Letter of Determination]
23 Okay, we're going to be on this slide for a little while. So
24 just to remind you, a couple of slides back there were --
25 I'm having a little trouble with this, can you hear me now -

1 - okay, a couple of slides back you were given a summary of
2 the requirements that really drive the process for the
3 Certificate of Need in Connecticut. And we've gone through,
4 just to sort of track you back, we've gone through a couple
5 of the criteria in the past presentations that Peter and
6 Dennis did. So we're going to be required to show the
7 State, the Attorney General and OHCA that we made -- we used
8 due diligence in deciding to transfer and in selecting the
9 purchaser, so the next step that we're going to have to show
10 is that we did a diligent negotiation of the terms and
11 conditions of the transfer, and I'm going to talk about
12 that. We also have to show that we were diligent in
13 obtaining a fairness evaluation from an independent third
14 party. We have to show that we've received -- we are
15 receiving fair market value for the assets being
16 transferred. We also have to show, there's a long list of
17 things we have to show, continuing access to high quality
18 care, a commitment to the uninsured and underinsured on the
19 behalf of -- on the part of the buyer. We have to show that
20 the financial strength of this system will be improved, and
21 that there will be improved quality, accessibility and cost
22 effectiveness, and we think we've done all of those things
23 and will be showing the regulators these things.

24 So first off, the description of the buyer. It's
25 been mentioned a couple of times, but the name of the entity

1 to be formed is VHS Eastern Connecticut Health System, LLC.
2 It's going to be a company that's owned eighty percent by
3 Tenet and twenty percent by Yale-New Haven Health System,
4 and as I proceed since that's kind of a long thing, I'll
5 just call it "the Buyer", pretty much in my explanation. So
6 this ultimately is the entity that's going to be the legal
7 owner and will make the legally binding decisions for ECHN
8 after the closing which by our calculation is going to
9 happen in more or less a year.

10 The form of the transaction is an asset purchase.
11 That's very common in this kind of transaction and it
12 basically means that the Buyer is buying a list of assets,
13 and as sort of the lingo goes, it's "substantially all the
14 assets of ECHN, including, but not limited to", and we do
15 have an eighty-five page Agreement that backs all this up,
16 and there's a long list of all the things that the Buyer is
17 going to buy.

18 If you got a copy of the Certificate of Need
19 Determination Application, you can see there's a two page
20 description of all the entities that are being transferred,
21 so I'll just quickly summarize. The Buyer is going to buy
22 our two acute care hospitals, Manchester Memorial Hospital,
23 Rockville General. It's going to buy Woodlake at Tolland,
24 our sub-acute rehabilitation and long term care facility.
25 It's going to buy our much beloved Visiting Nurse and

1 Healthcare Services of Connecticut, which is our visiting
2 nurse and homecare company. It's going to buy our insurance
3 captive, and that is an entity that many hospitals have to
4 hold basically the funds in order to pay our malpractice
5 claims which hospitals invariably have. It's also going to
6 buy all the other entities that bear the ECHN name as you
7 travel around in our community -- our urgent care centers,
8 our imaging centers, our labs, our physician offices. In
9 addition to this ECHN, again like many other health systems,
10 is part of a joint venture, various joint ventures with
11 other entities in the area. Generally speaking, those are
12 physician groups or other hospital systems and we will
13 transfer to the Buyer our ownership interest in those
14 entities and they include two ambulance companies, a
15 wheelchair transport company, an occupational health
16 medicine provider and others. We also have an entity called
17 Medical Practice Partners, which is a billing and physician
18 office administration company, and that one will be
19 transferred as well.

20 So what I've just described to you is not
21 exclusive. If you want to look in on Page "5" of "9" of the
22 Application, you can see the entire list, but I just want to
23 give you a flavor of the nature of the transfer, what's
24 going over to the Buyer.

25 Along with all of these things, the equipment, the

1 property, the leases, and all the accounts receivable that
2 you see that are part of our entities will go over as well.
3 So along with this, the Buyer has, as a result of some
4 fairly robust negotiation between us and them, agreed to
5 take on some very significant liabilities that we have.
6 These are liabilities that when you do what we do, they are
7 acquired in the normal course of business, and one of them
8 is our unfunded pension liabilities. As Peter showed in the
9 prior slide, that is something that many, many companies
10 including healthcare companies have had trouble and struggle
11 to keep up with, especially because the law changed and made
12 the responsibilities much, much more severe, and the Buyer
13 has agreed to take on those liabilities. That's a very good
14 solution and result for those of our employees and retirees
15 who receive or who are eligible for pensions. They've also
16 agreed to take on our post retiree health plan, the captive
17 insurer liabilities that I just mentioned, they are taking
18 those on, and our Worker's Compensation liabilities. All of
19 these were the subject, as I say, of very robust
20 negotiation, and because these were liabilities that we had
21 that the Buyer did not have to take, there are adjustments
22 to the purchase price to reflect the cost that would
23 otherwise remain with ECHN had the Buyer not agreed to take
24 them on.

25 Along with this, it's important to know that there

1 are some key assets and liabilities that are not included in
2 the transaction. Those include donor restricted charitable
3 contributions; that being when a donor gave money, donated
4 money to ECHN or to our charitable foundation, and they gave
5 it with a specified restriction. That cannot be transferred
6 to another party. We need to basically deliver those funds
7 over to the Attorney General who will decide what to do with
8 them.

9 In addition, as in the normal course of business,
10 there will be lawsuits, there always are lawsuits, and at
11 some point there will possibly arise lawsuits against ECHN
12 for activities that we engaged in before the closing, and
13 those are going to be obviously our responsibility. The
14 Buyer didn't cause them, so we're going to continue to be
15 liable -- have responsibility for those. There are other
16 things such as cost report settlements which are -- the cost
17 report is a document that you exchange with Medicare.
18 Medicare doesn't resolve these for a very long time. Since
19 they relate to matters that are pre closing, those are going
20 to remain with us as well, and tax settlements insofar as
21 there are any.

22 Yet another thing that is not being transferred to
23 the Buyer are the cash investments that ECHN holds. Those
24 are basically going to be used to pay off our debts at
25 closing, and our long term debt remains with us, so we'll

1 use our cash and investments to pay off our long term debt,
2 and insofar as necessary a portion of the purchase price as
3 well.

4 So that's kind of what's in and what's out of the
5 transaction.

6 Next I want to talk a little bit about our medical
7 foundation. So this is something that has been in the news
8 somewhat so it actually was the subject of a negotiated
9 resolution by the Legislature. So just for you all to know,
10 a medical foundation in Connecticut is an entity that's
11 constructed in order to allow hospital systems to employ
12 doctors. There's generally a rule that doctors can't work
13 for a corporation because they're supposed to be following
14 the rules of their medical license and not a company, but an
15 exception is made for hospitals, and there was a period of
16 time when it was unclear whether under Connecticut Law a
17 for-profit entity could own hospitals¹. Most recently on
18 May 7th there was a law passed by the Legislature that
19 allows for a for-profit entities to own medical foundations,
20 but in order to insure that those medical foundations
21 operate in accordance with the goals that they're set up
22 under, the Legislature also created some governance
23 requirements including that a medical foundation for a for-

¹ Correction: "hospitals" should read "hospital medical foundations."

1 profit system can't have any employee or representative of a
2 not-for-profit on its Board, and at the same time, the
3 hospital system cannot be a member of more than one
4 foundation, and it's a little hard to get your head around
5 all this. I will just say it has to do with a lot of
6 political compromises about other things that are happening
7 in other parts of the State, not here, and we don't need to
8 worry about it except to say that the medical foundation
9 that we set up will ultimately then be a Tenet entity and
10 will be governed by Tenet representatives.

11 So after the closing, to give you a sense on how
12 things will look in the world and who's going to run ECHN,
13 VHS which is effectively going to be managed by Tenet will
14 provide the day to day supervision and management of the
15 hospitals and the other ECHN businesses. Yale-New Haven
16 Health System will provide something that we think is
17 absolutely significant and will be a great enhancement to
18 our health system. It will provide the clinical expertise
19 that we so value to enhance and improve the services that we
20 offer to the community; for example, vascular and in the
21 area of vascular and perinatology services. We also expect
22 and anticipate and Yale-New Haven System has promised to
23 assist us in developing our service lines.

24 So, the next thing I want to talk about is the
25 role of the Local Advisory Board. So as I said earlier the

1 decision making will reside with the Buyer in this instance.
2 But we advocated for, and did receive on behalf of the
3 community in the Agreement that we have with the Buyer, the
4 creation of a Local Advisory Board. There will actually be
5 two advisory boards, one for each hospital. ECHN's Board
6 will appoint the members initially of this Advisory Board,
7 but it will go on, obviously, for many years and eventually
8 the appointment process will be outside of the ECHN Legacy
9 Board which will eventually disappear.

10 The initial makeup of that Board will be five ECHN
11 Trustees, and five others from the community, identified by
12 ECHN, and those are to include community representatives,
13 physicians on the medical staffs -- medical staff, and the
14 hospital CEO.

15 The role of this Local Board is going to be pretty
16 essential. It's going to be an advisor to the Buyer, the
17 then existing entity, VHS, on how to spend this large
18 capital commitment that the Buyer has made to us that I'll
19 get to in a minute. It's going to assist with the
20 development of a strategic business plan for ECHN and its
21 goals going forward. It's going to be responsible for
22 medical staff credentialing, which means to say the
23 management and decision making of what physicians come on to
24 our medical staff. It will oversee the very important
25 quality assurance processes that we are involved in, and it

1 will oversee and manage our hospitals' accreditation.

2 In addition to these parameters, we also obtained
3 from the Buyer, consistent with the requirements of the
4 Certificate of Need process, commitment to maintain
5 community support, charity care and our continuum of care
6 which proceeds from the acute care all the way through to
7 homecare, nursing home care, and hospice.

8 The Buyer has agreed to maintain all of our
9 policies on charity care, indigent care, community volunteer
10 services, community outreach services, and to maintain our
11 graduate medical education program with the University of
12 New England College of Medicine which we so value because we
13 hope to grow physicians in our community. It's also agreed
14 to maintain for three years our two acute care hospitals,
15 and their emergency departments, and to maintain the
16 ownership interest in VNHSC, our nursing service, and our
17 sub-acute and long term care services at Woodlake at
18 Tolland.

19 All of these things we advocated for and
20 negotiated for on behalf of the community, so that we would
21 have a robust continuing health system here.

22 With respect to employment, this was another area
23 that we focused on and negotiated for. We included
24 requirements, that the Buyer accepted, to employ
25 substantially all ECHN employees prior to the closing on the

1 day after the closing. Our employees will enjoy comparable
2 benefits packages to what they had pre-closing. And very
3 significantly we carefully and thoughtfully extended out to
4 a fairly significant far out date our collective bargaining
5 agreements with our four unions, and their expiration dates
6 are now June 2018 for our Manchester Hospital RN's, May,
7 excuse me, June 2018, did I say 2014? -- June 2018; May 2017
8 for our Manchester Service and Skilled Maintenance
9 Employees; June 2017 for our Technical and LPN Employees at
10 Manchester Hospital; and December 2018 for the RN's at
11 Rockville. Again, I just want to repeat that was done in
12 order to protect jobs, to make sure that this commitment
13 will last for a significant period of time.

14 The last thing I want to talk about, on this
15 slide, and I'm sorry for the length of time on it, is the
16 capital commitment that we obtained, again through a robust
17 negotiation process with the Buyer. In this capital
18 commitment, the Buyer has agreed to spend, after the closing
19 -- after they already are the owner -- seventy-five million
20 dollars within the five years post-closing. Again, I just
21 want to be clear, this is in addition to the purchase price,
22 it's another seventy-five million on top, and it will pay
23 for upgrades to the ECHN facilities and projects to improve
24 our services.

25 If you remember there was a slide that Peter spoke

1 to about all these needs that we have. They're very large
2 and very costly needs due to our inability to access
3 capital. They are growing, and we really do need the money
4 for upgrades, so examples of the things that we will be
5 spending -- that the Buyer will be spending -- the money on
6 are a renovation to our facilities, recruitment costs to
7 bring in needed medical staff, the expansion of our clinical
8 departments, the purchase of medical equipment and/or
9 electronic medical record system, and other things.

10 So one thing just to be aware of that is that if a
11 law of rule is passed or applied that discriminates against
12 for-profit entities, the Buyer has the ability to delay some
13 of those investments, but if it does so, it has to confer
14 with the Local Board, that Board that I described, and
15 explain why it needs to defer and kind of what the process
16 will be for ultimately making those investments.

17 When you file a CON, a Certificate of Need
18 Application, you have to explain to the regulator what kinds
19 of changes are being requested to the services or the town
20 served. And, this is for your information, there are no
21 changes requested to either the services or the towns served
22 as part of our initial Application, nor will there be at the
23 time of the CON Application.

24 So I'm going to move to the next slide. I guess I
25 do that, right, Nina? [Slide 21: Project Cost] Okay. So

1 this is going to be a very quick walk through for you of
2 kind of how the funds flow. Okay, so at the very top you
3 can see what I mentioned earlier. There are excluded
4 assets, which are the donor restricted funds, our cash and
5 investments, and our cost report settlements. So that sits
6 there on the top, it's put aside. After you put that aside,
7 the Buyer has agreed to a purchase price as indicated in our
8 letter of a hundred and five million dollars. This amount
9 has been confirmed fair. I think if you may remember -- I
10 know this is a lot of stuff -- but there is a requirement
11 that we produce a fairness opinion. We have already done
12 that by a nationally renowned entity named Duff and Phelps.
13 They have issued a report indicating that these -- that this
14 payment is fair. It's based on an estimate of the future
15 cash flow. So there's various different ways that I know
16 people are trying to grasp, where does this number come
17 from. Basically what the analysis did was it said, again
18 speaking back to a slide earlier (the pressures involved in
19 reduced reimbursement and additional costs, etc.), based on
20 those things and who we are and what we have access to now
21 this independent entity looked at our situation and said --
22 again based on the estimates of the future cash flow that we
23 will likely be able to access -- what is the value of this
24 entity? And they came up with, basically they looked at the
25 number we negotiated and concluded that it was fair. A

1 number of different measures were used. I want to confirm
2 to you that the report of Duff and Phelps, along with
3 effectively everything else about this transaction, will be
4 made available online on the internet by the Attorney
5 General and you'll be able to read every word of it, if
6 that's of interest.

7 In addition, there will be a process, after the
8 hundred and five million, of deductions, and I mentioned the
9 most significant of them earlier. The first thing after--
10 so we start with a hundred and five million. The first
11 thing that happens is that there will be a true up. That is
12 an adjustment to our net working capital, and that's a
13 technical phrase, but basically just like with your checking
14 account you know you have to have enough money in it to pay
15 your bills on an ongoing basis. That's the net working
16 capital amount, and there's an estimate of it done early and
17 then that's got to be trued up to make sure, you know, that
18 the amount there is acceptable and appropriate.

19 After that, there will be reductions for the
20 liabilities -- again, that we already owe this money to
21 others -- that the Buyer has said they are willing to take
22 on for us. So naturally the price goes down, the payment
23 goes down to reflect the liabilities that they're taking on.
24 Those include the unfunded pension, the post retiree health,
25 the captive insurer liabilities, our worker's compensation

1 liabilities, our employee benefits liabilities if there are
2 any, our capital leases and other things, and our asbestos
3 liabilities. So those are the primary things that will
4 reduce the price -- will reduce the payment down below the
5 initial hundred and five.

6 There will be a remaining amount then that will be
7 combined with the cash and investments that, if you
8 remember, are not included in the sale, and that combined
9 amount will be used to pay off our long term debt. Again,
10 hospitals all have long term debt. That's basically part
11 of the nature of running the business, just like when you
12 bought your house you have to pay the mortgage, we have to
13 pay the bondholders and they'll be sitting there ready to
14 take their money on the day of the closing.

15 After that, there will be a certain amount of
16 money then left, that will then be -- part of it will be put
17 into an indemnity reserve which is basically it's a fund,
18 it's a bank account put to the side to cover any liabilities
19 that nobody's thought of. We don't know that they're going
20 to happen, they just emerge after the closing, because
21 remember we won't be here anymore, so that is the old ECHN
22 won't be here anymore, I mean the entity will be here, and
23 so there has to be a fund to pay off those liabilities going
24 forward. Whatever is left after that will go to a community
25 foundation of some kind. The Attorney General will define

1 what that is. We will make suggestions, but ultimately it
2 will be the Attorney General's decision on where those funds
3 go.

4 Now, then after the closing, as I mentioned will
5 be the seventy-five million dollar capital commitment that
6 still remains and that will be something that will be used
7 to enhance ECHN and its facilities and services going
8 forward.

9 So the only thing I just want to add at the end is
10 this little asterisk down at the bottom. We think this is
11 a very good deal for ECHN, and for the community. Let me
12 just repeat that, we think this is a very good deal, and
13 however, something could happen; that being, if there is a
14 material change to the business assets, liabilities,
15 financial conditions, or the result of operations of ECHN,
16 the Buyer has the ability not to complete the transaction.

17 In addition, we have to be sure to create -- have
18 that medical foundation created. That's a condition to
19 closing. And as with any large transaction of this kind
20 there are many other closing conditions. You know it goes
21 on for pages and pages, that's what these things do, and we
22 have to just make sure that we meet all of our obligations
23 in order to close.

24 So the last thing I want to say is, you know, just
25 as I'm closing is to give you the sense and the

1 understanding that every single step of everything we've
2 done from the very beginning of this process was with the
3 understanding that it would be transparent and independently
4 verified.

5 We have the Duff and Phelps Fairness Opinion. We
6 have the outside audit of our financial statements, we have
7 actuarial reports that explain what our pension and retiree
8 health obligations are. These are numbers fixed by
9 independent other people, not us. Now the Attorney General
10 and OHCA will do yet another independent review and each of
11 them will hire independent experts that we pay for in order
12 to look at us and the numbers again. So that's just to give
13 you a sense that there is an independent eye looking at
14 every one of the things that we're saying tonight.

15 That's all I have.

16 MR. McCONVILLE: Thank you, Joyce.

17 [Slide 22: Public Comments & Questions] Now we're
18 onto that part of the Hearing where you, the public, are
19 allowed to make your statement or ask your questions with
20 regard to the Letter of Determination. Let me just remind
21 you of some of the guidelines that we have set up for this
22 portion of the Hearing. You must sign in if you wish to
23 comment or ask a question of the panel regarding the Letter
24 of Determination. If you've not signed in and wish to
25 speak, please see Nina in the back of the room, and she will

1 sign you in.

2 If you signed up to testify, I will call your
3 name. Please come up to one of the microphones, we'll move
4 them out a bit, and make sure you state your name and your
5 town of residence. In deference to allowing everyone to
6 speak, we request that each speaker limit your participation
7 to one appearance at the microphone, and in the interest of
8 time we ask that you try to limit your comments to
9 approximately three minutes or less in order to ensure time
10 for all participants. Again, your statements should be
11 directed to and questions to the contents of the Letter of
12 Determination. If you signed in to testify, but you've
13 changed your mind, when I call your name, just say no
14 comment. If you've prepared written legible testimony and
15 the hour is growing late, you may leave your testimony with
16 Nina and we'll make sure it gets into the record.

17 With that, I'd like to announce our Panel for this
18 evening. I'd like to call up -- oh, sure, thank you -- I'd
19 like to call up in addition to Peter Karl and Joyce who have
20 presented already this evening, we have Gayle Capozzalo who
21 is Executive Vice President and Chief Strategy Officer for
22 Yale-New Haven Health System, Vin Petrini, Senior Vice
23 President for Public Affairs for Yale-New Haven Health
24 System, Trip Pilgrim, Senior Vice President and Chief
25 Development Officer for Tenet Healthcare Corporation and

1 Eric Wexler, Senior Vice President for Tenet Healthcare
2 Corporation, Northeast Region, and I would like to invite
3 you all to come up to the stage, and if we could turn off
4 the presentation, please. Can we get some light up here?
5 We're not going to have them sit in the dark, are we?

6 All right. The first person I'd like to call to
7 the microphones is Melodie Peters, please.

8 MS. PETERS: Thank you very much for this
9 opportunity. I'm very happy to see that I'm not talking to
10 a wall, that there are actual people there.

11 I am not a resident of this community, but I have
12 huge buy-in to this community. My name is Melodie Peters,
13 and I'm the President of AFT Connecticut, and we are a
14 diverse Union of twenty-nine thousand public and private
15 sector members. We're very proud to represent over seven
16 hundred members both in Manchester and Rockville Hospital.

17 Tonight I'm pleased to be joined by -- and if you
18 excuse me for a second, the leadership of those Manchester
19 Locals are sitting in the back, and I must say that I'm
20 quite proud of them because they really do have, as you all
21 do, the intention of quality care and access to care in this
22 community, that's Anne-Marie Cerra, she's President of the
23 RN's, Melanie Karpinski, she's President of the Service and
24 Skilled Maintenance Employees, and Darcy Cowles, who's
25 President of the Technical Unit, and they're also joined by

1 no stranger to some of you up here, our very capable and
2 able Field Staff, Neil Alper.

3 Thank you for the opportunity to speak to you this
4 evening. I have given a full testimony to the AG's Office
5 and I have, in the interest of jet lag and conversations
6 that we will continue to have, I have cut down my testimony
7 so that it's not quite as yawning, but we are very, very
8 excited to be here tonight to discuss this proposal.

9 AFT Connecticut recognizes that the healthcare
10 landscape is quickly changing and that ECHN has decided that
11 the only path to long term financial stability, as well as
12 access to healthcare in this community is to abandon non-
13 profit status and move to a for-profit health care
14 corporation. I might add that AFT Connecticut has been on
15 this right from the beginning in terms of we understand to
16 sustain healthcare in this State, we are going to have to
17 move to a for-profit system in some cases.

18 As healthcare professionals with the
19 responsibility to advocate for our patients, their families
20 and our communities, we're concerned about preserving the
21 patient access to health quality care and protecting the
22 commitment to the community service programs that we've come
23 to expect from ECHN. We want our ECHN hospitals to continue
24 to be responsive to these concerns and provide access to
25 all, not just to those who can pay for profitable service,

1 for these reasons we strongly urge all actors in this
2 proposed transaction to act openly, honestly and
3 transparently by engaging stakeholders, not shareholders.
4 And I will say that we have that relationship with ECHN now
5 from practically day one, and I believe that we're all
6 blessed by that.

7 They also initiated substantive discussions with
8 Union representatives about their intentions. This process
9 allowed for frank, sometimes contentious labor/management
10 dialogue which allowed the fundamental needs and interest to
11 each party to be clarified and communicated at the earliest
12 stages of the process. Ultimately, this process resulted in
13 a number of significant changes in existing collective
14 bargaining agreements and perhaps, more importantly, to the
15 extent allowed by Tenet and Yale will continue to provide an
16 important line of communication between ECHN and its
17 employees throughout the transition. And I have no doubt in
18 my mind that that dialogue will continue because we -- we
19 took a blood oath, did we not?

20 During the discussions of the collective us, we
21 agreed to do community forums even before the new law was
22 enacted and to ECHN's credit, they hosted two forums in May
23 and April to explain their intentions. Some concerns we have
24 merit more serious discussions during the process, and they
25 are community oversight board. The CON Determination legal

1 notice mentions that establishment of a Local Advisory Board
2 and I believe that it was mentioned in the presentation.
3 And it really is a Board of Trustees to serve as a resource
4 on capital investment, maintenance implementation of
5 strategic business plans, medical staff credentialing,
6 quality assurance, so forth and so on, comprised of
7 physicians, individuals drawn from the local community. In
8 theory this sounds great, but we really would like members
9 of the Board should be independent voices that represent all
10 stakeholders, and because I'm an advocate for organized
11 labor and our healthcare providers, I would certainly not
12 object to having members of the staff on this Board.
13 Legislative efforts were rejected last month, and I know
14 that you mentioned that there were some parts of the
15 legislation that was negotiated out and negotiated in, so
16 forth and so on, and I will take issue with your comment
17 about the foundations, and sometime I would love to have a
18 conversation with you about that; that's probably different
19 than what you expressed. All right, so that's the way the
20 ball rolls in the Capitol. I know I spent twelve years in
21 the Senate up there and you don't want to see sausage being
22 made, right?

23 But we think this is an important part of the bill
24 that allows for real true community input and we would like
25 to see the AG's office reconsider that part in his

1 deliberations. Another part is the independent monitoring,
2 efforts to create and fund an independent monitor for the
3 hospitals also went down the tubes. Such a role would
4 insure that ECHN and its partners live up to the terms of
5 the approved conversion and keep the promises they've made
6 to the community. I think it would be a great move.
7 Establishing an independent monitor would ultimately
8 facilitate dialogue between the hospitals, the patients,
9 communities and the Attorney General, the Department of
10 Public Health creating a mechanism for success, because we
11 have learned through our efforts that working in coalition
12 does bring about success for everybody. So we would urge
13 the Attorney General to do that.

14 A couple more and I'm done.

15 Charitable care and community benefits, proposals
16 were also rejected during the Legislative Session that would
17 have required hospitals to undergo -- undergoing a
18 conversion to establish written agreements detailing minimum
19 levels of spending, uncharitable and uncompensated care,
20 community outreach and volunteer services.

21 We call on ECHN and its partners to establish a
22 detailed definitive written Community Benefits Agreement
23 voluntarily. I mean that's really in my mind good faith,
24 but urge the Attorney General to require it as a condition
25 if this is not done.

1 The last one is unemployment -- employment, oh my
2 goodness, I said unemployment, which we could all be if this
3 doesn't work out, right -- is the employment, you were
4 correct in saying that, in fact, the CON Legal Notice
5 promises efforts and offers employment to substantially all
6 ECHN employees with salaries and benefits consistent with
7 other Tenet employees, and we're very grateful because we
8 know that landscape, we've formed relationships, and they're
9 relationships that I think are built on trust.

10 Given our collaborative relationship with ECHN, we
11 urge Tenet and Yale to not only honor the existing
12 collective bargaining agreements through their duration, but
13 to recognize that there's real benefit to this community, to
14 the workforce, to working families in this community, to
15 continue to bargain in the future.

16 In conclusion, there is much ECHN and its
17 corporate partners can do to protect the communities they
18 serve, as they attempt to convert from not profit to for-
19 profit status.

20 We ask that they proactively address the issues
21 outlined in my testimony, and you have received a copy of it
22 beforehand, and seize the opportunity to establish true
23 partnerships with all stakeholders, understanding that we
24 don't always agree on everything, and we don't, but we have
25 found a way to get through that.

1 I really appreciate the partnership that we have,
2 we have established this in good faith with ECHN, and we
3 would very much like to see that continue.

4 It is only by working collaboratively that we will
5 succeed and I thank you for your time tonight.

6 MR. McCONVILLE: Thank you, Melodie.

7 Next I'd like to call on Gary Silverman.

8 MR. SILVERMAN: Thank you.

9 I'm going to keep this on a --

10 MR. McCONVILLE: Please state your name and your

11 --

12 MR. SILVERMAN: Gary Silverman, I live locally in
13 Glastonbury. I want to say thank you with all the humility
14 and appreciation for the stewardship from Peter, Dennis,
15 Dennis and Nina.

16 Unfortunately, fortunately, my family, immediate,
17 extended, my employees and I have had to use the hospital
18 numerous times. It's a small town hospital with a big time
19 deliverance of execution with humanity. Selfishly speaking
20 I think it's one of the wisest decisions to partner with
21 Yale and Tenet. I don't know much about Tenet, but Yale is
22 one of the finest hospitals in the country, so now I have
23 Yale in my front yard, my backyard, my side yard, with a
24 pretty damn big checkbook. It doesn't get much sweeter, it
25 really doesn't.

1 I'm not trying to make a philosophical statement,
2 it's just reality, and it wouldn't have come to fruition
3 without the stewardship, leadership of what I've seen over
4 the past several years. Look what Manchester has done, it's
5 a small town hospital with a DeQuattro Cancer Center,
6 DaVinci Epicenter Robot Surgical Center, advances in the
7 Behavioral Unit that took it from One Flew Over the Cuckoo's
8 Nest to some place that you're proud to have your family
9 come and receive the help it needs.

10 I'm sure there are other things that I've left
11 off, many other services, and unfortunately I've used the
12 emergency room more than I care to think about, and the
13 doctors know me there, and know my son, so thank you, it
14 wouldn't have happened. I support your decision, I applaud
15 all the thankless, tireless and effortless jobs you do to
16 make this come to fruition, and I embrace it totally.

17 Thank you for your time and thank you for your
18 kindness and services.

19 MR. McCONVILLE: Thank you, Gary.

20 Next I'd like to call on Joe Tyler.

21 MR. TYLER: Gee, I feel like I'm going to rain on
22 the parade here.

23 Joe Tyler, 165 Oak Forest Drive, Manchester,
24 Connecticut. I'll be frank, I do not think you folks have
25 done proper due diligence and fiduciary responsibility.

1 When you put your chart up there on the institutions you
2 looked at, at the last hearing I asked Mr. Karl if they
3 looked at any non-profit operation or entity outside of the
4 State of Connecticut who might have possible interest in
5 coming into Connecticut and the answer was "no".

6 I also contacted some non-profits outside the
7 State of Connecticut and they hadn't heard that Eastern
8 Connecticut Hospital Association was for sale or anything
9 else in the way of proposals. Now I know I'm going to hear
10 excuses for this, but the fact that this wasn't done
11 regardless of your excuse, to me does not fulfill
12 responsibility for fiduciary and due diligence.

13 Secondly, the financial arrangement -- what the
14 officials in whatever way you want to call them, exit costs
15 or the golden handshake, or whatever you want to call it has
16 not been made public, and this raises all kinds of
17 suspicions as to what's going on in that area, and when you
18 talk about having an open process, I think that that needs
19 to be corrected.

20 Thirdly, on local taxes, some of the local
21 officials have probably not gotten involved as much in this
22 process because of the fact they see that while we're going
23 to get tax money out of this.

24 My question to them is, when you're dealing with a
25 for-profit what are you going to do when they come to you

1 and threaten to leave town if you don't eliminate their tax
2 bill, or cut it back, or rearrange it, what are you going to
3 do then?

4 And the fourth issue is Yale having only twenty
5 percent stake in this. Now I am a big fan of Yale, okay.
6 My wife, Sue Tyler, taught at Manchester High School for
7 thirty-six years. She was part of the first group of women
8 to be officially admitted to Yale in the Summer of 1966 to
9 take official classes at Yale. This is before they admitted
10 the student full time in 1969, so I'm a big fan of Yale, but
11 I think this would be a lot better if Yale, instead of
12 having twenty percent stake, had like fifty percent stake,
13 because now that they no longer have to use Yale Medical
14 Foundation, and they can use their own foundation, what do
15 they need Yale for? Okay. And somebody really ought to
16 think hard about that. I mean I know there are all kinds of
17 commitments and nice verbiage about what Yale's going to do,
18 and stuff like this, but just remember they've only got
19 twenty percent stake in this, and they can be terminated out
20 of this very easily.

21 And then the question is, what if Tenet -- you had
22 this long list of commitments that they made to you, what if
23 the name of being a profit making company that they renege
24 on these commitments, because after all, the bottom line is
25 their only accountability is to their shareholders, okay?

1 They can sign anything they want with you folks
2 and at some point, they can say it isn't in the interest of
3 our shareholders and they can renege on it. Where are you
4 then, because you're dealing with a for-profit operation and
5 their responsibility is first and foremost to make a profit,
6 and therefore they usually either they raise costs or they
7 cut services in the process.

8 I think one of the biggest problems in this whole
9 thing is the fact that I don't think enough real attention
10 was paid to this whole issue of profit versus non-profit
11 institution, and by the fact that you folks did not go to
12 any non-profit operations outside of Connecticut, I don't
13 care what the excuse is, what the assumption was, it didn't
14 happen, and it should have happened.

15 Thank you.

16 MR. McCONVILLE: Thank you, Mr. Tyler.

17 Next I'd like to call on Chris Buchholz.

18 MR. BUCHHOLZ: Good evening. My name is Chris
19 Buchholz. I am a resident of Glastonbury, Connecticut. I'm
20 also a Community Volunteer for ECHN since 2007.

21 I believe a strong local healthcare institution
22 benefits the community in many ways beyond healthcare
23 services. A healthcare network like ECHN is an integral
24 part of the cultural fabric of our communities offering
25 opportunities for volunteerism, educational programs,

1 sponsorship events and social services for the less
2 fortunate.

3 ECHN is a significant employer and a major
4 contributor to the economic health and vitality of our
5 community. As much as I might like ECHN to remain
6 independent and stay exactly as it is today, I realize that
7 is not possible due to changes in the healthcare industry.
8 A healthy and vibrant community requires a healthy and
9 vibrant healthcare institution, therefore, I support the
10 asset sale to Tenet Healthcare Corporation in partnership
11 with Yale-New Haven Hospital System as a way to maintain and
12 enhance our local healthcare network.

13 I think Yale is a great partner and I don't think
14 you could find a better partner. Yale is a premier health
15 network and I know from personal experience their commitment
16 to excellence. Eighteen months ago, my father was diagnosed
17 with cancer, he was a patient of the Smilow Cancer Center at
18 Yale. Though he ultimately passed away, I can testify that
19 he received high quality and compassionate care. I was
20 impressed by Yale's commitment to his physical, mental and
21 emotional wellbeing, the teamwork and communication by the
22 medical staff and the medical team and the respect they
23 showed both my father and our family. Compassion,
24 commitment, teamwork, communication, respect, these values
25 sound very familiar because these are the values that ECHN

1 also aspires.

2 I think this partnership will further enhance the
3 mission of ECHN and further contribute to the health and
4 vitality of our community.

5 Thanks very much.

6 MR. McCONVILLE: Thank you, Chris.

7 Next, I'd like to call on Lynne Ide.

8 MS. IDE: I'm a little shorter. My name is Lynne
9 Ide, I'm the Director of Advocacy of the Universal
10 Healthcare Foundation of Connecticut. We're a statewide
11 non-profit philanthropic organization and we're dedicated to
12 achieving quality affordable healthcare for every resident
13 of the State of Connecticut.

14 MR. McCONVILLE: Excuse me, Lynn, and where do you
15 live?

16 MS. IDE: I don't live in the area, I live in
17 Willimantic. Our office is in Meriden, we're statewide.
18 Universal Healthcare Foundation of Connecticut is concerned
19 about the accelerated activity around non-profit hospitals
20 converting to for-profit ownership while so many other
21 changes are happening in our healthcare system. If we are
22 serious about transforming our healthcare system to focus
23 more on the health of people and communities and to focus
24 more on improving quality, while lowering costs, we must
25 have health systems that are held accountable to the

1 residents of this State. Handing ownership off to a company
2 from outside Connecticut that is answerable first and
3 foremost to Wall Street, does not seem like a recipe for
4 accountability.

5 We're very concerned about this deal, and we have
6 a few -- just a few point in the interest of time, I'm not
7 going to talk much about each of them, I'm just going to
8 list these bullet points:

9 We believe that this proposal must be evaluated
10 and approved or denied based on several factors, first, we
11 think there should be the completion of an independent
12 comprehensive community impact assessment which in addition
13 to other indicators includes community health indicators,
14 and the commitment to make progress in improving community
15 health outcomes, including consideration of the State
16 Department of Public Health, State Health Improvement Plan
17 and the Chronic Disease Plan, the State Innovation Model
18 Process, achieving health equity for underserved populations
19 and any specific local public health priorities.

20 Second, the provision of and funding for an
21 independent third party monitor with clear public reporting
22 and public hearing requirements.

23 Third, the guarantee of open, transparent,
24 accountable processes throughout leading up to approval of
25 this or denial of this, and if it is approved after the

1 conversion takes place.

2 Four, the requirement that if a conversion to for-
3 profit status occurs, Tenet Healthcare will conduct a
4 community health needs assessment every three years which is
5 required by the Affordable Care Act for non-profit hospitals
6 but not for for-profit hospitals. We'd like that Tenet to
7 agree to do this.

8 Fifth, the protection against off loading less
9 profitable patient care to non-profit hospitals in the area,
10 or the State's John Dempsey Hospital.

11 The creation of an independent community oversight
12 board made up diverse stakeholders that are not appointed by
13 ECHN or Tenet Healthcare which shall receive reports from
14 the independent monitor.

15 And, lastly, the requirement that all public
16 accountability, health impact, and transparency provisions
17 of an ECHN conversion to Tenet Healthcare in that deal be
18 honored if future sales occur.

19 Thank you very much.

20 MR. McCONVILLE: Thank you.

21 Next I'd like to call on Bob Rodner.

22 MR. RODNER: My name is Bob Rodner. I'm actually
23 a retired physician. I retired a year and a half ago from
24 the medical staff here. My perspective is that I joined the
25 medical staff in 1975 and I served on a committee that

1 ultimately established ECHN from the two entities,
2 Manchester and Rockville, and our deliberations at that time
3 with Mike Gallagher (phonetic) and Gus Boardman (phonetic)
4 really paralleled what has happened here again, although
5 dealing with the financial problems at that time, the for-
6 profit relationship was last on the list, and like most
7 speakers here we did everything we could to avoid that, and
8 hoping to delay this as much as possible, so here we are now
9 maybe fifteen years later and have delayed it, but it does
10 appear that the inevitable has come.

11 I have observed the process that's taken place and
12 I'm certainly very impressed by the efforts of the Board and
13 the search committee to find suitable partners.

14 I think we all would prefer to keep this as a non-
15 profit entity and with control in our local community, but
16 the need for capital becomes paramount because in my opinion
17 and I can't imagine anyone would disagree in this day and
18 age of hospital entity sort of stagnates, it's basically
19 going downhill, so that without the investment in the
20 technology and resources and personnel that advance the
21 mission here sort of have a losing battle.

22 So having said all of that, I do have a concern
23 and a question to the for-profit entity. I think we're all
24 aware of some of the past history of the for-profit, and
25 we're also aware of many instances where for-profit entities

1 have abused the system of encouraging overuse of health care
2 and overuse of procedures and diagnostic modalities and
3 treatment modalities. So obviously this isn't a question
4 and answer session, but I do address the representative from
5 Tenet to ask how do we -- how can this community be assured
6 of both as a medical staff and as a community of users that
7 the overriding policies of Tenet, as a for-profit entity
8 won't result in medical decision making that becomes abusive
9 of the community.

10 MR. McCONVILLE: Just for the record, Trip Pilgrim
11 is going to take the question.

12 MR. PILGRIM: Thank you for your question, Doctor,
13 I appreciate it.

14 You know one of the things we like to -- how we
15 like to characterize ourselves as a company is judge us by
16 our behavior don't judge us by our tax status. And yes you
17 can go back through the history and even our own company
18 have had issues in the past where we've done things that
19 we've had to atone for, but if you look back in history,
20 you'll see there are just as many not for-profits have done
21 the same kind of things, (Inaudible) from Philadelphia,
22 Parkland Hospital in Dallas, Texas is under Medicare, you
23 know, corporate integrity agreement, so you've seen behavior
24 on both sides of the tax status equation, so I would say to
25 you that just historically you can find bad behavior

1 everywhere, and it's unfortunate.

2 Now how do you get comfort in our company today
3 that we provide healthcare, you know, in the right amount,
4 the right place, the right time in a compliant fashion. I
5 think what I'd just like to point to is the transformation
6 that Tenet has gone -- undergone over the last ten years,
7 and today we are widely recognized by third party --
8 independent third party organizations that rate companies,
9 not just in healthcare, but across all industries, for
10 corporate governance and corporate compliance, and every
11 year in the last four or five years, we've rated in the top
12 deciles, quartiles, whatever, for governance and compliance,
13 and one of the great measures of a highly compliant
14 organization is that they find things. We have eighty
15 hospitals, a hundred and three thousand employees, does that
16 present an opportunity for something happening somewhere in
17 the company that's not necessarily compliant, and the answer
18 is yes, and we're proud of the fact that we have a
19 compliance program that identifies it, that roots it out,
20 that corrects it, and then moves forward. That's the
21 commitment we've made in all the communities we serve, and
22 so I think that's -- look how we've transformed as a
23 company, you look at our commitment of compliance, look at
24 our commitment to governance, and I think that's where you'd
25 find comfort.

1 MR. McCONVILLE: Thank you.

2 Next I'd like to call in Tom Swan.

3 MR. SWAN: I've got some remarks, but I just first
4 want to start by saying, Trip that was very slick.

5 MR. McCONVILLE: I'm sorry, just state your name
6 and your town.

7 MR. SWAN: Good evening, my name is Tom Swan, I'm
8 the Executive Director of the Connecticut Citizen Action
9 Group, CCAG is a statewide membership-based organization
10 that has been working on healthcare for over forty years
11 here in Connecticut.

12 In addition, as a Coventry resident, I, like
13 hundreds of our members, CCAG's members live in the ECHN
14 service area and have actually taken advantage of some of
15 the services here.

16 I want to start by expressing our appreciation for
17 your commitment in keeping the community engaged to date.
18 Having said that I want to make clear, we have very serious
19 reservations about the sale of our community hospitals to
20 the Tenet Corporation, and I'm worried about what the
21 continued consolidation of hospitals and medical practices
22 in Connecticut will have on access, cost and quality. Let's
23 be clear, Tenet is looking to purchase hospitals and
24 provider practices in Connecticut to make money. There is
25 no altruistic purpose and furthermore from our prospective

1 Yale-New Haven's participation only causes additional
2 concerns.

3 The money they plan to make has to come from
4 payers, the public, providers, workers, or patients. It has
5 to come from one of those.

6 Some areas that we believe must be addressed as
7 part of the ECHN's Board's fiduciary responsibility, which
8 is a criteria the Attorney General must analyze in his
9 review, include the Community Advisory Board. What's the
10 real powers? Will this Board have to insure that the
11 mission of the ECHN non-profit hospitals are continued in
12 terms of healthcare access, affordability and quality.

13 The way that you've proposed for the members to be
14 chosen and the makeup with the conflict of interest by
15 people being employees of Tenet or the new corporation being
16 formed is not acceptable to us, and doesn't pass the smell
17 test. What protections will there be in terms of conflict
18 of interest and independence from the acquiring
19 corporations? The resulting corporation from any sale needs
20 to clearly delineate in measurable and enforceable language,
21 a community benefits agreement that includes their
22 commitment to meet our community's health needs, improving
23 health status of the residents in the area, and the economic
24 vitality of the region.

25 This includes fulfilling the community health

1 needs assessment that non-profit hospitals are required to
2 do under the Affordable Care Act.

3 The proposed resulting medical foundation could be
4 very disruptive to the relationships of patients and their
5 providers. What may be the impacts on the patient-provider
6 relationship for patients whose provider chooses not to be
7 part of the foundation? Will all payment arrangements be
8 publicly disclosed and shared with the Community Board?

9 The growing incidences of charging patients
10 facility fees and reclassifying people who use hospital
11 facilities is being under observer status are unnecessary
12 schemes to shift more cost onto healthcare consumers. What
13 protections will this Board put in place to make sure that
14 services remain affordable, especially for people on limited
15 income and people using publicly supported healthcare, and
16 that the public is not left vulnerable to such schemes.

17 What's the level of resources and information that
18 will be provided for an independent monitor to review the
19 activities of the new corporate entities? Its progress in
20 meeting its commitments and improving health in each of the
21 communities in the service area, its continued staffing
22 levels by department or facility, the impact to the medical
23 foundation, its fulfillment of uncompensated care promises,
24 and the other areas determined by a real independent Board.

25 The monitor cannot be chosen by the hospital, it

1 must have access to any information deemed necessary
2 including baseline information prior to the culmination of
3 the sale.

4 Tenet must continue to recognize its workers have
5 the right to be represented by the Union of their choosing
6 and there must be enforceable protection to insure that
7 they're not bad faith activities, like Yale-New Haven has
8 undertook in the past.

9 Furthermore any proposed staffing cuts should be
10 subject to an open hearing and approval. The Board has a
11 duty to identify and to share what was Plan B if this deal
12 does not go through, and go through more of what the other
13 options that you chose not to undertake; and I would not be
14 fulfilling my duty if I did not point out Tenet's long, long
15 track record of violating the law, which has resulted in
16 astounding level of fines over a billion dollars in fines
17 for ripping off taxpayers.

18 Trip professed it's all behind him. If it's true
19 that they will not rip off consumers and taxpayers in
20 Connecticut then they should be willing to pay treble
21 damages as part of the agreement to consumers, payers, and
22 taxpayers if they were found to be engaged in further
23 unscrupulous behavior.

24 In closing, I want to reiterate the importance of
25 the ECHN Board doing their due diligence in consummating any

1 deal, along with the Commissioner of Public Health and the
2 Attorney General.

3 Study after study, it's not financed by the for-
4 profit health hospital industry. If proven, the adverse
5 impact to both for-profit healthcare and the consolidation
6 of hospital industry on access, cost and quality.

7 This Board, the Commissioner of Public Health, the
8 Attorney General have very important roles in protecting our
9 communities and we expect you to fulfill them.

10 Thank you.

11 MR. McCONVILLE: Thank you, Mr. Swan.

12 Next, we have written testimony that was provided
13 to us. First Representative Timothy Larsen, provided a
14 letter that we're going to ask Dr. O'Neill to read into the
15 record.

16 DR. O'NEILL: Thanks, Dennis.

17 Representative Larson was unable to attend, but he
18 wanted his letter read into the record. The letter is
19 addressed to the Honorable George C. Jepson, the Attorney
20 General of the State of Connecticut and the Honorable Jewel
21 Mullen, Commissioner, Department of Public Health.

22 "I am pleased that Governor Malloy signed into law
23 PA14-168, an act concerning Notice of Acquisitions, Joint
24 Ventures, Affiliations of Group Medical Practices and
25 Hospital Admissions, Medical Foundations, and Certificates

1 of Need.

2 This Legislation makes it possible for the
3 potential transaction of Eastern Connecticut Health Network
4 and the Joint Venture between Tenet Healthcare and Yale-New
5 Haven Health System to move forward.

6 You are aware, as I, that many of Connecticut
7 Hospitals have expressed their concern of running out of
8 options to remain sustainable in an ever changing healthcare
9 environment.

10 This Law provides ECHN with a credible option that
11 will allow it to serve the communities east of the river for
12 many years to come.

13 It is important for State and Federal public
14 servants to insure that our constituents have local access
15 to quality healthcare that is affordable. While we must
16 protect our citizens, we also have an obligation to support
17 the efforts of our community hospitals, which are striving
18 to continuously improve quality, while reducing costs, but
19 struggling with lower payments for services and continued
20 plan cuts in State and Federal reimbursements proposed by
21 the centers for Medicare and Medicaid services.

22 From my conversations with Representatives of
23 ECHN, Tenet and Yale-New Haven, I believe this proposed
24 transaction will benefit patients, employees of ECHN, and
25 the communities served by this healthcare system. Access to

1 capital will allow ECHN to keep its two hospitals,
2 Manchester Memorial and Rockville General viable and
3 efficient through the expansion of service lines, to upgrade
4 its facilities and equipment to meet State and Federal code
5 requirements and to remain flexible to quickly respond to
6 patient needs and expectations.

7 Therefore, I encourage the Office of Healthcare
8 Access and the Office of the Attorney General to look
9 favorably upon the proposed transfer of assets as described
10 in the Certificate of Need Determination Letter recently
11 filed by ECHN.

12 Regards, signed, Timothy Larson, State
13 Representative, State of Connecticut"

14 MR. McCONVILLE: Thank you, Dr. O'Neill.

15 We have one more letter of testimony which will be
16 read by Joy Dorin, it was provided and written by one of our
17 Corporators, Kye Cohen.

18 Joy, would you mind?

19 MS. DORIN: This is a statement from Kye Cohen,
20 who's been an ECHN Corporator and is also the owner of the
21 Shoprites in Manchester and East Hartford.

22 "As a Corporator of ECHN, I have always been
23 extremely impressed with the vision, intellect and
24 communication skills of Peter Karl and Dennis O'Neill. I am
25 comfortable with their decisions regarding the ECHN merger,

1 and it's my hope that the company becomes more viable and
2 successful as a result.

3 As a business owner, I am keenly aware of the need
4 for economies of scale. My organization's ability to partner
5 with a larger entity allows us to stay in business, pass
6 immense savings onto our customers, and be philanthropic to
7 the greater Manchester community.

8 The common thread that exists between ECHN and my
9 business is that we both face a highly competitive
10 marketplace. I truly understand the need for ECHN to adapt
11 to a rapidly changing healthcare environment and fully
12 support the merger, so that we may go forward and keep
13 quality healthcare in greater Manchester.

14 Respectfully submitted, Kye Cohen, Owner
15 Shoprite of Manchester and East Hartford"

16 MR. McCONVILLE: Thank you, Joy.

17 Nina, is there anyone else that signed up to
18 testify this evening. No?

19 With that I'd like to turn it over to Dr. O'Neill.

20 DR. O'NEILL: ECHN has enjoyed caring for these
21 communities for nearly one hundred years, and the proposed
22 transaction you reviewed tonight will continue to fulfill
23 the mission of ECHN and provide high quality compassionate
24 care to the communities we serve.

25 Thank you all for your attendance, attention and

1 participation this evening. Thanks for coming and have a
2 good evening.

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CERTIFICATE

I, Sally Omar, certify that the foregoing Transcript of ECHN
Public Hearing held on June 23, 2014, at Manchester, using
the required transcription equipment and is a true and
accurate record of the proceedings.



Sally Omar

Date: June 30, 2014

Preparing for the Future of ECHN

Letter of Determination
Public Hearing
Manchester Memorial Hospital
June 23, 2014



AGENDA

Welcome & Introductions

Dennis G. O'Neill, MD,
Chairman of the Board, ECHN

Hearing Purpose, Statutory
Requirements & Format

Dennis McConville, SVP, ECHN

Healthcare Landscape,
Transaction Rationale & Process

Peter J. Karl, President & CEO,
ECHN

Certificate of Need Letter of
Determination

Joyce A. Tichy, SVP, Legal
Counsel, ECHN

Questions & Answers

Panel

The Proposed Transfer of Assets of Eastern Connecticut Health Network, Inc. and Affiliates to VHS Eastern Connecticut Health System, LLC, a joint venture to be formed between Tenet Healthcare Corporation and Yale - New Haven Health Services Corporation.



State Regulatory Process

Review by Office of Health Care Access (OHCA) and
Office of the Attorney General⁽¹⁾

- * First step in process is the filing of a Letter of Determination
- * Within thirty (30) days of filing of the Letter of Determination, the nonprofit hospital and the proposed purchaser hold a public hearing on the contents of the Letter of Determination.
- * The hearing is to be transcribed, with the recording or transcription made available to the Commissioner of OHCA, the Attorney General, and members of the public upon request.
- * The Commissioner and the Attorney General review the Letter of Determination. The Attorney General determines whether the transaction requires approval under the so-called “Conversion Statute” as a conversion of a non-profit to a for-profit.
- * A joint review process is then undertaken by the Commissioner and the Attorney General.

(1) Section 19a-486a of the Connecticut general statutes

State Regulatory Process

Statutory Standards – Review by the Attorney General ⁽¹⁾

- * The Attorney General shall deny an application as not in the public interest if:
 - * The transaction is prohibited by Connecticut statutory or common law governing nonprofit entities, trusts or charities.
 - * The applicant fails to exercise due diligence in:
 - * Deciding to transfer
 - * Selecting the purchaser
 - * Obtaining a fairness evaluation
 - * Negotiating the terms and conditions of the transfer
 - * The nonprofit hospital failed to disclose any conflict of interest.
 - * The nonprofit hospital will not receive fair market value for its assets.

(1) Section 19a-486c of the Connecticut general statutes

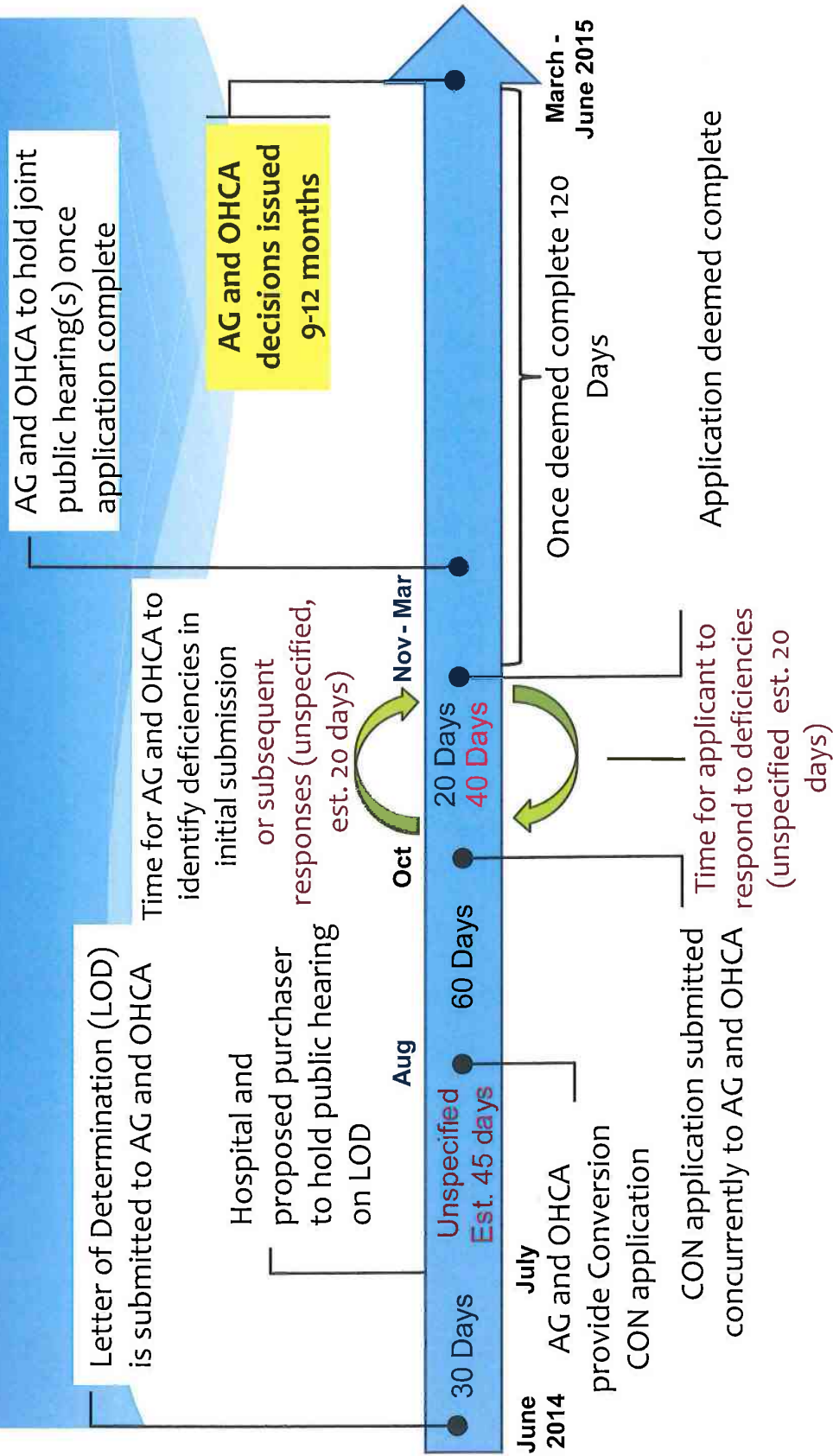
State Regulatory Process

Statutory Standards – Review by OHCA (1)

- * The Commissioner of Public Health must deny an application unless:
 - * The community will be assured of continued access to high quality and affordable care after accounting for any proposed change impacting hospital staffing.
 - * That a commitment has been made to provide care to uninsured and underinsured.
 - * The proposal is also reviewed under standard certificate of need guidelines, including public need, impact on financial strength of health care system in the state, whether proposal will improve quality, accessibility and cost-effectiveness of health care delivery in the region, etc.

(1) Section 19a-486d of the Connecticut general statutes

Conversion/CON Process Timeline



Note: Timeline shows estimated dates only and may change.

The Proposed Transaction

Tenet and Yale-New Haven Joint Venture to buy

ECHN

- * Continued operation of Manchester Memorial and Rockville General Hospitals;
- * Continued involvement of an advisory board that includes community representatives;
- * Capital investments to improve facilities and equipment;
- * Partnership with a leading academic medical center and access to YNHHS's clinical support, quality and service line management;
- * Establishment of a community foundation to oversee certain charitable funds; and
- * Continuation of the ECHN brand and mission, including a continued commitment to charity care and indigent care.

Preparing for the Future at ECHN

Our Mission: Our Community

- * Caring for & serving the community, continuing our mission & vision
 - * Improving your wellbeing with quality, compassionate health care
 - * Preserving ECHN: its name, pride and institutions
 - * Developing the next generation of physicians to serve you
- * Preserving jobs - over 3000
- * Economic engine for eastern CT with over \$165 million in salaries and \$90 million purchased supplies & services annually

Preparing for the Future at ECHN

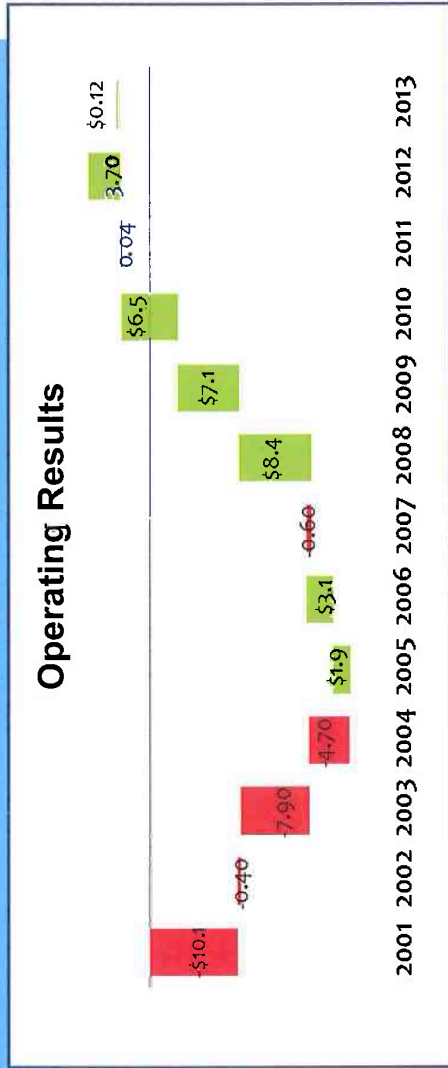
Impact of Healthcare Reform (PPACA)

- * More than insuring 32M more people
- * Declining government payments to hospitals
- * Focus on value, lowest cost and best results
- * New payment systems with providers at risk
- * New delivery models, community focused
- * Major investments required

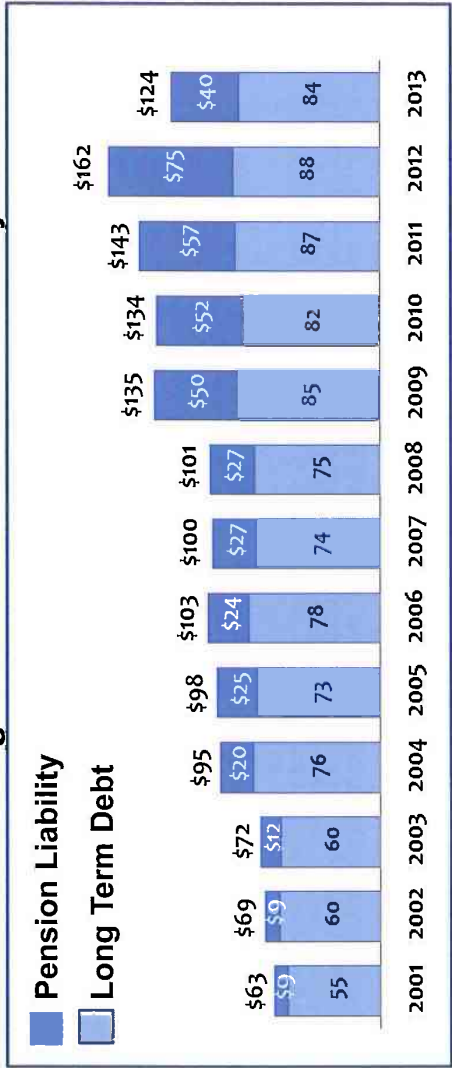
ECHN's Financial Challenges

Low margins and growth in debt have forced ECHN to defer capital investments; the capital expenditure shortfall is exacerbated by pressures to invest in market-leading facilities, equipment and technology

1. Operations contributed only \$7.5M total over the last 13 years: Operational deficits in 2001-2004 of \$23.1 million required 6 years to be overcome

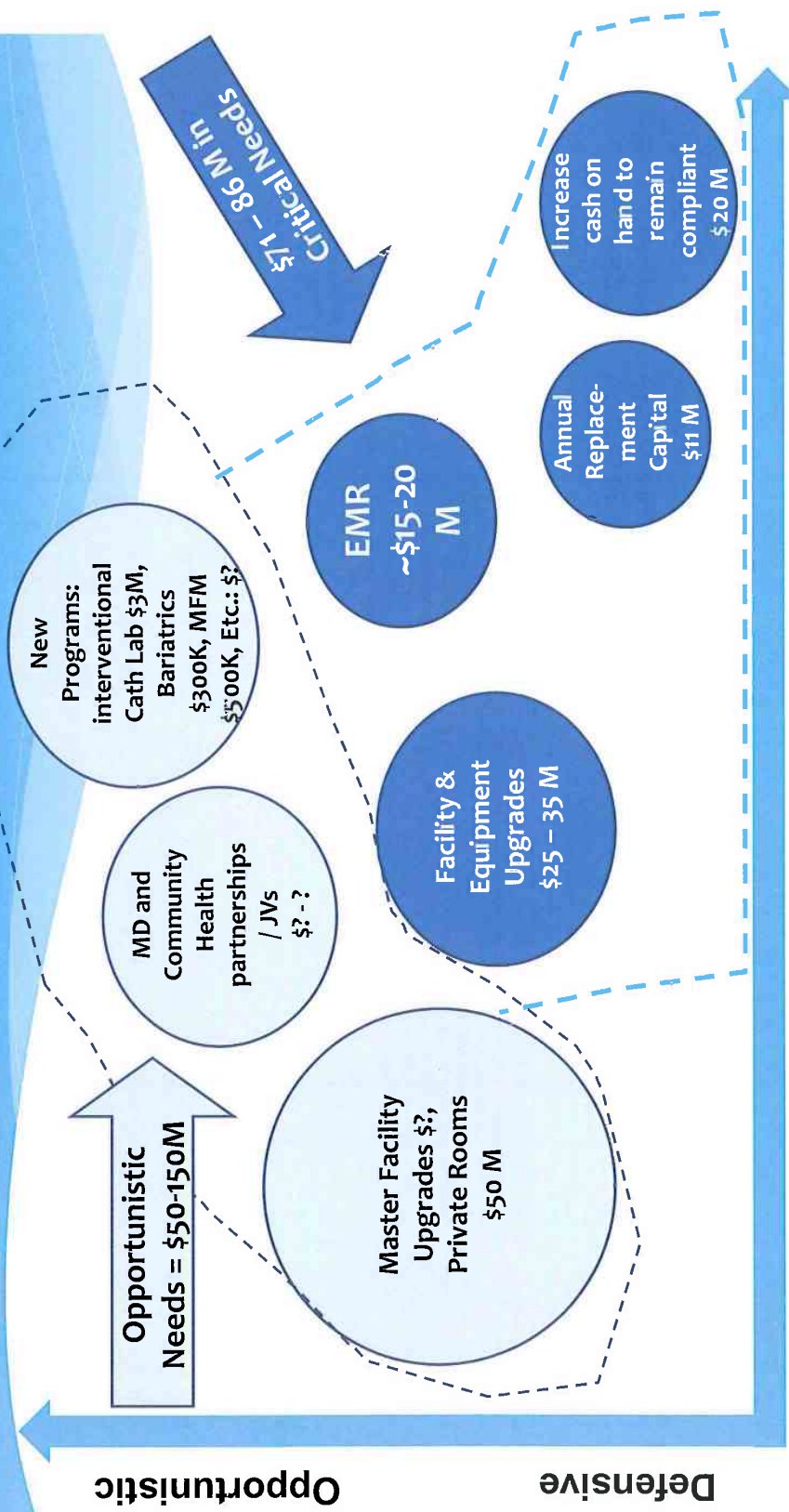


2. Long term debt and pension liabilities have grown 97% (\$61 M) in the last 13 years— annual debt service and pension contributions now take up the lion's share of annual cash flows



ECHN's Financial Challenges

Capital Needs



Least Critical

Most Critical

Continuing Financial Challenges

Taxes and Reduced Government Payments

	FY 2013	FY 2014	FY 2015
CT State User Tax	(4,830,741)	(6,751,665)	(8,623,979)
CMS 2% Sequestration	(1,104,000)	(2,208,000)	(2,208,000)
Value Based Purchasing	(98,141)	TBD	TBD
Readmission rate reductions	---	TBD	TBD
	(\$6,032,882)	(\$8,959,665)	(\$10,831,979)

Negative Forces into the Future

-Continued payment erosion from federal government

-Declining levels of payment from state government

-Payment reforms with more financial risk

-Continued pension obligations

-Rising costs

— Unsustainable results with an
— inability to REINVEST in ECHN

Preparing for the Future at ECHN

Process, Questions Answered

1 Should We Affiliate?

- Stand-alone scenario; how viable?
- Benefits of and Vision for, the Affiliation

2

If so,

- Which Partner Organizations are attractive?
- What Criteria will we use to evaluate them?
- How might each partner help us achieve our Vision ?

3

What can each potential partner organization offer ECHN?

- Enhance services; Attract top Clinicians
- Position us to be “Provider of Choice” east of the CT River
- Improve Finances and Access to Capital

4

How Attractive are the Prospective Partnership Proposals?

- Is there a compelling Business Case for each partnership?
- What is the proposed Deal Structure? Is it attractive?

Preparing for the Future at ECHN

Why join another health care system?

Rationale

- * Create scale to decrease costs
- * Improve access to capital and afford investments
- * Improve finances, reduce/eliminate debt
- * Participate in the new payment systems
- * Protect, preserve and grow local access to services

The Request for Proposal Process: Recipients and Responses

RFP Sent To:

Responses Received From

Not For Profits	<ol style="list-style-type: none"> Hartford Healthcare St. Francis Care Yale-New Haven H. S. Vanguard Health System
For Profits	<ol style="list-style-type: none"> LHP Hospital Group Steward Health Care

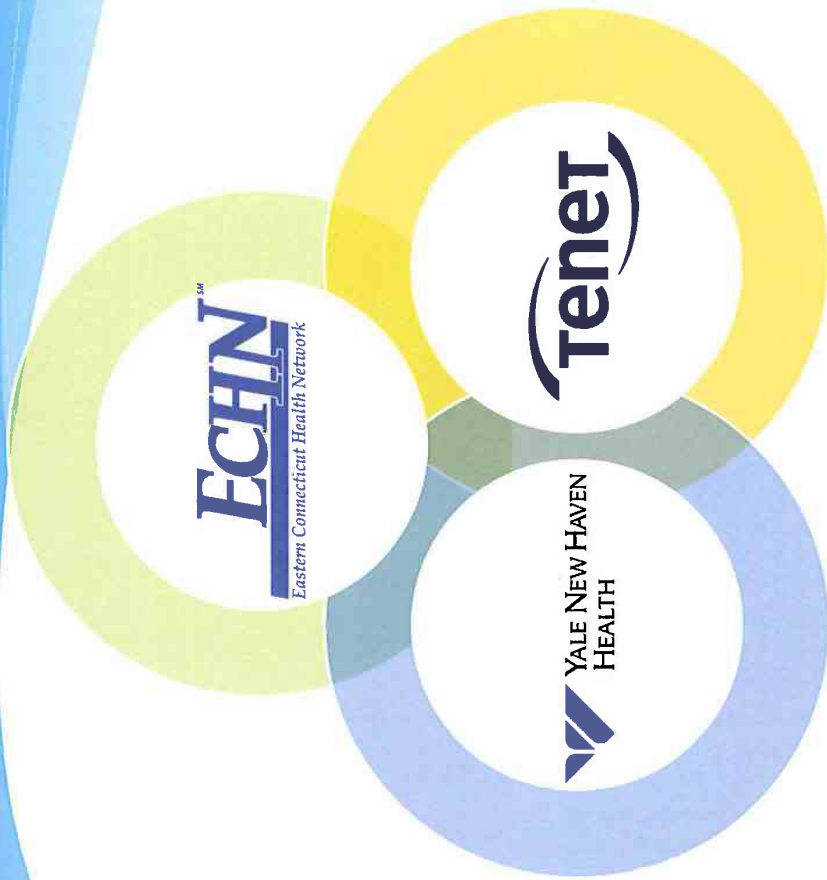


<ol style="list-style-type: none"> Hartford Healthcare with LHP Hospital Group Hartford Healthcare – alone St. Francis Care– Ascension Health Care Network (AHCN) Vanguard Health System - Yale-New Haven Health System
<p>Steward Health Care declined to respond, citing lack of capacity relative to other matters</p>

While RFPs were sent to 6 organizations; due to combinations among the responders and one drop-out, we received 4 responses.

Tenet, YNHHS, ECHN Strategic Alliance

Tenet and Yale-New Haven Joint Venture to buy ECHN



- * Regional Hospital/Delivery Network
- * Aligned mission, vision & values
- * Economic scale, thought leadership, clinical leadership
- * Risk Management Organization

Building a sustainable, thriving network of superior care

What will be achieved?

- * Continue our Mission, Vision & Values
- * Protect Accessibility and Affordability of Care
- * Continued Focus on Quality & Safety of Patient Care
- * Continuously Improve Patient Satisfaction
- * Ability to invest allowing resources for our medical staff, employees, and for patients' care and benefit

Letter of Determination

1. Description of Buyer
2. Form of Transaction
3. Key Assets and Liabilities to be Acquired by Buyer
4. Key Assets and Liabilities Excluded from the Transaction
5. Medical Foundation
6. Role of VHS
7. Role of Yale New Haven Health System
8. Local Advisory Board
9. Commitment to Maintain Community Support – Charity Care
10. Commitment to Maintain Hospitals and Continuum of Care Network
11. Employment Matters
12. Capital Commitment
13. No changes requested to services or changes to towns served

20

Project Cost Overview of Financial Provisions

Excluded Assets: Donor restricted funds, cash & investments, cost report settlements

Purchase Price:*	\$105 Million
minus/plus:	Net working capital
Minus:	Indebtedness
	Unfunded pension plan liability
	Post retiree health plan liabilities
	Special employee benefit liabilities (accrued vacation, etc.)
	Captive insurance liabilities
	Worker's compensation liabilities
	Joint venture interests not conveyed
	Asbestos liabilities
Capital Commitment:	\$75 Million

* Duff & Phelps Fairness Opinion Confirmed Purchase Price as fair

** Risk of interim operations, stock market performance, etc. remain on ECHN prior to closing 21

Public Comments & Questions

Panel:

- * Peter Karl, President & CEO, ECHN
- * Joyce Tichy, SVP, General Counsel, ECHN
- * Gayle Capozzalo, EVP, Chief Strategy Officer, YNHHS
- * Vin Petrini, SVP Public Affairs, YNHHS
- * Trip Pilgrim, SVP, Chief Development Officer, Tenet Healthcare
- * Erik Wexler, CEO, Tenet Healthcare, Northeast Region

As a Corporator of ECHN, I have always been extremely impressed with the vision, intellect and communication skills of Peter Karl and Dennis O'Neill. I am comfortable with their decisions regarding the ECHN merger and it's my hope that the company becomes more viable and successful as a result.

As a business owner, I am keenly aware of the need for "economies of scale". My organization's ability to partner with a larger entity allows us to stay in business, pass immense savings onto our customers and be philanthropic to the greater Manchester community.

The common thread that exists between ECHN and my business is that we both face a highly competitive marketplace.

I truly understand the need for ECHN to adapt to a rapidly changing healthcare environment and fully support the merger so that we may go forward and keep quality healthcare in greater Manchester.

Respectfully submitted,
Kye Cohen
Owner, ShopRite of Manchester and East Hartford



State of Connecticut
HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE TIMOTHY D. LARSON
ELEVENTH ASSEMBLY DISTRICT

LEGISLATIVE OFFICE BUILDING, ROOM 4027
HARTFORD, CT 06106-1591

CAPITOL: 860-240-8585
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FAX: 860-240-0206

E-MAIL: Timothy.Larson@cga.ct.gov

ASSISTANT MAJORITY LEADER

MEMBER
BANKS COMMITTEE
FINANCE, REVENUE AND BONDING COMMITTEE
TRANSPORTATION COMMITTEE

June 23, 2014

The Honorable George C. Jepsen
Attorney General
Office of the Attorney General
55 Elm Street
Hartford, CT 06106

The Honorable Jewel Mullen
Commissioner
Department of Public Health
Office of Health Care Access
410 Capitol Avenue
Hartford, CT 06134

Dear Attorney General Jepsen and Commissioner Mullen,

I am pleased that Governor Malloy signed into law, PA 14-168 – An Act Concerning Notice of Acquisitions, Joint Ventures, Affiliations of Group Medical Practices and Hospital Admissions, Medical Foundations and Certificates of Need. This legislation makes it possible for the potential transaction of Eastern Connecticut Health Network (ECHN) and the joint venture between Tenet Healthcare and Yale New Haven Health System to move forward. You are aware as I that many of Connecticut hospitals have expressed their concern of running out of options to remain sustainable in an ever-changing health care environment. This law provides ECHN with a credible option that will allow it to serve the communities east of the river for many years to come.

It is important for state and federal public servants to ensure that our constituents have local access to quality health care that is affordable. While we must protect our citizens, we also have an obligation to support the efforts of our community hospitals, which are striving to continuously improve quality while reducing cost but struggling with lower payments for services and continued planned cuts in state and federal reimbursements proposed by the Center for Medicare and Medicaid Services.

SERVING THE TOWNS OF EAST HARTFORD, MANCHESTER & SOUTH WINDSOR

ECHN/YNHHS/Tenet Public Hearing
Manchester, CT – June 23, 2014

PAGE86

From my conversations with representatives of ECHN, Tenet, and Yale New Haven, I believe this proposed transaction will benefit patients, employees of ECHN, and the communities served by this health care system. Access to capital will allow ECHN to keep its two hospitals, Manchester Memorial and Rockville General, viable and efficient through the expansion of service lines; to upgrade its facilities and equipment to meet state and federal code requirements; and to remain flexible to quickly respond to patient needs and expectations.

Therefore, I encourage OHCA and the Office of the Attorney General to look favorably upon the proposed transfer of assets as described in the Certificate of Need Determination Letter recently filed by ECHN.

Regards,

A handwritten signature in black ink, appearing to read 'T. Larson', with a stylized flourish at the end.

State Representative Timothy Larson



Testimony of
Melodie Peters, President
AFT Connecticut

Certificate of Need Determination Letter Public Hearing
H. Louise Ruddell Auditorium
Manchester Memorial Hospital
June 23, 2014

Good evening. My name is Melodie Peters and I am the President of AFT Connecticut, a diverse union of nearly 29,000 public and private sector members. We are proud to represent approximately 700 members in four bargaining units at Manchester and Rockville Hospitals. Tonight, I am pleased to be joined by Ann-Marie Cerra, President of the Manchester Memorial Hospital RNs, AFT Local 5055, Melanie Karpinski, President of the Manchester Memorial Service & Skilled Maintenance Employees United, AFT Local 5121 and Darcy Cowles, President of the Manchester Technical Unit, AFT Local 5144. Thank you for the opportunity to speak to you this evening about ECHN's proposal to convert to a for-profit healthcare system by transferring assets to Tenet Healthcare Corporation and Yale-New Haven Health Services Corporation.

AFT Connecticut recognizes that the healthcare landscape is quickly changing and that ECHN has decided that the only path to long term financial stability is to abandon its non-profit status and partner with for-profit healthcare corporations. We recognize that we cannot stop this from happening, but as healthcare professionals with a responsibility to advocate for our patients, their families and our communities, we are concerned about preserving patient access to high quality care and protecting the commitment to community service programs that we have come to expect at ECHN. We want our ECHN hospitals to continue to be responsive to these concerns and provide access to all, not just to those who can afford to pay for profitable services. For these reasons, we strongly urge all actors in this proposed transaction to act openly, honestly and transparently by engaging stakeholders, not shareholders.

Last year when ECHN executives decided to pursue a for-profit partner, they also initiated substantive discussions with union representatives about their intentions. This process allowed for a frank labor-management dialogue which allowed the fundamental needs and interests of each party to be clarified and communicated at the earliest stages of the process. Ultimately this process resulted in a number of significant changes in existing collective bargaining agreements and perhaps more importantly, to the extent allowed by Tenet Healthcare Corporation and Yale-New Haven Health Services Corporation, will continue to provide an important line of communication between ECHN and its employees throughout this transition.

While this dialogue was unfolding with ECHN management, AFT Connecticut also encouraged them to engage the community in the same spirit of cooperation. To their credit, ECHN hosted two forums in May and April to explain their intentions. It was an important opportunity to begin a process by which the hospitals could move away from simply threatening closure and move instead toward responsiveness and accountability to community needs and concerns.

Those concerns will not end as a result of those forums or tonight's hearing. ECHN and its for-profit partners must demonstrate that they will protect access and quality of care. There are a number of collaborative ways in which this important work can be done. The CON Determination Legal Notice issued by ECHN mentions a number of "features of the proposed transactions that will benefit the current employees and communities" it serves. We feel a number of them do not take full advantage of the resources ECHN has at its disposal.

Community Oversight Board

The CON Determination Legal Notice mentions the establishment of a local advisory board of trustees to serve as a resource on capital investment, maintenance, implementation of strategic business plans, medical staff credentialing and quality assurance oversight. It goes on to say this board would be comprised of physicians and individuals drawn from the local community with an understanding that they will provide input regarding community needs and expectations.

In theory, this sounds appealing. In practice, without knowing who in fact will appoint board members, it is impossible to be certain that members of the board will be independent voices that represent all stakeholders instead of acting as rubber stamps for the new hospital. Legislative efforts were rejected last month that would have required hospitals converting to for-profit status to establish true community oversight boards with members appointed by elected policy leaders who represent all stakeholders, including direct patient caregivers. If ECHN and its partners will not establish such a board voluntarily, we urge the Attorney General and the Office of Healthcare Access to require it as a condition of the conversion.

Independent Monitor

Efforts to create and fund an independent monitor for hospitals undergoing conversion were rejected during the legislative session. Such a role would ensure that ECHN and its partners live up to the terms of the approved conversion and keep the promises they have made to the community. An independent monitor would produce a baseline report on services, staffing levels, uncompensated care, community programs, employee benefits and other measures at the time of conversion. That way, when performance audits are conducted, cuts made after the conversion could be easily identified and their impacts monitored. Establishing an independent monitor would ultimately facilitate dialogue between the hospital, patients, communities, the Attorney General and the Department of Public Health, creating a mechanism for success. If ECHN and its partners will not create an independent monitor voluntarily, we urge the Attorney

General and the Office of Healthcare Access to require it as a condition of the conversion.

Charitable Care/Community Benefits

Proposals were rejected during the legislative session that would have required hospitals undergoing conversion to establish written agreements detailing minimum levels of spending on charitable and uncompensated care, community outreach and volunteer services. In the CON Determination Letter, ECHN and its partners agree only to maintain or adopt policies that are at least as favorable as ECHN's current policies. Who will determine what is "at least as favorable" and who will determine that ECHN's current policies are in fact adequate? We call on ECHN and its partners to establish a detailed, definitive written community benefits agreement voluntarily, but urge the Attorney General and the Office of Healthcare Access to require it as a condition of the conversion if they do not.

Employment

The CON Determination Legal Notice promises offers employment to *substantially* all ECHN employees with salaries and benefits consistent with those of other Tenet employees. It also provides that existing bargaining agreements will be assumed and honored for the existing terms. Given our collaborative relationship with ECHN, we urge Tenet Healthcare Corporation and Yale-New Haven Health Services Corporation to not only honor the existing collective bargaining agreements through their duration, but to recognize the unions within Manchester and Rockville Hospitals and continue to bargain with them in the future. Not to do so would be destabilizing for the workforce and the communities in which they live. It would also have a negative impact on the quality of patient care.

In conclusion, there is much ECHN and its corporate partners can do to protect the communities they serve as they attempt to convert from non-profit to for-profit status. We ask that they proactively address the issues outlined in my testimony and seize the opportunity to establish true partnerships with all stakeholders. It is only by working collaboratively that they will succeed. Thank you.