



Ann H. Zucker
Partner
Direct: 203-252-2693
Fax: 203-325-8608
azucker@carmodylaw.com

707 Summer Street
Stamford, CT 06901-1026

October 28, 2015

VIA HAND DELIVERY

Office of the Attorney General
55 Elm Street
P.O. Box 120
Hartford, CT 06141-0120
Attn: Gary W. Hawes, AAG

Commissioner of Public Health
410 Capitol Avenue
Hartford, CT 06134
Attn: Kevin Hansted, Staff Attorney

Re: Greater Waterbury Health Network, Inc. and Prospect Medical Holdings, Inc. – Certificate of Need Application for Proposed Asset Purchase – OHCA Docket No. 15-31217-486 and Attorney General Docket No. 15-486-02

Dear Messrs. Hawes and Hansted:

Greater Waterbury Health Network, Inc. and Prospect Medical Holdings, Inc. hereby submit an application for approval of a Certificate of Need for the proposed asset purchase (the “Application”). At your request, two copies have been hand delivered to Mr. Hawes’ office and one copy has been hand delivered to Mr. Hansted’ office. In addition, Mr. Hawes’ office has received two electronic versions and Mr. Hansted’s office has received an electronic version on a USB flash drive as requested.

Please note that Exhibit Q11-2 of the Application is being bulk filed and therefore only one copy has been provided to Mr. Hawes’ office. Exhibit 11-2 contains information on Waterbury Hospital’s restricted funds. Exhibit 11-2 has also been scanned to electronic format for your review. If further hard copies are required, please let me know.

Office of the Attorney General
Commissioner of Public Health
October 28, 2015
Page 2

If you have any questions or need anything further, please contact me at (203) 252-2693.
Thank you for your assistance in this matter.

Very truly yours,

CARMODY TORRANCE SANDAK & HENNESSEY LLP

By 
Ann H. Zucker

BERSHTEIN VOLPE & McKEON, P.C.

By 
Michele M. Volpe

AHZ:rk
Enclosures

cc: Jonathan Spees, Prospect Medical Holdings, Inc.
Darlene Stromstad, Greater Waterbury Health Network, Inc.

Application Checklist

Instructions:

1. Complete the following checklist and **submit** as the first page of the CON application:

- Attached is a paginated hard copy of the CON application (all social security numbers must be redacted), including a completed affidavit, signed and notarized by the appropriate individuals.
- (*New*). A completed supplemental application form specific to the proposal type, available on OHCA's website under [OHCA Forms](#) (see previous page for the list of supplemental forms).
- Attached is the CON application filing fee in the form of a check made out to the "Treasurer State of Connecticut" in the amount of \$500.
- Attached is evidence demonstrating that public notice has been published in a suitable newspaper that relates to the location of the proposal, 3 days in a row, at least 20 days prior to the submission of the CON application to OHCA. (*OHCA requests that the Applicant fax a courtesy copy to OHCA (860) 418-7053, at the time of the publication*)
- Attached is a completed Financial Worksheet (A, B or C) available at [OHCA's website under OHCA Forms](#).
- Submission includes one (1) original hard copy placed in a 3-ring binder.
- The following have been submitted on a USB flash drive:
 - 1. A scanned copy of each submission in its entirety, including all attachments in Adobe (.pdf) format; and
 - 2. An electronic copy of the completed application forms in **MS Word** (the applications) and **MS Excel** (Financial Worksheet)

For OHCA Use Only:

Docket No.: _____ Check No.: _____
OHCA Verified by: _____ Date: _____

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

COPYRAY CAPTURE ANTI-FRAGILE PROTECT



OFFICIAL CHECK

0001490743

145 Bank St.
Waterbury, CT 06702

00017 978218

10/27/2015

51-7010
2111

OFFICIAL CHECK

*****\$500.00

PAY TO THE ORDER OF

500 DOLLARS AND 00 CENTS

TREASURER - STATE OF CT

[Handwritten Signature]
AUTHORIZED SIGNATURE

REMITTER CTSH - WHN

AUTHORIZED SIGNATURE (TWO SIGNATURES REQUIRED OVER \$25,000)

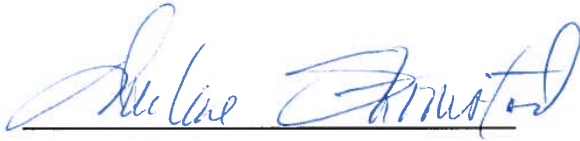
⑈0001490743⑈ ⑆211170101⑆ 0010200104⑈

AFFIDAVIT

Applicant: Greater Waterbury Health Network, Inc.

Project Title: Greater Waterbury Health Network, Inc. – Proposed Asset Purchase by Prospect Medical Holdings, Inc. – OCHA Docket No. 15-31217-486 and Attorney General Docket No. 15-486-02

I, Darlene Stromstad, FACHE, President/CEO of Greater Waterbury Health Network, Inc. being duly sworn, depose and state that Greater Waterbury Health Network, Inc.'s information submitted in this Certificate of Need Application is accurate and correct to the best of my knowledge.




Signature

10/19/15

Date

Subscribed and sworn to before me on October 19, 2015



Notary Public / Commissioner of the Superior Court

My commission expires: 7-31-16

Affidavit

Applicant: Prospect Medical Holdings, Inc.

Project Title: Proposed Asset Purchase of Greater Waterbury Health Network, Inc. by Prospect Medical Holdings, Inc.

I, Sam Lee, CEO
(Name) (Position – CEO or CFO)

of Prospect Medical Holdings, Inc. being duly sworn, depose and state that the (Facility Name) said facility complies with the appropriate and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

Signature

Date

10/16/2015

Subscribed and sworn to before me on _____

Notary Public/Commissioner of Superior Court

My commission expires: _____

f/s. see attached.

JURAT

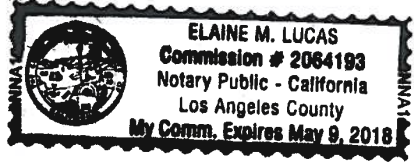
A notary public or other officer completing this Certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Los Angeles

Subscribed and sworn to (or affirmed) before me on
this 16th day of OCTOBER, 2015,

by *** SANG BUM LEE ***

proved to me on the basis of satisfactory evidence to
be the person(s)-who appeared before me.



Signature E. Lucas (Seal)

Legals/PUBLIC NOTICES

INVITATION TO BID

"MAIN STREET REALIGNMENT AND STREETSCAPE IMPROVEMENTS" - PHASE #1 R-4 JULY 18 & 25, 2015

Sealed bids are invited and will be received by the City of Torrington...

The scope of the work includes furnishing all equipment, labor, material, plant, and supervision...

This project will have a disadvantaged Business Enterprise (DBE) goal of not less than zero percent (0%) of the construction contract value.

Attention of bidders is directed to certain requirements in this contract which require payment of Davis-Bacon wages...

The information for bidders and other Contract Documents may be obtained or examined at the Office of the City Purchasing Agent...

Bids to receive consideration, must be in the hands of the authorized representative, no later than the day and hour mentioned above...

All bids will be considered valid for a period of sixty (60) days.

Pennie Zucco Purchasing Agent Dated July 17, 2015

An Affirmative Action/Equal Opportunity Employer R-A July 18, 2015

LEGAL NOTICE FORECLOSURE AUCTION SALE PNC Bank, National Association

John E. Mahoney, ET AL DOCKET NO: LU-CV14-011327-5

PROPERTY ADDRESS: 404 Farmington River Turnpike, New Hartford, CT

PROPERTY TYPE: RESIDENTIAL DATE OF SALE: JULY 25, 2015

COMMITTEE NAME: LORIN DAZEN COMMITTEE PHONE NUMBER: (860) 379-7531

See Foreclosure Sales at www.jud.ct.gov for more detailed information R-A June 18 & 25, 2015

Legals/PUBLIC NOTICES

INVITATION TO BID

Proposals are invited by the owners for rehabilitation work on the property specified below...

A mandatory pre-bid conference will be held at the following location and time: PRE-BID Wednesday, July 29, 8:30 a.m.

The above work includes: Masonry retaining wall, stairs, and site work.

For more information, contact Bob Callo at phone: 203-373-7844 or email: bobcallo@wep-associates.com

APPROPRIATE ACTION / EQUAL OPPORTUNITY EMPLOYER / A/E / S/E AND SECTION 3 DESIGNATED CONTRACTORS ARE ENCOURAGED TO APPLY

REQUEST FOR PROPOSAL Septic System Ground Water Drainage Design and Related Services

The owner of the property located at 140 Main Street, Torrington CT 06790, is requesting a proposal from qualified firms...

Interested parties should submit their proposal including a list of their qualifications and experience to the City of Torrington...

Identify any sub-contractors/consultants to be used and their responsibility as to the completion of design and construction work...

Insurance certificate with general liability, workers compensation, and errors and omissions.

A fee proposal for longshore survey, existing conditions map, establishing benchmarks, an A-E survey, additional soil testing if required...

Approval, attendance of pre-construction meeting, construction preparation of as built and construction closeout.

Legals/PUBLIC NOTICES

LEGAL NOTICE FORECLOSURE AUCTION SALE

Docket No. LU-CV-15-0111725 in the matter of FARMINGTON BANK STEVENSON, MATTHEW, ET AL

PROPERTY ADDRESS: 143 Prospect Mountain Road, Litchfield, CT

PROPERTY TYPE: Residential DATE OF SALE: August 1, 2015 at 12:00 Noon on the premises

COMMITTEE NAME: Attorney: THOMAS F. McDERMOTT, JR., 21 South Street, P.O. Box 1044 Litchfield, CT 06759

COMMITTEE PHONE NUMBER: (860) 567-5158 See Foreclosure Sales at www.jud.ct.gov for more detailed information R-A July 18 & 25, 2015

LEGAL NOTICE FORECLOSURE AUCTION SALE DOCKET NO: LU-CV14-601153-5

CASE NAME: U.S. Bank National Association, as Trustee vs. Holly Ransom, et al

PROPERTY ADDRESS: 388 Hookback Road, West Hartford, CT

PROPERTY TYPE: Residential DATE OF SALE: July 25, 2015 at 12:00 noon on premises

COMMITTEE NAME: NPL, LLC ET AL (159-1592 East Main St., Bridgeport)

COMMITTEE PHONE NUMBER: 1-866-379-7549 See Foreclosure Sales at www.jud.ct.gov for more detailed information R-A July 11 & 18 2015

LEGAL NOTICE FORECLOSURE AUCTION SALE DOCKET NO: LU-CV14-6011473-5

CASE NAME: Barnes & Nutter v. Reslin Pilewski, et al

PROPERTY ADDRESS: 32 Southgrove Road, Wallingford, CT

PROPERTY TYPE: RESIDENTIAL DATE OF SALE: SATURDAY, August 1, 2015 at 12:00 NOON

Legals/PUBLIC NOTICES

LEGAL NOTICE FORECLOSURE AUCTION SALE

Docket No. LU-CV150011683S in the matter of FARMINGTON BANK STEVENSON, MATTHEW, ET AL

PROPERTY ADDRESS: 30 Elmira Avenue Torrington, CT

PROPERTY TYPE: Residential DATE OF SALE: Saturday, August 1, 2015 at 12:00 noon

COMMITTEE NAME: Attorney: MICHAEL F. MAZURSKI COMMITTEE TELEPHONE NO: 860-626-0777

See Foreclosure Sales at www.jud.ct.gov for more detailed information R-A July 18 & 25, 2015

LEGAL NOTICE ORDER OF NOTICE STATE OF CONNECTICUT SUPERIOR COURT J. D. OF FAIRFIELD

PROPERTY TYPE: Residential DATE OF SALE: JULY 13, 2015

Docket No. FST-CV15-026922-5 MTAG SERVICES, LLC AS CUSTODIAN

NPL, LLC ET AL (159-1592 East Main St., Bridgeport)

COMMITTEE PHONE NUMBER: 1-866-379-7549

See Foreclosure Sales at www.jud.ct.gov for more detailed information R-A July 11 & 18 2015

LEGAL NOTICE FORECLOSURE AUCTION SALE DOCKET NO: LU-CV14-6011473-5

CASE NAME: Barnes & Nutter v. Reslin Pilewski, et al

PROPERTY ADDRESS: 32 Southgrove Road, Wallingford, CT

PROPERTY TYPE: RESIDENTIAL DATE OF SALE: SATURDAY, August 1, 2015 at 12:00 NOON

Legals/PUBLIC NOTICES

NOTICE TO CREDITORS

ESTATE OF Blanca Bertha, AKA Blanca L. Bertha (15-00478)

The Hon. Thomas P. Brunno, Judge of the Court of Probate, District of Waterbury Probate District, by decree dated July 15, 2015, ordered that all claims must be presented to the fiduciary at the address below...

Thomas P. Brunno, Judge AIR N. Bertha 60-Arly David L. Stars, Glorians, Richardson & Stars L.L.C., 39 Sherman Hill Rd., Woodbury, CT 06798

PROSPECT PLANNING & ZONING COMMISSION NOTICE OF HEARING

The following action was taken at a regular meeting of the Prospect Planning and Zoning Commission held on Wednesday, July 15, 2015.

APPROVED: Application from Prospect Planning and Zoning Commission for a text change amendment to Prospect's Zoning Ordinance Section 11.1, which by District to add "Business Office" as a permitted use within the Business District (B) and by Social Permit in the Industrial District (IND-1) and set an effective date of August 15, 2015.

DATE AND TIME: Wednesday, August 5, 2015 at 5:00 p.m.

PLACE: Courtyard by Marriott 63 Grand Street Waterbury, Connecticut

PROPOSAL Greater Waterbury Health Network, Inc. and Affiliates to Prospect Medical Holdings, Inc.

DATE AND TIME: Wednesday, August 5, 2015 at 5:00 p.m.

PLACE: Courtyard by Marriott 63 Grand Street Waterbury, Connecticut

PROSPECT PLANNING & ZONING COMMISSION NOTICE OF HEARING

The following action was taken at a regular meeting of the Prospect Planning and Zoning Commission held on Wednesday, July 15, 2015.

APPROVED: Application from Prospect Planning and Zoning Commission for a text change amendment to Prospect's Zoning Ordinance Section 11.1, which by District to add "Business Office" as a permitted use within the Business District (B) and by Social Permit in the Industrial District (IND-1) and set an effective date of August 15, 2015.

DATE AND TIME: Wednesday, August 5, 2015 at 5:00 p.m.

Looking for the Perfect Place to Eat? Visit our ONLINE DINING GUIDE. Local Restaurant Profiles, Easy to Use, Weekly Contest for Gift Certificates, and full of more valuable coupons! www.rep-am.com/dining

Pursuant to Section 19a-486 of the Connecticut General Statutes (C.G.S.), a nonprofit hospital seeking to transfer a material amount of its assets or operation or change in control of operations to a person that is organized or operated for profit will be required to hold a hearing for the approval of the certificate of need determination letter submitted to the Attorney General and the Office of Health Care Access ("OHCA") not later than thirty (30) days after the receipt of the letter.

Greater Waterbury Health Network, Inc. Prospect Medical Holdings, Inc. TOWN Waterbury, Connecticut PROPOSAL Proposed Transfer of Assets of Greater Waterbury Health Network, Inc. and Affiliates to Prospect Medical Holdings, Inc.

Greater Waterbury Health Network, Inc. ("GWHN") and Prospect Medical Holdings, Inc. ("PMH") have submitted a proposal to the State of Connecticut's Office of the Attorney General for the approval of the transfer of certain of the assets of GWHN and its affiliates to one or more affiliates of PMH.

GWHN, a Connecticut non-stock, 501(c)(3) corporation holds interests in numerous entities, joint ventures and affiliates. GWHN is the parent company of The Waterbury Hospital (the "Hospital"). The Hospital, which was built in 1902, is GWHN's primary asset, and is an acute care facility with 357 licensed beds plus 36 bassinets, located in the heart of Waterbury, Connecticut.

PMH is a Delaware corporation with its principal place of business located in Los Angeles, California. PMH is a healthcare services company that owns and operates hospitals, including, but not limited to, Roger Williams Medical Center and Our Lady of Fatima Hospital in Rhode Island. PMH is the parent entity to thirteen (13) acute care and behavioral hospitals located in Rhode Island, Texas and California.

The estimated total project cost is \$100,000,000, which is subject to certain adjustments based on the terms of the transaction documents. The proposed transaction will include the following GWHN entities or their assets:

- The Waterbury Hospital, a licensed general hospital;
- VNA Health at HomeCare, Inc., a licensed home health care agency;
- Greater Waterbury Management Resources, Inc., a management company;
- Greater Waterbury Health Services, Inc.;
- Alliance Medical Group, Inc., a medical foundation;
- Cardiology Associates of Greater Waterbury, LLC, cardiology medical practice;
- Greater Waterbury Imaging Center, LP;
- Access Rehab Centers, LLC;
- Imaging Partners, LLC;
- Waterbury Gastroenterological Co-Management, LLC;
- Harold Leever Regional Cancer Center, Inc.;
- Heart Center of Greater Waterbury, Inc.; and
- Valley Imaging, LLC.

Classified is convenient. One quick call sells it all! (203) 574-3616

Advertise in the classifieds and really clean up! Your unwanted items could be in big demand!

If you're trying to BUY, SELL or FIND anything... CLASSIFIED has the solution! (203) 574-3616

AT YOUR SERVICE REPOSITORY. Appliance sales/repair, Chimney sweeping, Gutters, Masonry, Plumbing, Roofing, Tree care.

Articles for sale

COFFEE TABLE & End Table... COMFORTER Silk Shabby queen, white, excellent condition... DINNERWARE Platzdorf set...

GENERATOR Generac New in crate, natural gas/propane... GOLF CLUBS great beginner's set... HOSPITAL BED by Healthcare 1 year old...

KITCHEN TABLE w/ chairs... MIXER PEVEY PA 510Z... PAINTING Large 45x74 1/2 English cottage in wooden frame...

REAR LAMP Duovox Titan II... SNEAKERS Lady's sneakers... SOFA BED 80" tan w/allen flowers...

TABLE Inlaid Porcelain... TOP TRAMER American Flyer... WALKER with seat and hand brake...

WASHER DRYER front load pedestal... WALKER with seat and hand brake... WALKER with seat and hand brake...

WALKER with seat and hand brake... WALKER with seat and hand brake... WALKER with seat and hand brake...

WALKER with seat and hand brake... WALKER with seat and hand brake... WALKER with seat and hand brake...

WALKER with seat and hand brake... WALKER with seat and hand brake... WALKER with seat and hand brake...

Tag/estate sales

BAROQUE 76 Wellens Hill Rd... LITCHFIELD County Auctions... MORRIS MOVING ESTATE 5 East Morris Lane...

WATERBURY Neighborhood... WATERTOWN Moving Sale... WATERTOWN Moving Sale...

WATERBURY Neighborhood... WATERTOWN Moving Sale... WATERTOWN Moving Sale...

WATERBURY Neighborhood... WATERTOWN Moving Sale... WATERTOWN Moving Sale...

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WATERBURY Neighborhood... WATERTOWN Moving Sale... WATERTOWN Moving Sale...

Legals/Public Notices

LEGAL NOTICE FORECLOSURE AUCTION SALE... U-Haul Moving and Storage Co. of 169 Meriden Rd... U-Haul Storage of Downtown Waterbury...

LEGAL NOTICE FORECLOSURE AUCTION SALE... U-Haul Storage of Downtown Waterbury... U-Haul Storage of Downtown Waterbury...

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Legals/Public Notices

LEGAL NOTICE NOTICE TO LISA GUN... A petition has been filed seeking commitment of the above named child...

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Bicycles BICYCLE Girl's Huffy Bike...

Remodel It Right! Find Help In The At Your Service Directory...

LEGAL NOTICE FORECLOSURE AUCTION SALE... U-Haul Storage of Downtown Waterbury...

LEGAL NOTICE FORECLOSURE AUCTION SALE... U-Haul Storage of Downtown Waterbury...

Found cats between Baldwin & Shelton Ave. Waterbury...

Found dog Harpers Ferry Rd. Waterbury on Wed. morning...

Found Maltese, little sized, Al...

Found cats between Baldwin & Shelton Ave. Waterbury...

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redplum.com Look For Money-Saving Coupons Every Week In the SmartSource Sunday Republica

ANYOUR SERVICE FACTORY

Wanted to buy

Antiques/Collectibles/Art Items...
MACHINE TOOLS AND TOOLING...
WANTED: Gasoline Test Strips...

Wearing apparel

MEM'S WORK SHOES Thorpood, size 10 1/2 EW, new in box...

Wood & fuel

FIREWOOD Seasoned, Cut & Split, 2525/cord, 203-232-6347

Pets & Animals

LONG HAIR CHINESE PUPPIES...
ROTWEILER 2 PUPPIES males, 11 weeks old...
TREASURER I.E. 203-672-9062

Real Estate For Rent

Apartment Condos Garages Houses Mobile homes...
WATERBURY 1 BR, ectd. heat, W/D hookups...
WATERBURY 2 BR off-street parking...

Apartment for rent

NAUGATUCK 1 BR, ectd. heat, W/D hookups...
WATERBURY 2BR 4rms, 2nd flr, access near stores/hwys, call anytime...
WATERBURY 2BR, 1ba, Banker Hill...

NAUGATUCK SAFE & QUIET

1.800.880.2388 8900-9012
PLYMOUTH Historic 1BR, appts, HW, indry, non-smoke, Sec/rents...

WATERBURY 4 BR Units

WATERBURY 1, 2, 3 & 4 BR appts, available, Property Management Center...
WATERBURY 1, 2, 3 & 4 BR Apts & Houses available...
WATERBURY 12x33 rm Apts...

Real Estate For Sale

WATERBURY 5820 West end lot, 1st flr, 1.5 bdr, incl. 1st flr porch...
WATERBURY/CHESHIRE E end of lot...

Commercial

Business for sale Commercial for sale, lease, rent

Commercial for sale, lease, rent

WATERBURY 4200 So. ft church, fire, hardwood flrs, gym or dance studio...
WATERBURY FOR RENT Professional Office Space...
WATERBURY potential Barber/Beauty Shop...

Announcements

Absolutely free Last & found Special notices

Absolutely free

Legal Notice
Notice is hereby given that there will be a census of all Republican voters...

Legal Notice

Notice is hereby given that the Planning and Zoning Commission of Litchfield, Connecticut will hold public hearings on August 3, 2015 at 7:00 P.M. at the Town Hall Annex...

Legal Notice

Notice is hereby given that at their Regular Meeting July 15th, 2015 the Inland Wetlands & Watercourses Commission took the following action:

LEGAL NOTICE

Notice is hereby given that there will a caucus of all enrolled Republican electors of the Town of Bridgewater...

Houses for rent

MIDDLEBURY 5rac abn, 2 ba, LR, FR, office, sunroom, aluminum deck, year, \$2000, 203-559-7334
TOWNINGTON N End 2Br Cape w/d...

Legals/Public Notices

LEGAL NOTICE
Request for Proposals
The Town of Colebrook is requesting proposals from qualified architectural service firms...

Legals/Public Notices

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Read current events online with the Republican American E-edition
A complete electronic version of our traditional published newspaper, right at your fingertips!
View it online at www.rep-am.com

LEGAL NOTICE
Pursuant to Section 19a-486 of the Connecticut General Statutes (C.G.S.), a nonprofit hospital seeking to transfer a material amount of its assets or operation or change in control of operations to a person that is organized or operated for profit will be required to hold a hearing for the public on the contents of the certificate of need determination letter submitted to the Attorney General and the Office of Health Care Access ("OHCA") not later than thirty (30) days after the receipt of the letter.

PROPOSAL DESCRIPTION
Greater Waterbury Health Network, Inc. ("GWHN") and Prospect Medical Holdings, Inc. ("PMH") have submitted a proposal to the State of Connecticut's Office of the Attorney General and Office of Health Care Access, a division of the Department of Public Health for the approval of the transfer of certain assets of GWHN and its affiliates to one or more affiliates of PMH.

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RepublicanAmerican Classifieds

ADDITIONAL INFORMATION
The determination letter is on file with the Office of the Connecticut Attorney General and the Office of Health Care Access.

YOUR SERVICE REPOSITORY
Appliance sales/repair, Chimney sweeping, Gutters, Masonry, Painting, Remodeling, Tree care, etc.

CONVERSION APPLICATION

Greater Waterbury Health Network, Inc. (“GWHN”) and Prospect Medical Holdings, Inc. (“Prospect” or “PMH”) (GWHN and Prospect are collectively referred to hereinafter as the “Applicants”) hereby respectfully submit to the Attorney General and Commissioner of the Department of Public Health the within application for approval of the proposed acquisition of substantially all of the assets of GWHN and its wholly-owned subsidiaries by one or more subsidiaries of Prospect. The proposed asset purchase is referred to hereinafter as the “Asset Purchase” or the “Transaction”.

- 1. Identify the contact information for GWHN and PMH, including the individual(s) to whom the Attorney General and the Department of Public Health shall submit bills for contracts with experts or consultants.**

Response:

GWHN

Darlene Stromstad, FACHE
President/CEO
Greater Waterbury Health Network, Inc.
64 Robbins Street
Waterbury, CT 06708
Telephone: 203.573.7101
Facsimile: 203.573.6161
Email: dstromstad@wtbyhosp.org

PMH

Jonathan Spees
Senior Vice President
Prospect Medical Holdings, Inc.
10780 Santa Monica Blvd.
Suite 400
Los Angeles, CA 90025
Telephone: 310.943.4500
Facsimile: 310.943.4501
Email: Jonathan.Spees@prospectmedical.com

Please submit bills for contracts with experts or consultants to Mr. Spees at the address listed above.

2. Provide an executive summary of the application for approval.

Response:

GWHN is a Connecticut non-stock, 501(c)(3) corporation which holds interests in numerous entities, joint ventures and affiliates. GWHN is the parent company of The Waterbury Hospital (the "Hospital"). The Hospital, which was built in 1902, is GWHN's primary asset, and is an acute care facility with 357 licensed beds plus 36 bassinets, located in the heart of Waterbury, Connecticut. GWHN, through the Hospital and other affiliates, provides acute care hospital services, physician services, diagnostic imaging, as well as rehabilitation and home health care services.

GWHN, like many community health networks, has experienced financial difficulties and has been seeking an affiliation with a larger, well-capitalized healthcare system for several years. It has previously submitted two conversion applications. Prospect is the third proposed affiliation.

Prospect is a for-profit, privately-owned Delaware corporation that owns and operates thirteen acute care and behavioral hospitals, and a network of 32 specialty and primary care clinics, in Southern California, Texas and Rhode Island.

The Applicants have proposed that one or more subsidiaries of Prospect acquire substantially all of GWHN's assets for a total purchase price of approximately \$53 million (including net working capital of approximately \$21 million (as of August 31, 2015) and assumption of \$6.5 million of GWHN capital leases) and a future capital commitment of \$51.5 million. It is anticipated that the net assets of GWHN comprised of unrestricted cash and investments will be used to satisfy certain obligations of GWHN which are not assumed by Prospect at the closing. Certain other obligations of GWHN may be paid after the closing and the Applicants have made provisions for the satisfaction of those obligations. Subject to the approval of the Attorney General and the Superior Court, charitable assets that may not be used for such obligations will fund an independent foundation or, at the direction of the Superior Court, be directed to appropriate uses. (See discussion of the "Independent Foundation" in response to Question 10, below).

The proposed sale of GWHN's assets represents an innovative solution to long-standing challenges and offers GWHN's service area patients continued access to GWHN's services and facilities. Many of these services and facilities will be enhanced through capital investments and operating efficiencies. The proposal is financially feasible, ensures and enhances access, and improves the financial health of Connecticut's health care system.

- 3. Describe the terms of the proposed Asset Purchase. This section should include, but is not limited to:**
- a. descriptions of GWHN, PMH, the assets to be transferred pursuant to the Asset Purchase, any assets excluded from transaction, the assumed and excluded liabilities of the Asset Purchase, any commitment to spend funds on capital items, and any plan to expand or acquire new programs or services;**
 - b. a financial analysis of the proposed transaction that identifies the source of funding for PMH's initial purchase price, the uses of the proceeds of the transaction, and the valuations of included and excluded assets; and**
 - c. a balance sheet of the proposed transaction that lists the assets and liabilities of the nonprofit hospital as of the most recent quarter end, and then sets forth the projected balance sheets of the surviving nonprofit entity, if any, and of the for-profit purchaser that reflect the agreement of the parties regarding the assets and liabilities retained and assumed by the respective parties post-close.**

Response:

Description of GWHN

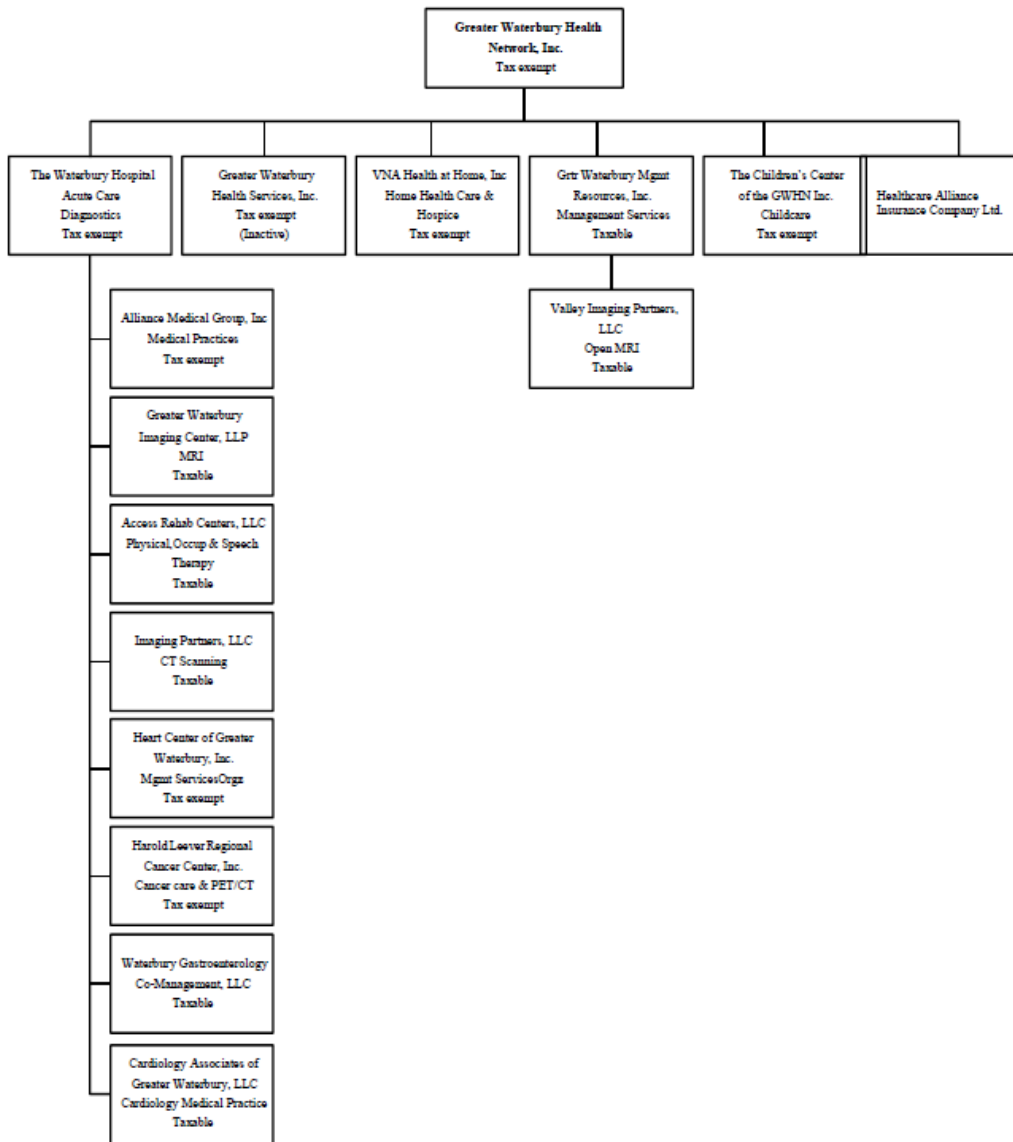
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The Waterbury Hospital is a "safety net" hospital. It treats a large number of Medicare, Medicaid and uninsured patients. Discharges for these three payers represent approximately 80% of the total patient days and 75.6% of emergency room outpatient visits. Combining both inpatient days and emergency department outpatient visits, only 22% of its patients have commercial insurance. The Hospital admitted 10,729 inpatients, 917 newborns, had over 48,500 total emergency department visits (excluding observation visits), and performed an estimated 1,950 inpatient surgeries and 4,288 outpatient surgeries.

Through GWHN's affiliates, physician-specialists and outpatient clinics provide health care in community settings. The affiliates and subsidiaries include: Access Rehab Centers LLC, HAIC Indemnity Company, LLC, Imaging Partners, LLC, Greater Waterbury Imaging Center Limited Partnership, Harold Leever Regional Cancer Center, Inc., Heart Center of Greater Waterbury, Inc., Alliance Medical Group, Inc., Waterbury Gastroenterological Co-Management Company, LLC, Cardiology Associates of Greater Waterbury, LLC, Greater Waterbury Health Services, Inc., VNA Health at Home, Inc., Greater Waterbury Management Resources, Inc. and Children's Center of Greater Waterbury Health Network, Inc.

The Table of Organization on the next page depicts GWHN and its affiliates.

ORGANIZATION CHART



GHWN is an equity holder of the following entities:

- **Healthcare Alliance Insurance Company, Ltd. (GHWN is a 50% owner)**. Healthcare Alliance Insurance Company, Ltd. (“HAIC”) is a Cayman Islands-based captive insurance company owned jointly by Griffin Health Services, Inc., Milford Health and Medical, Inc., and GHWN. HAIC was created to offer professional malpractice and general liability insurance coverage to Griffin Hospital, Milford Hospital, Waterbury Hospital and members of their respective medical staffs. Milford Hospital is no longer an owner of HAIC.
- **Greater Waterbury Health Services, Inc. (wholly-owned by GHWN)**. Greater Waterbury Health Services, Inc., a not-for-profit corporation, was organized to provide for the contracting and management of tax-exempt community health services and programs in which GHWN may engage. Currently, there is no activity in this subsidiary.
- **VNA Health at Home, Inc. (wholly owned by GHWN)**. VNA Health at Home, Inc., (“VNA”) is a non-profit, non-stock corporation established in 1939 and affiliated with GHWN since 1996. VNA is a home health care agency that provides skilled nursing care, speech, physical and occupational therapy, medical social work and hospice care throughout the Greater Waterbury region. It is located at 27 Siemon Company Drive, Watertown, Connecticut 06795.
- **Greater Waterbury Management Resources, Inc. (wholly-owned by GHWN)**. Greater Waterbury Management Resources, Inc. (“GWMRI”) is a taxable corporation. GWMRI is a medical service organization originally organized to provide services to effectively manage medical group practices. While GWMRI has been in existence since 1984, there has been minimal activity since the formation of AMG. GWMRI is located at 1625 Straits Turnpike, Middlebury, Connecticut.
 - **Valley Imaging, LLC**. Valley Imaging, LLC (“Valley Imaging”) is a Connecticut limited liability company formed in 2002 and is owned by GWMRI and Diagnostic Radiology Associates, LLC. GWMRI has a 49% ownership interest in Valley Imaging. Located at 799 New Haven Road in Naugatuck, Valley Imaging offers open MRI Scanning service to outpatients in the service area.
- **Children’s Center of Greater Waterbury Health Network, Inc. (wholly-owned by GHWN)**. Children’s Center of Greater Waterbury Health Network, Inc., (“CCGWHN”) a not-for-profit tax exempt corporation, is a nationally-accredited, state-licensed childcare center. CCGWHN provides a staff of early childhood professionals to care for children from six weeks to five years of age and has been providing childcare services since 1997. It is located at 172 Grand Avenue, Waterbury, Connecticut.
- **The Waterbury Hospital (wholly-owned by GHWN)**. The Waterbury Hospital, in operation since 1890, is a 357-licensed bed (excluding bassinets) acute-care teaching

hospital which provides a full range of inpatient, outpatient and ancillary services in the city of Waterbury near the junctions of Route 8 and Interstate 84. The Hospital operates as an acute care teaching hospital, and has interests in the following entities:

- **Alliance Medical Group, Inc. (Wholly-Owned By The Hospital)**
Alliance Medical Group, Inc. ("AMG") is a tax exempt 501(c)(3) medical foundation and a wholly owned subsidiary of the Hospital. AMG is the largest hospital-affiliated, multi-specialty group in the Waterbury area with more than 100 physicians and health care providers practicing in the following specialties: Emergency and Internal Medicine, Pediatric and Adolescent Medicine, Breast Surgery, General Surgery, Endocrinology, Pulmonary, Rheumatology, Infectious Disease/Travel Medicine and Sleep Medicine. AMG has locations at:
 - 1625 Straits Turnpike, Suite 302, Middlebury, Connecticut
 - 40 Main Street, North, Woodbury, Connecticut
 - 305 Church Street, Naugatuck, Connecticut
 - 130 South Main Street, Thomaston, Connecticut
 - 140 Grandview Avenue, Suite LO-1 and LO-6, Waterbury, Connecticut
 - 1211 West Main Street, First Floor, Waterbury, Connecticut
 - 51 Depot Street, Suite 506, Watertown, Connecticut

- **Greater Waterbury Imaging Center Limited Partnership.** (64% owned by the Hospital). The Hospital is the general partner of Greater Waterbury Imaging Center Limited Partnership, a Connecticut limited partnership formed to develop and operate a medical diagnostic imaging center. It is located at 68 Robbins Street, Waterbury, Connecticut.

- **Access Rehab Centers LLC.** (65% owned by the Hospital) Access Rehab Centers LLC). Access Rehab Centers LLC is a limited liability company formed in 1998 and owned by the Hospital and Easter Seal Rehabilitation of Greater Waterbury, Inc. It offers the region's largest and most comprehensive array of outpatient physical, occupational and speech therapy to adults and children. Access also provides physical therapy services on an inpatient basis to the Hospital. Access has locations at:
 - 134 Grandview Avenue, Waterbury, Connecticut
 - 715 Lakewood Road, Waterbury, Connecticut
 - 2154 East Main Street, Waterbury, Connecticut
 - 22 Tompkins Street, Waterbury, Connecticut
 - Waterbury Hospital, 64 Robbins Street, Waterbury, Connecticut
 - 1625 Straits Turnpike, Middlebury, Connecticut
 - 70-G Bennett Square, Southbury, Connecticut
 - 84 Oxford Road (Route 67), Oxford, Connecticut
 - 305 Church Street, Suite 16, Naugatuck, Connecticut
 - 131 Main Street, Thomaston, Connecticut

- **Imaging Partners, LLC** (85% owner). Imaging Partners, LLC is a limited liability company owned by the Hospital and a private radiology practice, Diagnostic Radiology Associates, LLC. Formed in 2001, Imaging Partners owns a 32 Slice CT scanner. It is located at 134 Grandview Avenue, Waterbury, Connecticut.
- **Waterbury Gastroenterological Co-Management Company, LLC**. Waterbury Gastroenterological Co-Management Company, LLC, is a limited liability company established to provide management services to the Hospital to improve and, where appropriate, maintain the overall quality, efficiency, and effectiveness of the Hospital's gastroenterology service line. The Hospital is sole Class H Member and has certain management rights; the Physician owners, Class P Members, assist the Hospital in providing such management services. It is located at 64 Robbins Street, Waterbury, Connecticut.
- **Cardiology Associates of Greater Waterbury, LLC**. Cardiology Associates of Greater Waterbury, LLC is a cardiology practice established in 2010 and is wholly owned by the Hospital. The practice is comprised of eight employed board certified cardiologists, three of whom are interventional cardiologists. The practice has approximately 20,000 active patients. It is located at 455 Chase Parkway, Waterbury, Connecticut.

In addition to the above subsidiaries, the Hospital is a corporate member of two not-for-profit joint ventures with Saint Mary's Hospital ("SMH" or "Saint Mary's") that provide specialty services:

- **Harold Leever Regional Cancer Center, Inc.** Harold Leever Regional Cancer Center, Inc. ("HLRCC") is a 501(c)(3) corporation. The Hospital and Saint Mary's are equal corporate members of HLRCC. Formed in October 2002, HLRCC combined both hospitals' existing medical and radiation oncology businesses into one combined program to better meet the needs of the community. HLRCC provides state of the art cancer diagnostic and radiation services with two (2) linear accelerators and a PET/CT Scanner. The community's two private medical oncology practices provide services at HLRCC. HLRCC is located at 1075 Chase Parkway, Waterbury, Connecticut.
- **Heart Center of Greater Waterbury, Inc.** Heart Center of Greater Waterbury, Inc. ("HCGW") is a 501(c)(3) corporation. The Hospital and Saint Mary's are equal corporate members of HCGW. HCGW was used to develop a joint cardiac program. It does not have assets or significant operations of its own. Under this joint program, the two hospitals provide area residents with advanced cardiac services, including cardiac angioplasties and open heart surgery on both hospitals' campuses. The program performs over 600 angioplasties and 200 open heart surgeries annually. It has two locations: one at the Hospital at 64 Robbins Street, Waterbury, Connecticut and the other at Saint Mary's Hospital, 56 Franklin Street, Waterbury, Connecticut.

Description of Prospect

Prospect is a Delaware corporation with its principal place of business located in Los Angeles, California. Prospect owns and operates thirteen acute care and behavioral hospitals in Rhode Island, Texas and California. Prospect also owns a network of specialty and primary care clinics in each of its regions. Through its network of approximately 8,900 physicians, Prospect's medical group segment manages the provision of physician services to approximately 260,000 patients in Southern California, South Central Texas and Rhode Island.

Prospect currently owns the following hospitals:

- Los Angeles Community Hospital;
- Los Angeles Community Hospital at Bellflower;
- Los Angeles Community Hospital at Norwalk;
- Southern California Hospital at Hollywood;
- Southern California Hospital at Van Nuys;
- Southern California Hospital at Culver City;
- Foothill Regional Medical Center;
- Nix Health (four campuses);
- Roger Williams Medical Center (RI); and
- Our Lady of Fatima Hospital (RI)

Prospect aligns its hospitals and physicians under a model referred to as Coordinated Regional Care ("CRC"). CRC provides for clinical integration among hospitals, physicians and other medical, social and community providers working closely with strategic partner health plans and other payers under a value-based, global risk reimbursement payment system to achieve the triple aim of improved patient care and experience, better patient health, and lower costs. This model has been highly successful in aligning physicians with Prospect hospitals and improving quality, efficiency and financial performance in California. Local versions of the model have been implemented in Texas and Rhode Island with similar success. Through Prospect's CRC model, Prospect works closely with hospitals and affiliated medical groups for the benefit of every person who comes to them for care, building comprehensive networks of quality healthcare services that are designed to offer patients highly coordinated, personalized care and help them live healthier lives. Through collaboration, Prospect strives to provide every patient with the quality, affordable healthcare they need and deserve.

Form of the Transaction

The APA commits GWHN and its wholly-owned subsidiaries, subject to satisfaction of various conditions, to the sale of substantially all of their assets to one or more subsidiaries of Prospect. The draft APA is based on the Letter of Intent signed by GWHN and Prospect on May 1, 2015, as amended (as amended, the "Letter of Intent"). After the execution of the Letter of Intent, GWHN's liquidity and financial performance deteriorated (due, in part, to recently implemented state budget cuts) and size of the pension liabilities

was found to be greater than anticipated. The structure of the Transaction was amended to accommodate the need for additional cash. The draft APA is subject to any changes that may be required as the result of Prospect's continuing due diligence review or to reflect changes in the Transaction which might be required to assure that there are sufficient funds available as of the closing to consummate the proposed Transaction (see further discussion at Questions #2 and #10). Copies of the Letter of Intent and draft APA are set forth in **Exhibit Q3-1** and **Exhibit Q3-2**, respectively. In addition, set forth in **Exhibit Q3-3** is a balance sheet of the Asset Purchase which lists the assets and liabilities of the Hospital as of August 31, 2015 and the projected balance sheets of the surviving nonprofit entity and the for-profit purchaser that reflect the agreement of the parties.

GWHN Assets to be Transferred

- All rights, title, and interest in and to the facilities, including, without limitation, the Hospital, its business operations, and other related health care assets.
- Equipment.
- Net Working Capital, defined as accounts receivable, inventory and supplies, any prepaid expenses and deposits that have continuing value to Prospect's subsidiary(ies) that purchase the assets of GWHN, less accounts payable and accrued expenses.
- Patient, medical, personnel and other records of the facilities.
- Licenses, permits and trade names.
- Certain assumable contracts of the facilities.
- Interests in subsidiaries and affiliates, other than wholly-owned subsidiaries where assets, instead of interests, are being transferred, and Greater Waterbury Health Services, Inc., CCGWHN and HAIC, which are not being transferred.
- Interests in all property arising or acquired in the ordinary course of the operation of the business between the date of execution of the letter of intent and the closing.
- All other property, whether tangible or intangible, of every kind, character, or description owned by GWHN and used or held for use in the operation of the Facilities.

GWHN Assets Excluded from the Transaction

- Cash and cash equivalents.
- Board-designated, restricted, and trustee-held or escrowed funds (such as funded depreciation, debt service reserves, working capital trust assets, and assets and investments restricted as to use), beneficial interests in charitable trusts, and accrued earnings on all of the foregoing.
- Prepaid expenses not assumed by Prospect.
- All insurance proceeds arising in connection with the operation of the assets or the facilities for periods prior to closing to the extent that all damage to the Assets has been repaired.
- All amounts due or to become due to GWHN from the Medicare, Medicaid or other payor programs in respect of cost report periods ended on or prior to closing.
- Interests and assets of in Greater Waterbury Health Services, Inc., CCGWHN and HAIC.

Liabilities Assumed by Prospect

- certain trade accounts payable and current liabilities as of the closing.
- assumed contracts and leased personal property.
- certain paid time off benefits of employees.
- certain capital lease obligations.
- certain liabilities for professional malpractice claims which were incurred but not reported (“IBNR”) prior to the closing.
- tax liabilities commencing on or after the closing.
- the asbestos abatement liability.
- certain employee benefit plans.

Liabilities Retained by GWHN

- Debt (to be paid off as of the closing).
- Claims or potential claims for workers’ compensation, medical malpractice or general liability relating to events asserted to have occurred and been reported prior to closing.
- Liabilities or obligations associated with or arising out of any of the GWHN excluded assets.
- Liabilities or obligations with respect to cost report periods prior to closing arising under Medicare, Medicaid or other payors.

Purchase Price and Use of Proceeds

Subject to the terms and conditions of the APA, the Purchase Price is \$31.8 Million plus the assumption of \$6.5 million of capital leases of GWHN plus or minus the amount by which the net book value of the net working capital is greater or lesser than \$6.8 Million. Prospect will assume certain liabilities (which will reduce the cash Purchase Price) and GWHN will retain certain liabilities.

Post Closing Governance

The post-closing hospital will be governed by a board of directors controlled by Prospect (the “Hospital Board”). The Hospital Board will have oversight and ultimate authority over the affairs of the hospital and the purchased assets.

The Hospital Board will be advised by a community advisory board (“Local Board”) comprised of between nine (9) and twelve (12) people. The Local Board will:

- Make recommendations and suggestions regarding the mission, vision and value statements with respect to GWHN post transaction.
- Make recommendations and suggestions with respect to medical staff credentialing, disciplinary action of staff physicians, and compliance with accreditation requirements.

- Provide input on policies and clinical programs.
- Provide input in the development and review of strategic plans.
- Provide input on operating and capital budgets.
- Provide input and support physician recruitment efforts.
- Provide input on succession plans for executive leadership at the hospital.
- Promote community health initiatives, fostering community relationships and identifying service and education opportunities.
- Monitor the commitment to maintain and improve quality indicators.

Capital Commitment

Prospect agrees to spend or commit in a binding contract to spend (or cause or permit its Affiliates or third parties to spend or commit in a binding contract to spend) not less than the Capital Amount in the seven (7) years following the Closing Date on capital projects, including routine and non-routine capital expenditures, at, or for the benefit of, the Hospital Businesses and/or the acquisition, development and improvement of hospital, ambulatory or other health care services in the greater Waterbury, Connecticut community. Notwithstanding the above capital commitment, in the event that any Legal Requirement is enacted or imposed after Closing that (i) discriminates against, or adversely affects a disproportionate number of, for-stock hospitals or other for-profit health care entities or (ii) causes Buyer to suffer a material decline in EBIDTA on a consolidated basis, then, in either event, Buyer shall be relieved of its obligation to provide the above capital commitment and shall be required to consult with the Local Board to determine an alternate mutually agreeable capital commitment of Buyer that is reasonable and appropriate in light of the changed circumstances caused by the new Legal Requirement. (See **Exh. Q.3-2**, Section 6.10 of the APA.)

Expansion

At this time, plans to expand or acquire new services have not been determined but will reflect Prospect's Coordinated Regional Care model.

- 4. Provide copies of all contracts, agreements, memoranda of understanding, and pro forma financial statements relating to the proposed Asset Purchase.**

Response:

Please see **Exhibit Q3-1** and **Exhibit Q3-2**, which set forth the Letter of Intent and APA, respectively. In addition, a copy of the Mutual Non-Disclosure Agreement entered into by GWHN and Prospect, dated March 9, 2015, is set forth in **Exhibit Q4-1**. Prospect and GWHN have also entered into an Interim Consulting Services Agreement pursuant to which Prospect will provide certain consulting services to GWHN. A copy of the Interim Consulting Services Agreement is set forth in **Exhibit Q4-2**.

5. **Describe the due diligence undertaken by GWHN in deciding to enter into the Asset Purchase. This section should include, but is not limited to, considerations regarding the current financial condition of GWHN and any projected financial condition of GWHN, any professional assessments of or reports regarding GWHN or PMH, any and all alternatives explored by GWHN or other offers received by GWHN, the reasons for rejecting such alternatives and offers, GWHN's selection of PMH, and the specific terms of the Asset Purchase. In addition, the parties should discuss the due diligence in obtaining the fairness evaluation required by Conn. Gen. Stat. § 19a-486a(c)(5), including providing a copy of said independent expert's resume or other documentation of his or her qualifications and describing the process undertaken to identify and retain this person as an independent expert.**

Response:

BACKGROUND

This Application is the continuation of the process that GWHN began in 2010. This is the third application that GWHN has submitted with respect to a for-profit affiliation. Previous applications were submitted in 2010 and 2013¹. In each instance, the co-applicant has terminated the proposed transaction. We have described the process in its entirety in order to reflect the care, diligence and commitment that the GWHN board, management and community has committed to the continuity of high quality healthcare in the greater Waterbury community and the protection of GWHN's charitable assets.

The Waterbury Hospital is a "safety net" hospital. It treats a large number of Medicare, Medicaid and uninsured patients. Discharges for these three payers represent approximately 80% of the total patient days and 75.6% of emergency room outpatient visits. Combining both inpatient days and emergency department outpatient visits, only 22% of its patients have commercial insurance. The greater Waterbury community and the City of Waterbury itself generally lag behind the rest of the state in economic terms. The City of Waterbury compared to the rest of the state has: a significantly higher unemployment rate (8.2% vs. 6.4% in March 2015), lower median household income (\$41,499 vs. \$69, 243), lower level of educational attainment, larger minority populations, and a lower rate of home ownership (49.6% vs. 68.9%).²

Not surprisingly, as a result of declining governmental and commercial reimbursement and the general economic climate in its geographical area, the Hospital has experienced a number of consecutive years of losses. The nationwide unavailability of capital for nonprofit hospitals has hit the smallest community hospitals the hardest.

¹ LHP Transaction: OHCA Docket No. 12-31755-486, Attorney General Docket No.: 12-486-02 and Vanguard transaction: OHCA Docket No. 13-31838-CON; Attorney General Docket No.: 13-486-01.

² US Census Data (2012) Waterbury Profile; Economy at a Glance by US Bureau of Labor Statistics.

2005-2008.

Following multiple years of operating losses, GWHN engaged Kaufman Hall in 2005 to evaluate the economics of consolidating the Hospital and Saint Mary's Hospital. Kaufman Hall concluded that even a consolidated institution would struggle financially. Despite this assessment, in 2006, the Hospital and Saint Mary's had discussions regarding a possible affiliation which never materialized.

Discussions between the two hospitals resumed in 2007, and the Office of Health Care Access conducted a special study of the status of health care services in the City of Waterbury (DN 06-30760-VST, attached hereto as **Exhibit Q5-1**). OHCA concluded that both hospitals were in financial distress, had aged facilities and lacked access to capital. The report encouraged either the consolidation of the two hospitals or the planned closure of SMH. Affiliation discussions continued into 2008; however, the Hospital and SMH were not able to reach agreement on terms and no capital partner or state funding was secured to fund the anticipated \$130 million merger cost.

2008-2010.

When the United States entered a deep recession in 2008, GWHN was impacted by lower healthcare utilization, stagnant or declining reimbursement rates, and it experienced significant financial difficulty, leading to a default in its bond covenants in 2009. As part of the forbearance arrangement with its bondholders, GWHN and the Hospital entered into an agreement with PricewaterhouseCoopers, LLC ("PwC") in 2009 to identify top challenges and risks for GWHN, define operational improvements, define revenue cycle improvements and set physician initiatives.

Top challenges identified by PwC included: risks associated with IT implementation; skill set of management across the organization; ongoing capital needs and sufficient access to capital for strategic investments; healthcare reform and declining reimbursements; and strained relationships among board, physicians, management and unions.

PwC recommended strategies for improving clinical and financial performance; strategies were implemented with only partial success. In response, the Board realigned the executive team in 2011. In the first six months, this new team reduced expenses by \$6 million, instituted service improvements, improved core measures and made modest capital improvements as a result of the savings gained by successfully refinancing its tax exempt debt. However, these improvements were not enough to secure the long-term resources required to sustain the current health system.

In addition, in 2010 Kaufman Hall, a well-known healthcare advisor, was retained to identify near-term capital needs. Kaufman Hall identified over \$50 million in capital

improvements required over 5 years to keep the Hospital operational, money GWHN simply did not have and could not secure in the open market.

The Kaufman Hall and PricewaterhouseCoopers reports are attached hereto as **Exhibit Q5-2**.

With difficulty, in late 2010, the Hospital was able to refinance its CHEFA debt in a private offering. However, continued financial difficulty coupled with the consultants' assessment of capital need and dismal prospects for securing such capital caused the Board of Directors to reconsider an independent hospital strategy.

SEARCH FOR A CAPITAL PARTNER

In late 2010, the Executive Committee of the GWHN Board recommended that the Hospital seek a capital partner and acknowledged that this might include a merger; a task force was formed. In early 2011, the Board of Directors engaged respected health care bankers, Cain Brothers, to develop strategic alternatives including partnership, merger or sale consistent with the GWHN Board's stated goals and objectives. The task force met on March 4, 2011.

At the GWHN Board's direction, Cain Brothers contacted 14 parties to assess interest. Seven of the interested parties executed confidentiality agreements and received a Confidential Information Memorandum ("CIM"). Four parties responded with non-binding proposals. Cain Brothers engaged these parties in negotiations to improve the initial indications of interest. During the negotiation phase, one of the four parties did not respond to requests and opted out of the process.

During May, June and July 2011, Cain Brothers worked with GWHN's task force and the three remaining entities to improve their indications of interest. Despite repeated entreaties, the sole tax exempt entity responding to the CIM did not provide responsive documents, leaving two entities for the Board to evaluate. During this time, the task force updated the Board at each monthly board meeting.

During the GWHN Board's review of the three proposals over several meetings, Cain Brothers facilitated a discussion of the benefits and risks of each proposed transaction. After careful consideration, the GWHN Board determined that the benefits of one united health system, accompanied by one new state-of-the-art hospital, presented a once in a lifetime opportunity for greater Waterbury. The GWHN Board voted on August 15, 2011 to authorize the negotiation of definitive agreements with LHP/Saint Mary's. On August 18, 2011 the parties entered into a letter of intent for a joint venture ("LHP Joint Venture"). GWHN and LHP submitted an application for conversion on April 23, 2012.

Despite a year of extraordinary efforts by the parties, community leaders and government officials, significant impediments to the proposed LHP Joint Venture remained. In late August 2012, LHP terminated the proposed joint venture citing the

increasing costs of building the proposed replacement hospital and the inability to satisfy all constituents regarding issues related to the Ethical and Religious Directives for Catholic health care services.

FINDING A SECOND PARTNER (2012 – 2014)

On September 4, 2012, the GWHN Board reconvened and authorized the Task Force to continue discussion with SMH and LHP as well as to pursue other opportunities in the market. With Cain Brothers' assistance, GWHN sought additional proposals for capital partners in late September 2012 and received indications of interest in mid-October 2012.

At the Board's direction, Cain Brothers requested proposals from a select group of organizations interested in a strategic relationship with GWHN. The GWHN Board confirmed the following objectives as a guide for evaluating potential partners:

- Ensure the Hospital remains a viable health care entity, providing the highest safety and quality health care services to the Greater Waterbury community for the long-term;
- Provide sufficient capital to meet deferred, current and future capital needs for the Hospital's physical plant to ensure state of the art health care delivery services through an upgrade of facilities, equipment and technology;
- Continue a meaningful local governance presence at the Hospital that represents both physicians and the Greater Waterbury community;
- Develop and implement an ambulatory service strategy to best position GWHN for a successful transition in changing health care delivery methods;
- Develop and implement regional tertiary care relationships for the betterment of health care delivery to the community;
- Deploy repeatable and scalable tools and clinical care services to continually improve the health of the community;
- Enhance the Hospital's medical staff by attracting and retaining physicians through access to available capital partner funds to support such growth;
- Maintain high satisfaction scores by patients, physicians, employees and volunteers; and
- Continue charitable care delivery and funding.

Non-disclosure agreements ("NDA") were distributed to eleven entities, including two tax-exempt healthcare systems. Five parties executed NDAs and received a CIM, which is attached as **Exhibit Q5-3**. Of the five entities receiving CIMs, two submitted proposals. Neither tax-exempt system responded to the solicitation process.

Table B: Process Summary

TAX STATUS	LOCATION	RECEIVED CIM	REPLIED TO CIM
Exempt	CT	No	N/A
Exempt	CT	No	N/A
Taxable	National	No	N/A
Taxable	Southeast/Southwest	Yes	No
Taxable	South/Southwest	No	N/A
Taxable	West	Yes	N/A
Taxable	West	Yes	Yes
Taxable	Midwest, South, Northeast	Yes	No
Taxable	New England	No	N/A
Taxable	National	No	N/A
Taxable	National	Yes	Yes

On October 17, 2012, Cain Brothers presented the two proposals that were received to the Task Force; the proposals were from Vanguard and Prospect. Cain Brothers arranged for representatives of the two proposers to meet at length and in person with the Task Force. Cain Brothers presented the proposals focusing on (i) the form and economic value of the proposed transaction; (ii) the proposed governance and continuation of services, and (iii) each entity's business strategy, proposed transaction timing, and ability to close. Cain Brothers noted that Prospect proposed an asset purchase transaction, but was open to a joint venture arrangement, while Vanguard proposed both an asset purchase transaction and a joint venture arrangement.

The Task Force discussed the positives and negatives of each proposal, and all members agreed that they would prefer a joint venture to an asset purchase, believing that the joint venture model will better ensure continuing community engagement with the Hospital. It discussed each entity's experience with running hospitals, experience with the CON process, experience in New England, strategy, familiarity with the Waterbury market, and apparent willingness to deploy capital, among other topics. It concluded that it would recommend Vanguard to the Board.

The following table summarizes key features of the proposals received:

Table C: Key Features of Initial Proposals Received

	(Candidate A³)	Vanguard Health Systems	
Form of Transaction	Asset purchase, though flexible and open to Joint Venture arrangement if preferred by GWHN.	Asset Purchase	Joint Venture with GWHN to retain 20% ownership (ownership percentages)
Total Unadjusted Transaction Value	~\$115.4 million	~\$147.9 million	
Excluded Assets	Children’s Center	None	
Cash Proceeds to Foundation	\$16.3 million	\$11.2 million	\$8.8 million
Net Foundation Assets	~\$45.4 million	~\$72.9 million	
Long Term Capital Commitments	Minimum of \$70 million over a 5-year period.	Minimum of \$75 million over a 5-year period.	

³ This candidate was Prospect

Governance	<ul style="list-style-type: none"> • Anticipated a local board to be created consisting of local community leaders and physicians. • Would rely on current board members, or a subset thereof, to comprise the new board. • Local board to determine timing of capital contributions, with Purchaser approval required. 	<ul style="list-style-type: none"> • Anticipated participation of existing GWHN Board on a hospital advisory board. 	<ul style="list-style-type: none"> • Anticipates creating a local Prospect Waterbury board comprised of members from GWHN and Prospect. • Only requirement was to have enough “control” such that GWHN financials are consolidated with Vanguard.
Continuation of Services	Anticipated maintaining all existing clinical services.	Committed to maintaining all existing core service lines for at least 10	
Expansion of Services	Would continuously evaluate market to identify new opportunities with substantial input from local management team.	Will continuously evaluate market to identify new opportunities with substantial input from local management team.	
Timing	Not explicitly provided.	30-45 days due diligence prior to signing a Definitive Agreement.	
No Sale Provision	Had never sold any of its hospitals and did not anticipate selling GWHN post acquisition.	Does not purchase hospitals to close or sell them and open to discussing time commitment for retaining ownership in GWHN.	
Right of First Refusal / Repurchase Rights	Did not expect any rights of first refusal or repurchase rights, though open to discussing with GWHN.	Would allow GWHN right of first refusal or grant certain repurchase right to GWHN upon occurrence of certain events.	
Charity Care	Would adopt GWHN’s charity and indigent care policies.	Will put in place a policy that is “at least as favorable to patients” as the existing GWHN policy.	

Employee Matters	Expected to offer employment to substantially all employees of GWHN, including management.	Expected to offer employment to substantially all employees of GWHN.
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A special joint meeting of the boards of GWHN and the Hospital was called for October 25, 2012. At the meeting, the Task Force reported on its work with Cain Brothers: finding the best option for Waterbury and ensuring that the community would remain involved with running GWHN and the Hospital. At the Board Meeting, Cain Brothers presented its work the resulting proposals Cain Brothers contacted eleven entities about entering into a potential transaction with GWHN and the Hospital. Five of those entities signed NDAs, and Cain Brothers received written proposals from two of those five entities. Mr. Horowitz of Cain Brothers explained each entity's history, experience and current projects. He stated that initially Prospect proposed only an asset purchase and was asked to also propose a joint venture; Vanguard proposed either an asset purchase or a joint venture. Mr. Horowitz described the details of both proposals, including financial terms, governance structure, acceptance of liability, and strategic plans among other details. He noted that in reviewing the details of each proposal, the Task Force met in person with representatives of both proposers.

The GWHN Board Chair presented the Task Force's recommendation that the GWHN Board accept Vanguard's proposal because it would more closely meet the needs of GWHN, the Hospital and the Greater Waterbury community. Factors cited in this recommendation included Vanguard's presence in the Northeast, its familiarity with the Waterbury market and its experience with the Certificate of Need process in other States. After lengthy discussions regarding the experience and qualifications of both Vanguard and Prospect, the Boards of GWHN and the Hospital voted unanimously to authorize the negotiation of a letter of intent with Vanguard. GWHN and Vanguard executed a Letter of Intent to form a joint venture on October 29, 2012.

Thereafter, the due diligence period commenced the results of the parties' diligence and several intervening transaction necessitated changes to the deal reflected in the original Letter of Intent as well as additional diligence on the part of GWHN's board. After the execution of the Vanguard letter of intent, the parties discovered that the underfunding of one of the pension plans and the reduction of state budget support required that the transaction terms be modified to shift a portion of the purchase price from the capital commitment to cash.

GWHN and Vanguard submitted a Conversion Application on May 3, 2013 ("Vanguard Application") and later, it submitted CON applications to transfer the imaging ventures. The Office of the Attorney General and OHCA released completion questions which were answered and the application was deemed complete July 1, 2013. Additional

interrogatories were issued by the Office of the Attorney General and OHCA and responded to during the summer of 2014.

In July 2013, Yale New Haven Health System and Vanguard announced an alliance to develop clinical networks as well as a joint venture to acquire substantially all of the assets of Eastern Connecticut Health Network. GWHN executives, investment bankers, counsel and board conducted diligence and again, concluded that it was best for GWHN and the greater Waterbury community for the board to move forward with the transaction with the deal it had made with Vanguard/Tenet.

In October 2013, Tenet Health Care announced that it was acquiring Vanguard. GWHN executives, investment bankers, counsel and board conducted diligence on Tenet and its hospitals. Many of the Vanguard executives continued on in their roles in the successor organization. After GWHN executives, board members and physicians visited two Tenet hospitals, reviewing the diligence provided by their experts, GWHN's board decided to continue the transaction with Tenet.

In the spring of 2014, Tenet Health Care announced it plans to acquire the assets of Saint Mary's Health System, which operates the other hospital in Waterbury. The Board consulted with Cain Brothers and Principle Valuation about the effect of this new transaction and concluded that it continued to be satisfied.

During this time, the Hospital continued to struggle financially. From the date of the Vanguard Letter of Intent (October 2012) and the public hearing in October 2014, the Hospital/Network experienced losses at FYE 2013 and 2014 respectively. In spite of continued financial losses, which resulted in layoffs and continued lack of investment in capital projects, the Hospital's clinical excellence was recognized nationally by both **US News and World Report** and **HealthGrades**; it was also recognized for a third time as a "Most Wired Hospital" by the American Hospital Association.

On October 15, 2014, a public hearing was held in Waterbury; additional interrogatories and post hearing production requests were issued and the applicants completed them. Navigant Consulting, Inc. ("Navigant") was engaged as a consultant to the regulators in reviewing the Conversion Application; Navigant representatives conducted extensive diligence on the transaction with site visits by several representatives, extensive diligence requests, interviews with GWHN executives, counsel and its board chair over several months. Navigant's thorough report was released publicly and totaled over one hundred (100) pages. It concluded that all of the statutory conditions, including those relating to the Board's diligence in deciding to undertake the transaction, the selection of the fairness opinion expert satisfied the statutory requirements of Section 19a-486 et. seq. On December 1, 2014, decisions were issued by the Office of the Attorney General and the Office of Health Care Access. A number of conditions were place on the transaction. On December 11, 2014, Tenet withdrew the Vanguard Application and announced that it would no longer pursue transactions within the State of Connecticut. Shortly thereafter, the Hospital announced additional layoffs.

REGROUPING.

GWHN’s task force met very quickly after Tenet announced its withdrawal from Connecticut. There were a number of meetings among Tenet and hospital representatives and government officials aimed at bringing Tenet back to the table but ultimately these were unsuccessful.

The Task Force requested Cain Brothers to re-canvass the market for prospective partners. There was a strong sentiment that the Tenet decision had made Connecticut unappealing for for-profit entities and, in fact, informal outreach efforts revealed this to be the case. In addition to for-profit systems, there were some exploratory conversations with two academic medical centers but ultimately no paths forward were identified with these centers.

During the first quarter of 2015, the Task Force met a number of times with its advisors and kept the GWHN Board apprised of its activities. Three out of state for profit candidates contacted Cain Brothers and indicated their interest in Waterbury Hospital; two submitted proposals. After studying these proposals, the Task Force presented the two proposals to the Board.

Key Features of 2015 Proposals

	Prospect	Candidate #2
Form of Transaction	Asset purchase.	Asset Purchase
Total Unadjusted Transaction Value	\$100 million	\$90 million
Cash Proceeds to Foundation	TBD	TBD
Net Foundation Assets	TBD	TBD
Long Term Capital Commitments	Minimum of \$55 million over a 7- year period.	Minimum of \$55 million over a 5-year period.

Governance	<ul style="list-style-type: none"> • Anticipated a local board to be created consisting of local community leaders and physicians. • Would rely on current board members, or a subset thereof, to comprise the new board. 	Silent
Continuation of Services	Anticipated maintaining essential clinical services for 5 years.	Silent
Assumption of Pension Liabilities	Yes	Silent
Timing	Not explicitly provided.	30-45 days due diligence prior to signing a Definitive Agreement.
No Sale Provision	5 years.	Silent
Right of First Refusal/Repurchase Rights	Did not expect any rights of first refusal or repurchase rights, though open to discussing with GWHN.	Silent
Charity Care	Subject to diligence, would adopt GWHN's charity and indigent care policies.	Silent
Employee Matters	Expected to offer employment to substantially all employees of GWHN, including management team.	Silent

GWHN's board was already very familiar with Prospect since the Task Force interviewed Prospect in 2012 at the time that Vanguard (Tenet) was considered. Despite GWHN's declining financial performance, at the Task Force's direction, Cain Brothers was able to negotiate a deal with Prospect that was similar to the proposed Tenet transaction. Candidate #2's proposal was insufficiently developed in the eyes of the Task Force. The candidate had not completed any transactions. The Task Force reviewed and approved Prospect's proposed letter of intent and

reported favorably on it to the GWHN Board at a Special Meeting on April 29, 2015. The Board adopted a resolution authorizing the execution of the letter of intent with Prospect and, on May 1, 2015, a letter of intent was executed.

After the execution of the letter of intent, both parties commenced diligence. A group of GWHN board members and physicians visited Prospect hospitals in Rhode Island as well as Prospect headquarters in California where they learned more about Prospect's "coordinated regional care" population health management. They reported to the full Board that they were satisfied that Prospect would serve the community's needs.

In addition, GWHN counsel provided a memorandum under attorney client privilege that summarized certain reverse diligence material provided by Prospect.

The GWHN Board reviewed the Transaction during a Special Meeting on September 21, 2015. At this Special Meeting, the GWHN Board adopted resolutions approving the Transaction, the filing of the CON and recommending to the GWHN Members that they approve the Transaction. The GWHN Members approved the Transaction at a Special Meeting on October 2, 2015. The GWHN Members' approval included authorizing the GWHN Board to take all action necessary or convenient to the consummation of the Transaction, together with such modifications to the Transaction that the GWHN Board in its reasonable discretion may deem appropriate.

For a discussion of the diligence in obtaining the fairness opinion, please refer to Question 7.
For a discussion of the specific terms of the Asset Purchase, please refer to Question 2.

- 6. Describe any and all potential conflicts of interest between, among, or pertaining to, at a minimum, any and all board members, officers, key employees, and experts of GWHN, PMH, any other party to the transaction, and any person or entity that performed assessments requested in this application. In addition, describe the due diligence taken to determine the existence of any conflicts of interest, including how GWHN and PMH defined "conflict of interest" for purposes of the response to this question.**

Response:

GWHN

GWHN and Prospect both prepared and disseminated a Conflict of Interest/Financial Disclosure form (the "Disclosure") to (i) board members, (ii) experts consulted with respect to the Transaction, and (iii) senior executives who have direct involvement in the Transaction. The Disclosure required respondents to disclose any financial, beneficial and/or employment interest in the Transaction and/or in any entity affiliated with the parties to the Transaction. The Disclosure also required statements regarding Related Persons, defined as follows:

"A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or

marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent."

The completed Disclosures for GWHN are attached hereto as **Exhibit Q6-1**. Several of the GWHN Board members are physicians employed by the Hospital or an affiliate and the Hospital's CEO is a voting member of the GWHN Board. As of August 11, 2015, Dr. David Pizzuto, a GWHN Board member and Hospital employee became the chair of the independent physician association ("IPA") recently formed by Prospect. The IPA is an initial step in developing Prospect's coordinated regional care network.

Prospect

PMH has no conflict of interest with the proposed transfer of certain assets of GWHN to Prospect between, among or pertaining to its board members, officers, key employees or experts. The due diligence undertaken by Prospect to determine that there is no existence of a conflict of interest included the collection of Disclosures from the relevant individuals. Disclosures were disseminated in September, 2015 to those individuals who are Prospect board members, experts and consultants retained by Prospect, as well as senior executives at Prospect who have direct involvement in the Transaction. Copies of the Disclosures completed for Prospect are attached hereto as **Exhibit Q6-2**. In addition, a copy of Prospect's Code of Business Conduct is set forth in **Exhibit Q6-3**.

- 7. Provide an assessment of the fair market value of the transaction, including, but not limited to, a discussion regarding whether the fair market value of GWHN's assets has been manipulated. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment. Provide copies of all documents and statements, financial and otherwise, in support of this assessment.**

Response:

Principle Valuation, LLC ("Principle") performed the Fairness Evaluation for GWHN's proposed transaction with LHP in 2010 and Vanguard/Tenet in 2013 as well as those for Saint Mary's Hospital's and Bristol Hospital's transactions with Vanguard/Tenet in 2013 and 2014. Principle has more experience in the local market than any other firm. GWHN became familiar with Principle when it conducted two RFP's for a Fairness Evaluation in 2011.

In early September, 2011, the GWHN Board sent an RFP to three firms for the purposes of obtaining a Fairness Evaluation for the LHP Joint Venture pursuant to C.G.S. 19a-486a(c)(5). A copy of the RFP is set forth in **Exhibit Q7-1**. Only one firm responded, so it was determined that the search should be expanded so that the Board had multiple proposals to

consider. The RFP was distributed to a larger group of firms in early October 2011 and GWHN received three additional proposals.

After careful consideration and interviews with the responders, the GWHN Board selected Principle to perform the Fairness Evaluation for the LHP Joint Venture. Principle's qualifications and conflict disclosures are fully articulated in their RFP response in 2011 located in **Exhibit Q7-2**. All proposals received are attached as **Exhibit Q7-3**. Updated biographies of the individuals working on the Fairness Evaluation, as well as updated qualifications are attached as **Exhibit Q7-4**.

Based on these factors, the GWHN Board again decided to retain Principle to provide a Fairness Evaluation of the proposed transaction with Prospect. Principle's compensation is a flat non-contingent fee. The GWHN Board believes that Principle has unique knowledge and experience in the Waterbury market, as well as non-profit/for-profit ventures, which will result in a time and cost efficient engagement. In performing the evaluation, Principle considered the value of the GWHN assets being transferred against the value of benefits received from a financial point of view. The review also considered the economic benefit to be provided by the Hospital to the community through its teaching programs and community benefits programs. Principle utilized three valuation methodologies to assess the value of the assets being transferred: Cost Approach, Market Approach and Income Approach. The Income Approach was used to assess the value of benefits received by the *Foundation as a result of the transaction*, including the inherent value associated with continuation of the teaching programs and community benefits programs.

Assessment activities and analytics undertaken by Principle include:

- Visited site to assess overall condition of physical assets and improvements;
- Reviewed CIM prepared by Cain Brothers;
- Reviewed business and financial information pertaining to GWHN prepared subsequent to the CIM;
- Reviewed financial statements prepared by GWHN that project the future performance of GWHN should the transaction not occur;
- Reviewed offers received by GWHN;
- Reviewed certain available business and financial information related to Prospect;
- Reviewed financial and operating forecasts;
- Reviewed historical market prices, trading activity and valuation multiples of relevant publicly traded companies and used them as benchmarks for the analysis;
- Compared the proposed financial terms of the transaction with other relevant transactions;
- Reviewed the proposed Asset Purchase Agreement by and between GWHN and Prospect;
- Researched relevant market place interest rates for debt and money market instruments; and
- Assessed the general economic market and current monetary conditions.

Assumptions used include:

- In the absence of the transaction, GWHN will likely face increased competition from competitors with access to capital;
- Based on the age and condition of the property, the remaining economic life of the Waterbury Hospital Campus is five years;
- Without the transaction, GWHN earnings and volume will deteriorate while the costs associated with the physical plant increase resulting in marginal to negative cash flows;
- GWHN's current and future negative earnings will restrict it from accessing necessary capital to modernize or replace the facility; and
- In the absence of the transaction, the overall viability of GWHN and its ability to continue its community benefits and teaching programs will be in jeopardy beyond a five year horizon.

Valuation of Assets Contributed

In deriving the value of the assets that Prospect will purchase from GWHN, Principle utilized the Cost Approach (also known as Adjusted Book Value Approach), the Income Approach and the Market Approach. For the Cost Approach, Principle derived a depreciated replacement cost for the tangible assets in use. The Cost Approach is summarized as follows:

Valuation Summary as of August 2015 With Economic Depreciation

WATERBURY HOSPITAL - SCHEDULE 1A									
VALUATION SUMMARY AS OF JUNE 2015 WITH ECONOMIC DEPRECIATION									
Building/Name	Address	Land Value	Building Depreciated Cost	Land Improvements Replacement Cost	Land Improvements Depreciated Cost	Total Real Estate Value	FF&E	Grand Total	
Waterbury Hospital		\$ 7,500,000	\$ 2,389,000	\$ 3,635,718	\$ 41,000	\$ 9,930,000	\$1,517,000	\$ 11,447,000	
Grandview Building		-	76,000	-	-	76,000	-	76,000	
Apartment A & B		-	16,000	-	-	16,000	-	16,000	
Baker House		-	15,000	-	-	15,000	-	15,000	
72 Hale Street		-	45,000	-	-	45,000	-	45,000	
101 Robbins Street		-	21,000	-	-	21,000	-	21,000	
36 Grandview Avenue		-	22,000	-	-	22,000	-	22,000	
140 Grandview Avenue Suites		-	64,000	-	-	64,000	-	64,000	
134 Grandview Avenue Suites		-	39,000	-	-	39,000	-	39,000	
TOTALS		\$ 7,500,000	\$ 2,687,000	\$ 3,635,718	\$ 41,000	\$10,228,000	\$ 1,517,000	\$ 11,745,000	

Tangible Asset Value Summary

Working Capital	\$ 6,800,000
Land	7,500,000
Land Improvements	41,000
Buildings	2,687,000
Equipment	1,517,000
Total Tangible Assets	\$ 18,545,000
Rounded To	\$ 18,550,000

In the Income Approach, Principle utilized a Discounted Cash Flow methodology based upon market-based cost of capital considerations, and the limited earning capacity of GWHN should the Transaction not occur. The first Discounted Cash Flow analysis considered the value of GWHN should the transaction not occur, and is as follows:

Discounted Cash Flow GWHN "Stand-Still" - Schedule 1B					
Discount Rate	11.00%				
Effective Corporate Tax Rate in U.S. CT	39.88%				
Normal Debt Free Net Working Capital as % of Revenues	12.00%				
	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
NET INCOME FOR DISCOUNTING (EBIT)	\$ (5,534,554)	\$ (5,359,138)	\$ (6,805,959)	\$ (4,364,179)	\$ (4,473,284)
ESTIMATED INCOME TAXES	(2,207,180)	(2,137,224)	(2,714,217)	(1,740,435)	(1,783,946)
NET INCOME	\$ (3,327,374)	\$ (3,221,914)	\$ (4,091,743)	\$ (2,623,744)	\$ (2,689,338)
Less Incremental Working Capital	\$ (1,498,772)	\$ (408,189)	\$ (274,068)	\$ (814,793)	\$ (835,163)
Less Capital Expenditures	(7,857,143)	(7,857,143)	(7,857,143)	(7,857,143)	(7,857,143)
Plus Depreciation	6,849,701	6,838,400	6,830,365	7,001,124	7,176,152
Cash Flow to Discount	\$ (5,833,588)	\$ (4,648,846)	\$ (5,392,589)	\$ (4,294,556)	\$ (4,205,492)
Discount Periods	0.500	1.500	2.50	3.50	4.50
Present Value Factor	0.9492	0.8551	0.7704	0.6940	0.6252
Present Value of Periodic Cash Flow s	\$ (5,536,997)	\$ (3,975,215)	\$ (4,154,224)	\$ (2,980,491)	\$ (2,629,441)
Sum of PV Periodic Cash Flow s		\$ (19,276,368)			
Perpetuity Value	\$ 7,700,000				
PV of Perpetuity Value		\$ 4,814,346			
Business Enterprise Value Before Adjustments		\$ (14,462,022)			
Adjustments to Value:					
Less: Market Required Working Capital Balance		\$ (29,972,852)			
Add: Working Capital to be Transferred		6,800,000			
Excess/(Deficit) Working Capital		\$ (23,172,852)			
Business Enterprise Value After Adjustments		\$ (37,634,874)			
Rounded Value		\$ -			

Finally, Principle used two Market Based approaches to estimate the value of GWHN contributed assets: Guideline Company Approach and Guideline Transaction Approach. The following table summarizes the Guideline Company analysis:

Guideline Company Approach - Schedule 1C												
Company Name	Share Price 9/1/2015	Adjusted Equity Value ¹	Adjusted Enterprise Value	% Debt	Revenues	EBITDA	Debt Free NWC	% Debt Free NWC	Beta	EBITDA Margin	Revenue Multiple	EBITDA Multiple
Universal Health Services Inc. (UHS)	\$ 131.78	14,507,396,640	17,873,881,640	19.64%	8,575,803,000	1,549,172,000	588,455,000	6.86%	1.24	18.06%	2.08	11.54
Tenet Healthcare Corp. (THC)	\$ 47.34	5,655,804,480	20,624,804,480	74.96%	17,568,000,000	1,888,000,000	2,352,000,000	13.39%	11.54	10.75%	1.17	10.92
Community Health Systems, Inc. (CYH)	\$ 51.60	7,315,467,200	25,110,467,200	70.60%	19,491,000,000	2,853,000,000	2,516,000,000	12.91%	1.01	14.64%	1.29	8.80
HCA Holdings, Inc. (HCA)	\$ 84.32	42,010,584,960	73,198,584,960	44.92%	38,429,000,000	7,737,000,000	4,357,000,000	11.34%	0.99	20.13%	1.90	9.46
LifePoint Health, Inc. (LPNT)	\$ 75.15	4,004,893,800	6,430,793,800	38.37%	4,963,000,000	627,400,000	868,400,000	17.50%	1.16	12.64%	1.30	10.25
HIGH:			\$73,198,584,960	74.96%	\$38,429,000,000			17.50%	11.54	20.13%	2.08	11.54
LOW:			\$6,430,793,800	19.64%	\$4,963,000,000			6.86%	0.99	10.75%	1.17	8.80
AVERAGE:				49.70%				12.40%	3.19	15.24%	1.55	10.19
MEDIAN:				44.92%				12.91%	1.16	14.64%	1.30	10.25

(1) Adjusted upward 20% to account for a control premium

(2) Information from Yahoo Finance and SEC annual and quarterly reports.

Qualitative Comparisons (Subject Compared to Market Comparables as a Group)

Waterbury Hospital

0.5%

Unit of Comparison	Status	Adjustment
Size of Company	Inferior	Downward
Diversity of Market Served	Inferior	Downward
EBITDA Margin	Inferior	Downward
Overall Adjustment	Downward	

Waterbury Hospital		
Description	Revenues	EBITDA
Adjustment		-70%
Adjusted Multiple*	0.389	4.100
Subject Comparable Units	\$ 265,912,096	\$ 1,315,147
Value Indication	\$ 103,366,463	\$ 5,392,055
Weighting	40%	60%
Total Asset Value as Unencumbered and assuming market based working capital (Rounded)	\$44,600,000	
Market Required Working Capital Balance	\$ (29,972,852)	
Actual Working Capital Balance	\$ 8,800,000	
Less: Deficient (Excess) Working Capital	\$ (23,172,852)	
Business Enterprise Value	\$ 21,427,148	
Overall Value Rounded	\$ 21,400,000	

In the Guideline Transaction Approach, Principle examined 24 recent transactions as follows:

Transactions of Hospitals with Net Losses										
Facility	State	Sale Date	Reported Price	Number of Beds	Revenues	Earnings	Price/Revenue Adjusted (1)	Price/Bed	Earnings Lost/Revenues	
Monroe Hospital	IN	10/20/14	\$2,000,000	132	\$41,936,686	(\$23,129,002)	0.05	\$15,152		-55.2%
Two Kansas Hospitals	KS	3/1/13	\$54,300,000	232	\$184,802,677	(\$8,780,678)	0.29	\$234,052		-4.8%
Lakeside Women's Hospital	OK	1/1/13	\$21,900,000	61	\$39,194,023	(\$5,014,932)	0.56	\$359,016		-12.8%
New York Westchester Square Medical Center	NY	12/1/12	\$14,000,000	140	\$75,679,000	(\$2,400,000)	0.18	\$100,000		-3.2%
New England Sinai Hospital	MA	4/1/12	\$37,000,000	212	\$74,300,000	(\$3,700,000)	0.50	\$174,528		-5.0%
Christ Hospital	NJ	3/1/12	\$43,500,000	227	\$125,100,000	(\$4,600,000)	0.35	\$191,630		-3.7%
Satilla Health Services	GA	3/1/12	\$51,000,000	231	\$152,800,000	(\$540,000)	0.33	\$220,779		-0.4%
Cumberland River Hospital	TN	2/1/12	\$6,750,000	36	\$11,100,000	(\$520,000)	0.61	\$187,500		-4.7%
Decatur General Hospital	AL	2/1/12	\$25,000,000	242	\$113,500,000	(\$1,500,000)	0.22	\$103,306		-1.3%
Parkway Medical Center	AL	12/1/11	\$37,800,000	109	\$45,300,000	(\$1,500,000)	0.96	\$346,789		-3.3%
Virginia Regional Medical Center	MN	12/1/11	\$27,000,000	164	\$50,700,000	(\$1,200,000)	0.61	\$164,634		-2.4%
Louisiana Medical Center and Heart Hospital	LA	10/3/11	\$23,000,000	137	\$50,400,000	(\$37,500,000)	0.52	\$167,883		-74.4%
Person Memorial Hospital	NC	6/1/11	\$22,700,000	102	\$41,600,000	(\$394,000)	0.63	\$222,549		-0.9%
Hospital of Saint Raphael	CT	3/1/11	\$135,000,000	511	\$450,300,000	(\$7,200,000)	0.34	\$264,188		-1.6%
Two Chicago Suburban Hospitals	IL	8/1/10	\$45,000,000	569	\$267,372,825	(\$30,444,778)	0.19	\$79,086		-11.4%
Sparks Health System	AR	12/1/09	\$138,200,000	510	\$258,162,282	(\$23,592,914)	0.62	\$270,980		-9.1%
Banks Jackson Commerce Medical Center	GA	12/1/09	\$7,100,000	90	\$45,160,355	(\$818,931)	0.18	\$78,889		-1.8%
Medina General Hospital	OH	4/1/09	\$50,000,000	118	\$88,900,000	(\$1,300,000)	0.65	\$423,729		-1.5%
Wadley Health System	TX	2/1/09	\$21,000,000	370	\$95,074,879	(\$8,068,172)	0.25	\$56,757		-8.5%
Palmetto Health Baptist Easley	SC	1/1/09	\$50,000,000	109	\$84,400,000	(\$4,500,000)	0.68	\$458,716		-5.3%
St Francis Hospital & Health Center	IL	7/1/08	\$65,000,000	309	\$158,171,473	(\$15,567,027)	0.47	\$210,356		-9.8%
Our Lady of Mercy Medical Center	NY	7/1/08	\$38,000,000	369	\$207,973,604	(\$9,265,220)	0.21	\$102,981		-4.5%
North Ridge Medical Center	FL	4/1/08	\$20,000,000	332	\$90,484,054	(\$39,786,982)	0.25	\$60,241		-44.0%
Saint Clare's Health System	NJ	4/1/08	\$145,800,000	655	\$240,552,031	(\$6,959,774)	0.70	\$222,595		-2.9%
(1) Adjusted Pre-2012 Sales Upward by 15% to Account For Bad Debt Reporting Change							Average	0.43	\$196,514	-11.3%
							Median	0.41	\$189,565	-4.6%
							High	0.96	\$458,716	-0.4%
							Low	0.05	\$15,152	-74.4%

Greater Waterbury Health Network		
	Revenue	Beds
Projected 2016	\$ 265,912,096	357
Selected Multiple	0.20	\$ 60,000
Indicated Value	\$ 53,182,419	\$ 21,420,000
Weighting	50.0%	50.0%
Overall Indication Before Adjustments		\$ 37,300,000
Plus: Debt-Free Net Working Capital		\$ 6,800,000
Overall Value Derived (rounded)		\$ 44,100,000

And lastly, in considering the value of GWHN assets transferred, Principle reviewed the only other bid received by GWHN. Principle then determined a final estimate by weighting the various strengths and weaknesses of each approach. The following schedule illustrates the weighting and values.

Greater Waterbury Health Network Summary and Conclusion of Assets to Transfer				
		Indicated Value	Weighting	Weighted Contribution
Adjusted Book Value Approach	Schedule A	\$18,550,000	60%	\$11,130,000
Discounted Cash Flow Approach	Schedule B	\$0	0%	\$0
Market Based Approaches				
Guideline Company Approach	Schedule C	\$21,400,000	15%	\$3,210,000
Guideline Transaction Approach	Schedule D	\$44,100,000	25%	\$11,025,000
Total Weighted Value of Assets Transferred				\$25,400,000

Principle calculates the value of GWHN assets to be transferred at \$25,400,000.

With regard to the fair market value of assets, Principle found no indication of manipulation by any person in a manner that causes the value of the assets to decrease.

Please refer to **Exhibit Q7-5** for supporting schedules.

8. **Provide an assessment of whether the transaction will place GWHN’s assets, including but not limited to Waterbury Hospital, at unreasonable risk. Provide copies of all documents and statements, financial and otherwise, in support of this assessment. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment.**

Response:

The transaction will not place the assets of the Hospital at unreasonable risk. The acquired assets are not being pledged to fund their purchase. Prospect is a \$1.3 billion revenue healthcare organization and has the financial capacity to provide the capital necessary for the Transaction. The value of the benefits received by GWHN exceeds the value of assets purchased by PMH. Please see Applicants' response to Question 6, the Fairness Evaluation attached as **Exhibit Q7-5**, the 2014 audited financial statements for Prospect attached in **Exhibit Q8-1** and the 2015 2nd Quarter unaudited financial statement for Prospect attached in **Exhibit Q8-2**.

- 9. Provide an assessment of whether any managerial contracts to be entered into are for reasonable fair value. Provide copies of the managerial contracts and of all documents and statements, financial and otherwise, in support of the fair value assessment. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment.**

Response:

It is not currently anticipated that there will be a management contract between Prospect and GWHN as of the closing. A future management contract, if any, would be for reasonable fair value.

- 10. Describe the entity to which the fair market value of GWHN's assets will be transferred, including the funding of the entity, its corporate structure, governance and membership, and the charitable purpose of the entity. Provide copies of documents related to the creation, structure, and purpose of the entity.**

Response:

THE CONCEPT OF THE FOUNDATION

THE FUNDING OF THE INDEPENDENT FOUNDATION

It is not currently anticipated that there will be significant proceeds from the Transaction after providing for the various liabilities of GWHN and its affiliates. Subject to the approval of the Attorney General, and if appropriate, the Superior Court, certain charitable assets will be transferred to a newly formed tax exempt entity (the "Independent Foundation"). This entity will seek qualification as a 501(c)(3) charitable organization. To the extent not required for the satisfaction of the liabilities of GWHN, the net amount of "Indemnification Holdback," described in the APA (see **Exhibit Q3-2**, Section 10.09 of the APA), would also be paid over to the Independent Foundation. The assets of the Independent Foundation will also include short term investments, marketable securities and certain assets whose use is limited by donors and/or held in trust.

As required by statute, the Independent Foundation will be independent from both Prospect and GWHN. It will not be part of the corporate structure of either Prospect or GWHN and its directors will not be employees or directors of Prospect, GWHN or any affiliates thereof. The Independent Foundation will have no members (as that term is defined in the Connecticut Revised Nonstock Corporation Act) and will be governed by a Board comprised of at least 9 but not more than 12 directors. Factors to be considered in selecting the directors of the Independent Foundation will include knowledge of the Hospital's service area, skill set, work experience, the diversity of the individual's cultural background, ethnicity, gender, age, and socioeconomic status. During their term of service and for one year after the completion of their service, directors of any Prospect entity or GWHN entity may not serve as directors of the Independent Foundation. Similarly, employees of any Prospect entity or any GWHN entity may not serve as directors of the Independent Foundation. The Board of the Independent Foundation shall be self-perpetuating.

THE CHARITABLE PURPOSE

As part of the planning process for the formation of the Independent Foundation, representatives from GWHN have studied similar foundations in other communities. While each of these organizations shares a common purpose, each is unique in that it has been designed to meet the specific needs of its community. The charitable purpose of the Independent Foundation will be to support the health care needs of the Greater Waterbury community, including preventative health care and health care education. The Independent Foundation will not fund the charitable obligations of the post-closing Hospital.

Drafts of the Independent Foundation's proposed Certificate of Incorporation and Bylaws are included in **Exhibit Q10-1** and **Exhibit Q10-2**, respectively.

- 11. Identify any and all assets of GWHN that are subject to a charitable use restriction imposed by a donor and the intended handling of those assets as a result of the proposed Asset Purchase. Please provide a listing of these assets in Microsoft Excel format. Also, please provide copies of the original gift instruments for each gift identified. Only one hard copy of the gift instruments needs to be produced to the Attorney General.**

Response:

An analysis of the gift instruments is found in **Exhibit Q11-1** and the charitable assets of the Hospital are delineated in the table below. Copies of the original gift instruments are attached as **Exhibit Q11-2**.

The Hospital is the entity that holds or benefits from the charitable assets. After the closing of the proposed transaction, the Hospital will continue its existence until its liabilities existing as of the closing date are satisfied. The Applicants anticipate that the Hospital will continue to receive the income from its unrestricted funds, and the unrestricted income it

receives from trusts held by third parties (including those trusts with specific gift over provisions that may take effect in the future after the Hospital dissolves; also including, as to excess income only, those funds that distribute excess income to the Hospital beyond that amount required to provide free care for certain classes of individuals, and that it will use such unrestricted income as the primary source of payment for the Hospital's liabilities. Once all these liabilities are satisfied, and The Waterbury Hospital is dissolved, an approximation action or construction action, as the case may be, will be required with respect to the unrestricted funds held by the Hospital and the unrestricted income received by the Hospital from trusts held by third parties. These actions will determine whether the Foundation will receive the assets and/or income after the Hospital's dissolution or if the assets or income will be paid over to others after the Hospital's dissolution, in order to satisfy the intent and directions of the original donors. An approximation action will also be required with respect to all the restricted assets (including bed funds) held by the Hospital in order to determine whether the Foundation will receive those assets and/or income or whether the assets or income will be paid over to others, in order to satisfy the intent and directions of the original donors.

Following is a list of categories of funds held by or for the benefit of the Hospital:

UNRESTRICTED ENDOWMENT FUNDS

The Lamb, Forester, Hallden and Brooker endowment funds are unrestricted endowments. They have "income only, for general purposes of the Hospital" language that is not deemed to be a restriction on use of principal under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and do not require that the funds be used for any specific purpose. Because the Lamb, Forester, Hallden and Brooker funds have no specific, restrictive donor language that under the applicable statutes would prohibit the use of the funds for general purposes, they are classified as unrestricted endowment funds.

RESTRICTED ENDOWMENT FUNDS

These endowment funds were established by gift instruments that set forth the intent of each donor. Use of these funds is in accordance with the donors' instructions.

THIRD PARTY TRUSTS

The majority of charitable assets are held for the benefit of the Hospital by third-party trustees who remit income payments to the Hospital. Most recurring trust income payments are remitted to the Hospital for its general purposes; some are paid to the Hospital for specific purposes, such as dispensary funding, scholarships, research and other specific Hospital purposes. The Hospital does not have control over the expenditure of the principal of the outside funds, but rather has a permanent beneficial interest in the income. The Hospital also has a number of future vested and contingent interests under certain third party trusts.

MISCELLANEOUS FUNDS

The Hospital is frequently named as the recipient of bequests under decedents' wills; currently a bequest from the Estate of Molly Patricia Lenner is pending in Probate Court. If this bequest is received prior to the closing of the proposed transaction, it is directed to be paid directly to the Hospital without restriction. In addition, the Hospital has a Charitable Gift Annuity Program that it offers donors, in which charitable contributions are held subject to the payment of current income to the donors, with principal being distributed to the Hospital only after the death of a donor and all named income recipients.

PERMANENT BED FUNDS

Many gifts have been made by donors to the Hospital, for the specific purpose of providing a free bed or establishing a free bed fund for the benefit of patients who cannot otherwise afford treatment at the Hospital. These funds are restricted bed funds and are held in a consolidated Bed Fund account. The income from this fund is used to pay for charity care of patients at the Hospital as directed by the donors. Other bed funds have further donor restrictions as to the group of patients who are to be considered or given preference in making distributions and so are held separately. Certain other restricted bed funds are held separately from the consolidated Bed Fund because they were directed to be named after the donor or a relative of the donor. Finally, as noted in the beginning section of this response to Question 11, income from certain funds is used first for free care as directed by the donor, and all excess income from those funds is then directed by the donor to be distributed to the Hospital as unrestricted income for its general uses and purposes. It would be anticipated that the Hospital will continue to receive only the unrestricted portion of the income from that category of funds to be used toward payment of the Hospital's debts and liabilities.

GENERAL ENDOWMENT FUND

The Hospital's General Endowment Fund consists of gifts given outright to the Hospital for its general use and purposes, without any restrictions as to the use of either income or principal. The General Endowment Fund therefore is not an endowment under UPMIFA, but rather is classified as "Board Designated". This fund is fully expendable by the Hospital.

The table below lists the charitable assets by classification as of July 31, 2015.

TYPE OF FUND*	ASSET VALUE 7/31/15
Waterbury Hospital Unrestricted Use Schedule A Part 1	\$658,203
Waterbury Hospital Restricted Use Schedule A Part 2	\$1,464,463
Third Party Trusts Schedule B	\$38,070,121
Miscellaneous Schedule C	\$638,540
Permanent Bed Funds Schedule D	\$18,104,810
General Endowment Fund Schedule E	\$1,914,232
**	
TOTAL	\$60, 850,369

*See Attached Schedules A-E, Table of Trusts and Other Gifts

**Outright gifts and gifts allowed to be used in full by the Hospital that have in fact been fully expended in accordance with the terms established by the donors have not been included in the analysis.

The Hospital has conducted a thorough review of all of the charitable assets and made an exhaustive search for supporting documentation. The Hospital has been able to locate nearly every gift instrument after diligent attempts to acquire information. However, no further records of these funds could be located:

- Curtis, Mary A. Bed Fund – Schedule D – this fund was created under the Will of William E. Curtis. His Will could not be located. Searches were conducted at the Connecticut State Library, the Waterbury Probate Court and Silas Bronson Library Archives. The Connecticut State Library located three decedents by that name but did not have information regarding the town of death. Probate Courts were contacted in Naugatuck, which also covers Middlebury; Litchfield; and Region #22, which covers Bethlehem, Oxford, Roxbury, Southbury, Washington, Watertown and Woodbury;
- Fitzsimmons, Louis E. – Schedule D – this fund was created under the Will of Mary E. Fitzsimons, who died on October 9, 1934 in Waterbury. Her Will could not be

located. Searches were conducted at the Connecticut State Library, the Waterbury Probate Court and Silas Bronson Library Archives. Probate Courts were contacted in Naugatuck, which also covers Middlebury; Litchfield; and Region #22, which covers Bethlehem, Oxford, Roxbury, Southbury, Washington, Watertown and Woodbury;

- Marguerite B. Fulling – Schedule A – this fund was created under an Inter Vivos Trust, which is not public record. The law firm that handled the matter no longer exists and the attorney is deceased; the successor law firm has no record of the Fulling Trust;
- Burdsall, Margaret and Burritt, Harriett Bed Funds and Burritt, Edith & Melrose Bed Fund – Schedule D – both of these funds were created under the Will of Edith Porter Burritt, who died on July 4, 1926. Her Will could not be located. Searches were conducted at the Connecticut State Library, the Waterbury Probate Court and Silas Bronson Library Archives. Probate Courts were contacted in Naugatuck, which also covers Middlebury; Litchfield; and Region #22, which covers Bethlehem, Oxford, Roxbury, Southbury, Washington, Watertown and Woodbury; and
- Swenson, John – Schedule D – his Will could not be located. Searches were conducted at the Connecticut State Library, the Waterbury Probate Court and Silas Bronson Library Archives. The Connecticut State Library located three decedents by that name but did not have information regarding the town of death. Probate Courts were contacted in Naugatuck, which also covers Middlebury; Litchfield; and Region #22, which covers Bethlehem, Oxford, Roxbury, Southbury, Washington, Watertown and Woodbury.

12. Provide copies of all correspondence, memoranda, and any other documents that include the terms of any other offers to transfer assets or operations or change control of operations received by the Hospital.

Response:

Please see **Exhibit Q12-1**.

13. Provide a copy of a fairness evaluation by an independent person who is an expert in such Asset Purchases that includes the expert's evaluation of each of the criteria set forth in Conn. Gen. Stat. § 19a-486c(a). Also provide copies of the information and documents relied upon by the expert in the preparation and issuance of the fairness evaluation.

Response:

Please see Fairness Evaluation and supporting schedules in **Exhibit Q7-5**.

- 14. Please provide a copy of the transcript for the informal hearing required by Conn. Gen. Stat. § 19a-486a(c).**

Response:

Please see **Exhibit Q14-1**.

- 15. Explain how GWHN determined the need for the Asset Purchase and discuss the benefits of this Asset Purchase for Waterbury Hospital (the "Hospital") (provide discussion on history and time-line).**

Please see the answer to Question 5 with respect to how GWHN determined the need for the Asset Purchase.

The Asset Purchase will benefit the Hospital in numerous ways. Significantly, the transaction will provide the post-closing Waterbury Hospital and GWHN's other provider organizations access to capital and resources necessary to sustain and grow high quality medical services in its service area. In addition, the transaction will allow the post-closing Hospital and affiliates the ability to adjust to a rapidly changing healthcare delivery environment and reinvest in itself to continuously improve care coordination, address continued improvement in quality and safety, expand and add needed services, recruit and retain physicians, and improve access to services across its service area.

The benefits of this transaction will inure to the post-closing Hospital's entire network, including Waterbury Hospital and GWHN's other affiliates. GWHN's mission to improve the well-being of its patients by providing high quality, compassionate care involves healthcare provided in settings across the network continuum. To effectively participate in the evolving risk-based payment environment, health systems must manage across a complete continuum of care in order to deliver services in the right place at the right time. This transaction will allow the post-closing Hospital and affiliates the ability to rebuild and retool itself for the new world of accountable health care delivery. Prospect's experience in its CRC model which will enable the post-closing Hospital and affiliates to be successful with new risk-based payment systems and new care delivery models that reward value-based care, achieving the best outcomes for patients at lower costs. With the resources and the intensive care management programs of Prospect and the commitment to implementing its CRC model in the local service area, not only will the post-closing hospital see reinvestments, but will be positioned to continue to integrate and expand its network of providers and program offerings. Development of ambulatory services, such as an ambulatory surgery center, coupled with the post-closing Hospital's position and clinical integration in partnership with its medical staff, will bring the numbers of covered lives needed to be successful in developing and executing programs to manage population health.

Prospect has access to the capital markets that will make capital available to GWHN for replacements and upgrades to systems and the infrastructures of GWHN's facilities; investments to improve the sharing of electronic medical records in order to improve the collection and documentation of information and, most importantly, to enhance the availability of information for critical treatment decisions for our patients; upgrades to the medical equipment and technology to provide its patients access to state-of-the-art technology for their diagnosis, care and treatment; and program development to attract and retain physicians to the communities served.

The Transaction will bring clinical strength and leadership to augment clinical programs. The intent of the Transaction is to develop local access to services where it is clinically appropriate.

Prospect offers economies of scale and purchasing power to reduce the cost of operations which will improve finances and help ensure the sustainability of the post-closing hospital. This benefits GWHN's Service Area as well. The financial health of the post-closing hospital and its affiliates will allow them to offer continued levels of employment that are critical to the health of the local economy. Prospect has also agreed to fully assume the pension benefit plans of the GWHN employees. As important, the Asset Purchase will mean that Prospect will continue to adhere to the same policies with respect to charity care for at least the first 5 years after Closing.

- 16. Provide a listing of the Hospital's current service lines and service locations and describe any planned changes to either the service lines or service locations as a result of the Asset Purchase. Provide an explanation for each change and detail how the hospital's affiliation with PMH will aid in service line development.**

Response:

The following are the service lines offered by the Hospital. Unless otherwise noted, these services are provided on the Hospital campus. At present, no changes in the service lines or locations are planned as a result of the Asset Purchase. Also, please see **Exhibit Q16-1** for the Supplemental CON Application form for the Acquisition of Equipment related to CT scanners at the Hospital.

Behavioral/Mental Health

- Mental health clinic (located at 88 Grandview Avenue) including child and adolescent (ages 12 -18) services, adult and gero-psychiatry services
- Ambulatory Chemical Detox
- Substance Abuse – Day/Evening Treatment
- Inpatient Substance Abuse Treatment
- Substance Abuse – Medical Triage
- Outpatient Substance Abuse Treatment

Cardiology

- Inpatient Cardiac Angioplasty
- Outpatient Cardiac Angioplasty (Hospital)
- Diagnostic Cardiac Catheterization
- Open Heart Surgery
- Diagnostic services including stress testing and Echocardiograms (available at the Hospital and at 455 Chase Parkway the Cardiac Diagnostic Center) and pulmonary Function testing and Cardiopulmonary Rehab (Available only at the Hospital)

Cancer Services

- Inpatient Chemotherapy
- Outpatient Chemotherapy (provided by an affiliate, The Harold Leever Cancer Center)
- Inpatient Medical Oncology
- Outpatient Radiation Oncology (provided by an affiliate, The Harold Leever Cancer Center)
- Inpatient Surgical Oncology
- Outpatient Surgical Oncology

Diagnostic and Imaging Services

- CT Scanning (also available at 134 Grandview Avenue)
- Lithotripsy
- Linear Accelerator (provided by an affiliate, The Harold Leever Cancer Center)
- Mammography
- Nuclear Medicine
- PET/PET-CT (provided by an affiliate, The Harold Leever Cancer Center)
- Ultrasound
- X-Ray

Emergency Department

- Level Two Trauma Services

Family Birthing and Neonatal Intensive Care

- Inpatient Maternity
- Outpatient Maternity
- Level Three nursery

Gastroenterology

- Colonoscopy
- Sigmoidoscopy
- Ileostomy
- Sclera Therapy
- Fecal Implants

- ERCP
- ERCP with Lithotripsy
- Esophageal Stent Placements and Removal
- Panendoscopy
- HALO Procedure
- Enteroscopy
- Esophageal Dilation
- Gastrostomy Placements and Removal

Infectious Disease Clinic

- HIV Primary Care
- HIV Center of Excellence

Intensive/Critical Care

Outpatient Medical Therapies

Primary Care

- Provided by Alliance Medical Group (owned by GWHN) at 8 different locations in the region

Pulmonary Services

Rehabilitation

- Inpatient
- Outpatient (in conjunction with Access Rehab, which has 11 locations in the region)

Surgical Services

- Breast
- Colorectal
- General
- GI
- Orthopaedics
- Urology
- Vascular

Telemetry

17. Describe the existing populations served by the Hospital and how the Asset Purchase will affect these populations. Include demographic information.

Response:

Waterbury Hospital is located in the city of Waterbury near the junction of routes 8 and 84. Service area towns include Beacon Falls, Bethlehem, Cheshire, Middlebury, Morris, Naugatuck, Oakville, Oxford, Plantsville, Plymouth, Prospect, Seymour, Southbury, Southington, Terryville, Thomaston, Torrington, Waterbury, Watertown, Wolcott and Woodbury.

The Hospital’s primary and secondary service areas are identified in the following map.

Service Area Demographics

The following table summarizes the service area population projected forward to 2020. The area population is stable and experiencing growth, particularly in the secondary service area.

The city of Waterbury is by far the most populous municipality in GWHN’s service area.

Table E: Service Area Population

Total Population by Town 2000-2020			
Town	2000	2012	2020
Beacon Falls	5,246	6,015	6,648
Bethlehem	3,422	3,594	3,711
Cheshire	28,543	29,253	29,120
Middlebury	6,451	7,522	8,471
Naugatuck	30,989	31,795	32,877
Prospect	8,707	9,450	9,864
Southbury	18,567	19,841	20,480
Thomaston	7,503	7,855	8,112
Waterbury	107,271	110,074	115,128
Watertown	21,661	22,449	23,020
Wolcott	15,215	16,638	17,821
Woodbury	9,198	9,925	10,395
Primary Service Area	264,773	276,423	287,667
Harwinton	5,283	5,620	5,779
Morris	2,301	2,469	2,460
Oxford	9,821	12,602	14,714
Plymouth	11,634	12,193	12,789
Seymour	15,454	16,487	17,421
Southington	39,728	43,038	45,136
Torrington	35,202	36,239	37,394
Secondary Service Area	119,423	128,648	135,693
Total Service Area	384,196	405,071	423,360

Source: Connecticut Economic Resource Center Town Profiles (2014)

Table F below arrays population by town and age segment while **Table G** compares age distribution by town to the State distribution. The GWHN service area age distribution is consistent with that of the State of Connecticut as a whole.

Table F: Age Distribution

Age Distribution by Service Area Town 2012							
Town	0-4	5-17	18-24	25-29	50-64	65+	Total
Beacon Falls	320	1,091	463	2,042	1,369	730	6,015
Bethlehem	123	548	327	824	1,121	651	3,594
Cheshire	1,250	5,601	2,674	9,456	6,132	4,140	29,253
Middlebury	281	1,414	432	2,294	1,763	1,338	7,522
Naugatuck	2,018	4,783	2,667	11,233	6,827	4,267	31,795
Prospect	408	1,563	833	3,086	2,187	1,373	9,450
Southbury	747	3,442	1,130	4,620	4,517	5,385	19,841
Thomaston	279	1,264	634	2,875	1,693	1,120	7,865
Waterbury	8,118	19,927	11,311	37,951	19,252	13,515	110,074
Watertown	1,168	3,804	1,709	7,055	5,001	3,712	22,449
Wolcott	550	3,204	1,364	5,351	3,559	2,610	16,638
Woodbury	397	1,625	638	2,729	2,878	1,658	9,925
Primary Service Area	15,659	48,266	24,182	89,516	56,299	40,499	274,421
Harwinton	159	996	370	1592	1636	867	5620
Morris	86	457	156	777	693	300	2,469
Oxford	742	2,347	884	3,826	3,201	1,602	12,602
Plymouth	561	2,032	1,102	4,054	2,893	1,551	12,193
Seymour	735	2,859	1,608	5,495	3,685	2,105	16,487
Southington	2,243	7,270	2,627	13,753	9,530	7,615	43,038
Torrington	1,975	5,707	2,491	12,179	7,902	5,985	36,239
Secondary Service Area	6,501	21,668	9,238	41,676	29,540	20,025	128,648
Total Service Area	22,160	69,934	33,420	131,192	85,839	60,524	403,069

Source: Connecticut Economic Resource Center Town Profiles (2014)

Table G: Percent Age Distribution

Percent Age Distribution by Service Area Town 2012						
Town	0-4	5-17	18-24	25-29	50-64	65+
Beacon Falls	5%	18%	8%	34%	23%	12%
Bethlehem	3%	15%	9%	23%	31%	18%
Cheshire	4%	19%	9%	32%	21%	14%
Middlebury	4%	19%	6%	30%	23%	18%
Naugatuck	6%	15%	8%	35%	21%	13%
Prospect	4%	17%	9%	33%	23%	15%
Southbury	4%	17%	6%	23%	23%	27%
Thomaston	4%	16%	8%	37%	22%	14%
Waterbury	7%	18%	10%	34%	17%	12%
Watertown	5%	17%	8%	31%	22%	17%
Wolcott	3%	19%	8%	32%	21%	16%
Woodbury	4%	16%	6%	27%	29%	17%
Primary Service Area	6%	18%	9%	33%	21%	15%
Harwinton	3%	18%	7%	28%	29%	15%
Morris	3%	19%	6%	31%	28%	12%
Oxford	6%	19%	7%	30%	25%	13%
Plymouth	5%	17%	9%	33%	24%	13%
Seymour	4%	17%	10%	33%	22%	13%
Southington	5%	17%	6%	32%	22%	18%
Torrington	5%	16%	7%	34%	22%	17%
Secondary Service Area	5%	17%	7%	32%	23%	16%
Total Service Area	5%	17%	8%	33%	21%	15%
<i>Source: Connecticut Economic Resource Center Town Profiles (2014)</i>						

Table H below provides data regarding the socioeconomic condition of the GWHN service area in comparison to the State of Connecticut as a whole. The data reveals a diverse array of communities ranging from rural to urban. While several communities in GWHN’s service area are relatively affluent, the City of Waterbury struggles with high unemployment and high poverty. As a result, GWHN serves a large Medicaid and uninsured population. In FY2015, Medicaid recipients accounted for more than 28% of the Hospital volume and Medicare almost 47%. Uninsured individuals accounted for nearly 2% of the Hospital inpatients and nearly 4% of outpatients. Central Waterbury is designated by the Health Resources and Services Administration as a Medically Underserved Area as well as a Health Professionals Shortage Area. The Asset Purchase by PMH will provide the cost savings and access to capital necessary to maintain a safety net hospital in Waterbury and recruit additional physicians and midlevel providers. After the Asset Purchase, the Hospital will continue to treat individuals regardless of their ability to pay.

Table H: Socioeconomic Status of the Service Area.

Socioeconomic Data				
Town	Poverty Rate	Medium Household Income	Unemployment Rate	Medium Age
Primary Service Area				
Beacon Falls	3.8%	\$ 79,207	7.0%	39
Bethlehem	4.4%	\$ 80,884	5.8%	50
Cheshire	2.8%	\$ 110,587	6.2%	41
Middlebury	2.6%	\$ 97,996	5.9%	45
Naugatuck	8.6%	\$ 62,574	9.4%	39
Prospect	3.2%	\$ 95,325	6.7%	44
Southbury	6.4%	\$ 67,195	6.6%	50
Thomaston	2.7%	\$ 67,426	7.8%	43
Waterbury	21.9%	\$ 40,867	12.5%	35
Watertown	3.4%	\$ 80,899	7.7%	44
Wolcott	3.4%	\$ 80,655	7.8%	44
Woodbury	4.6%	\$ 80,167	5.9%	48
Secondary Service Area				
Harwinton	4.6%	\$ 89,429	6.1%	47
Morris	5.6%	\$ 89,688	6.4%	45
Oxford	4.5%	\$ 107,308	6.0%	43
Plymouth	6.7%	\$ 73,603	8.9%	41
Seymour	6.8%	\$ 73,099	7.7%	42
Southington	3.6%	\$ 78,668	6.4%	44
Torrington	11.2%	\$ 50,548	8.5%	43
State	10.0%	\$ 69,519	7.8%	40

GWHN and Prospect are committed to ensuring the long-term future and viability of GWHN and the Hospital. No service line or service location changes are currently planned in connection with the Transaction. The Applicants will continue to provide care to residents in the communities that are currently served by GWHN. Given this, the Applicants do not anticipate any changes to the populations to be served by the Hospital.

Using the GWHN Community Health Needs Assessment (see response to Question 22) and other planning information available to GWHN, Prospect will work with management to identify programs and services that best augment those currently provided in the community. In addition, Prospect may have the ability to attract and retain certain types of specialty physicians to a community hospital setting that GWHN may not be able to attract on its own. For example, Prospect may utilize one or more physician alignment strategies, such as physician participation in an IPA or physician-hospital organization, hospital-based clinics staffed by an independent contractor physician and pay-for-performance compensation arrangements which incentivize quality, patient satisfaction and improved patient outcomes. Please note that while the Applicants expect Prospect to expand and enhance services, there are no definitive plans at this time to add service locations for Waterbury Hospital. Prospect will conduct a planning effort with input and recommendations from the Local Board post-Closing to determine where there are opportunities to improve access, enhance services and introduce programs that address identified health needs.

18. How will the for-profit nature of PMH affect the provision of health care in the community?

Response:

There is no correlation between a hospital's tax status and the quality of care, charity care and other benefits provided to the community that it serves. Prospect's tax status will have no negative bearing on the provision of health care in the community. The opportunity represented by this application affords the greatest opportunity for GWHN to enhance financial stability, make needed capital investments and increase the quality and access to care for the entire community.

Prospect's financial resources, access to capital and expertise in operating thirteen hospitals in California, Texas and Rhode Island will positively affect the provision of healthcare in the community. Prospect's capital and access to capital will mean that GWHN will have the financial resources to purchase new technology, upgrade its facilities, attract skilled providers, and upgrade electronic health records. In addition, Prospect will introduce practices that will reduce costs and improve care by sharing its best practices. Access to health care will be improved through implementation of CRC. (Also see response to Question 19, below, regarding a transition plan for the Asset Purchase, and the discussion of CRC in response to Question 26.) Moreover, the post-closing for-profit entity will pay property taxes to the applicable municipalities, which will benefit the community (note that Prospect will seek abatement of local property taxes for a transition period after the

closing). The conversion will also result in the establishment of the Independent Foundation, an independent charitable entity.

In summary, Prospect's tax status will have no negative bearing on the provision of health care in the community. Prospect's financial resources and operational expertise will, however, have a positive impact. In fact, and as evidenced in California, Texas and Rhode Island, where Prospect has acquired hospitals, the access and quality of care improved, significant capital investments were and are continuing to be made, and job growth has occurred.

19. Provide a transition plan for the Asset Purchase and describe how GWHN and PMH (collectively, the "Applicants") will ensure continuity of care and hospital services through this plan.

Response:

The approach to the transition is segregated into four phases of implementation: (1) execution of immediate cost efficiencies; (2) development of clinical efficiencies; (3) deployment of a strategic capital plan; and (4) implementation of CRC. The four phases will be implemented concurrently and in a coordinated fashion.

Prospect has already begun implementation efforts with respect to its CRC model, including formation of an IPA and board with local representatives, review of regulatory requirements, discussions with payers and evaluation of the care delivery network.

A meaningful long-term integration plan requires the collaboration of the medical staff and the community. Clinical efficiencies will be captured as Prospect has the opportunity to fully engage with the medical staff of the Hospital and the Hospital's respective communities to jointly develop a clinical strategy to best serve the populations described in response to Question 17.

The strategic capital plan is formulated to complement the clinical strategy. After closing, Prospect will seek the input of the Local Board to prioritize capital projects and service improvements based on hospital and community needs.

20. Understanding that the proposal is for PMH to exercise ownership over the Hospital, how will care be coordinated care between the Hospital and its various affiliates? Please explain in detail how care coordination efforts will be aided by the proposed Asset Purchase (i.e., how they will be different from GWHN's present efforts). Provide any written plans documenting this coordinated approach to care for the patient population served.

Response:

The care coordination efforts will be aided and greatly enhanced through implementation of Prospect's CRC model. The proposed Transaction will provide the post-closing hospital access to capital and funding necessary to provide even greater access to high quality medical services for the Waterbury region. It will provide the post-closing hospital assurance that it will be able to execute a long range strategic plan that addresses continued improvement in quality and safety, expansion of services, new services, physician and service integration, and improvements in access to services.

The more important goal for the post-closing hospital and Prospect is not just the coordination of care within its hospital but across all providers in its network: owned, affiliated and contracted. The Prospect CRC Model is predicated on building and managing a tightly integrated, coordinated care system with providers across the continuum. Prospect's thirty years of operating and supporting IPAs under risk-based arrangements with payers in California allows Prospect to bring its process knowledge and experience to build and operate such a system here. Prospect will engage the insurers and seek partnerships with them that will result in a full range of risk contracts for post-closing hospital system. Risk management unifies the incentives for providers across the network. It will be essential to identify patients with significant co-morbidities and then design comprehensive medical and psychosocial high intensity care management services for their care. This is some of the process knowledge and experience that Prospect will bring to the region for the benefit of our patients. Importantly, the CRC model is designed to demonstrate and improve performance with a focus not only on hospital value-based purchasing measures, but the criteria used by government agencies to assess health plans and their participating providers who contribute to patient care and health management for a population of individuals.

21. Provide a description of the relationship between the proposal and the Statewide Health Care Facilities and Services Plan.

Response:

The proposal is consistent with the Statewide Health Care Facilities and Services Plan (the "Plan") published by OHCA in October of 2012 and supplemented in 2014. The Plan can be found on OHCA's website.⁴ The Transaction is clearly aligned with the premise of the Plan. The applicants believe that this proposal supports the goals and addresses all of the guiding principles set forth in the Plan. Section 1.4 of the Plan states:

"The goal of OHCA's planning and regulation activities is to improve the health of Connecticut's residents; increase the accessibility, continuity and quality of health

⁴ Connecticut Department of Public Health, Statewide Health Care Facilities and Services Plan, October 2012, http://www.ct.gov/dph/lib/dph/state_health_planning/dphplans/ohca_statewide_facilities_services_plan_2012.pdf ; Statewide Health Care Facilities and Services Plan, 2014 Supplement, http://www.ct.gov/dph/lib/dph/ohca/publications/2014/final_2014_facilities_plan_-_2_24_15.pdf.

services; prevent unnecessary duplication of health resources; and provide financial stability and cost containment of health care services.

The guiding principles of the Plan are intended to:

- Promote and support the long term viability of the state's health care delivery system;
- Ensure that any regulated service will maintain overall access to quality health care;
- Promote equitable access to health care services (e.g., reducing financial barriers, increasing availability of physicians) and facilitate access to preventive and medically necessary health care;
- Encourage collaboration among health care providers to develop health care delivery networks;
- Support the need for a sufficient health care workforce that facilitates access to the appropriate level of care in a timely manner (e.g., optimal number of primary and specialty care providers);
- Maintain and improve the quality of health care services offered to the state's residents;
- Promote planning that helps to contain the cost of delivering health care services to its residents;
- Encourage regional and local participation in discussions/collaboration on health care delivery, financing and provider supply;
- Promote public policy development through measuring and monitoring unmet need; and
- Promote planning or other mechanisms that will achieve appropriate allocation of health care resources in the state." (the Plan at p. 2).

As the Plan makes clear, OHCA has long acknowledged that mergers, affiliations and acquisitions were part of a transformation that had begun as the State's health care system responded to major changes in the way health care is delivered and financed. (Plan at pp. 7-8, Sec. 1.8.5). Becoming part of a health care system such as Prospect will aid the post-closing hospital and its provider affiliates to benefit from economies of scale when purchasing supplies and services, share best practices and improve access to capital. This will allow the post-closing hospital to make capital investments and reinvestments in its

facilities, equipment, and in medical and information technology to support needed programs and services for patients. These investments will in turn allow the post-closing hospital to attract and retain physicians and providers needed to serve its communities.

As OHCA has recognized in the Plan, the strategic financial and quality of care advantages associated with the affiliation or mergers of hospitals and health care providers is a key driver in today's health care environment. Connecticut hospitals are pursuing affiliation arrangements and mergers as a means of offsetting financial pressures due to the provision of uncompensated care, treating the uninsured in crowded emergency departments, caring for Medicaid patients and reduced reimbursement by the government payers and health insurers. Hospitals are struggling to make needed facility improvements and acquire needed technology. (Plan at pp. 7-8, Sec. 1.8.5 and pp. 11-12, Sec. 2.1.1). This proposal serves as an example of this trend. The implementation of the proposal will allow GWHN and its provider affiliates to better meet their financial obligations, make needed capital improvements, acquire new technology and continue to provide continued access to services currently available in the surrounding communities.

By entering into the Transaction, GWHN and its provider affiliates will be able to fulfill GWHN's obligations, including retiring its debt, and funding its pension plan. As a result, the post-closing hospital will be better positioned to expand cost control initiatives in community-based settings, and remain a lower-cost, high-quality provider for the patients in its service area.

More important to residents now served by GWHN, the transaction with Prospect will result in stronger integration between the post-closing hospital and its provider affiliates to coordinate care, improve the overall population health and enhance the standard of care for its patients. The Prospect approach to care coordination with the pursuit of delegated risk-based provider contracts aligns the incentives for providers across a system. Shared risk requires that a system achieve a more formal degree of integration among providers than the traditional fee-for-service system. It unifies the incentives for providers. Risk drives an imperative to manage care proactively for a defined population by understanding the health of that population, identifying those who require more intensive care management and, importantly, addressing unmet healthcare needs and gaps in care. (Plan at pp. 81-83, Sec. 7.1, 7.2). Opportunities to further integrate care delivery among the post-closing hospital system's providers and regionalize the health care delivery system in the GWHN service area will be enhanced, to more effectively identify patients at risk and build upon existing initiatives. Prospect has developed and implemented high intensity care management programs that integrate behavioral and physical health capabilities to effectively manage the care of patients with significant co-morbidities. It will bring those capabilities to the greater Waterbury community along with other resources to meet the health care reform requirements of the Patient Protection and Affordable Care Act of 2010 (the "PPACA").

PPACA requires hospitals to improve quality of care delivered to patients through a variety of means such as reducing preventable readmissions for certain conditions. (Plan at pp. 12-13, Sec. 2.1.2, 2.1.3, 2.1.4., 2.1.4.2 and 2.1.4.3). Prospect is committed to succeed in new

value-based performance delivery models and has the ability to share best practices among its member hospitals to reduce readmissions. This proposal promotes population health management, which is a system that seeks a very high level of integrated care among providers to work collaboratively along the health care continuum, emphasize health promotion and the delivery of preventive and medically necessary care. Population Health Management promotes collaboration among providers and the development of a continuum of care where providers are more closely aligned and work in a cohesive environment. Prospect's CRC model will provide an environment that aligns physicians and other providers across the continuum of care, provide access to evidence-based practices to improve quality and patient safety, enhance efficiency through uniform productivity and financial management, and develop integrated information systems.

- 22. Please explain how the post transaction GWHN will address the needs of service area residents with respect to prevention and treatment of diseases and conditions in relation to the Hospital's most recent Community Health Needs Assessment ("CHNA") and the priority of needs listed therein. Please provide a copy of the most recent CHNA.**

Response:

In 2013, Waterbury Hospital conducted a comprehensive Community Health Needs Assessment (CHNA) to evaluate the health needs of individuals living in these communities. It is attached as **Exhibit Q22-1**. The CHNA was done in collaboration with the Greater Waterbury Health Improvement Partnership. The partnership consists of Waterbury Hospital, Saint Mary's Hospital, Waterbury Department of Public Health, City of Waterbury, StayWell Health Center, Connecticut Community Foundation, United Way and other community organizations. Waterbury Hospital views community health improvement as an ongoing effort that requires leadership through example and partnership with other community organizations to improve the health status and quality of life of community residents.

The CHNA Implementation Plan, in **Exhibit Q22-2**, provides detail how Waterbury Hospital is implementing the recommendations of the CHNA. In sum, the CHNA identified the following key priority areas for the greater Waterbury Community:

- Access to Care
- Mental Health/Substance Abuse
- Overweight/Obesity
- Smoking/Tobacco Use

Waterbury Hospital has a number of programs and initiatives addressing each of these priorities. They include:

Access to Care:

Waterbury Health Access Program improves access to high-quality medical care by providing comprehensive case management, pharmacy assistance, and access to primary and sub-

specialty medical care for the uninsured and underinsured residents of the Greater Waterbury region. This program, and Waterbury Hospital in particular, was recognized nationally as a model for helping to enroll individuals in the first round of enrollments in the state's Health Insurance Exchange.

- Waterbury Hospital Infectious Disease Clinic, which offers a comprehensive model of care and treatment for people living with AIDS/HIV.
- Be Well Bus, which provides free transportation to/from the hospital and medical appointments in the community.
- Medical Education (through Internal Medicine Residency programs and other clinical training)
- Waterbury Hospital Youth Pipeline Initiatives
- Providing Early Acquaintance with Careers in Healthcare (PEACH)
- Parent Leadership Training Institute
- Parents Supporting Educational Excellence
- Waterbury Hospital Summer Bridge Program

Mental health/substance abuse:

- Waterbury Hospital is one of the region's largest providers offering a full continuum of behavioral health services for children, adolescents, and adults. Services are provided inpatient and on an outpatient basis.

Overweight/Obesity:

- Nutritional counseling
- Employee and patient fitness initiatives
- Surgical weight loss center under development
- Community-based initiatives with other partners to promote healthy living through improved nutrition and increased physical activity.

Smoking/Tobacco Use:

- Tobacco screening is provided to all behavioral health patients who are tobacco users
- Smoking cessation programs, for employees and the community

Another CHNA, to be completed by September 2016, is already under discussion with plans to launch this initiative by January 2015 and presentation/approval by 2016.

The APA commits Prospect to maintain and adhere to the GWHN's current policies on charity care for at least 5 years from Closing. At all times while the Prospect affiliate owns and operates the post-closing hospital, it will continue to provide charity care in accordance with applicable law, and will continue to provide medically necessary services to the surrounding communities currently served by GWHN. Prospect is also required, for at least the first 5 years after Closing, to "provide public health programs of educational benefit to the community," and "generally promote public health, wellness, and welfare to the

community by operating the Hospital with quality standards consistent with other hospitals owned by [Prospect], subject, in each case, in all respects to changes in governmental law, policy or regulation.” (See **Exhibit Q3-2**, Section 6.09 of the APA.)

Support from PMH in implementing strategies to address priority needs:

Prospect will continue to focus efforts on improving population health, including effective strategies for improving access to mental health services, substance abuse treatment and reducing the incidence of obesity, smoking and tobacco use, heart disease, cancer and diabetes in the surrounding communities. PMH will utilize its experience and knowledge in population health management to enhance the efforts previously identified by the Hospital in its original Implementation Plan, and incorporate best-practice recommendations for disease prevention, early detection screenings, and treatment options within each of the priority areas.

Prospect will support the priority needs identified by the CHNA with a variety of physician alignment and population health management strategies, enhanced through Prospect’s implementation of CRC, which focuses on the health of vulnerable populations.

- 23. Provide a description of plans that the Applicants will implement to control cost, such as discharge care coordination, implementation of electronic medical records and emergency department triaging to the appropriate level of care. In responding to this question, report any anticipated savings from the following expense categories for the Hospital: salaries and wages, fringe benefits, contractual labor fees, medical supplies and pharmaceutical costs, depreciation and amortization, bad debts, interest expense, malpractice expense, utilities, business expense and other operating expenses.**

Response:

The specific anticipated savings are presented by expense category in response to Question 37 and described in response to Question 38.

Prospect manages costs by eliminating inefficiency and reducing unwarranted variation in the delivery of patient care services. The CRC model promotes the efficient operation of hospitals by aligning physician interests with the efficient and effective delivery of healthcare. Prospect’s delivery model rewards physicians for quality and outcomes, not outputs, through shared savings and pay-for-performance standards and benchmarks. Its delivery model of integrating physicians, hospital and health plans to population and performance management is proven in three markets in Southern California, Texas and Rhode Island. Prospect has demonstrated improved clinical outcomes, higher quality scores, higher patient satisfaction, lower re-admission rates, lower average lengths of stay, and lower medical-cost ratios. With leadership and input from the Local Board, Prospect will use its delivery model to engage physicians and strengthen their alignment with GWHN.

24. Provide a description of the Applicants' plans to continue to provide services to the uninsured and underinsured. In responding to this question, please describe any changes to the Hospital's current charity care, uncompensated care and financial assistance policies and procedures, and hospital bed funds that will result from the Asset Purchase. Describe any plans Applicants have to work with other providers in the community, such as federally qualified health centers or community health centers, to provide specialty care to patients, or low cost programs that the Applicants will provide in the area that are tailored toward the uninsured or underinsured.

Response:

Pursuant to Section 6.09 of the draft APA (see **Exhibit Q3-2**, Section 6.09), Prospect will do the following:

- Ensure that the post-closing hospital maintains and adheres to GWHN's current policies on charity care for at least five (5) years after the closing date, subject to changes in applicable law and other legal requirements or governmental guidelines or policies;
- For as long as Prospect owns and operates the hospital, operate the post-closing hospital's charity care program in accordance with applicable law, other legal requirements and governmental guidelines and policies, and continue to provide medically necessary services to the surrounding communities served by GWHN;
- For a period of at least five (5) years after the closing date, (i) participate in the Medicare and Medicaid programs and accept all Medicare and Medicaid patients, (ii) accept all emergency patients without regard to ability to pay, (iii) maintain an open medical staff, (iv) provide public health programs of educational benefit to the community, and (v) generally promote public health, wellness, and welfare to the community by operating the post-closing hospital with quality standards consistent with other hospitals owned by Prospect, subject, in each case, to changes in governmental law, policy or regulation;

Prospect will actively work with other providers in the Hospital's service area such as federally qualified health centers or community health centers to meet the needs of uninsured and underinsured individuals in the service area, including Medicaid recipients. Also see response to Question 26 regarding how the transaction will improve quality, accessibility and cost effectiveness of health care delivery.

25. Submit a list of all key professional, administrative and clinical department heads related to this proposal. Additionally, provide a copy of the Curriculum Vitae of each individual listed.

Response:

GWHN

GWHN's Administrative and Clinical Department Heads include the individuals listed below. Curriculum Vitae for each are included as **Exhibit Q25-1**.

Darlene Stromstad, President and Chief Executive Officer
Michael Cemenio, Vice President and Chief Information Officer
David J. Pizzuto, M.D., Vice President of Medical Affairs/Chief Medical Officer
Mark Holtz, Senior Vice President and Chief Operating Officer
James Moylan, Interim Chief Financial Officer
John Camus, Vice President Physician Practices (Alliance Medical Group/Waterbury Hospital)
Sandra A. Iadarola, R.N., Chief Nursing Officer/Vice President of Patient Care Services
Richard P. Kropp, Ed.D., Vice President for Human Resources
Patricia Gentil, Compliance and Privacy Officer

PMH

Prospect's Administrative and Department Heads are listed below. Biographical summaries for each are included as **Exhibit Q25-2**.

Samuel S. Lee, Chief Executive Officer
David Topper, President of Alta Hospitals System, LLC
Mitchell Lew, M.D., President
Stephen O'Dell Senior Vice President, Coordinated Regional Care
Steve Aleman, Chief Financial Officer
Ellen J. Shin, General Counsel and Secretary
Cindra Syverson, Chief Human Resources Officer
Von Crocket, Senior Vice President, Corporate Development
Hoyt Sze, Chief Compliance & Privacy Officer

- 26. Provide evidence as to how the Asset Purchase will improve quality, accessibility and cost effectiveness of health care delivery in the region, including but not limited to, provision of or any change in the access to services for Medicaid recipients and indigent persons.**

Response:


- a. After the Transaction closes, Medicaid recipients and indigent persons will have the same access to high quality services. It is anticipated that, over time, Prospect will achieve improvements in access and the quality of services available to will improve.

Prospect and GWHN representatives have already met with leadership for Connecticut's Medicaid Program and expressed their desire to work under a risk-based arrangement to provide care to Medicaid recipients. Prospect is currently working with officials in Rhode Island to pilot a Medicaid risk-based program in that state.

- b. Prospect's vision for Connecticut is to have strong and quality-driven hospitals with a robust network of aligned physicians operating from its CRC platform. Prospect will develop its CRC model for the communities served by GWHN by working with payers and physicians. Its experience with CRC in all of its other markets has allowed Prospect to attract more primary care providers and improve access to care. Prospect builds regional networks with its hospitals and medical groups that contribute to the entire continuum of care. In its development of the network in the Greater Waterbury area, it will partner with the medical staff to address gaps in care and services to ensure the effective management of all patients across the network.
- c. Prospect has a proven track record of effectively managing risk, capitation and bundled payments for its hospitals and medical groups, while at the same time delivering cost-effective, quality care. Prospect manages the provision of healthcare services to approximately 260,000 members through its network of over 8,900 primary care physicians and specialists. Its hospitals manage the care of 30,000 capitated Medicaid beneficiaries.

The CRC model allows Prospect to respond to the rapid changes in reimbursement and care delivery by operating its hospitals efficiently, aligning physician interests with the efficient and effective delivery of healthcare, and offering a full continuum of non-acute services in the hospitals' service areas. The goal is to ensure that patients receive the right care, at the right time, in the right setting, while avoiding unnecessary, inefficient and duplicative services and reducing medical errors. Prospect is proud of its results. For example, from 2012 to 2014 in California and Texas where Prospect participates in HMO contracts for seniors, Prospect has reduced hospital beds days per thousand from 1,260 to 720. Length of hospital stay for this population has been reduced from 5.1 days to 3.9 days, admissions per thousand have dropped from 245 per thousand to 182 per thousand and hospital readmissions within thirty days has dropped from 19% to 13%. (See below.) Prospect recognizes that the delivery of care varies from region to region, and while the same results may not be achieved here, Prospect is confident that improvements in these areas can be achieved to contribute to the cost effectiveness of care for the patients it serves.

Medicare Advantage Performance following CRC Implementation

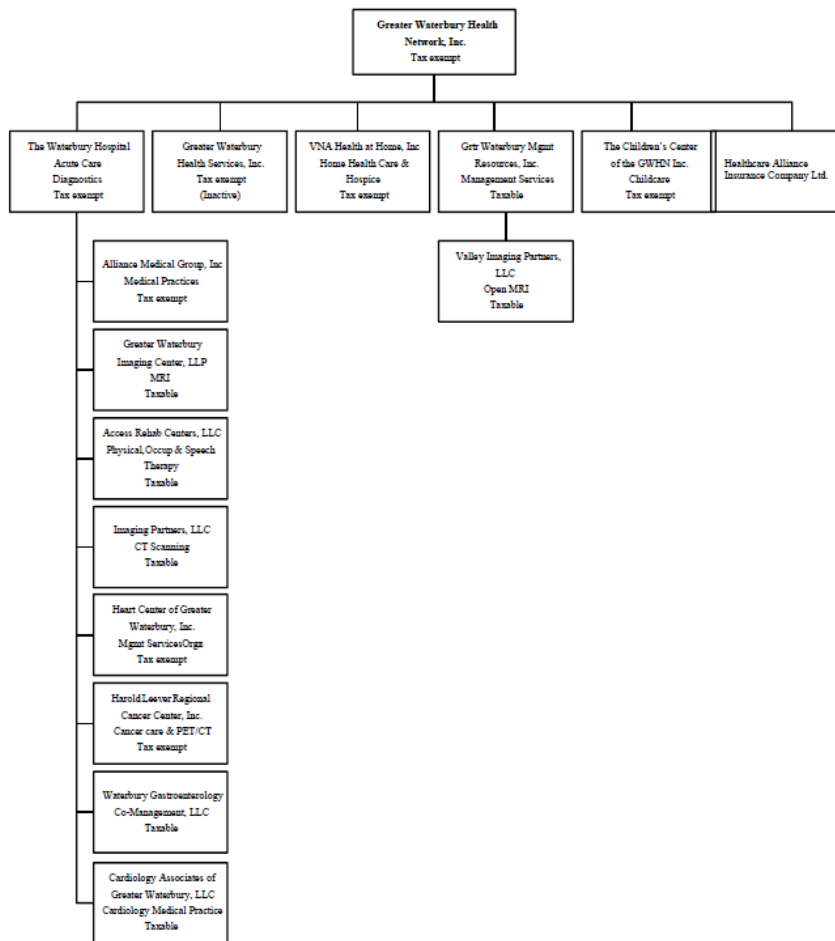
 Medicare Advantage Performance	
2012 - 2014 Results	
▪ Senior Bed-days/1000:	720 (down from 1260)
▪ Senior Average LOS in Days:	3.9 (down from 5.1)
▪ Senior Admits/1000:	182 (down from 245)
▪ Senior 30-Day Readmits:	13% (down from 19%)

27. Provide the corporate organizational chart prior to and after the proposed Asset Purchase, including all affiliates. For the organizational chart that depicts the post-Asset Purchase structure, working upward on the chain of ownership from the Hospital, please: (i) describe the nature of the ownership and control that each entity has in the entity directly below it; (ii) describe the major business activities/functions of each entity; (iii) provide the principal place of business address for each entity; and (iv) provide the name and business address of each individual currently serving as a member of the governing body of each entity.

Response:

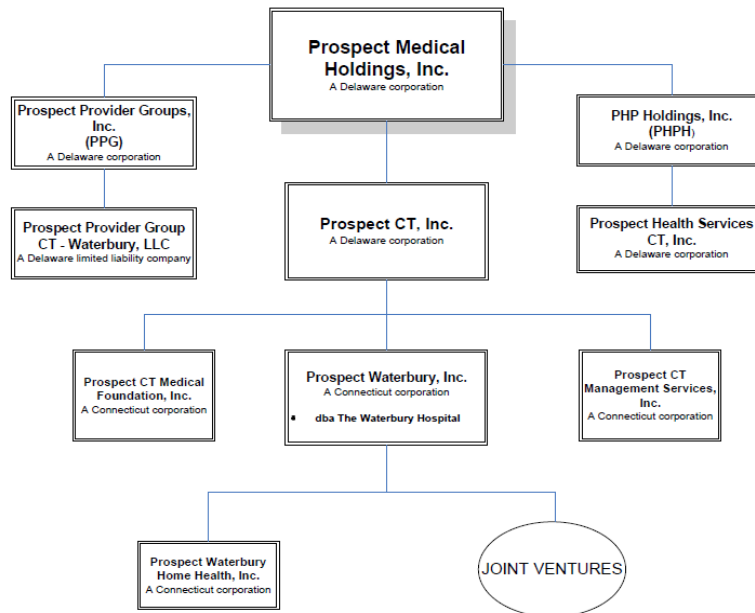
ORGANIZATION CHART OF GWHN

Set forth below is GWHN's organizational chart prior to the Transaction.



ORGANIZATIONAL CHART OF PMH

Set forth below is Prospect's organizational chart after the Transaction.



- (i) The nature of ownership and control is reflected in each organizational chart.
- (ii) The major business activities and functions of the post-closing entities will mirror those of the corresponding pre-closing entities.
- (iii) The principal place of business address for each entity will not be known until the entities have been formed.
- (iv) The name and business address of each individual currently serving as a member of the governing body of each entity will not be known until the entities have been formed.

Other Related Entities

Prospect will maintain a medical foundation that will employ physicians and other healthcare care providers from each of the health systems acquired in Connecticut.

- 28. Please provide the date on which the Hospital filed audited financial statements with OHCA. Applicants may reference these statements in responding to questions. In addition, provide a copy of PMH's most recent audited financial statements.**

Response:

GWHN's 2014 audited statements were electronically filed with OHCA on 2/27/15 and a hard copy was filed on 2/28/15 with annual OHCA filing.

A copy of Prospect's most recent audited financial statements are set forth in **Exhibit Q8-1**.

- 29. List all funding or financing sources for the \$100,000,000 in project costs (the "Project Costs") estimated for this acquisition by PMH. Provide applicable details such as interest rate; term; monthly payment; pledges and funds received to date; letter of interest or approval from a lending institution.**

Response:

Prospect has access to an existing corporate level credit facility in addition to its cash on hand. There is no financing contingency with respect to this transaction. The Applicants anticipate that Prospect would fund this acquisition (after giving effect for the assumption of liabilities), by using its existing cash.

With respect to the future capital commitments, the Applicants anticipate that such commitments would be funded through the operations of the post-closing hospital network (if it generates sufficient cash flow at the time of expenditures), Prospect's existing cash at the time of expenditure or, if necessary, Prospect's corporate level credit facility. Details, such as interest rate, term, and monthly payment amounts, do not apply to this Asset Purchase.

- 30. Indicate whether PMH has developed a plan to invest in facility improvements, general upgrades and renovations, deferred maintenance, and initiatives to develop, expand or acquire new programs or services, and to support the recruitment of medical staff at the Hospital (a "Capital Plan"). If yes, please provide a copy of the Capital Plan.**

Response:

- a. There is not a capital plan related to the Transaction at this time. Post-Closing, Prospect, in consultation with the Local Board, will develop a strategic capital plan with respect to the post-closing hospital, affiliates and joint ventures.
- b. Routine capital expenditures for facility improvements extend the useful life of the plant. Examples would include replacement of infrastructure/engineering system components such as boilers, electrical switchgear, elevator upgrades, or heating-air conditioning-ventilation units.

Non-routine capital expenditures would result in new technology or improvements to a facility that allow for new or expanded uses. Examples of non-routine facility improvements would include the addition or expansion of a clinical unit that would provide for a new service to be offered such as those made to house a wound care program with hyperbaric chambers, or adding additional birthing rooms to accommodate a growth in demand for obstetrical services or the development of an ambulatory surgery center in response to changing reimbursement schemes.

Deferred maintenance items involve maintenance activities, system upgrades, or repairs that are deferred to a future budget cycle or postponed until funding becomes available. Deferred maintenance most often involves routine capital expenditures as described above. Other examples of items that may be deferred or postponed could include replacements of equipment such as a computer server or installation of new finishes to an area within the facility.

31. Please describe the extent to which the Project Costs related to this proposal may be adjusted for each of the following:

a. outstanding indebtedness;

Response: The outstanding indebtedness for CHEFA bonds and the interest rate swap with Citizen's Bank will be paid at the closing with cash.

b. pension liabilities;

Response: The difference between the assets and liabilities for the CHCA Nurses Pension and the Hospital Cash Balance Plan will be deducted from the \$53M sales price.

c. retiree health benefits;

Response: There are no retiree health benefits. Therefore, there is no impact.

d. captive insurers;

Response: Reported medical malpractice and general liabilities will remain the responsibility of GWHN's captive insurance company. Prospect will assume all

medical malpractice liabilities which were incurred but not reported prior to the closing.

e. capital leases;

Response: Prospect has agreed to assume up to \$6.5M of capital lease obligations at Closing; any amount in excess of such \$6.5M will be deducted from the Capital Commitment.

f. asbestos abatement;

Response: The asbestos abatement liability on the books currently at \$2.8M will be subtracted from the sales price.

g. joint venture interests that may not transfer.

Response: The parties have agreed to work together to seek to convert such joint ventures to for-profit entities so that Prospect can take ownership of GWHN's interest in such joint ventures. Therefore it is presently anticipated that the interests will transfer as of the closing.

32. How, if at all, will non-approval by any of the joint venture interests referred to in Question 31(g) above affect the Asset Purchase?

Response:

As described above in 31(g), it is presently anticipated that all joint venture interests will transfer to Prospect as of the closing. If GWHN is unable to transfer some or all of the joint venture interests prior to the closing because of its inability to obtain the required consents from its joint venture partners, the purchase price will be reduced to reflect the value allocable to the joint venture interest not transferred at closing.

33. Please explain in detail the terms of any Capital Plan and in particular:

- a. how funds will be allocated for these purposes, including any projected annual amounts;**
- b. the capital projects for the Hospital that are deemed top priorities by the Applicants;**
- c. the service improvements for the Hospital that are deemed top priorities by the Applicants;**
- d. a list of capital projects and service improvements that are expected to be carried out within the first three years following the closing date; and**

e. discuss the ability of GWHN to address items listed in subsections 31(b) and 31(c) without the approval of this proposal.

Response:

Greater Waterbury Health Network
Capital Plan

Facility – Main Campus

Expansion of ED/Development of urgent care	\$3.75-\$M	24-36 months
Upgrade OB/Women’s health	\$2M	6-18 months
Upgrade outpatient surgery	\$2M	6-18 months

Equipment

Replace interventional radiology equipment	\$1.7M	12-18 months
Upgrade surgical/anesthesia equipment	\$1.5M	12-18 months

Outpatient Centers

1. Southbury
2. Naugatuck
3. Waterbury

Conceptually discussed for freestanding multi-use outpatient centers, no dollars assigned

Physician recruitment

No dollars yet assigned, immediate

Information Technology

1. Continue IT plan
2. Implement outpatient/physician practice strategy

No dollars yet assigned, immediate

Unless the Transaction is completed, these projects cannot be accomplished.

34. Describe in detail how this proposal will affect the financial strength of the State’s health care system and will be financially feasible.

Response:

The financial strength of the State of Connecticut’s health care system will be improved with this proposal as it will lead to a stronger and more financially secure post-closing health system for the greater Waterbury community. Connecticut’s hospitals and their affiliated hospital networks are an important part of the State’s health care system. The financial strength of Connecticut’s hospitals significantly contributes to the financial strength of the

State's entire health care system. Financially strong hospital systems can provide access to new and innovative services and improve access to necessary services. Increased access to needed health care services reduces the burden on State resources and improves the health status of the community.

The proposal anticipates a more fully integrated health care system utilizing Prospect's CRC model which offers resources, systems, and efficiencies which are essential for long term success in the evolving health care marketplace. Prospect will bring the strength of its CRC model to the service area of GWHN and provide innovation and a level of integration that GWHN could not possibly do independently. In order to offer high value health care and participate in the emerging value-based payment models, an essential focus of health care reform, providers across the continuum must establish new relationships, infrastructure and capabilities to provide cost efficient care. Significant investments are necessary for health systems to develop new competencies, process skills and knowledge. Examples include, but are not limited to: development and management of an advanced, comprehensive care continuum delivery network; population health management with the identification of those patients requiring high intensity care and sophisticated care management programs; actuarial and health economics data analytics; and integrated information technology, which few small hospital systems can afford. This proposal will allow the greater Waterbury community to benefit from the process skills and knowledge that allow clinical integration and coordination of care. The CRC model promotes efficiency that Prospect has developed over decades of participating in hospital operations by aligning physician interests with the efficient and effective delivery of healthcare, and offering a full continuum of non-acute services in the hospitals' service areas. The goal of the CRC model is to ensure that patients receive appropriate care, at the appropriate time, in the appropriate setting, while avoiding unnecessary, inefficient and duplicative services and reducing medical errors.

The Hospital's capital needs are significant and must be addressed in order to offer the latest technology and competitive facilities. Physical plant renovations are constantly required just to keep hospitals in good working order. For many hospitals, such as Waterbury Hospital, capital needs are large and cannot be met with current avenues for funding.

Prospect offers both financial strength and health care experience. Prospect is prepared to make the necessary investments, and has the financial resources to pay for this investment. These investments will strengthen GWHN, an integral part of Connecticut's health care system. The proposal is financially feasible, and will add to the strength of the State's health care system.

35. Please provide the current payer mix for the Hospital and the projected payer mix for the Hospital after the Asset Purchase (based on the number of patients, not based on revenue) in the following reporting format:

Response:

Table 1: Patient Population/Payer Mix

Waterbury Hospital
 Discharges

	YTD 8/31/2015	Projected FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018
Medicare	5,002	5,457	5,312	5,312	5,312
Medicaid	3,021	3,296	3,196	3,196	3,196
Champus	18	19	18	18	18
Total Gov't	8,041	8,771	8,526	8,526	8,526
Commercial	2,527	2,757	2,681	2,681	2,681
Self Pay	113	123	64	64	64
Work Comp	61	67	73	73	73
Total Non Gov't	2,701	2,947	2,818	2,818	2,818
Total	10,742	11,718	11,344	11,344	11,344

36. Provide the assumptions used to project the patient population/payer mix after the proposed Asset Purchase.

Response:

The current payer mix is based on fiscal year 2015 (October 1, 2014 – June 30, 2015). The patient population mix is not expected to change as a result of the APA. Therefore, we would assume the same patient population mix for the first three years after the acquisition.

37. Please provide one year of actual results and three years of projections of total revenue, expense and volume statistics without, incremental to and with the CON proposal in the following reporting format:

- a. **Financial Worksheet (C) – for the Hospital only (not inclusive of affiliates), GWHN and PMH without the CON project (columns 1, 2 5, 8 & 11) with the CON project and incremental to the CON project (remainder columns); and**
- b. **Submit Financial Worksheet (C) using the same page and print layouts (size, font, page orientation, margins, etc.) as provided by OHCA.**

Note that the actual results for the fiscal year reported in the first column must agree with the GWHN and the Hospital’s audited financial statements. The projections must include the first three full fiscal years of the project.

Response:

Set forth in **Exhibit Q37-1** is Financial Worksheet (C) for the Hospital only (not inclusive of affiliates), and for GWHN and PMH without the CON project (columns 1, 2, 5, 8 & 11), with the CON project and incremental to the CON project (remainder columns). Financial Worksheet (C) has been provided using the same page and print layouts as provided by OHCA.

38. Provide the assumptions utilized in developing Financial Worksheet (C) (e.g., full-time equivalents, volume statistics, other expenses, revenue and expense percentage increases, project commencement of operation date, etc.).

Response:

The assumptions utilized in developing Financial Worksheet (C) are included as **Exhibit Q38-1**.

39. Explain any projected incremental losses from operations contained in the financial projections that result from approval of the Asset Purchase and operation of the Hospital and GWHN.

Response:

There are no projected incremental losses from operations contained in the financial projections that result from approval of the Asset Purchase and operation of PMH.

- 40. Please describe any anticipated change to existing reimbursement contracts with payers (e.g., Medicare, Medicaid, commercial) as a result of the Asset Purchase. Is it assumed in the financial projections that Applicants will willingly negotiate with the payers that GWHN currently has contracts with?**

Response:

Prospect will accept all existing contracts with payers and will complete the change of ownership procedures required by commercial payers, as well as the Medicare Administrative Contractor and the Connecticut Medical Assistance Program (Medicaid).

- 41. Please explain in detail how the proposed Asset Purchase will be able to assure satisfaction of GWHN and/or the Hospital's debt and pension obligations.**

Response:

As a result of the Transaction, GWHN's debt and pension obligations will be addressed. At the time of the closing and as permitted thereafter, the purchase price (less adjustments) together with GWHN's cash, investments and debt service reserve funds (but excluding charitable funds not available to satisfy GWHN liabilities), will be used to satisfy GWHN's obligations. The funding gap of the pension plan will be deducted from the purchase price in consideration for assuming this liability.

- 42. Please address the following regarding staffing at the Hospital by completing "Staffing Attachments I&II."**

- a. Provide the levels of staffing for fiscal year ("FY") 2015 broken out as follows:**
- i. Average patient to nursing staff ratios per shift (a.m., p.m. and overnight) for each department and/or unit of the Hospital;**
 - ii. The same information as provided in subsection (a)(i) above showing the RN to patient ratio only; and**
 - iii. The average nursing hours per patient day (NHpPD) for each department and/or unit of the Hospital (all nursing staff should be included in the calculation of nursing hours).**
- b. Provide the projected levels of staffing by department and/or unit for the Hospital for the first three (3) full FYs following approval of the Asset Purchase broken out as follows:**

- i. **Average patient to nursing staff ratios per shift (a.m., p.m. and overnight) for each department and/or unit of the Hospital; and**
- ii. **The same information as provided in subsection (b)(i) above showing the projected RN to patient ratio only.**

Response:

Please see **Exhibit Q42-1** for Staffing Attachment I, which responds to Question 42.a, and see **Exhibit Q42-2** for Staffing Attachment II, which responds to Question 42.b.

- 43. For the Hospital, provide a detailed explanation by department and/or unit as completed by the Applicants in Staffing Attachment I, to reconcile any differences between FY 2015 nursing staff levels and those projected for the first three (3) full FYs following approval of the Asset Purchase.**

Response:

The nursing staff levels projected for the first three full fiscal years following the Asset Purchase are projected to remain at FY 2015 staffing levels. Such staffing ratios are estimates based on current circumstances and may be updated as appropriate to reflect Prospect and industry best practices, and which reflect changes in technology, implementation of the CRC model of coordinated care, and other factors related to the delivery of high quality, cost-effective care. Prospect is committed to staffing levels that comply with ratios mandated by Connecticut state law and which take into account patient safety and acuity, employee safety and facility census.

Prospect expects very close to 100% of all employees, including patient care staff, to accept employment with a Prospect affiliate.

- 44. For the Hospital, describe any other hospital-employed or hospital-contracted staff besides nursing staff (e.g., hospitalists, mid-level providers, therapists, etc.) that were engaged to provide direct patient care at the hospital (collectively, "Ancillary Caregivers") for FY 2015 broken out as follows:**
- a. **The type of Ancillary Caregivers and the department and/or unit to which such staff was assigned;**
 - b. **The average number of hours per week that such Ancillary Caregivers provided patient care for the department and/or unit; and**
 - c. **For the first three (3) full FYs following approval of the Asset Purchase, the average number of hours per week that such Ancillary Caregivers are projected to**

provide patient care for each department and/or unit of the hospital described in subsection (a) above.

Response:

Please see **Exhibit Q44-1** for the completed Ancillary Caregivers Staffing Attachment.

The Ancillary Caregivers Staffing Attachment has been completed for FY 2015 based on the actual worked hours experienced from October 1, 2014 through June 30, 2015.

Regarding the average number of hours per week that Ancillary Caregivers are projected to provide patient care for each hospital department and/or unit during the first three full FYs following approval of the Asset Purchase, please see response to Question 46, below, regarding satisfaction of DPH staffing requirements following approval of the Asset Purchase.

The staffing estimates provided on **Exhibit Q44-1** are based on current circumstances and volume and may be updated as appropriate to reflect PMH and industry best practices, and which reflect changes in technology, implementation of the CRC model of coordinated care, and other factors related to the delivery of high quality, cost-effective care. Staffing of Ancillary Caregivers may eventually shift with the implementation of the CRC model, which is expected eventually to result in changes in patient acuity and relative volumes of inpatient and outpatient services.

- 45. For the Hospital, provide a detailed explanation by department and/or unit to reconcile any differences between the average number of hours per week that the Ancillary Caregivers described in Question 44 above provided patient care in FY 2015 with those projected for the first three (3) full FYs following approval of the Asset Purchase.**

Response:

Ancillary Caregiver staffing levels will be based upon volume demands (which would impact unit configuration and size), patient acuity, staff experience levels, technology and best practice industry benchmarking. Over time, PMH's implementation of clinical integration strategies would be expected to improve efficiency and effectiveness in the allocation of staff.

- 46. For the Hospital, provide evidence that the proposed staffing for nursing staff and Ancillary Caregivers for the first three (3) full FYs following approval of the Asset Purchase meet all Connecticut Department of Public Health ("DPH") staffing requirements and assure continued access to high quality and affordable health care. Be sure to cite the appropriate DPH regulations and/or other industry benchmarks as applicable.**

Response:

Proposed staffing levels for nursing staff and Ancillary Caregivers following approval of the Asset Purchase will comply with DPH staffing requirements as outlined in Connecticut Statute § 19-13-D3(c)-(h).⁵ Waterbury Hospital will maintain compliance with this statute and have consistently demonstrated compliance to DPH surveyors as requested.

The specific regulation pertaining to nursing staff ratios is as follows:

Department of Public Health § 19-13-D3(e) Nursing service.

- (1) There shall be a competent nurse, licensed in Connecticut, as director of nursing service or an equivalent position, who shall be responsible to the administrator for nursing service in the hospital.
- (2) The ratio of patients to registered nurses on duty throughout the hospital shall at no time exceed twenty-five patients or fraction thereof to one registered nurse.
- (3) The ratio of patients to all nursing staff, registered nurses, licensed practical nurses and other nursing attendants on duty in the hospital shall not exceed seven patients, or fraction thereof, to one from 7 a.m. to 7 p.m., and fifteen patients, or fraction thereof, to one from 7 p.m. to 7 a.m.
- (4) If there is an in-patient obstetrical department, the following shall apply:
 - (A) The ratio of all nursing staff to patients for obstetrical services shall be no less than one nurse to each ten patients, or fraction thereof, on the 7am to 3pm shift; no less than one nurse to each fifteen patients, or fraction thereof, on the 3pm to 11pm shift; and no less than one nurse to each twenty patients, or fraction thereof, on the 11pm to 7 am shift;
 - (B) there shall be at least one registered nurse on duty at all times. For obstetrical services with a census of twenty or more patients, there shall also be a registered nurse on duty for overall supervision of the unit;
 - (C) these ratios shall be calculated without inclusion of newborns or pediatric patients.

With respect to the three full FYs following approval of the Asset Purchase, at a minimum, Prospect will continue to meet DPH staffing requirements for nursing and ancillary caregivers. Staffing levels may also change over time as population health management strategies and techniques are implemented. In the absence of DPH rules or other applicable regulations, Prospect will utilize its own or industry best practices to determine appropriate staffing levels, taking into account the health and safety of patients and employees, patient acuity and overall facility volume.

⁵ http://www.sots.ct.gov/sots/lib/sots/regulations/title_19/013d.pdf

47. Applicants are required to provide copies of the most recent CMS statements of deficiencies and plans of correction (CMS Form 2567) for all hospitals owned by PMH. Provide these documents in an electronic format only. PDF file on a CD to accompany the responses. No paper copies required.

Response:

Prospect has provided the most recent CMS statements of deficiency and plans of correction for the Rhode Island hospitals owned by Prospect, as these represent the hospitals most recently acquired by Prospect. A summary of each statement and copies of the related documents have been provided in electronic format only, as requested, in **Exhibit Q47-1**.

Prospect is committed to providing the highest quality care at all of its facilities and networks, as evidenced by the following quality care awards (see below):

Prospect Quality Care Awards



Quality Care Awards

Hospitals – Southern California

- HealthGrades and CareChex Five Star Hospital
 - Top 5% Pulmonary (Hollywood)
 - Top 5% Stroke (LA / Norwalk)
 - Top 5% Gen Surgery (LA / Norwalk)
 - Top 10% Women's Health (Culver City)

Hospitals – Texas

- Top 10% in Nation for Outstanding Patient Experience
- Top 5% in the Nation for GI Medical Treatment
- Joint Commission Top Performers on Key Quality Measures

Hospitals – Rhode Island

- Blue Distinction Center for Spine Surgery
- American Heart/Stroke Association Silver Award
- Joint Commission Gold Seal of Approval
- Certified Academic Comprehensive Cancer Center

Prospect Medical Group

- 2015, 2014, 2013 & 2012 "Elite Status" awarded by the California Association of Physician Groups
 - Care Management
 - Health IT
 - Accountability and Transparency
 - Patient Centered Care



48. Provide a copy of, and describe any changes to, any of the following policies and procedures that will be in place at the Hospital if the Asset Purchase is approved:

- a. Hospital collection policies (including charity care and bad debt);

Response: Under the terms of the draft APA, Prospect will ensure that the Hospital maintains and adheres to GWHN's current policy on charity care for at least five (5) years from Closing. (See **Exhibit Q3-2**, Section 6.09 of draft APA.) A copy of Hospital's current collection policies are set forth in **Exhibit 48-1**. There are no planned changes to these policies, except as may be required to comply with new legal or regulatory requirements.

- b. annual or periodic review and/or revision to the Hospital's pricing structure (the chargemaster or pricemaster); and**

Response: The chargemaster is provided to OHCA on a monthly basis. The structure will remain unchanged if the Asset Purchase is approved. The chargemaster is generally adjusted annually for inflation and/or market adjustments.

- c. the annual or periodic market rate assessment for the Hospital.**

Response: Not applicable.

- 49. The Hospital has provided OHCA with their annual FY 2015 pricemasters, which were most recently updated for the month of June 2015. With respect to this submission please answer the following:**

- a. Will the pricemaster change as a result of the Asset Purchase?**

Response: No. The pricemaster will not change as a result of the Asset Purchase, but Prospect will conduct periodic reviews of the pricemaster.

- b. If so, please identify any anticipated increases or decreases to the pricemaster as a result of the Asset Purchase.**

Response: Not applicable.

- c. Please quantify the overall percentage increase or decrease in the pricemaster that is anticipated in subsection (b) above and explain the rationale for such change.**

Response: Not applicable.

- 50. Please provide monthly financial statistics reports for the months of April, May and June FY 2015, current month and year-to-date, and comparable period for FY 2014 to OHCA, for the Hospital only, GWHN and PMH with the Application and thereafter on a monthly basis for each month (formatted side by side), until a public hearing in this matter is**

held. The following financial measurements/indicators should be addressed in the reports:

Monthly Financial Measurement/Indicators

A. <u>Operating Performance</u>
Operating Margin
Non-Operating Margin
Total Margin
Bad Debt as % Gross Revenue
B. <u>Liquidity</u>
Current Ratio
Days Cash on Hand
Days in Net Accounts Receivables
Average Payment Period
C. <u>Leverage and Capital Structure</u>
Long-term Debt to Equity
Long-term Debt to Capitalization
Unrestricted Cash to Debt
Times Interest Earned Ratio
Debt Service Coverage Ratio
Equity Financing Ratio
D. <u>Additional Statistics</u>
Income from Operations
Revenue Over/(Under) Expense
EBITDA
Cash from Operations
Cash and Cash Equivalents
Net working Capital
Unrestricted Assets
Credit Ratings (S&P, FITCH and Moody's)

Response:

Exhibit Q50-1 contains the monthly OHCA financial statistics reports for April, May, June, July and August of FY 2015, showing the current month and year-to-date, and the comparable period for FY 2014, for the Hospital. FY 2014 financial statistics for the entity which will acquire GWHN (Prospect Waterbury, Inc.) are not available, as the entity does not currently exist and will not be formed unless the Asset Purchase is approved.

51. For the Hospital, provide a copy of its IRS Form 990 for the tax year ending September 30, 2014 and with respect to the amounts listed on each line item within Part 1, Section 7 of Schedule H (“Financial Assistance and Certain Other Community Benefits at Cost”), provide a projected amount for each line item for the first three (3) tax years following the Asset Purchase.

Please note that it is understood that the Hospital will not file an IRS Form 990 following the Asset Purchase. This question is directed at determining the amount of programmatic and financial support that the Hospital will continue to provide in these community benefit categories. In providing this information, please elaborate on the specific activities included and how the projections demonstrate PMH’s commitment to maintain and adhere to GWHN’s current policies regarding charity care, indigent care, community volunteer services and community outreach services or to adopt other policies that are at least as favorable to the community as GWHN’s current policies.

Response:

A copy of the Hospital’s Form 990 for the tax year ending September 30, 2014 is attached as **Exhibit Q51-1**.

The proposed transaction will result in the transfer of assets to the Independent Foundation, investment income from which has historically been used, in part, to provide community benefits to the Waterbury area. As described in the answer to Question 10, the Independent Foundation will assess community needs and provide grants and resources to organizations, projects, or activities that promote health, including the health of underserved populations and care to populations that are unable to pay. In addition, PMH will continue to provide financial assistance and community benefits to the Waterbury area. As noted in response to Question 26, PMH will ensure that Waterbury Hospital maintains and adheres to GWHN’s current policies regarding charity care, and indigent care.

For the first three tax years following the Asset Purchase, the amounts set forth on such schedule are projected to increase 1% each year based on the assumption that there are no changes in the Medicaid population served or the complement of community benefit programs offered by the hospital.⁶

In addition to the above, PMH will pay sales and property taxes which will benefit the State and the local communities (note, however, that PMH and GWHN will seek abatement from sales and property taxes for a transition period after closing and such abatement is deemed critical to the overall success of the proposed transaction).

⁶ Includes estimated amounts for PMH and the Independent Foundation

- 52. For the Hospital, with respect to the amounts listed on each line item within Part II of Schedule H of the Hospital's IRS Form 990 for tax year ending September 30, 2014 ("Community Building Activities"), provide a projected amount for each line item for the first three (3) tax years following the Asset Purchase. Please note that it is understood that the Hospital will not file an IRS Form 990 following the Asset Purchase. This question is directed at determining the amount of programmatic and financial support that the Hospital will continue to provide in these community building activity categories. In providing this information, please elaborate on the specific activities included and how the projections demonstrate PMH's commitment to maintain and adhere to GWHN's current policies regarding charity care, indigent care, community volunteer services and community outreach services or to adopt other policies that are at least as favorable to the community as GWHN's current policies.**

Response:

PMH will continue to provide financial support for community building activities in the Waterbury area. As noted in response to Question 26, PMH will ensure that Waterbury Hospital maintains and adheres to GWHN's current policies regarding charity care and indigent care.

Similar to the amounts projected in the response to Question 51, the spending for Community Building Activities is projected to increase 1% each year and assumes no change in the Medicaid population served or the complement of community benefit programs offered by the hospitals.⁷

The projected spending for the Community Building Activities assumes that the same types of activities and services that were provided in FY 2013 will continue to be offered by PMH for the next three fiscal years and beyond if the proposed Asset Purchase is approved.

In addition to the above, PMH will pay sales and property taxes which will benefit the State and the local communities (note, however, that PMH and GWHN will seek abatement from sales and property taxes for a transition period after closing and such abatement is deemed critical to the overall success of the proposed transaction) .

- 53. Please discuss whether the Asset Purchase is expected to achieve an improved negotiating position with vendors and/or payers and, if such an improved negotiating position is anticipated, how it will translate into tangible savings for the consumer of health care services. Provide a response that both describes any anticipated improvements in detail and quantifies the expected results for the consumer.**

⁷ Includes estimated amounts for PMH and the Independent Foundation

Response:

As noted in Applicants' response to Question 26, a primary objective of the Transaction is to allow for a coordinated approach to care. When care is coordinated among the Hospital and community physicians and other providers, the patient population will benefit not only from the perspective of better care and better outcomes, but also from a cost perspective.

Prospect expects its approach to population management services to harness the efficiencies of facilities to enhance care at lower costs. It is anticipated that these cost savings will be passed on to consumers. Moreover, Prospect expects that the Transactions will allow the post-closing hospital system to offer plans in which it assumes financial risk which, with the support of Prospect, it will be in an improved position to assume.

The Applicants expect that for all of the reasons noted above and in the response to Question 20, the Transaction will benefit consumers from a financial standpoint, as GWHN will have a lower cost structure and superior, cost-competitive products than it otherwise would not be in a position to offer.

- 54. Provide details of plans to be put in place to ensure the proposed health care services provided by PMH adhere to the National Standards on Culturally and Linguistically Appropriate Services (CLAS) to advance health equity, improve quality and help eliminate health care disparities in the projected service area. (For more details on CLAS standards see <http://minorityhealth.hhs.gov/Default.aspx#sthash.U320zUXq.dpuf>.)**

Response:

After the closing, the post-closing hospital will continue to follow the policies and procedures currently in place at the Hospital with respect to Culturally and Linguistically Appropriate Services ("CLAS"), to which the Hospital adheres. The Hospital has updated its policies to ensure it is in compliance with CLAS and is actively working to ensure it is delivering high quality and safe patient care to all populations that come through its doors. The Hospital has launched a Diversity Council, representing the broad culturally diverse group of its employees, who are actively engaged in developing education and training for managers and eventually all employees throughout the system.

The Hospital provides interpreter services and this past year provided 26,000 minutes of interpretation through Language Line. Video conferencing also is available for sign language interpretation. Education on the availability and use of these services is routinely provided to staff.

The Hospital also participates in the Connecticut Hospital Association's Diversity Collaborative and holds educational fairs and celebrations during Cultural Diversity Week. Staff and members of the community are involved in developing and participating in this educational event. Members of the community also have provided education to the management staff, which included the use of educational films on cultural diversity, such as respect and awareness of Lesbian, Gay, Bisexual, Transgender (LGBT) patients. The Hospital is assessing its cultural of diversity proficiency, with the goal of becoming a leader in diversity in the community. The Hospital proudly participates in the community's annual "Gathering" to educate our community on our diversity initiatives.

Prospect has and will continue to adopt and adhere to national CLAS standards with a focus on governance, leadership and workforce that promotes CLAS and health equity through policy, practices and allocated resources; offering language assistance to individuals in their preferred language; and encouraging continuous improvement and accountability through ongoing assessments of post-closing hospital's CLAS-related activities and integrate CLAS-related measures into quality improvement activities.

- 55. What criteria will PMH use to offer current employees employment post transaction or in any new entities that may be formed as a result of this proposal? For those employees that will be employed post transaction by the Applicants, what is the projected difference in salary for current employees and similarly situated employees at other hospitals operated by PMH in similar markets?**

Response:

Prospect or an affiliate will offer employment to substantially all active employees in good standing as of the closing date, subject to the satisfactory completion of Prospect's usual and customary hiring practices, in positions and at salaries at least equal to those then being provided by GWHN and with employee benefits substantially similar to employee benefit plans that are comparable to those offered to similarly situated employees at other hospitals operated by Prospect in similar markets.

- 56. Please provide information regarding whether any health care providers or insurers have an ownership interest in PMH.**

Response:

Prospect shareholders include Jeereddi Prasad, M.D., and Sudathi Jeereddi, M.D., each of whom is a California-licensed physician.

- 57. Please provide information on the relationship, if any, that PMH's existing medical group segment will have to this proposal.**

Response:

Prospect's existing medical group affiliates do not have operations in Connecticut and will not participate in post-closing arrangements related to the Asset Purchase. Post-closing, however, it is anticipated that Prospect Provider Group CT – Waterbury, LLC, and Prospect Medical Systems, Inc., Prospect's CRC subsidiary, will play a significant role in the development, implementation and management of physician-hospital alignment strategies, e.g., through CRC, and will share leadership, best practices, experience and knowledge.

58. Please identify PMH's five (5) most recent acute care hospital acquisitions and, for each acquisition, describe in detail how:

- (a) the acquisition improved access to care for the hospital's service area;**
- (b) the acquisition improved the quality of health care for the hospital's service area;**
- (c) the acquisition lowered the cost of health care for the hospital's service area; and**
- (d) with respect to subsections (a) through (c) above, please demonstrate these improvements/cost reductions through benchmarks and other data that are commonly used in the hospital industry.**

Response:

Please refer to **Exhibit Q58-1**, which presents detailed information regarding the 2014 acquisitions by PMH of Bellflower Medical Center in Bellflower, California (now known as Los Angeles Community Hospital at Bellflower), Newport Specialty Hospital in Tustin, California (now known as Foothill Regional Medical Center), Roger Williams Medical Center in Providence, Rhode Island, and Our Lady of Fatima Hospital in North Providence, Rhode Island, as well as the 2012 acquisition by PMH of four hospital facilities from Nix Health Care System.